corêo® real estate

Annual Report 2021

Content

Report of the Supervisory Board to the Annual General Meeting
for the 2021 fiscal year

Dear shareholders,

The Supervisory Board reports below on its activities in the financial year of 2021.

Monitoring and consulting in continuous dialogue with the Management Board

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

Composition of the Supervisory Board and the Management Board

In accordance with the statutory provisions of Coreo AG, the Supervisory Board consists of three members. The Ordinary General Meeting on 14 September 2021 appointed two new members to the Supervisory Board. The Supervisory Board was then composed of the following members in the financial year:

1 January 2021 until 14 September 2021:

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

15 September 2021 until 31 December 2021:

- Stefan Schütze (Chairman of the Supervisory Board),
- Jürgen Faè (Deputy Chairman of the Supervisory Board),
- Dr. Christoph Jeannée
  (member of the Supervisory Board).

During the 2021 financial year, to ensure efficiency, the Supervisory Board again dispensed with the formation of committees due to its size and the extent of the business.

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

Main topics of the meetings of the Supervisory Board

In the year under review, six ordinary meetings of the Supervisory Board took place.

At the meetings, the Managing Board regularly reported on the development of the company and the property portfolio as well as significant business transactions. Real estate investment opportunities were also reviewed and evaluated, considering opportunities and risks as well as cash flow and financing scenarios. Decisions by the Supervisory Board were taken during meetings or in writing, on the basis of detailed, pertinent information and analyses, as far as these were not yet ripe for decision or necessary at the time of the meeting.

In the balance sheet meeting on 20 April 2021, the auditor reported on the major findings of the annual audit to the Supervisory Board. The Supervisory Board approved the annual financial statement for 31 December 2020 which had been given the unconditional auditor's certificate. Furthermore, the items on the agenda of the Annual

General Meeting were discussed and approved unanimously. The acquisition of the commercial property in Delmenhorst was another item on the meeting's agenda. The investment in the property presented by the Managing Board was unanimously approved.

The agenda of the meeting on 14 June 2021 included two further real estate investments (commercial and residential), which were discussed in detail and finally approved unanimously. The strategic further development of the company was also discussed.

The Supervisory Board's meeting on 29 July 2021 primarily dealt with the major shareholder change that took place in the Company and the related formalities of the Company's Ordinary General Meeting. As scheduled, the term of office of the Supervisory Board members Dr Benkner and Dr Schmitz ended at the end of the Annual General Meeting 2021. Therefore, the Supervisory Board unanimously decided at the meeting to propose Dr C. Jeannée and Mr J. Faè for election to the Supervisory Board in their place at the Ordinary General Meeting.

The meeting on 16 September 2021 focused on the constitution of the Supervisory Board. Accordingly, the Supervisory Board came together to appoint its Chairman and Deputy Chairman. Stefan Schütze was confirmed in his position as Chairman of the Supervisory Board and Jürgen Faè was appointed as his deputy.

The development of the company and its real estate portfolio as well as the growth strategy were debated in detail on 18 November 2021.

On 9 December 2021, at its last meeting of the 2021 financial year, the Supervisory Board dealt with details of liabilities, in particular the investor loan of €23 million from 2020 and the outlook for 2022.

Annual audit for 2021

The financial statement, prepared for Coreo AG in accordance with the German Commercial Code (HGB), as well as in accordance with the International Financial Reporting Standards (IFRS) by the Management Board for the 2021 financial year were voluntarily audited by Votum AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt am Main who issued the unconditional auditor's certificate. The auditing management was shared by Mr Leoff and Mr Lehnert.

The Supervisory Board was provided with the financial statements and the audit report of the auditor. During the balance sheet meeting on 11 May 2022, they were examined in particular with regard to legality, regularity and expediency and discussed in detail with the Managing Board and the auditor. 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 presented a report on the results of the audit as a whole and on the individual focal points of the audit and answered the questions of the members of the Supervisory Board in detail. The Supervisory Board examined the submitted Annual Financial Statements and the audit reports itself within the usual framework. The Supervisory Board was convinced in the process that the audit reports as well as the audit conducted by the auditors themselves complied with the legal requirements and raised no objections.

With the Supervisory Board's resolution of 11 May 2022, the Supervisory Board approved the Annual Financial Statements 2021 and thereby adopted them.

Closing remarks

The Supervisory Board expresses its thanks to the Management Board and the employees for their commitment and achievements.

For the Supervisory Board,
Frankfurt am Main, 11 May 2022

Stefan Schütze
Chairman of the Supervisory Board

Consolidated financial statement (IFRS) of Coreo AG
as of 12/31/2021

Consolidated balance sheet as of 12/31/2021 (IFRS)
Assets

in TEUR	12/31/2021	12/31/2020	Notes
Intangible assets	3	4	5.1.1
Tangible assets	68	48	5.1.2
Investments in properties	63,524	54,259	5.1.3
Financial assets	12,600	13,635	5.1.4
Other assets	304	0	5.1.5
Deferred tax assets	20	233	6.2.4
Non-current assets	**76,519**	**68,179**	
Inventories	9,759	8,918	5.2.1
Trade receivables	527	591	5.2.2
Financial assets	978	1,017	5.2.3
Other assets	391	1,494	5.2.2
Tax receivables	205	187	5.2.4
Cash and bank balances	7,666	3,276	5.2.5
Assets held for sale	1,305	902	5.2.6
Current assets	**20,831**	**16,384**	
Total assets	**97,350**	**84,563**	

Consolidated balance sheet as of 12/31/2021 (IFRS)
Liabilities

in TEUR	12/31/2021	12/31/2020	Notes
Subscribed capital	17,540	17,540	6.1.1
Capital reserves	24,097	24,097	6.1.2
Revenue reserves	12,545	12,545	6.1.3
Retained earnings/loss	-27,077	-24,785	6.1.4
Other result	-99	-239	6.1.5
Equity attributable to shareholders of Coreo AG	**27,006**	**29,158**	
Non-controlling interests	84	137	6.1.6
Equity	**27,090**	**29,295**	
Other provisions	6	6	6.2.1
Financial liabilities	51,193	32,623	6.2.2
Other liabilities	1,256	89	6.2.3
Deferred tax liabilities	1,536	1,166	6.2.4
Non-current liabilities	**53,991**	**33,884**	
Other provisions	444	390	6.3.1
Financial liabilities	14,496	18,996	6.3.2
Accounts payable trade	266	1,017	6.3.2
Other liabilities	292	477	6.3.2
Tax liabilities	771	504	6.3.3
Current liabilities	**16,269**	**21,385**	
Total equity and liabilities	**97,350**	**84,563**	

Statement of comprehensive income (IFRS)
01/01/2021 to 12/31/2021

in TEUR	2021	2020	Notes
Rent revenues	4,349	3,515	7.1
Revenues from the sales of properties	10,318	6,092	
Book value from the solt properties	-8,945	-5,604	
Result from the sale of investment properties	**1,373**	**488**	7.2
Result from the valuation of investment properties	1,863	847	7.3
Other revenues	109	168	7.1
Other operating revenues	233	57	7.4
Cost of materials	-2,470	-2,290	7.5
Personnel costs	-1,035	-1,050	7.6
Depreciation and impairments	-27	-698	7.7
Other operating costs	-1,557	-1,726	7.8
Earnings before interest and tax (EBIT)	**2,838**	**-690**	
Financial income	91	165	7.9
Financial expenses	-2,965	-2,316	7.10
Other financial result	50	26	
Earnings before tax (EBT)	**14**	**-2,814**	
Taxes on income and profit	-908	377	7.11
Period result	**-894**	**-2,437**	
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	-1,225	1,521	
Income taxes on positions that are not reclassified	-2	-23	
Other earnings after taxes	**-1,227**	**1,499**	6.1.5
Total result	**-2,121**	**-938**	
The result for the period is attributable to			
Shareholders of Coreo AG	-925	-2,424	
Non-controlling shareholders	30	-13	
The total result is attributable to			
Shareholders of Coreo AG	-2,151	-925	
Non-controlling shareholders	30	-13	
Shares outstanding (undiluted and diluted)	17,540,460	17,540,460	6.1.1
Earnings per share (undiluted and diluted) in EUR	-0.05	-0.14	4.1.16

Cash flow statement (IFRS)
01/01/2021 to 12/31/2021

in TEUR	2021	2020
Period result	-894	-2,437
Result from the valuation of investment properties and change in value of properties held for sale	-1,863	-847
Result from the sale of properties	-1,373	-488
Depreciation	142	698
Other non-cash expenses and income	50	92
Increase/reduction of provisions	54	-8
Increase/reduction of receivables and other current assets	-691	-1,156
Increase/reduction of liabilities and other dept	497	120
Inflows from the disposal of inventories	856	746
Payments for investments in inventories	-1,201	-9,204
Financial income	-141	-191
Financial costs	2,965	2,316
Income taxes	908	-377
Interest received	68	70
Interest payed	-2,148	-2,632
Tax payments	-65	-504
Cash flow from operating activities	**-2,836**	**-13,802**
Payments received from real estate sales	9,461	5,346
Payments for investment properties and properties held for sale	-16,347	-15,156
Payments for investmens in property, plant and equipment	-44	0
Proceeds from the disposal of other assets	0	2,032
Payments made for the investment in other assets	-175	-156
Cash flow from investment activities	**-7,105**	**-7,934**
Proceeds from capital increases	0	1,913
Payments to non-controlling interests	-83	0
Cash received from loans	23,681	37,049
Repayment of loans	-9,266	-6,145
Payments received from the issue of a bond	0	2,000
Cash outflows from the repayment of the bond	0	-15,000
Cash flow from financing activities	**14,332**	**19,817**
Change in cash and cash equivalents	4,390	-1,919
Cash at the beginning of the period	3,276	5,195
Cash at the end of the period	**7,666**	**3,276**

Statement of changes in equity (IFRS)
01/01/2021 to 12/31/2021

in TEUR	Subscribed capital	Capital reserve	Revenue reserve	Result carried forward	Other result	Shareholders' equity	Non-controlling interests	Total equity
Status as of 01/01/2020 according to IFRS	**15,946**	**23,778**	**12,545**	**-22,362**	**-1,737**	**28,169**	**151**	**28,319**
Period result	-	-	-	**-2,424**	-	**-2,424**	**-13**	**-2,437**
Changes in value, without effect of financial assets measured at fair value through profit or loss in the form of equity instruments	-	-	-	-	1,499	1,499	-	1,499
Other result after taxes	-	-	-	**-**	**1,499**	**1,499**	-	**1,499**
Comprehensive income	-	-	-	**-2,424**	**1,499**	**-925**	**-13**	**-938**
Capital increase	1,594	-	-	-	-	1,594	-	1,594
Premium from issue new shares	-	319	-	-	-	319	-	319
Status as of 12/31/2020 according to IFRS	**17,540**	**24,097**	**12,545**	**-24,785**	**-239**	**29,158**	**137**	**29,295**
Status as of 01/01/2021 according to IFRS	**17,540**	**24,097**	**12,545**	**-24,785**	**-239**	**29,158**	**137**	**29,295**
Period result	-	-	-	**-925**	-	**-925**	**30**	**-894**
Changes in value, without effect of financial assets measured at fair value through profit or loss in the form of equity instruments	-	-	-	-	-1,227	-1,227	-	-1,227
Other result after taxes	-	-	-	-	**-1,227**	**-1,227**	-	**-1,227**
Comprehensive income	-	-	-	**-925**	**-1,227**	**-2,151**	**30**	**-2,121**
Distributions	-	-	-	-	-	-	-83	-83
Disposal of financial assets measured at fair value through other comprehensive income in the form of equity instruments	-	-	-	-1,366	1,366	-	-	-
Status as of 12/31/2021 according to IFRS	**17,540**	**24,097**	**12,545**	**-27,077**	**-99**	**27,006**	**84**	**27,090**
Notes	6.1.1	6.1.2	6.1.3	6.1.4	6.1.5		6.1.6	

Notes to the consolidated financial statements (IFRS)
for the Financial Year from 1 January to 31 December 2021

1. General information

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

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

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

2. Basis of preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of Core AG as of 31 December 2021 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.

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 or Group.

The preparation of the Consolidated Financial Statements is conducted applying amortised cost. Real estate held as a financial investment, non-current assets held for sale, derivative financial instruments, and equity instruments, which are valued at fair value, are particularly excluded from this.

The balance sheet value 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 of the Group. The Consolidated Statement of Comprehensive Income is prepared using the total cost method.

The Financial Year shall correspond to the calendar year. The Consolidated Financial Statements are prepared in euro, the functional and presentation currency of the Group. Unless otherwise stated, all financial information presented in euros is in thousands of euros (TEUR). We would like to point out that differences may occur in the use of rounded amounts and percentages due to commercial rounding.

These Consolidated Financial Statements are prepared on the assumption that the Group will continue as a going concern.

2.1 Changes in accounting policy - New IFRS standards and interpretations

The applied Accounting Policy is the same as those applied in the previous year, with the exception of the new and revised IFRS standards and interpretations applied for the first time in the Financial Year.

2.1.1 New Accounting Standards to be applied in the Financial Year

First-time application of new and amended standards and interpretations in the 2021 Financial Year:

Standard	Title
Amendments to IFRS 4	Extension of the temporary exemption from the application of IFRS 9
Amendments to IFRS 9/IAS 39/IFRS 7/IFRS 4/IFRS 16	Amendments to IFRS 9, IAS 39 and IFRS 7 with regard to the effects of the IBOR reform - Phase 2
Amendments to IFRS 16	IFRS 16 Accounting for rental concessions in the context of the coronavirus pandemic after 30 June 2021

For the first time, the standards, or interpretations to be applied in the Financial Year had no or no material impact on the Consolidated Financial Statements.

2.1.2 New Accounting Standards to be applied in upcoming Financial Years

For the 2021 Financial Year, the application of the following standards, interpretations and amendments to existing standards is not yet mandatory. Coreo did not apply the corresponding announcements on a voluntary basis at an earlier date either. In each case, mandatory application relates to Financial Years beginning on or after the specified date:

Standard / interpretation	Title	Mandatory application as of
Endorsed		
Amendments to IFRS 3	Reference to the frame concept	01/01/2022
Amendments to IAS 37	Onerous contracts - costs of fulfilling the contract	01/01/2022
Amendments to IAS 16	Tangible assets: Income before planned use	01/01/2022
Improvement standards 2018-2020	Improvement in IFRS 1/IFRS 9/ IFRS 16 and IAS 41	01/01/2022
Amendments to IFRS 17	Modifications to IRFS 17	01/01/2023
Endorsement still pending		
Amendments IAS 1/PS 2	Disclosure of accounting policies	01/01/2023
Amendments to IAS 8	Amendments to IAS 8 -> Definition of accounting estimates	01/01/2023
Amendments to IAS 1	Classification of liabilities as current or non-current	01/01/2023
Amendments to IFRS 17	First-time adoption of IFRS 17 and IFRS 9 - comparative information	01/01/2023
Amendments to IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction	01/01/2023

According to current estimates, the new or amended IFRS statements mentioned in the table above have no material impact on the Consolidated Financial Statements. 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.

3. Consolidated Entity and Consolidation Methods

3.1 Consolidated entity

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 on the basis 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 Statement of Comprehensive Income and the Consolidated Results from the actual date of acquisition or up to the actual date of disposal.

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

A joint venture is a common agreement in which the parties that have common control have rights to the net assets of the agreement. Joint control is defined as the contractually agreed, jointly exercised control of an arrangement. This is only the case when decisions on the relevant activities require the unanimous consent of the parties involved in the common management.

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.

In accordance with the equity method, shares in associated companies or joint ventures are included in the Consolidated Statement of Financial Position at acquisition 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 date of acquisition. 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.

The group of consolidated companies includes in addition to the parent company 12 (previous year: 10): 12) Subsidiaries. They are included in the Consolidated Financial Statements using the rules of full consolidation.

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 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.

Company acquisitions, disposals, and start-ups

During the reporting period, the number of Group companies included in the Consolidated Financial Statements under the full consolidation method and the number of associated companies included under the equity method developed as follows:

	12/31/2020	Additions	Disvestures	12/31/2021
Consolidated subsidiaries	12	0	0	12
Companies valued according to the at-equity method	0	0	0	0
Total	**12**	**0**	**0**	**12**

Start-ups

No company was newly incorporated or acquired in the Financial Year 2021.

3.2 Consolidation methods

The Consolidated Financial Statements include all subsidiaries by means of full consolidation. Capital consolidation is conducted in accordance with the purchase method pursuant to IFRS 3. In the context of company and business acquisitions, the acquisition costs are offset against the fair value of the acquired assets and liabilities at the date of acquisition. Where there is a positive difference arising from offsetting, this is recognised as goodwill. Any negative difference is recorded as income after appropriate testing. Ancillary acquisition costs associated with the acquisition of a company are recognised as expenses in the periods in which they are incurred. Any differences arising from the sale and purchase of non-controlling shareholder are recognised in equity capital.

Any balances within the Group, transactions, income, expenses, profits, and losses of the companies included in the Consolidated Financial Statements by means of full consolidation are eliminated in full in the course of consolidation.

In accordance with IAS 28, joint ventures and associated companies are consolidated using the equity method. The initial accounting of the participation is conducted at acquisition costs. The book value approach is then updated by the proportionate changes in the equity capital of the associated company or joint venture during the subsequent consolidation.

Non-controlling shares are the portion of profit or loss and net assets that is not attributable to the shareholders of the parent company of the Group. Non-controlling shares are valued at their proportionate share of the identified net assets of the acquired company at the date of acquisition. Non-controlling shares are disclosed separately in the Consolidated Statement of Comprehensive Income and in the Consolidated Statement of Financial Position. In the Consolidated Statement of Financial Position, they are presented within equity capital, separately from the equity capital attributable to shareholders of the parent company.

All Group companies prepare their financial statements in euros, the functional currency of the Group.

4. Significant accounting policies

The financial statements included in the Consolidated Financial Statements were prepared in compliance with uniform accounting and valuation principles.

4.1.1 Intangible assets

In the Coreo Group, only intangible assets acquired in exchange for payment are recognised in the balance sheet. They are recognised at amortised acquisition or production costs.

Intangible assets with a specific useful life are amortised on a straight-line basis over the respective useful life. The useful life is between three and five years.

Intangible assets with an indefinite useful life are not amortised and are subject to a regular impairment test. There are no intangible assets with indefinite or indefinite useful lives.

Estimates of the period of cash inflows from the intangible assets are used to determine the expected useful lives and the amortisation periods. Furthermore, impairment tests are conducted.

4.1.2 Tangible assets

Tangible assets are stated at acquisition or production costs less accumulated scheduled depreciation and accumulated impairment costs. If it is probable that future economic benefits associated with the item of property, plant and equipment will flow to Coreo, subsequent acquisition or production costs are recognised.

The expected useful lives of the assets are used as the basis for straight-line depreciation. Movable fixed assets are amortised over three to nine years. Low-value assets are fully depreciated in the year of acquisition

The book values of tangible assets are reviewed for impairment as soon as there are indications that the book value of an asset exceeds the achievable price.

An item of property, plant and equipment is derecognised either upon disposal or when no further economic benefit can be expected from its continued use or sale. The gain or loss resulting from the derecognition of the asset is recognised as the difference between the net disposal proceeds and the remaining book value under other operating income or other operating expenses.

At the end of each Financial Year, the residual values of the assets, useful lives and depreciation methods are reviewed and adjusted if required.

Please refer to the explanations under 4.1.11 with regard to the accounting and valuation of rights of use in accordance with IFRS 16.

4.1.3 Real estate held as a financial investment

The qualification of real estate held as a financial investment 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 by the Company itself or held for sale in the ordinary course of operating activities. Real estate held as a financial investment includes land with residential and commercial buildings as well as undeveloped land.

Real estate held as a financial investment is initially valued at acquisition or production costs including transaction costs. Real estate held as a financial investment is subsequently valued at fair value. Gains or losses from fair value adjustments are recognised as income or expense in the Consolidated Statement of Comprehensive Income.

The market value corresponds to the fair value. Valuations 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. This estimate excludes in particular price assumptions which are increased or decreased by ancillary agreements or special circumstances.

Savills Immobilien Beratungs-GmbH, Berlin, an accredited external independent valuer, conducted the valuation of the real estate portfolio as at the reporting date in accordance with internationally accepted valuation procedures. In accordance with the valuation hierarchy of IFRS 13, the fair value measurement of real estate held as a financial investment is assigned to Level 3.

Real estate held as a financial investment is derecognised when it is disposed of or permanently withdrawn from use and no future economic benefits can be expected from its disposal. Gains or losses on the closure or disposal of real estate held as a financial investment are recognised in the year of closure or disposal.

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

4.1.4 Impairment of assets

Assets that are subject to be depreciated are reviewed for an impairment whenever there is a corresponding indication. If the reason for the impairment loss no longer exists, a reversal of impairment losses is conducted. Assets that are not depreciated are reviewed for impairment loss at each balance sheet date.

4.1.5 Financial assets

In accordance with IFRS 9, Coreo classifies financial assets into the following categories:

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

The classification of financial assets depends on the business model for managing the financial assets and the contractual cash flows. In accordance with IFRS 9, derivatives embedded in contracts where the basis is a financial asset within the scope of the standard are never accounted for separately. Instead, the hybrid financial instrument as a whole is evaluated with regard to the classification. The Group determines the classification of its financial assets at initial recognition. The classification is conducted individually for each instrument. Reclassification is only permitted if the business model is changed.

Where a financial asset is held for the purpose of receiving contractual cash flows that represent solely interest and principal payments, the asset is valued at amortised cost. All remaining financial assets are valued at fair value. In principle, changes in fair value are recorded as income, although Coreo makes use of the option to recognise changes in fair value recognised directly in equity for selected equity instruments that are not held for sale.

For financial assets (equity instruments) valued at Fair Value through Other Comprehensive Income, the Group can exercise the irrevocable option of measuring each individual financial instrument at fair value recognised directly in equity at the time of acquisition. If the financial instrument is held for trading or contingent consideration recognised by an acquirer in a business combination, designation is prohibited.

A financial asset is classified as held for trading if it was primarily acquired for the purpose of selling in the near future. Alternatively, on initial recognition it is part of a portfolio of clearly identified financial instruments that are managed together by the Group and for which there is evidence of a recent actual pattern of short-term profit-taking. Finally, it is a derivative that has not been designated as a hedging instrument, would be effective as such and does not constitute a financial guarantee.

Financial assets at Fair Value through Other Comprehensive Income (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. The accumulated gains or losses are not reclassified to the consolidated statement of comprehensive income upon disposal of the equity instrument but are transferred to retained earnings. Dividends from these equity instruments are recognised in the Consolidated Statement of Comprehensive Income pursuant to IFRS 9, unless the dividends clearly represent a repayment of part of the acquisition cost of the equity instruments. Dividends, if any, are recognised in the Finance income in the Consolidated Statement of Comprehensive Income.

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

The fair values of investments, shares, and other securities on which the valuation is based are derived from the stock market prices quoted on the reporting date, transactions that occurred close to the reporting date or information other than quoted market prices that are observable either directly (e.g., prices) or indirectly (e.g., derived from prices). If a fair value cannot be reliably determined for unlisted investments and other securities in individual cases, they are recognised at acquisition cost as an alternative, unless the lower valuation is applied. Acquisition costs are determined at the price on the settlement date. At Coreo, this relates to minority interests in listed and non-listed companies and funds reported as financial assets.

The debt instruments held by Coreo are valued at amortised cost if the Group intends to hold the instruments and realize the specified cash flows, which may only include interest and principal components. This applies to Coreo's trade receivables, other current assets and cash and cash equivalents.

Impairments of financial assets are determined pursuant to IFRS 9 in accordance with the expected credit loss model. Under IFRS 9, the expected credit losses are based on the expected credit losses (ECL) over the term, which are based on probability-weighted assumptions. 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 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 balance sheet date. In determining whether the default risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and available without undue expense of time and money. This comprises both quantitative and qualitative information and analyses based on the Group's past experience and sound estimates, including forward-looking information.

The Group uses a simplified method for calculating expected credit losses on trade receivables. Consequently, the Group does not track changes in credit risk, but instead recognises a provision for credit risk based on the total maturity ECL both at initial recognition and at each subsequent balance sheet date. Based on its past credit loss experience, the Group prepares an allowance matrix adjusted for forward-looking factors specific to the borrowers and the economic environment. The requirement for value adjustments is reviewed at each balance sheet date with regard to expected credit losses and adjusted if necessary. The value adjustment ratios are determined on the basis of the overdue periods of the receivables. If for trade receivables, 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.

When the contractual rights to cash flows from a financial asset expire, the financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognised.

4.1.6 Real estate inventories

Inventories comprise land and buildings held for sale. 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 conducted in the context of the purchase decision and implemented accordingly in the balance sheet at the time of acquisition.

Additions are valued at acquisition or production costs. At the balance sheet date, they are valued 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.

4.1.7 Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position include cash on hand and bank balances with an original term of up to three months.

4.1.8 Assets held for sale

The classification as assets held for sale is made when the assets are available for sale in their present condition on current terms and the sale is highly probable. A sale is regarded as highly probable if the plan for it has been decided and the search for a buyer and the implementation of the plan have been actively initiated, the asset is being actively offered at a reasonable price and the sale is expected to take place within one year from the date of classification.

Coreo recognises real estate held as a financial investment and related financial liabilities as assets held for sale if the above criteria are fulfilled at the balance sheet date. Properties held for sale are valued at fair value. Gains or losses from the valuation of properties held for sale are reported in the Consolidated Statement of Comprehensive Income under the item result from the valuation of investment properties.

4.1.9 Other provisions

Provisions are recognised when the Group has a current obligation (legal or constructive) as a result of an event in the past, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the provision. The valuation of provisions is based on the best possible estimate of the extent of the obligation.

The expense for the creation of a provision is recognised in the Consolidated Statement of Comprehensive Income after deduction of the reimbursement.

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 case of discounting, the increase in provisions due to the passage of time is recognised in financial expenses.

4.1.10 Financial liabilities

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

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

Financial liabilities are valued at fair value less directly attributable transaction costs upon initial recognition. Financial liabilities are valued at amortised cost using the effective interest method after initial recognition. 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. Non-current non-interest-bearing financial 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 different terms, or if the terms of an existing liability are 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 book values is recorded as income.

The financial liabilities of the Group comprise amounts due to banks, amounts due to other lenders, trade payables and other payables. They are initially valued at fair value less directly attributable transaction costs. They are subsequently valued without exception at amortised cost using the effective interest method.

4.1.11 Leasing

At the start of a contract, the Group assesses whether a contract constitutes or contains a leasing relationship. That is the case when the contract gives the Group the right to control the use of an identified asset for a specified period of time in return for a fee. The Group applies the definition of a lease under IFRS 16 to assess whether a contract conveys the right to control an identified asset.

The Group as lessor

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

All leases are classified as operating leases.

The rent contracts that Coreo has entered into with its tenants are classified as operating leases. Consequently, the Group is the lessor in a large number of operating leases (tenancies) with a variety of different structures over real estate held as a financial investment, from which it generates a significant portion of its revenue and income.

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

The Group as lessee

Leases in the sense of IFRS 16 are recognised as leasing liabilities in the amount of the present value of the future lease payments discounted at the marginal interest rate appropriate to the term, because the Group cannot determine in a reliable manner the implicit interest rates of the leases. Rights of use to the leased assets (right-of-use assets) are recognised on the assets side of the balance sheet in the amount of the lease liability plus any advance payments or directly attributable initial costs.

The leasing liabilities are extrapolated on the basis of financial mathematics. They are increased by the periodic interest expenses and decreased by the amount of the lease payments made.

The rights of use are recognised at amortised cost, considering depreciations and write-downs. Rights of use of assets that meet the definition of real estate held as a financial investment (IAS 40) are valued at fair value pursuant to the accounting and valuation rules of IAS 40.

Changes in the lease term or the amount of lease payments result in a new calculation of the present value and therefore in an adjustment of the lease liability and the right of use.

Periods from unilaterally granted extension or termination options are assessed on a case-by-case basis and only considered if their utilisation is sufficiently probable - for example due to economic incentives.

There are accounting options for short-term leases (remaining term up to 12 months) or leases of low-value assets. Coreo exercises the option not to recognise such leases in the statement of financial position and to recognise the lease payments as expense on a straight-line basis over the term of the lease.

4.1.12 Taxes

Actual income tax for each

The actual tax refund claims and tax liabilities for current and prior periods are measured at the amount at which a refund from the tax authority or a payment to the tax authority can be expected. The calculation of the amount is based on the tax rates and tax laws applicable on the balance sheet date.

Tax refund claims and tax liabilities are offset against each other if the Group has an enforceable right to offset actual tax refund claims against actual tax liabilities and these relate to taxes of the same taxable entity and are levied by the same tax authority.

Deferred taxes

The creation of deferred taxes is conducted using the liability method on temporary differences existing on the balance sheet date between the valuation of an asset or a liability in the balance sheet and the tax balance sheet value.

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 book value of the deferred tax assets is assessed at every balance sheet date and will be reduced to that extent to which it is no longer likely that a sufficient taxable income will be available, for which the deferred tax credit can be used at least in parts. Unrecognised deferred tax assets 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 used.

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

Deferred taxes relating to items recognised in other comprehensive income or directly in equity capital are recognised in Other comprehensive income or directly in equity capital and not in the Consolidated Statement of Comprehensive Income.

Deferred tax refund claims and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities are related to income taxes levied by the same tax authority.

4.1.13 Recognition of income and expenses

When the control of Coreo is transferred to the customer, revenues from goods or services are recognised at the amount to which the Group expects to be entitled at the point in time or period after the performance obligation has been fulfilled. Revenues are recognised net of discounts, customer bonuses and rebates granted. The Group generates revenues from contracts with customers, above all from the sale of properties and the invoicing of operating costs. With regard to revenues from operating costs, the Group acts as the primary responsible party towards the tenant in relation to promised services and bears the inventory risk (headmaster).

Rental revenues comprise income from leasing existing real estate and properties held for sale and are recognised on a straight-line basis over the term of the lease pursuant to the rental contract.
Revenues from operating costs are recognised over the period of performance, which is the same as the date of recognition of expenses.

Revenues from the sale of real estate are recognised when the closing is conducted (transfer of possession, benefits, and burdens of the property).

Expenses are recognised as soon as they are economically incurred.

Interests are recognised as expenses or income on an accrual basis using the effective interest method.

4.1.14 Currency conversion

Transactions in foreign currencies are converted using the relevant foreign currency exchange rates at the time of the transaction. The monetary assets and liabilities are valued at the closing date in subsequent periods and the resulting translation differences are recorded as income. Non-monetary items are valued at historical acquisition or production costs in foreign currency and converted at the exchange rate on the date of the transaction.

4.1.15 Share-based remunerations

Share-based commitments are compensated by equity instruments (share options). They are recognised at the time of granting at the fair value of the equity instruments that have vested by that time. The fair value is recognised as expense over the vesting period and offset directly against the capital reserve. The fair value is determined by applying accepted option pricing models.

If the issue of the options and the conditions on which they are based result in an arithmetical dilution for the existing shareholders, the dilutive effect of the outstanding share options is considered as an additional dilution in the calculation of earnings per share.

4.1.16 Earnings per share

Earnings per share are calculated pursuant to IAS 33. Earnings per share are calculated as follows: Consolidated Results attributable to Coreo AG shareholders divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share are calculated as follows: consolidated net income divided by the sum of the weighted average number of ordinary shares outstanding, adjusted for all dilutive effects of potential ordinary shares. There is a dilution of earnings per share when the average number of shares is increased by adding the issue of potential ordinary shares from option rights. No dilutive effect had to be considered either in the current reporting period or in the comparable period of the previous year.

In the Financial Year 2021, 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).

4.1.17 Significant accounting judgements, estimates and assumptions

When preparing the Consolidated Financial Statements, management makes judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and contingent assets and liabilities during the reporting period. The most recent reliable information available is used as the basis for assumptions and estimates. There may be differences between the income, expenses, assets, and liabilities as well as contingent assets and liabilities reported on the basis of estimates and the amounts that can be realised in the future. The assumptions underlying the estimates are regularly reviewed. If there are any changes, these are considered as income as soon as they become known.

Assumptions and estimates were made for the following circumstances:

- Valuation of real estate held as a financial investment
- Determination of the recoverable amount for assessing the necessity and amount of impairment losses, in particular on properties reported under „Real estate inventories“ and on equity investments
- Recognition and valuation of financial assets
- Recognition and valuation of provisions
- Valuation of risky receivables
- Realisability 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 on the basis of various estimates, e.g., with regard to the future development of income and expenses. Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the unused tax loss carryforwards can be used.

5. Notes to the Consolidated Statement of Financial Position - Assets

5.1 Non-current assets

5.1.1 Intangible assets

Intangible assets break down as follows:

in TEUR	12/31/2021	12/31/2020
Acquisition costs		
As of 01.01.	**35**	**35**
Additions	0	0
Disvestures	0	0
As of 31.12.	**35**	**35**
Depreciation		
As of 01.01.	**-31**	**-29**
Additions	-1	-2
Disvestures	0	0
As of 31.12.	**-32**	**-31**
Book values 31.12.	**3**	**4**

Intangible assets 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.

No impairment losses were recognised on intangible assets in the Financial Year 2021, as in the previous year. There are 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.

5.1.2 Tangible assets

The tangible assets break down as follows:

in TEUR	12/31/2021	12/31/2020
Acquisition costs		
As of 01.01.	**168**	**138**
Additions	46	30
Disvestures	0	0
As of 31.12.	**214**	**168**
Depreciation		
As of 01.01.	**-120**	**-96**
Additions	-26	-24
Disvestures	0	0
As of 31.12.	**-146**	**-120**
Book values 31.12.	**68**	**48**

The tangible assets are office and business equipment, which are depreciated over a period of three years, but no longer than 25 years, as well as rights of use recognised in accordance with IFRS 16.

The additions also comprise the rights of use resulting from the application of IFRS 16 in the amount of TEUR 0 (previous year: TEUR 26).

The rights of use in accordance with IFRS 16 relate to two leases of two vehicles. The leasing contracts were concluded in 2019 and 2020 for a period of three years. The Group makes use of the exemption in IFRS 16 for short-term leases (remaining term 12 months) and for low-value leases (underlying asset of minor value). Neither a lease liability nor a right of use is recognised for these leases. Instead, the lease instalments are recognised as expenses on a straight-line basis over the term of the lease.

This relates to a short-term rental agreement for office premises, for which the exception for short-term leasing relationships was applied. The current sublease agreement for office space has a remaining term of 7 months. The resulting financial obligation amounts to TEUR 27.

In the Financial Year 2021, no impairment losses were recognised on property, plant, and equipment.

5.1.3 Real estate held as a financial investment

Real estate held as a financial investment is recognised at fair value. The fair values developed as follows in the Financial Year:

in TEUR	12/31/2021	12/31/2020
As of 01.01.	**54,259**	**38,502**
Additions	16,347	15,156
Disvestures	-8,174	-246
Reclassification to assets held for sale	-500	0
Adjustment of the fair value	1,592	847
As of 31.12.	**63,524**	**54,259**

The additions relate to:
Vierte Coreo Immobilien VVG mbH acquired three commercial properties in Germany by notarised purchase contract dated 7 July 2021.

Dritte Coreo Immobilien VVG mbH acquired a commercial property in Delmenhorst by notarised purchase contract dated 13 August 2021.

The other additions relate to the properties in the Hydra portfolio, the portfolio in Bruchsal, Wiesbaden, Bielefeld and Göttingen. These are comprehensive renovation and conversion measures that were partially completed in the current Financial Year.

The reclassification to real estate held for sale relates to one property in the Mannheim portfolio.

The disposals relate to two properties in the Hydra portfolio and two properties in the Mannheim portfolio.

In the Financial Year, rental income from investment properties amounted to TEUR 2,709 (previous year: TEUR 2,003). Rental income in the amount of TEUR 114 is not included in the rental income shown above due to the reclassification from „real estate held as financial investments" to „assets held for sale". Income from operating costs of TEUR 999 was also generated in the Financial Year (previous year: TEUR 809). Operating costs of TEUR 39 are not included in the above operating costs due to the reclassification of „investment property" to „assets held for sale".

The operating expenses in the Financial Year directly related to these properties amounted to TEUR 1,879 (previous year: TEUR 1,685). That amount comprises expenses for maintenance and repairs as well as operating costs. Direct operating expenses amounting to 98 TEUR (previous year: TEUR 305), due to the reclassification of „investment property" to „assets held for sale", are not included in the amount presented above.

The operating expenses directly related to these properties in the amount of TEUR 1,879 (previous year: TEUR 1,685), TEUR 42 (previous year: TEUR 346) relate to expenses for vacant properties with which no rental income was generated. Principally, the vacancy results from planned conversion and modernisation measures. Direct operating expenses in connection with vacant properties in the amount of TEUR 0 (previous year: TEUR 1), due to the reclassification of „investment property" to „assets held for sale", are not included in the amount presented above.

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

in TEUR	Remaining term up to 1 year	Remaining term 1 year to 5 years	Remaining term longer than 5 years	Total
12/31/2021				
Hydra-portfolio	526	1,785	4,480	6,791
Automotive	740	2,630	2,635	6,005
Bruchsal	339	762	0	1,101
Total	**1,605**	**5,177**	**7,115**	**13,897**
12/31/2020				
Hydra portfolio	346	1,936	4,718	7,000
Bruchsal	339	1,101	0	1,440
Total	**685**	**3,037**	**4,718**	**8,440**

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

The real estate held as a financial investment is partially encumbered with collateral for the loans.

In the case of one property in the Hydra portfolio is a right of first refusal secured in the land register in favour of the state capital of Kiel. The City of Kiel is, however, not currently exercising these purchase options.

In the case of properties from the Göttingen portfolio which are for sale and were therefore reclassified in the statement of financial position, the municipality could exercise its statutory right of first refusal under § 24 German Federal Building Code (BauGB) in the event of a sale. For this purpose, the municipality would have to enter into the negotiated sales contract. In the case of the properties newly acquired in 2021, the municipalities could exercise their statutory right of first refusal in accordance with § 24 BauGB in the event of a sale. For this purpose, the municipality would have to enter into the negotiated sales contract.

The real estate was valued on the reporting date by the external appraiser Savills in accordance with the guidelines of the British professional association „Royal Institution of Chartered Surveyors" (RICS). The Discounted Cash Flow (DCF) method was used, as in previous years. The DCF method calculates the present value of future cash surpluses for the respective property on the valuation date. The cash surpluses from the respective property are determined in a detailed planning phase of usually ten years and discounted with a discount rate. For the end of the ten-year detailed planning phase, a residual value is forecast. The stabilised payment surpluses of the last planning year are capitalised with an interest rate for this purpose (capitalisation interest rate). The remaining value is also discounted to the valuation date in a second step using the discount rate. For the determination of the discount rate, different parameters were used: The discount rate is determined from market transactions based on the Standard Growth DCF Model. These estimates were based, among other things, on information from current market data, inflation forecasts and official documents as well as information from the expert committee. Consequently, the risk premium varies from property to property. The remuneration for the valuation reports, which is contractually fixed prior to the preparation of the reports, is independent of the valuation result.

In the following overview, the main input factors for the valuation of the properties are shown:

	Range 2021	Range 2020
Rent (EUR/sqm)	2.74 – 28.38	1.48 – 17.16
Vacancy rate in %	0-100	0-100
Discount rate in %	2.5 – 8.75	4.5 – 8.5
Capitalisation rate in %	2.5 – 8.75	2.25 – 6.5

In the case of a change in the main input factors discount and capitalisation rate (increase in discount and capitalisation rate by 0.25 %), sensitivities of the fair values result in a total of TEUR -1,750 or -2.75 % (previous year: TEUR -3,540; -6.50 %)

On the assumption that all variables remain the same, a positive change in each of the parameters by the same percentage would have similar effects on the value, only in the opposite direction. Potential interdependencies between the individual parameters are of secondary importance or cannot be determined due to their complexity.

5.1.4 Financial assets

The long-term financial assets relate to the following items:

in TEUR	12/31/2021	12/31/2020
Shares and securities	6,571	13,635
Down payment Spree Beteiligung Ost GmbH	6,029	0
Total	**12,600**	**13,635**

The long-term financial assets developed as follows:

in TEUR	12/31/2021	12/31/2020
As of 01.01.	**13,635**	**11,952**
Additions	6,204	162
Disvestures	-7,223	0
Positive changes in market value	15	1,521
Negative changes in market value	-31	0
As of 31.12.	**12,600**	**13,635**

Associated companies (At-Equity)

As of 31 December 2021, Coreo does not hold any investments in associated companies.

Shares and securities

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

Coreo holds the following shares and securities:

in TEUR	seat	12/31/ 2021	12/31/ 2020	Category
MagForce AG	Berlin, Germany	0	7,223	FVTOCI
Down payment Spree Beteiligung Ost GmbH	Berlin, Germany	6,029	0	FVTPL
NanoDimension LP	L.P., Cayman Islands	400	400	FVTOCI
Nanosys, Inc.	Milpitas, USA	0	0	FVTOCI
Lumiphore, Inc.	Berkeley, USA	0	0	FVTOCI
Publity St. Martin Tower GmbH	Frankfurt a.M., Germany	5,700	5,731	FVTPL
Other securities		471	281	FVTPL
Total		**12,600**	**13,635**	

All shares in MagForce AG were disposed of in the current Financial Year by way of an exchange as a deposit for shares in Spree Beteiligung Ost GmbH, Berlin. The contractually agreed fair value of the shares at the time of the exchange was EUR 6.0 million. The change in the value of the MagForce shares in the 2021 Financial Year due to the sale/swap amounting to EUR -1,227 thousand was recognised in other comprehensive income. Due to the complete disposal of the MagForce shares, the amounts recognised in other comprehensive income were subsequently reclassified to profit or loss carried forward. The closing of the transaction is still subject to conditions precedent. The corresponding conditions have not yet been met. Coreo does not have control or significant influence. The advance payment for the shares in Spree Beteiligung Ost GmbH corresponds to the fair value on the balance sheet date.

NanoDimension LP is a participation in a fund. The investment was continued unchanged. This value corresponds to the current market value.

5.1.5 Other assets

The other assets amount to TEUR 304 (previous year: TEUR 0). These are long-term maintenance reserves.

5.2 Current assets

5.2.1 Real estate inventories

Assets held for sale in the normal course of business are reported under inventories in the amount of TEUR 9,759 (previous year: TEUR 8,918).

Coreo Solo UG & Co. KG sold the last property from its part of the Hydra portfolio acquired in 2018 in the current Financial Year. The purchase contract for the sale was already concluded in 2020. However, the closing was not conducted until 2021.

The real estate of the Hydra portfolio sold during 2021 had a carrying amount of TEUR 206. The properties sold generated proceeds of TEUR 466. The result from the sale amounted to TEUR 260.

In addition, one property from the LüGe portfolio was sold. The proceeds from the sale of the property amounted to TEUR 390 and had a book value of TEUR 180. The result from the sale amounted to TEUR 210.

Two properties in Wiesbaden, which are intended for future development, were also acquired for a total purchase price of TEUR 4,435 in accordance with notarised purchase contracts dated 21 September and 16 December 2020. Benefits and encumbrances were transferred to Coreo in the 2021 Financial Year.

5.2.2 Trade receivables and other assets

Trade receivables and other assets are as follows:

in TEUR	12/31/2021	12/31/2020
Trade receivables	527	591
Other assets	391	1,494
Total	**918**	**2,085**

Trade receivables and other assets are valued at amortised cost. Value adjustments amounting to TEUR 50 were made.

The trade receivables are receivables from rentals.

Receivables from rentals are non-interest bearing and are overdue. Adjustments are made based on the age structure and depending on whether there are active or former tenants. There is no need for a presentation of the default risk and expected credit losses for receivables due to their insignificance.

5.2.3 Financial assets

The current financial assets of TEUR 978 (previous year: TEUR 1,017) comprise a loan to Publity St. Martin Tower GmbH.

5.2.4 Tax refund claims

In the Financial Year, current tax refund claims amounting to TEUR 205 (previous year: TEUR 187) mainly include receivables from tax overpayments and tax refund claims.

5.2.5 Cash and cash equivalents

The item cash and cash equivalents include cash on hand and credit balances at banks.

5.2.6 Assets held for sale

Properties held for sale amount to a total of TEUR 1,305 (previous year: TEUR 902). This includes an adjustment of the fair value in the Financial Year 2021 in the amount of TEUR 271, which is reported in the consolidated statement of comprehensive income under the item Result from the valuation of investment properties.

Specific sales activities were initiated for these properties, which should lead to a prompt sale in the Financial Year 2022. This relates to real estate from the Göttingen portfolio and the Mannheim portfolio.

6. Notes to the Consolidated Statement of Financial Position - Liabilities

6.1 Equity capital

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

6.1.1 Subscribed capital

As of 31 December 2021, the share capital of Coreo AG is divided into 17,540,460 shares which are all made out to the bearer.

With the approval of the Supervisory Board, the Managing Board is authorised to increase the share capital of the Company on one or more occasions until 13 September 2026 in partial amounts by up to a total of EUR 8,770,230.00 against cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 8,770,230 new no-par value bearer shares (ordinary shares). The subscription rights of the shareholders may be excluded in this context (Authorised Capital 2021).

The Managing Board resolved on 19 April 2022, with the approval of the Supervisory Board, to increase the Company's share capital from EUR 17,540,460.00 by up to EUR 5,011,560.00 to up to EUR 22,552,020.00 by issuing up to 5,011,560 new no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share („New Shares") against cash contributions, making partial use of the Authorised Capital 2021.

6.1.2 Capital reserves

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

6.1.3 Surplus reserve

The reserves include transferred profits from previous Financial Years.

6.1.4 Result carried forward

The result carried forward includes the accumulated Consolidated Results as well as profits and losses that cannot be reclassified and thus may no longer be considered as income in subsequent reporting periods.

6.1.5 Other comprehensive income

Other comprehensive income includes changes in the value of financial assets in the form of equity instruments valued at Fair Value through Other Comprehensive Income in Other comprehensive income and all adjustments to deferred taxes made in connection with the valuation of these assets. Other comprehensive income of EUR -1,227 thousand relates to the change in value due to the sale of shares in MagForce AG.

6.1.6 Non-controlling interests

Non-controlling shares comprise the shareholdings of third parties in the Group companies. There were shares of non-controlling shareholders in the amount of TEUR 84 as of 31 December 2021 (previous year: TEUR 137).

6.2 Non-current liabilities

6.2.1 Other provisions

The long-term provision in the amount of TEUR 6 (previous year: TEUR 6) was formed for the archiving of files and was not discounted due to the minor effect.

6.2.2 Financial liabilities

Coreo took out loans from banks and other lenders in particular to finance real estate and corporate transactions and property-related real estate purchases.

The financial liabilities are composed as follows:

in TEUR	Remaining term up to 1 year	Remaining term 1 year to 5 years	Remaining term longer than 5 years	Total
12/31/2021				
Amounts due to banks	14,480	6,721	21,783	42,984
Other loan liabilities	0	22,685	0	22,685
Leasing liabilities	16	4	0	20
Total	**14,496**	**29,410**	**21,783**	**65,689**
12/31/2020				
Amounts due to banks	18,975	3,855	12,749	35,579
Other loan liabilities	0	16,000	0	16,000
Leasing liabilities	21	20	0	41
Total	**18,996**	**19,875**	**12,749**	**51,620**

The liabilities to banks and other lenders are fully secured. Real estate liens are granted as collateral. This collateral can only be realised by the banks or lenders after a significant breach of the financing agreement (e.g., breach of the financial covenants).

A loan of EUR 23 million with a nominal interest rate of 6.75% p.a. was taken out under a contract dated 7 December 2020 to finance further growth. The loan has a term until 30 December 2025 and is due at the end of the term. A total amount of EUR 25 million is payable at the end of the term. In the Financial Year 2021, the loan was fully drawn down and is reported in the financial liabilities under other loan liabilities.

The following shares were pledged to secure the loan:

- Coreo Göttingen AM UG (limited liability)
- Coreo Han AM UG (limited liability)
- Coreo Wubi Residential UG (limited liability) & Co. KG
- Coreo Han UG (limited liability) & Co. KG
- Dritte Coreo Immobilien VVG mbH
- Coreo Göttingen Residential UG (limited liability) & Co. KG
- Vierte Coreo Immobilien VVG mbH

Furthermore, having: the bank account of Coreo AG being used for the purpose of this loan agreement was pledged.

The leasing liabilities refer only to two vehicle leasing contracts.

The following overview shows the Group's main short-, medium- and long-term bank liabilities:

in TEUR	12/31/2021			12/31/2020		
	Book value	Remaining term in years	Interest rate in %	Book value	Remaining term in years	Interest rate in %
Loan	1,596	6	2.65	1,693	2	1.39
Loan	260	6	2.65	274	2	1.73
Loan	1,366	19	1.80	2,423	20	1.80
Loan	1,778	15	1.35	1,881	16	1.35
Loan	5,250	1	2.25	11,117	1	2.25
Loan	3,698	1	variable*	2,691	1	variable*
Loan	1,761	25	1.75	1,818	26	1.75
Loan	2,235	9	1.75	2,281	10	1.75
Loan	828	25	1.75	855	26	1.75
Loan	4,363	9	1.75	4,455	10	1.75
Loan	-	-	-	5	1	1.75
Loan	1,442	2	1.95	1,465	2	1.95
Loan	3,669	1	1.85	3,919	1	1.85
Loan	700	1	1.85	700	1	1.85
Loan	2,297	20	1.59	-	-	-
Loan	1,427	20	1.59	-	-	-
Loan	4,981	24	1.45	-	-	-
Loan	2,309	28	1.20	-	-	-
Loan	2,271	28	1.20	-	-	-
Loan	700	2	1.95	-	-	-
Loan**	21	1	6.00	-	-	-
Loan**	18	1	10.33	-	-	-
Loan**	14	1	16.90	-	-	-

* 3-month EURIBOR + 1.8%, minimum 1.8%.

** Current account

6.2.3 Other current liabilities

Other liabilities amount to TEUR 1,256 (previous year: TEUR 89) and include long-term rental deposits and construction cost subsidies received from tenants, which are recognised on a straight-line basis over the term of the rental contacts.

6.2.4. Deferred taxes

The deferred taxes break down as follows:

in TEUR	12/31/2021	12/31/2020
Deferred tax assets		
Real estate	18	229
Financial assets	2	4
Total	**20**	**233**
Deferred tax liabilities		
Real estate	1,536	1,166
Total	**1,536**	**1,166**

The change in deferred tax assets breaks down as follows:

in TEUR	2021	2021
As of 01.01.	**233**	**116**
Recognised in profit or loss	-211	140
Without being recognised in profit or loss	-2	-23
As of 31.12.	**20**	**233**

The change in deferred tax liabilities breaks down as follows:

in TEUR	2021	2021
As of 01.01.	**1,166**	**1,816**
Recognised in profit or loss	370	-650
Without being recognised in profit or loss	0	0
As of 31.12.	**1,536**	**1.166**

The deferred tax assets and liabilities result from the valuation of the properties as well as the financial assets. 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. Minor temporary differences arise from the valuation of financial assets due to the 95% tax exemption of any capital gains.

Anticipated impacts of the so-called extended property reduction on domestic trade tax are considered in the valuation of deferred taxes.

The decrease in deferred tax assets in the Financial Year 2021 results from the change in value of the real estate from the Bad Köstritz and WuBi portfolio.

The corporate income tax loss carryforwards amounted to EUR 15.6 million (previous year: EUR 16.4 million) and the trade tax loss carryforwards amount to EUR 18.2 million (previous year: EUR 16.3 million). The tax loss carryforwards can be carried forward for an unlimited period of time. Due to the unforeseeable usability of the tax loss carryforwards, no deferred tax assets were recognised.

6.3 Short-term liabilities

6.3.1 Other provisions

The short-term other provisions are composed as follows:

in TEUR	01/01/ 2021	Consumption	Dissolution	Contribution	12/31/ 2021
Provisions for staff	31	-31	0	19	19
Supervisory Board's remuneration	14	-14	0	18	18
Annual financial statement and audit	179	-179	0	216	216
General Meeting	28	-28	0	28	28
Pending invoices	138	-74	-30	129	163
Total	**390**	**-326**	**-30**	**410**	**444**

6.3.2 Liabilities

The short-term liabilities are composed as follows:

in TEUR	12/31/2021	12/31/2020
Amounts due to banks	14,480	18,976
Leasing liabilities	16	21
Trade payables	266	1,017
Other current liabilities	292	477
Tax liabilities	771	504
Total	**15,825**	**20,995**

Short-term debts have a remaining term of less than twelve months. There are no significant differences between the book value and the fair value of the liabilities due to their short term.

The liabilities to banks and other lenders are fully secured. Real estate liens are granted as collateral. This collateral can only be realised by the banks or lenders after a significant breach of the financing agreement (e.g., breach of the financial covenants). Please also refer to the comments under 6.2.2 regarding liabilities to banks and leasing liabilities.

Other liabilities include prepaid expenses and short-term rental deposits.

6.3.3 Tax liabilities

Tax liabilities include obligations from income taxes, sales taxes, and other types of taxes. The tax liabilities in the amount of TEUR 771 (previous year: TEUR 504) relate to gains from the sale of properties.

7. Notes to the Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income is prepared using the total cost method.

7.1 Revenues from letting and other revenues

Rental income and other income are made up as follows:

in TEUR	2021	2020
Rental income	3,121	2,438
Operating costs	1,228	1,077
Revenues from letting	**4,349**	**3,515**
Other revenues	109	168
Total	**4,458**	**3,683**

Revenues from letting (rental income and operating costs) is classified as income for a specific period. Please refer to the information provided in section 5.1.3 for further details.

7.2 Result from the sale of real estate

real estate held as a financial investment and land and buildings held for sale.

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

in TEUR	2021	2020
Revenues from the sale of real estate	10,318	6,092
Book value of the real estate sold incl. sales costs	-8,945	-5,604
Total	**1,373**	**488**

The proceeds were realised through the sale of three real estates from the Hydra portfolio as well as through disposals from the Mannheim and Göttingen portfolios.

The revenues from the sale of real estate are qualified as time-related revenues.

7.3 Result from the valuation of investment properties

The result from the valuation of real estate held as a financial investment breaks down as follows:

in TEUR	2021	2020
Changes in value from fair value measurement of real estate	1,863	847
Total	**1,863**	**847**

The changes in value are structured as follows:

in TEUR	2021	2020
Change in value Hydra-Portfolio	-1,051	519
Change in value portfolio Bad Köstritz	1,049	52
Change in value portfolio Mannheim	-584	1,526
Change in value portfolio Bruchsal	-10	-40
Change in value portfolio Göttingen	1,227	-153
Change in value portfolio Wubi	1,232	-1,057
Total	**1,863**	**847**

7.4 Other operating revenues

Other operating revenues relates to the following items:

in TEUR	2021	2020
Income from the release of provisions	31	25
Reversal of impairment of property inventories	130	0
Others	72	32
Total	**233**	**57**

7.5 Cost of materials

The cost of materials in the amount of TEUR 2,470 (previous year TEUR 2,290) includes expenses for operating costs, expenses for maintenance and modernisation as well as other expenses for purchased services. Impairment losses on property inventories amounting to TEUR 115 are also included in the cost of materials. Please refer to the information provided in section 5.1.3 for further details.

7.6 Personnel costs

The personnel costs are structured as follows:

in TEUR	2021	2020
Wages and salaries	-918	-927
Social security contributions	-117	-123
Total	-1,035	-1,050

Personnel expenses include remunerations for the Management Board and for 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 expenses at the time of payment. There are no other pension commitments.

11 employees were employed in the Group as of the balance sheet date (previous year: 11). The average number of employees in the Group during the Financial Year was 11 (previous year: 11).

7.7 Depreciations and impairments

Depreciation and amortisation relate to intangible assets in the amount of TEUR -1 (previous year: TEUR -2) and property, plant, and equipment, including depreciation of recognised rights of use from leases in the amount of TEUR -26 (previous year: TEUR -24).

7.8 Other operating expenses

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

in TEUR	2021	2020
External services and external work	-108	0
Room costs	-68	-69
Insurances	-71	-48
Vehicle costs	-22	-22
Travelling expenses	-3	-15
Office costs	-35	-55
Further education costs	-2	-7
Repairs, maintenance, and repair work	-10	-13
Legal and consulting costs	-283	-471
Costs for year-end close and auditing	-266	-306
Bank charge costs	-41	-182
Prior-period expenses	-50	-23
Supervisory Board’s remuneration	-43	-41
Bookkeeping costs	-55	-57
Other taxes	-320	-241
Others	-180	-176
Total	**-1,557**	**-1,726**

7.9 Finance income

The finance income for the Financial Year refers to interest income in the amount of 91 TEUR (previous year: TEUR 165).

7.10 Financial expenses

Financial expenses for the Financial Year amounted to TEUR -2,965 (previous year: TEUR -2,316). This relates to bank loan interest from the financing of the properties.

Interest expenses in the amount of TEUR -544 relate to effects from the application of the effective interest method.

7.11 Income taxes

The taxes on income and earnings are composed as follows:

in TEUR	2021	2020
Actual income tax for each	-327	-413
Deferred taxes	-581	790
Total	**- 908**	**377**

In 2021, current tax expenses amounted to TEUR -327 (previous year: TEUR -413). The actual tax expense results from the sale of properties.

The deferred tax expense amounts to EUR -581 thousand (previous year: TEUR -790). The interest expense results from the fair value measurement of real estate held as financial investments.

A detailed list can be found under section 6.2.4.

For the Financial Year 2021, the income tax rate amounts to 31.93 % (previous year: 31.93 %. This is calculated as 15 % corporate income tax, 5.5 % solidarity surcharge and 15 % trade tax. The amount of trade tax depends on the municipal assessment rates. 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 between the reported income tax expense and the expected income tax expense of the Group on the basis of the income tax rate is illustrated below:

in TEUR	2021	2020
Consolidated Results before taxes	14	-2,814
Tax rate in %	31.93	31.93
Expected income tax expense	**-4**	**899**
Permanent impacts from non-deductible expenses and tax-free income	-14	-275
Use of non-capitalised losses	105	492
Non-capitalisation of tax losses	-1,147	-1,182
Effects from trade tax exemption	159	417
Others	-7	26
Actual tax result	**-908**	**377**
Effective tax rate in %	**6,486**	**13**

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.

8. Notes to the Group Cash Flow Statement

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

The EUR 11.0 million lower negative cash flow from operating activities compared to the previous year resulted from EUR 8.0 million lower payments for investments in real estate inventories. The negative result for the period also fell by EUR 1.5 million to EUR -0.9 million and income taxes increased by EUR 1.3 million to EUR 0.9 million. The effect of the valuation of investment properties and changes in the value of real estate held for sale on the cash flow from operating activities increased from EUR -0.8 million in the previous year to EUR -1.9 million. The cash flow from operating activities was EUR -2.8 million as of the balance sheet date (previous year: EUR -13.8 million).

The negative cash flow from investing activities, which was EUR 0.8 million lower than in the previous year, was due in particular to higher investments in investment properties and increased proceeds from property sales. As of the balance sheet date, the cash flow from investing activities amounted to -7.1 million euros (previous year: EUR -7.9 million).

The positive cash flow from financing activities of 23.7 million euros (previous year: 37.0 million euros) resulted primarily from taking out new loans to finance realised and planned property investments. The new loans taken out, however, were significantly lower than in the previous year. Payments for the repayment of loans amounted to EUR -9.3 million (previous year: EUR -6.1 million). As of the balance sheet date, the cash flow from financing activities was EUR 14.3 million (previous year: EUR 19.8 million).

Cash and cash equivalents increased on balance by EUR 4.4 million from EUR 3.3 million to EUR 7.7 million.

The cash and cash equivalents are subject to restrictions on disposal in the amount of TEUR 531 (previous year TEUR 223) and relate to rent deposits.

A reconciliation of financial liabilities to cash flow from financing activities in the Financial Year 2021 is presented below:

in TEUR	12/31/2020	cash-effective	non-cash transaction: Changes in the Consolidated Entity	Exchange differences	Other	Reclassification	12/31/2021
Long-term financial liabilities	32,623	18,911	0	0	-341	0	51,193
Short-term financial liabilities	18,996	-4,496	0	0	-4	0	14,496
Total	**51,619**	**14,415**	**0**	**0**	**-345**	**0**	**65,689**

Financial liabilities to cash flow from financing activities developed as follows in the previous year:

in TEUR	12/31/2019	cash-effective	non-cash transaction: Changes in the Consolidated Entity	Exchange differences	Other	Reclassification	12/31/2020
Long-term financial liabilities	26,874	5,749	0	0	0	0	32,623
Short-term financial liabilities	7,116	12,155	0	0	-275	0	18,996
Total	**33,990**	**17,904**	**0**	**0**	**-275**	**0**	**51,619**

9. Other information

9.1 Notes on financial risk management

In its ordinary operating activities, the Coreo Group is exposed to various financial risks. They include price and interest rate risks, liquidity risk and default risk. For the control of these risks, Coreo uses a uniform risk management system throughout the Group. The aim is to achieve a method of operation based on measures and thus constant risk minimisation. There is a detailed presentation of the general risk management system in the opportunities and risks report of the Group management report.

9.1.1 Price and interest rate risk

Coreo currently still holds investments from its time as an investor operating in the nanotechnology sector. Coreo has no influence on the financial or earnings situation of its participations and on their 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. Price risks are minimised through active portfolio management.

Interest rate risks relate to directly existing loans for which no fixed interest rate agreements have been concluded. They also exist in case of necessary loan extensions and financing of (future) real estate purchases. Due to the agreement of mostly fixed interest rates and active liquidity management, interest rate risks are avoided or minimised.

9.1.2 Liquidity risk

Liquidity risk is defined as the risk that a company has difficulties meeting its payment obligations arising from its financial instruments. 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 liquidity flow is continuously monitored and managed.

Liquidity reserves are maintained to ensure the solvency of the Group at all times.

Coreo's Group companies are in part financed to a significant extent by borrowed capital. The financing is partly exposed to a refinancing risk due to its high volume. Coreo maintains regular contact with various market participants to limit this risk, continuously monitors all available financing options on the capital and banking markets and uses them in a targeted manner. Existing financing is also subjected to an early review prior to the respective final maturity date in order to ensure refinanceability. Coreo Group's debt ratio was 72.17% as of 31 December 2021 (previous: 65.36 %).

9.1.3 Default risk

Coreo is subject to a default risk as a result of the possible non-fulfilment of a contractual party. Transactions are only concluded with creditworthy third parties in order to minimise risk. The Group obtains collateral where appropriate. There is no considerable concentration of default risk for Coreo, either with a single contractual partner or with a group of contractual partners with similar characteristics. The maximum default risk is equal to the book values of the financial assets recognised in the balance sheet.

9.1.4 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 book values approximate fair value as of the balance sheet date.

The fair value of investments and other securities (financial assets) valued at Fair Value through Other Comprehensive Income 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 valuation 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 have short remaining terms. Therefore, the carrying amounts approximate fair values. The fair values of interest-bearing loans are determined as the present value of the payments associated with the liabilities based on market interest rates. The carrying amounts approximate fair values.

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

- Level 1: quoted market prices for identical assets or liabilities in active markets,

- Level 2: information other than quoted market prices that is observable directly (e.g., prices) or indirectly (e.g., derived from prices), and

- Level 3: Information for assets and liabilities that are not based on observable market data.

31 December 2021

in TEUR	Fair value hierarchy	Fair value (FVTPL)	Fair value (FVOCI without recycling)	Amortised cost (AC)	Valuation acc. to IFRS 16	Balance sheet value
Long-term assets						
Financial assets	2	12,200	400	-	-	12,600
Other securities	2		-	304	-	304
Current assets		–				
Trade receivables	2	-	-	527	-	527
Other assets	2	-	-	391	-	391
Financial assets	2	-	-	978	-	978
Tax refund claims	2	-	-	205	-	205
Means of payment	1	-	-	7,666	-	7,666
Total financial assets		**12,200**	**400**	**10,071**	**-**	**22,671**

in TEUR	Fair value hierarchy	Fair value (FVTPL)	Fair value (FVOCI without recycling)	Amortised cost (AC)	Valuation acc. to IFRS 16	Balance sheet value
Non-current liabilities						
Amounts due to banks	2	-	-	28,504	-	28,504
Other loan liabilities	2	-	-	22,685	-	22,685
Leasing liabilities	2	-	-	-	4	4
Other current liabilities	2	-	-	1,256	-	1,256
Short-term liabilities						
Amounts due to banks	2	-	-	14,480	-	14,480
Leasing liabilities	2	-	-	-	16	16
Trade payables	2	-	-	266	-	266
Other current liabilities	2	-	-	292	-	292
Tax liabilities	2	-	-	771	-	771
Total financial liabilities		**-**	**-**	**68,254**	**20**	**68,274**

31 December 2020

in TEUR	Fair value hierarchy	Fair value (FVTPL)	Fair value (FVOCI without recycling)	Amortised cost (AC)	Valuation acc. to IFRS 16	Balance sheet value
Long-term assets						
Financial assets	1	-	7,623	-	-	7,623
Other securities	2	6,012	-	-	-	6,012
Current assets						
Trade receivables	2	-	-	591	-	591
Other assets	2	-	-	1,494	-	1,494
Financial assets	2	-	-	1,017	-	1,017
Tax refund claims	2	-	-	187	-	187
Means of payment	1	-	-	3,276	-	3,276
Total financial assets		**6,012**	**7,623**	**6,565**	**-**	**20,200**
Non-current liabilities						
Amounts due to banks	2	-	-	16,603	-	16,603
Other loan liabilities	2	-	-	16,000	-	16,000
Leasing liabilities	2	-	-	-	20	20
Short-term liabilities						
Amounts due to banks	2	-	-	18,975	-	18,975
Leasing liabilities	2	-	-	-	21	21
Trade payables	2	-	-	1,017	-	1,017
Other current liabilities	2	-	-	477	-	477
Tax liabilities	2	-	-	504	-	504
Total financial liabilities		**-**	**-**	**53,576**	**41**	**53,617**

In the following overview, the contractual, undiscounted disbursements of the financial liabilities are shown:

31 December 2021

in TEUR	2022	(2023-2026)	after 2026
Amounts due to banks	14,480	6,721	21,783
Other loan liabilities	0	25,000	0
Leasing liabilities	16	4	0
Trade payables	266	0	0
Other liabilities (excluding tax liabilities)	292	251	194
Total	**15,054**	**31,976**	**21,977**

31 December 2020

in TEUR	2021	(2022-2025)	after 2025
Amounts due to banks	18,952	3,854	12,749
Other loan liabilities	24	16,000	0
Leasing liabilities	21	20	0
Trade payables	1,017	0	0
Other liabilities (excluding tax liabilities)	477	0	0
Total	**20,491**	**19,874**	**12,749**

Gains and losses from financial assets and liabilities are as follows:

31 December 2021

in TEUR	From interests	From dividends	From subsequent valuation			From disposals	From other earnings components	Net result
			At fair value	Impair-ment	Reversal of impairment			
Financial assets and financial liabilities valued at amortised cost (AC)	-2,874	-	-	-50	-	-	-	-2,924
At fair value through profit or loss (FVTPL)	-	-	-16	-	-	-	-	-16
Measured at fair value through other comprehensive income (FVOCI without recycling)	-	-	-1,227	-	-	-	-	-1,227
Total	**-2,874**	**0**	**-1,243**	**-50**	**0**	**0**	**0**	**-4,167**

31 December 2020

in TEUR	From interests	From dividends	From subsequent valuation			From disposals	From other earnings components	Net result
			At fair value	Impair-ment	Reversal of impairment			
Financial assets and financial liabilities valued at amortised cost (AC)	-2,151	-	-	-	-	-	-	-2,151
At fair value through profit or loss (FVTPL)	-	-	26	-	-	-	-	26
Measured at fair value through other comprehensive income (FVOCI without recycling)	-	-	1,521	-	-	-	-	1,521
Total	**-2,151**	**0**	**1,547**	**0**	**0**	**0**	**0**	**-604**

9.2 Notes on capital management

Coreo strives to support its operating activities through targeted capital management activities and to ensure a sustained positive development of the Group. 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. The Group controls its capital structure with the help of the equity ratio. During the Financial Year, further loans were taken out. A capital increase is planned for the coming Financial Year. The equity ratio of the Group as of 31 December 2021 is 27.83% (previous year: 34.64 %.

9.3 Segment reporting

IFRS 8 requires a „management approach" presenting information regarding individual segments on the same basis used for internal reporting to the Board of Managing Directors. Coreo is managed as a single-segment entity. As a result, a reportable segment has been identified pursuant to IFRS 8, which comprises the Group's operating activities. The reporting for this reportable segment corresponds to the internal reporting to the chief operating decision-maker. The chief operating decision-maker has the responsibility for decisions regarding the allocation of resources to the operating segments and for reviewing their performance. The chief operating decision-maker is the Board of Managing Directors.

9.4 Contingent liabilities and other financial commitments

Contingent liabilities exist only for obligations recognised in the balance sheet for which Coreo AG and its subsidiaries have issued intra-Group guarantees and letters of comfort in favour of third parties.

At the balance sheet date, there were no legal disputes.

There are no other significant financial obligations, as in the previous year.

As of the balance sheet date, there were no further contingent liabilities or financial obligations to third parties.

9.5 Auditor's fee

The auditor's fee for auditing services for the Financial Year amounts to TEUR 75 (previous year: TEUR 75).

9.6 Significant events after the balance sheet date

The Managing Board of Coreo AG (hereinafter also referred to as the „Company") resolved, with the approval of the Supervisory Board, to increase the share capital of the Company, making partial use of the Authorised Capital 2021 of EUR 17,540,460.00 by up to EUR 5,011,560.00 to up to EUR 22,552,020.00 by issuing up to 5,011,560 new no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share („New Shares") against cash contributions. The New Shares shall be issued at the lowest issue price of EUR 1.00 per New Share. With effect from 1 January 2021 (inclusive), the New Shares shall carry dividend rights.

On 1 March 2022, a change in the Management Board took place at Coreo AG. As a result, Mr Marin N. Marinov is no longer a Managing Board member of the Company. Mr Dennis Gothan was appointed as the new Managing Board member of Coreo AG.

Furthermore, Coreo AG has appointed a Chief Financial Officer for the first time. As of 1 July 2022, Mr Michael Tegeder will accompany this function.

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

9.7 Share-based remunerations

Share options

With the resolution of the General Meeting on 31 May 2016, the Board of Managing Directors 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.

295,000 share options (out of a possible 485,000) were issued at a subscription price of 2.00 EUR. Of this number, 159,000 are still exercisable.

If certain performance targets are reached, the subscription rights from these options can be exercised. If the stock market price of the shares of the Company increases for example by a certain percentage during the period from the date of issue until the expiry of two years after the issue date (the „Reference period I") (the „Performance target I"). In the following table, the share of exercisable options upon achievement of the respective Performance target I is shown:

Increase in Reference period I	Proportion of exercisable options
50 %	50 %
60 %	60 %
80 %	80 %
100 %	100 %

The subscription rights under the options may also be exercised if the stock market price of the Company's shares increases by a certain percentage during the period from the date of issue until the expiry of three years after the issue date (the „Reference period II") (the „Performance target II"). In the following table, the percentage of exercisable options upon achievement of the respective Performance target II is shown:

Increase in Reference period II	Proportion of exercisable options
75 %	50 %
100 %	60 %
125 %	80 %
150 %	100 %

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.

As the average stock market price in 2021 was significantly below the exercise price of the share options, these were not shown in the balance sheet.

9.8 Related party disclosures

Companies and persons that have the ability to control the Coreo Group or exercise significant influence over its financial and operating policies are considered as related companies and persons. The existing control relationships were considered when determining the significant influence that related persons or related companies of the Coreo Group have on the financial and business policy.

Related parties of the Group include the members of the Board of Managing Directors 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 of Managing Directors 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.

Coreo AG announced on 28 July 2021 that it had been informed by FLORA S.A., Luxembourg, by way of notification pursuant to Section 20 of the German Stock Corporation Act (AktG), that the latter directly holds an interest in Coreo AG of more than 25%. Apeiron Investment Group Ltd., Malta also informed the company at the same time in accordance with § 20 AktG that it holds less than 25 % of the shares in the company.

Coreo AG obtained the latest information on the shareholding structure in the course of the Ordinary General Meeting on 14 September 2021. At that time, the major shareholder FLORA S.A. Luxembourg (indirectly and directly), held 26.8% of the voting rights and BF Holding GmbH, Kulmbach, and its owned subsidiary GfBk Gesellschaft für Börsenkommunikation mbH, together held 19.5% of Coreo AG.

Service and loan contracts exist within the Group. The performances between the companies are eliminated within the scope of the consolidation.

In the 2021 Financial Year, there were no transactions with related parties.

9.9 Corporate bodies

Members of the parent company's Managing Board

Managing Board in the Financial Year 2021:

- Mr Marin N. Marinov, Diplom-Ingenieur (graduate engineer), Hofheim, (until 28 February 2022)

The Managing Board received total remuneration of TEUR 285 in the year under review (previous year: TEUR 306). The total remuneration consists of a fixed remuneration of TEUR 222 (previous year: TEUR 222) and a variable remuneration of TEUR 63 (previous year: TEUR 84).

The remunerations are payments due in the short term.

Mr Dennis Gothan, Real Estate Transaction Manager, Frankfurt am Main, was appointed to the Managing Board of the Company with effect from 1 March 2022.

Members of the Supervisory Board of the parent company

In the business year 2021, 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) (until 14 September 2021)
- Dr. Friedrich Schmitz, Kaufmann (merchant), Munich of Bavaria, (until 14 September 2021)
- Mr Jürgen Faè, (Vice Chairman), entrepreneur, Vienna, Austria (as of 15 September 2021)
- Dr. Christoph Jeannée, lawyer, Vienna, Austria (as of 15 September 2021)

In the year under review, remuneration for the members of the Supervisory Board in the amount of TEUR 41 (previous year: TEUR 41) was recognised as an expense. The members of the Supervisory Board receive fixed remuneration only.

The Board of Managing Directors prepared these financial statements on 29 April 2022 and approved them for submission to the Supervisory Board. The Supervisory Board has the task of examining the Consolidated Financial Statements and declaring whether it approves them.

Frankfurt am Main, 29 April 2022

The Board of Managing Directors

Dennis Gothan

Annex to the Group notes

Shareholdings as of 31 December 2021

Company and headquarters	**seat**	**Share in capital in %**
Subsidiaries, fully consolidated		
Erste Coreo Immobilien VVG mbH	Frankfurt am Main, Germany	100.0
Zweite Coreo Immobilien VVG mbH	Frankfurt am Main, Germany	100.0
Dritte Coreo Immobilien VVG mbH	Frankfurt am Main, Germany	100.0
Vierte Coreo Immobilien VVG mbH	Frankfurt am Main, Germany	100.0
Coreo Göttingen AM UG (limited liability)	Frankfurt am Main, Germany	100.0
Coreo Solo AM UG (limited liability)	Frankfurt am Main, Germany	100.0
Coreo Han AM UG (limited liability)	Frankfurt am Main, Germany	100.0
Coreo solo UG & Co. KG	Frankfurt am Main, Germany	100.0
Coreo Han UG & Co. KG	Frankfurt am Main, Germany	100.0
Coreo Göttingen Residential UG & Co. KG	Frankfurt am Main, Germany	94.0
Coreo Wubi Residential UG & Co. KG	Frankfurt am Main, Germany	100.0
Coreo Wiesbaden PE UG & Co. KG	Frankfurt am Main, Germany	100.0

Group Management Report
for the Financial Year from 1 January to 31 December 2021

1. Principles of the Group

1.1 Overview

Coreo AG (hereinafter also referred to as „Coreo", „the Coreo Group", „the Coreo Group", „the Company", „the Corporation" or „we") is a public limited company under German law incorporated on December 12, 2003, and with its registered headquarters in Bayreuth, Germany. The 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 General Meeting on 31 May 2016, the Company operated as a nanotechnology investment Company under the Company name „Nanostart". In the meantime, the former portfolio of nanotechnology has been divested except for shares in two companies.

Since that time, the main activity of the Company has been to build up a high-yield commercial and residential real estate portfolio throughout Germany. The focus of the investment is on existing real estate with sustainable development potential. The risk/return profile of these acquisitions lies between that of the project developments on the one hand and that of rented existing real estate on the other. Coreo Group's positioning will increasingly shift from that of project developer to that of portfolio manager, as the real estate portfolio continues to grow. Coreo generates significant increases in the value of its real estate portfolio through property-specific measures (development, renovation, modernisation, repositioning, etc.) in addition to ongoing rental income. Portfolio components for which long-term rental prospects cannot be developed or which do not meet the Company's own needs (such as location and size) will be sold as quickly as possible. The profits thus generated constitute an additional source of income for the Group. Together with the funds released in the course of the sale, these are used for the further expansion of the real estate portfolio. As of 31 December 2021, the portfolio consists of properties at 18 locations with a total lettable surface area of around 69,690 m^2, of which 36,215 m^2 is residential and 33,475 m^2 is commercial. The commercial premises are divided into office and commercial buildings, wholesale, and logistics. In addition, at the closing date, a 10.1 % stake was held in a single property company with a lettable area of 26,000 m^2. Undeveloped land with a total area of 27,700 m^2 rounds off the portfolio.

1.2 Strategy

The shares of Coreo AG are traded on the open market of the Frankfurt Stock Exchange. Therefore, the objective of the Company is a sustainable and steady increase of the Company value in the interest of our shareholders by means of a multi-layered value-creating growth strategy. The objective is to achieve this by building up a profitable portfolio with a growing share of residential real estate with a volume of EUR 500 million over the next 4-5 years. The starting point is a restrictive purchasing and investment policy. In the Coreo Group's view, only properties or portfolios with above-average value development potential within their use class (so-called value-added real estate) are included in the shortlist. Decisions to invest continue to presuppose a manageable expense, both technically and in terms of time, and thus a good opportunity-risk profile. Coreo uses a long-standing network of local and regional partners throughout Germany to identify suitable properties. This means that Coreo has direct access to local market expertise and on-site services. Apart from metropolitan regions and economically strong conurbations locations in medium-sized centres are preferred. Depending on the specific plans for the properties developed in advance of the acquisitions, the properties acquired contribute to the Group's three revenue streams.

Trading income

In the course of portfolio transactions, individual properties are regularly acquired which, for various reasons, do not meet the strategic corporate requirements for real estate to be held in the long term (portfolio properties). The related properties are identified prior to acquisition and transferred to the Parent Company's current assets with the aim of selling them as soon as possible, generating adequate income contributions and using existing loss carry-forwards.

Portfolio development

A careful, property-specific development and/or repositioning of the acquired properties is a prerequisite for a sustained increase in rental income while at the same time reducing rental risks. The result of these measures is a substantial increase in property values and thus in NAV (Net Asset Value).

Long-term rental income

In this context, the required portfolio growth will be fed by properties that will be transferred to the long-term portfolio after completing development and/or repositioning measures. In some cases, further opportunities offered by the market can be used. Recurring liquidity surpluses from the rental business (funds from operations, FFO) are used for corporate financing and additional growth of the Group. For the rental result, tenant accounting is of fundamental importance. For this reason, Coreo deliberately relies on its own employees. Furthermore, through regular and direct contact with our tenants, we are able to recognise any failures or changing expectations at an early stage and to react quickly and flexibly with adequate measures.

1.3 Group structure

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

1.4 Control system

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

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

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

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

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

2. Economic report

2.1 Overall economic situation

In 2021, the economic development was again characterised globally, as well as in the euro area and in Germany, by the course of the COVID 19 pandemic and the associated measures to contain it. As a result, international supply chains were disrupted, leading to bottlenecks in the supply of primary products needed by industry. The lockdown imposed to break the second and third Corona waves in the first quarter and the fourth wave, which spread rapidly towards the end of the year, had a particular impact on personal services. The vaccination rate increased significantly in the course of the year following the approval of the first vaccines and the initially sluggish availability of vaccines. Alongside this development, relaxations came into effect for parts of the population, which led to an increase in domestic demand and thus to an economic revival. Germany experienced a decrease in price-adjusted gross domestic product of 3.3% in the first quarter of 2021 compared to the fourth quarter of the previous year.

In the second quarter, economic output grew by 10.8% and 1.9%, respectively, compared to both the same period of the previous year and the previous period. Responsible for the strong increase compared to the previous year is above all the base effect resulting from the historical slump of 11.3 % in the second quarter of the previous year. In particular, the supply bottlenecks and disruptions that occurred in the global supply chains meant that the growth expectations for the third quarter of 2.2 % could not be met with a value of 1.8 %. Private consumption, which picked up as pandemic-related measures came to an end, had a supporting effect. The recovery process continued in the final quarter of the year, albeit at a much slower pace, with an increase in economic output of 0.9 %, despite the rapidly developing fourth wave of infection and the continuing supply difficulties. The gross domestic product grew by a total of 2.9 % in 2021 on a price-adjusted basis. However, the level of the pre-crisis year 2019 could not yet be reached. Foreign trade, on the other hand, which is important for the export-oriented German economy, reached new record levels in 2021. With higher-than-expected growth of 14%, exports were 3.6% higher than in the pre-crisis year 2019. The even stronger increase in imports, with a plus of 17.1 %, led to the fifth consecutive decrease in Germany's foreign trade surplus.

The crisis-related effects differed significantly in the individual economic sectors. While the construction industry was the only economic sector affected by a decrease in price-adjusted gross value added of 0.4% in 2021, a comparison with the pre-crisis year 2019 shows a completely different picture. The construction industry shows the highest growth with 3.3 %. Significant economic sectors, such as manufacturing, only reached 94 % of the gross value added in 2019 despite the increase in 2021. In December, new orders in the construction industry as a whole were 13.3 % higher than in the same month of the previous year. There was a decrease of 6.8 % in residential construction at a high level, whereas other building construction recorded a value 66.3 % above the same month of the previous year. Both turnover and the number of employees increased in the main construction sector, as in 2020, but the growth rates of 1.0 % and 1.4 % were below the corresponding values of the previous year.

As a result, the increase in the number of employees in the main construction industry was higher than at the national level. There the average number of employees increased only minimally by 7,000 to 44.9 million and thus remained below the pre-crisis level. The unemployment rate fell in parallel after a temporary increase as a result of the lockdown at the beginning of the year to 5.1 % in December. Compared to December 2020, the number of unemployed fell by 378,000. The decrease in the number of short-time workers was much more pronounced. While an average of 2.84 million people were still on short-time work in 2020, only 1.85 million were affected last year. The special regulations on short-time working allowances adopted with the Employment Protection Act have thus contributed to the intended stabilisation of the labour market.

On the other hand, the ifo business climate index was only able to gain slightly from 92.1 to 94.8 in the course of the year and thus does not fully reflect the positive labour market signals. The barometer of sentiment for the German economy, however, had climbed to an annual high of 101.7 in the meantime as the economy began to pick up towards the end of the first half of the year. During the rest of the year, in addition to supply bottlenecks, noticeably increased transport costs and the price development of various energy sources and raw materials, above all the exponential development of infections with the emergence of the Omikron variant put pressure on the expectations of companies. The main drivers of development against this backdrop were the service sector (especially tourism and hospitality) and trade. The assessment of the current situation in the manufacturing sector, on the other hand, remained stable due to the good order situation in the final quarter.

With inflation having been below the European Central Bank's target of 2% for 10 years and still at -0.3% in December 2020, there was an accelerated increase in the course of 2021. The increase in the consumer price index in 2021, at an annual rate of 3.1%, was the highest since 1993. Compared to the same month of the previous year, the increase in December was already 5.3 %, a value last reached in June 1992. Initially, the development could still be explained with reference to base effects, such as the discontinuation of the temporary reduction in VAT at the end of 2020, but in autumn the central banks began to change their assessment in this regard. Simultaneously, there were initial discussions and considerations regarding an end to the loose monetary policy. The Bank of England raised its key interest rate to 0.25% and the US Federal Reserve announced that it would reduce the volume of its monthly bond purchases more quickly than planned and consider initial interest rate steps. The ECB also announced in December that it would reduce the volume of its bond purchases under the PEPP purchase programme (Pandemic Emergency Purchase Programme) even before it was discontinued in March. On the other hand, no decision was taken to abandon the zero-interest rate policy at the December meeting.

The significant increase in inflation figures and expectations led to a comparatively moderate rise in interest rates at a historically unchanged low level. 10-year government bonds were yielding -0.3% at the end of December 2021, only 0.3% higher than a year ago in 2020. For 10-year construction interest rates, there was also an increase of 0.3 % to 0.8 % in the same period.

2.2 Real estate market

The real estate market faced various challenges last year as a result of the Corona pandemic. Sustainable changes in both user behaviour and investment strategies became apparent, among other things. The economic effects of the supply bottlenecks, rising inflation, and the resurgence of the infection towards the end of the year also played a role. Support for the market came from interest rates, which remained at historically low levels. The yield difference between the performance of open-ended real estate funds and the yield of German government bonds, however, fell for the second year in a row to only 2.6 %. As a result, the asset class of real estate remains particularly interesting for the asset-liability management of long-term investors such as insurance companies and pension funds, especially since the excess yield was able to develop again to 2.9 % at the end of the year.

The transaction volume in the German real estate investment business rose by 40 % compared to the previous year and reached a new record of over 111 billion. At the same time, with the exemption of the trading segment, all submarkets contributed to the growth. The share of low-risk investment approaches focusing on core and core-plus properties rose by 11% to 72% within the investment strategies. The share of foreign purchasers remained unchanged at 39 %, according to BNPP Real Estate. Their activity is likely to increase again in future with the abolition of international travel and contact restrictions.

Residential real estate market

The German residential real estate market could achieve the highest transaction volume to date in 2021, at €49 billion. The result, however, was strongly influenced by individual transactions, as was the case in the previous year. The acquisition of the Berlin and Hamburg residential property portfolio of Akelius by the Swedish company Heimstaden with a volume of around €5 billion contributed significantly to this, in addition to the approximately €18 billion takeover of Deutsche Wohnen by Vonovia. The good result is likely to be due to a variety of factors. Residential real estate is in the focus of security-oriented investors in particular due to the lack of investment alternatives with stable values and predictable returns. This is particularly true for the German housing market due to the extensive social security systems compared to other countries. The interest of foreign investors remains correspondingly high. The number of housing completions continues to be below the estimated demand for new construction. The German Association of Towns and Municipalities estimates that a new construction volume of 350,000 dwellings per year is required by 2025. The GdW, on the other hand, assumes only 315,000 completions in 2021 and thus a further increase in the shortfall. The situation in social housing is particularly tense. The number of newly built flats in this segment has risen noticeably since 2016 to an expected 30,000 units for 2021, but the number of flats falling out of price control each year has exceeded this figure by more than 50 % for years. As a result, housing policy was not only one of the major issues in the 2021 federal election campaign but is likely to hold sufficient potential for further market intervention if the market situation continues to tighten. The new federal government's goal of building 400,000 dwellings a year - 100,000 of them social housing - seems ambitious. The already very high-capacity utilisation in the construction industry, the dynamic development of production costs in the wake of increases in the minimum wage, sharply rising energy and raw material prices, and the discontinuation of subsidy programmes construction child allowance (Baukindergeld) and KfW subsidies for energy efficiency standard 55) could prove to be limiting factors. The number of residential building permits developed positively in 2021. At 380,914, the increase of 3.3 % compared to the previous year was the highest since 1999.

Purchase prices (across all years of construction) for condominiums, detached and semi-detached houses as well as rented flats again rose significantly in Q4 2021 compared to the previous year, with increases of 13.2 %, 13.8 % and 4 % respectively. The increase in nationally advertised rents (for all construction years) remained significantly behind this development at approx. 4.0 %. Purchase prices and rents thus continued to diverge, as in previous years. In the meantime, the empirica bubble index indicates a moderate to high risk of a bubble for 338 of 401 districts and independent cities. In December, the residential rent index published by the Federal Statistical Office recorded an increase of 1.4 % compared to the same month of the previous year. Rents continued to rise in 69 of 80 cities surveyed in 2021, but with reduced momentum, according to the real estate portal immowelt. Smaller cities were also affected by significant increases in purchase and rental prices.

It is likely that growing household incomes, which did not keep pace with the rising purchase prices, as well as the slight increase in mortgage interest rates at the end of the year were the reasons for the renewed decrease in the real estate affordability index determined by the ivd.

Commercial real estate market

The investment market for commercial real estate achieved its second-best result to date thanks to a very strong fourth quarter with €24.7 billion in sales. Growth in all sub-segments - with the exemption of retail - underpinned the positive market development in 2021 and a further decrease in prime yields. The increased risk aversion in the wake of the pandemic also manifested itself in the commercial market in an increase in demand for core and core plus properties. According to BNPPRE, the office asset class continued to dominate the total transaction volume of €64.7bn, accounting for 47.9% or €30.7bn, up from 41.3% in the previous year. Office take-up also picked up noticeably, exceeding the previous year's result by 26.5 %. Particularly strong growth was recorded in Cologne with a plus of 60 %. The pre-crisis level could not yet be reached, however. A noticeable revival in demand could be seen within the various size classes, especially for medium-sized spaces. Berlin was once again the highest-turnover location among the TOP 7 cities with 834,000 sqm (+17.5%). Nonetheless, due to rising completion figures, there was an increase of 0.8% in the vacancy rates averaged across all top 7 locations to 4.5%. New hybrid working models within companies may also have contributed to this development in the course of the increase in home office activity, leading to a reduction in the space required and thus an increased willingness to move to modern, flexibly designed space. Top rents remained stable with a slight upward trend over the course of the year.

The growing online retail turnover led to increased interest in buying logistics properties. Together with the light industrial and production real estate segment, they subsequently outperformed retail real estate for the first time, which was affected by investor restraint in shopping centres and high street properties, thanks to a significant increase to €8.4 billion.

In spite of an increase of 27 % to 2.5 billion euros, the share of hotel properties in the overall result remains of minor importance. In the record year 2019, turnover was around twice as high. Despite the first signs of recovery, a sustainable revival of the transaction volume is only likely to occur when the incidence levels off and occupancy and turnover figures start to rise again.

3. Business development

The Financial Year 2021, like the previous year, was also marked by the effects of the Corona pandemic for the Coreo Group. Restricted access to buildings and documents in the context of due diligence processes continue to be mentioned here, but also extended project times, among other things as a result of increased sickness rates both in authorities and at executing companies.

The Group was nevertheless able to acquire commercial properties worth around 12 million euros in two transactions (asset deals) and to make a down payment on a residential property portfolio worth 55 million euros in another transaction (share deal). This set a new record for the annual acquisition volume. The sales volume also grew significantly at the same time, increasing by around 69 % compared to the previous year's value to 10.3 million euros. Other funds from the financing raised at the end of 2020 were still available at the beginning of the year, which were drawn down in anticipation of the expected acquisitions.

In Bad Köstritz, rental income increased as a result of the investments made.

The targeted structure of the residential portfolio in Göttingen was almost achieved. The residential portfolio outside Göttingen (originally consisting of seven locations) was sold, with the exception of one property in Wormeln. As of 31 December 2021, however, the transfer of possession had not yet taken place for the real estate in Osterode and Gillersheim sold in 2021. Three of the four real estates located in Göttingen are in the sole ownership of the Coreo Group. Two of them are undergoing fundamental renovation measures, some of which are at an advanced stage. The comprehensive construction measures planned for the property - which is not owned solely by Coreo - have not yet been started due to a lack of consent from some third-party owners.

For the first time, the flats held in the long-term portfolio in Wuppertal and Bielefeld contributed to the rental income for the entire year. The resulting effect was responsible for the increase in annual rental income attributable to this portfolio by almost 50%.

By contrast, the real estate at the Gelsenkirchen and Lünen locations acquired in 2019 as part of the same portfolio transaction is to be sold in the short term. The preparatory measures to upgrade the properties in Lünen have now progressed according to plan. It is expected that the sales process will begin in the second half of 2022. Further residential units were also sold in Gelsenkirchen in the past year. Since there were delays in the necessary work preceding the sale in the wake of the Corona crisis, however, the sales status at the end of the year was behind the original plans.

Coreo's commercial real estate portfolio was expanded by four locations or properties as a result of the acquisitions made. The three real estates leased to a German automotive supplier are one administrative and two production buildings. The acquisition of the real estate in Delmenhorst was a further logistics property. The required investments in fire protection have been started in the meantime and have already been partially completed.

Rental income for the commercially used properties in Bruchsal and Mannheim developed according to plan, as was already the case last year. Additional parts of the real estate in Mannheim were sold above their respective book values. The preparatory measures for the roof renovation due in the current year were conducted in Bruchsal.

In 2021, the sale of the non-strategic parts of the Hydra portfolio, which originally consisted of 12 real estates, was successfully concluded with the sale of the Hanau property to the city of Hanau, which had exercised its municipal right of first refusal. With the handover of the building in Kiel, which was converted into a hotel, to the B&B Group and the letting of the flats created in the Frankfurt property „Berger Straße", rental income was sustainably increased.

The development area in Wiesbaden was also rounded off by the purchase of an adjacent plot of land.

The acquisitions and purchases made in 2021 were not only above plan, but also contributed to bringing Coreo a large step closer to its declared strategic goal of building up a portfolio in the order of 500 million euros over the next four to five years. Since the closing of the acquired real estate did not take place until the second half of 2021 or had not yet taken place as of the balance sheet date, the increase in rental income was disproportionately low, rising by around 24% to TEUR 4,349. With the significant increase of TEUR 885 to TEUR 1,373 in sales revenues and a result from property valuation that more than doubled by TEUR 1,016 to TEUR 1,863, expectations in this regard were also exceeded.

Overall, the growth targets of the Coreo Group were thus achieved or exceeded.

3.1 Earnings situation

The Coreo Group's earnings situation improved significantly compared to the previous year, despite the persistence of the Corona pandemic. All three sources of income accounted for the increase: rental income, net proceeds from disposals and the valuation result. The company's value-creating growth strategy, implemented with the consistent and prudent expansion of the property portfolio, has thus proven successful.

Gross rental income increased as planned by almost 24% from TEUR 3,515 to TEUR 4,349 compared to the previous year. The growth of TEUR 834 was primarily driven by the successful letting of the Hydra portfolio, the acquisition of the three real estates let to an automotive supplier, and the first full-year residential rents collected in Wuppertal and Bielefeld. As a result, it was possible to more than compensate for the decrease in rental income in Göttingen, which had been calculated in preparation for the sustainable conversion and renovation measures.

Proceeds from the sale of real estate again increased significantly, rising 69% to TEUR 10,318 compared to the previous year's figure of TEUR 6,092. The result from the sale of real estate rose disproportionately with an increase of 181 % to TEUR 1,373. Almost half of the result was accounted for by sales in Mannheim. The sales of the flats held as current assets in Gelsenkirchen, the two Hydra properties in Darmstadt and Hanau as well as the sale of the property in Bielefeld continued to contribute in equal parts.

The valuation result also rose sharply. At TEUR 1,863, it was TEUR 1,016 higher than the previous year's value. This reflects the effects of the successful portfolio management activities at the Bad Köstritz, Göttingen, Wuppertal and Bielefeld locations.

After the EBIT for the Financial Year 2020 was still negative at TEUR -690, a clearly positive operating result of TEUR 2,838 was generated in the year under review with an increase of TEUR 3,528. Both the income and expense sides contributed to this. While income could be increased from a total of TEUR 5,075 in the previous year to now TEUR 7,927, in particular material and personnel expenses as well as depreciation and other operating expenses in the total amount of TEUR 5,089 declined by TEUR 676 compared to the previous year. This decrease results from the TEUR 671 reduction in depreciation and impairments compared to the previous year. The real estate held in the parent company's current assets had been impaired by this amount in the previous year.

The financial result developed according to plan and amounted to TEUR -2,824 in the Financial Year 2021 after TEUR -2,125 in the previous year. The increase in interest expenses by TEUR 649 as a result of the increased portfolio volume explains by far the largest part of the TEUR 699 decrease in the financial result.

In comparison to the previous year (TEUR -2,437), the result for the period increased by TEUR 1,543 to TEUR -894. The lower increase compared to the EBIT is explained by the TEUR 1,285 increase in tax expenses.

In the past Financial Year, the shares in MagForce AG were transferred to the selling shareholder as a down payment on the purchase price of the shares in Spree Beteiligung Ost GmbH, Berlin. At the time of the transfer, the agreed value of the shareholding was higher than the current value, but lower than the stock market value determined as of 31 December 2020. The difference explains the negative other result of TEUR 1,227 (previous year TEUR 1,499). The overall result thus decreased by TEUR -1,183 from TEUR -938 in the previous year to TEUR -2,121.

3.2 Financial situation

The negative cash flow from operating activities, which was approx. 11.0 million euros lower than in the previous year, was the result of 8.0 million euros lower payments for investments in real estate inventories. The negative result for the period also fell by 1.5 million euros to -0.9 million euros and income taxes increased by 1.3 million euros to 0.9 million euros. Changes in the value of investment properties and real estate held for sale had a negative effect on cash flow from operating activities, which rose from -0.8 million euros in the previous year to -1.9 million euros. On the balance sheet date, the cash flow from operating activities amounted to -2.8 million euros (previous year: -13.8 million euros).

The negative cash flow from investing activities, which was approx. 0.8 million euros lower than in the previous year, was due in particular to higher investments in investment properties and increased proceeds from property sales. As of the balance sheet date, the cash flow from investing activities amounted to -7.1 million euros (previous year: -7.9 million euros).

The positive cash flow from financing activities of 23.7 million euros (previous year: 37.0 million euros) resulted primarily from taking out new loans to finance realised and planned property investments. The new loans taken out, however, were significantly lower than in the previous year. Payments for the redemption of loans amounted to Euro -9.3 million (previous year: -6.1 million euros). As of the balance sheet date, cash flow from financing activities amounted to Euro 14.3 million (previous year: 19.8 million euros).

Cash and cash equivalents increased on balance by Euro 4.4 million from Euro 3.3 million to Euro 7.7 million.

The financial position of the Coreo Group improved overall in the past Financial Year. Alongside the increased liquid funds, the maturity of the borrowed capital was noticeably increased through refinancing. Growth in rental income also exceeded that of interest expenses. New equity of up to TEUR 5,513 can also flow into Coreo AG via the rights issue against cash contributions announced on 19 April 2022.

The Managing Board is confident that it will be able to meet all of the Group's payment obligations on time in the 2022 Financial Year.

3.3 Asset situation

The balance sheet total increased by 15 % or TEUR 12,787 from TEUR 84,563 to TEUR 97,350 compared to the previous year's balance sheet date. The main reason for this on the assets side, besides the increase in cash and cash equivalents, was the continued expansion of the property portfolio, which accounted for TEUR 10,509 despite the significantly increased sales volume. Beside the acquisition of the logistics property in Delmenhorst, the three properties let to a German automotive supplier and the rounding off of the development area in Wiesbaden, the Group made not inconsiderable investments in the portfolio, mainly in the Hydra properties in Kiel, Gießen and Frankfurt as well as the Göttingen residential portfolio. These investments were not the only reason for the increase in the balance sheet values of investment properties, real estate held for sale and inventories. The balance sheet value of the property portfolio totalled TEUR 74,588, compared to TEUR 64,079 at the end of the previous year.

In addition to other assets, financial assets declined due to the decrease in the value of MagForce shares. On the other hand, the disposal of the MagForce shares from Coreo's assets had no effect, as this was offset by the down payment on the shares in Spree Beteiligung Ost GmbH in the corresponding amount.

In the past Financial Year, the expansion of the real estate portfolio was financed exclusively by additional borrowed capital, which was raised both at the level of the parent company and in the subsidiaries that maintain the portfolio. The capital increase of at least EUR 5 million planned in the course of the corporate financing of EUR 23 million concluded at the end of 2020 was postponed to 2022, contrary to the original plans.

Of the TEUR 14,070 increase in financial liabilities to TEUR 65,689, TEUR 27,069 is attributable to Coreo AG, of which TEUR 4,383 is for financing the flats in Gelsenkirchen and Lünen. The average maturity of the financial liabilities was increased compared to the previous year through refinancing, and thus the volume of short-term financial liabilities was reduced by TEUR 4,500 to TEUR 14,496 at the same time. Accordingly, the share of long-term loan funds rose from 63.2 % to 77.9 %. The decrease in group equity by TEUR 2,205 to TEUR 27,090 corresponds to the overall result for the reporting period of TEUR -2,121.

The increase in liabilities and the decrease in equity led to a decrease in the equity ratio from 34.6 % to 27.8 %. If the current capital increase is successful, the debt ratio, which has risen to 72.2 %, will fall again.

4. Opportunity and risk report

Risk management

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) in accordance with the size requirements of Section 293 of the German Commercial Code (HGB). These consolidated financial statements were prepared on a voluntary basis in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, in order to provide our shareholders with additional information within the framework of our communication and transparency policy that would facilitate the assessment and evaluation of the economic development of the Coreo Group. The Board of Managing Directors 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. 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 Board of Managing Directors. To monitor and control all measures relating to the real estate portfolio, regular internal meetings are held with the participation of the Board of Managing Directors, Sales and Asset Management. Additionally, transactions specified in the rules of procedure of the Board of Managing Directors require the approval of the Supervisory Board. In addition to macroeconomic developments, developments specific to the industry and financial markets as well as other developments relevant to the Group are monitored in order to identify those potential risks that are inevitably associated with entrepreneurial activity as early as possible and, if required, take appropriate countermeasures.

4.1 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 real estate market depends on various factors that cannot be influenced by Coreo, such as macroeconomic developments. Following an upswing that lasted for years, the economic situation has deteriorated significantly as a result of the Corona crisis and the Ukraine war and could have a negative impact on the demand for commercial space due to a decline in companies' willingness to invest in response to the significant drop in consumer confidence since the beginning of the year. Considering that only a portion of the commercial real estate held by the Group is let on a long-term basis, this could have a direct negative impact on the pending (subsequent) rentals. Furthermore, there could be tenant defaults or adjustments to the agreed rent in the case of properties let on a long-term basis. A declining number of employees or the real income of private households could be a burden on the housing market. Consequently, the Group might be faced with rising vacancy rates and stagnating or even falling rental prices and/or increased rental defaults at the same time. Considering the as yet unforeseeable long-term effects of the Corona pandemic and the further developments in direct and indirect connection with the Ukraine war on economic development, a forecast of economic development in 2022 and beyond with a sufficiently high probability of occurrence is only possible with difficulty at the present time. The forecasts of leading economic research institutes and institutions, which are significantly adjusted at short intervals, also prove this. The high level of government spending expected for 2022 as well as the ECB's money market policy should have a supporting effect, so that overall slight GDP growth can be assumed for 2022.

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 conducted 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 real estate we hold to be low due to the average size of the apartments, tenant structure and rental level. In view of the leasing successes and previous experience with the effects of the Corona crisis on the Group's rental income, we make the same risk assessment for the commercial properties held by the company, as these are either located in economically strong regions and/or have central inner-city locations and can also be allocated to the sub-segments „Logistics" and „Production Properties & Industrial Light" to a notable extent. Structural changes that have occurred within the economy are likely to prove permanent, at least in part, due to the duration of the crisis-related restrictions on public life. Parts of the city retail trading, for example, could be partially squeezed out of the market by online providers, which would lead to a decline in demand for space. Currently, the Board of Managing Directors assesses the risk in this respect as medium-high. In the same way, a continuation of increased home office activity could lead to both a fundamental decrease in demand for space and a shift towards modern, flexible space.

c) Valuation risks
The market values of the properties held in the Group, which are determined annually by an external, independent assessor, are - besides the current rental income - dependent on input data derived from reliable data sources. Such factors include, for example, the discount interest rate, any index clauses contained in the rental contacts, the rents that can be sustainably achieved at the respective locations and the vacancy rates customary in the market, as well as the associated standard land values. In addition, subjective assessments, and expectations such as inflation rate trends and number of inhabitants as well as individual assessments of the technical condition of the building are included in the calculation. Furthermore, changes in equity and bond yields have an impact on property prices and the liquidity of the real estate market. The risk of a significant devaluation of our real estate holdings as a result of rising interest rates is not considered to be high, assuming that the ECB continues its current monetary policy. If the expected market yields of other asset classes, such as bonds, rise noticeably, however, this could lead to a decrease in demand on the real estate market and consequently in the general real estate price level and thus in the value of the holdings held by Coreo. Under the assumption that the rise in interest rates seen since the beginning of the year will not continue unabated over the course of the year and that the economy will grow in line with expectations, the valuation risks are considered to be average, as in the previous year.

d) Regulatory and political risks
Regulatory risks arise, on the one hand, from a tightening of existing regulations and the introduction of additional regulations and the additional costs and expenses that may result (e.g., in construction, environmental and labour law, energy efficiency) and, on the other hand, from limited opportunities. Similarly, corresponding regulatory intervention in the residential real estate market may lead to delays in opportunities for rent increases (e.g., rent brakes, rent control, environmental protection, reduction in the allocation of modernisation costs), the omission of planned rent increases, lower rental income and, consequently, the absence of planned revaluations or reduction in the value of the property. In addition, developments in the formation of political opinion, such as the ongoing discussion on the expropriation of large residential portfolios, as in Berlin, may have a negative impact on business development, e.g., by financial market participants adjusting risk premiums at an early stage or by investors withdrawing completely from market segments and/or individual locations/regions. The risk in this regard is still considered low, as the Group has a geographically well diversified portfolio, with low rents in terms of absolute square meters, and only one smaller building is located in one of the main cities particularly affected by housing shortages.

4.2 Economic performance risks

a) Purchase and sale risks
The Coreo Group's business model envisages the continuous expansion of its existing real estate portfolio. focussing its acquisition strategy on real estate with a potential for development and increase in value (value add). Assumptions made regarding the attractiveness of the respective location, the readability of the property in terms of rent and marketing period, the potential for rent increases or the time needed to obtain official permits and/or the necessary construction measures may prove to be wrong and subsequently lead to deviations in rental income and revaluation plans. It is also possible that valuation-relevant information on building substance, contaminated sites, etc. may only be obtained after signing a sales contract. Comprehensive and structured inven-

tories and analyses, if necessary, involving external partners, are conducted 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 integrated, financially strong buyers. On the whole, we classify the buying and selling risks as low.

b) Development risks
The business model of the Coreo Group, which focuses on value-added properties, is inseparably linked to development risks, which, however, are lower in comparison with new construction projects due to the lower degree of complexity. On the expenses side, these risks comprise exceeding the planned costs or occurring unforeseeable additional construction measures. Delays in the implementation of the planned measures can be caused by delays in case of planned building permits, late agreements with the affected tenants, but also by a shortage of craftsmen and result in delayed rental income, long-term rental reductions and, in some cases, contractual penalties. Due to the fact that Coreo cannot directly control all development risks, the corresponding risk is classified as medium; however, in the event of a resurgence of infections, a prolonged disruption of supply chains and/or an expansion of the effects of the Ukraine war, the risk is classified as increasing.

c) Rental and (rental) default risks
The main risk at present is that of reletting, as the majority of the commercial properties in the portfolio have been let. Although these are located either centrally or in economically strong regions, problems with (re-)letting cannot be ruled out in principle (see also location risks). The risk of (re-)letting is assessed as low due to the significantly reduced vacancy rate and the type of use of the portfolio properties if the expected overall economic growth occurs. Therefore, it cannot be ruled out that (subsequent) letting difficulties may also arise for commercial premises in central, inner-city locations and/or in economically strong locations, for example in the event of tenant insolvencies or premature termination of contracts. The risks associated with any follow-up lettings are, however, considered to be calculable. The planned portfolio expansion may lead to the acquisition of commercial value-add properties/portfolios with a high vacancy rate and a corresponding letting risk. When determining the purchase price, the resulting economic risks are considered. There is, however, the possibility that these may be underestimated despite detailed and cautious planning. In this regard, the Managing Board assesses the risk as low.

Scheduled vacancies may occur within the residential portfolio due to property-specific, in some cases extensive modernisation measures to improve the rentability of the units. The Company's own employees constantly monitor the occupancy rate. Ongoing activities and direct contact with tenants are used to counteract an increase in vacancies. Additional measures are taken if necessary.

There are default risks within the Group with regard to rental income and real estate sales. The first is counteracted by stringent selection of tenants with recourse to credit checks in the run-up to the conclusion of tenancy contracts as well as direct tenant management during the term of the contract. Since the tenant structure of our residential portfolio has a higher-than-average percentage of households not directly affected by the crisis (pensioners and transfer recipients), and average rents per square metre are comparatively low, it has a favourable risk profile. Overall, the risk of a sustained increase in rent losses is assessed as low.

The risks of loss of rent relating to the Financial Year 2021 were adjusted in the consolidated financial statements.

For risk management reasons, sales are also made to sufficiently financially strong contractual partners only after an in-depth review.

d) Cluster risks
Cluster risks may arise both regarding the geographical distribution of the properties and the tenant structure. There is currently no pronounced concentration of real estate assets at a single location due to the distribution of the current real estate portfolio across different types of use and throughout Germany. The cluster risk is therefore assessed as low.

4.3 Economic performance risks

a) Financial and capital market risks
The Coreo Group relies on additional equity and borrowed capital to finance its planned growth. Especially in difficult market phases, it may not be possible, or only possible to a very limited extent, for low-capitalised companies to raise further equity capital on the stock markets. Since the Group requires additional debt capital to achieve its growth targets, an equity capital base that does not grow or grows insufficiently, as well as a tightening of lending conditions and/or a decrease in the willingness to lend would have a negative impact on the Group's investment opportunities. Simultaneously, in addition to the sustained rise in inflation expectations, distortions on the financial and capital markets could lead to rising yield levels and thus make the issuance of corporate bonds and/or the utilisation of loans only possible at economically unjustifiable costs. The Managing Board anticipates that it will be able to place the current capital increase and thus increase the Group's borrowing possibilities. In the case that only part of the planned capital increase can be conducted, the acquisition potential would increase correspondingly less or, in the case of non-implementation, would be limited by the currently available financial resources. The risk of not achieving the target volume of the portfolio within the planning period or not achieving the planned portfolio volume in the medium term would be considered high in this case. Should it not be possible to comply with the stipulations of existing loan agreements, the result could be a required premature repayment and, if required, the liquidation of properties serving as security. This causes noticeable economic disadvantages for the guarantor. At the end of 2021, there were no early repayment obligations within the Group.

b) Interest rate risks
Interest rate risks relate to directly existing loans for which no fixed interest rate agreements have been concluded. They also exist in case of necessary loan extensions and financing of (future) real estate purchases. Considering the measures announced and already initiated by the central banks, we expect a moderate increase in the general interest rate level for 2022 from a historically low level and therefore classify the interest rate risk as low.

c) Liquidity risks
Liquidity reserves are maintained to ensure the solvency of the Group at all times. Acquisition of real estate does not represent a liquidity risk for the Coreo Group, as they are only conducted if financing has been agreed in advance. Should development measures in the portfolio exceed the period of the corresponding loan, Coreo may be obliged to obtain follow-up financing. At present there are no indications of such a situation. The liquidity risks are therefore assessed as medium in the previous year.

d) Foreign currency and financial instrument risks
As neither foreign currency loans were taken out nor financing instruments acquired, no such risks exist.

4.4 Other risks

a) HR risks
Coreo relies on recruiting additional employees with different qualification profiles in order to achieve its medium-term goals. The loss of top performers could result at the same time in additional staff requirements which could not be covered within the requested period. The Company counteracts this risk by creating an attractive working environment and using existing networks within the sector. The personnel risk is therefore still considered low overall, despite the increasing shortage of labour and skilled workers, but it has increased compared to the previous year.

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

c) Risks with cooperation partners
Various activities within the Group are outsourced to professional service providers and cooperation partners without resulting in critical dependencies. Therefore, the corresponding risk is considered to be low.

To achieve the planned growth, it is necessary to take specific risks for the company. Therefore, real estate acquisitions are only made as far as the opportunity-risk profile associated with them meets Coreo's requirements. The Group has liquid funds available for further acquisitions at the time of the preparation of the management report. If the medium-term growth target is to be achieved, it will be necessary to increase both the basis of equity and borrowed capital. The availability of real estate offers that match the Coreo Group's investment profile is at the same time a prerequisite for achieving the company's goals.

The management assumes a higher overall level of uncertainty for the 2022 financial year for reasons of prudence in view of the Corona crisis, which has still not been overcome. Altogether, the Board of Managing Directors does not see any increased risks for 2022 that could pose a threat to the continued existence of the Group.

4.5 Opportunities of the future business development

Industry-specific opportunities

The Coreo Group invests in both commercial and residential properties. Within the Federal Republic of Germany there are no geographical restrictions. We positioned ourselves in a less competitive market environment than A cities and metropolitan regions by focusing on attractive medium-sized centres and properties in the value-added segment worth EUR 3-20 million. In particular, the bubble index determined by the analysis company Empirica shows a setback potential for major German cities that is noticeably higher than the national average, so that Coreo's positioning could prove to be a relative competitive advantage in an increasingly difficult market environment.

There is additional demand for housing due to the influx of refugees that began with the outbreak of the war in Ukraine. In order to avoid further encumbrances on the already tight housing markets, a distribution of refugees throughout Germany could be politically supported and coordinated. Consequently, regions that have so far not benefited from the real estate boom or have benefited only to a below-average extent, could experience a revival in demand.

Furthermore, the jump in home office activity that occurred with the Corona crisis could prove to be permanent, at least in part. This in turn could lead to increased demand for housing or larger housing units. With household incomes not corresponding in parallel, the lower and middle price segments in particular could experience additional demand.

The significant increase in mortgage interest rates since the beginning of 2022 makes the purchase of residential property even more expensive, in addition to the increase in purchase prices. A further drop in the affordability index is to be expected against this backdrop. Since the increase in rents has been lower than that of property prices for years, the economic attractiveness of rented flats increases as a result.

Notwithstanding the fact that the 10-year mortgage rate has more than tripled since the beginning of the year to almost 2.5 %, investor interest in the residential and commercial property market is likely to remain unbroken. The reason for this is the high negative real yield as a result of the dynamic increase in inflation figures. The increase in the consumer price index in April 2022, for example, was an expected 7.4% year-on-year and thus as high as it was last in autumn 1981.

Simultaneously, the longer-term economic effects of the pandemic could lead to an increase in (commercial) real estate supply as well as to a change in investor interest with regard to the various asset classes. In the course of the disruptions that have occurred in the global supply chains, the high demand for logistics properties could be reinforced once again. A relocation of production sites back from abroad in this context would have a particularly positive effect on the sub-segments „production real estate" and „industrial light".

Company-specific opportunities

Coreo gains early knowledge of attractive properties for sale through its existing network of employees and its growing popularity. Developing the portfolio of properties that have been purchased opens up special opportunities and potential. Both an increase in the average rent per square metre and a reduction in the vacancy rate should be achieved through targeted investments in the housing stock and an intensification of portfolio management activities. There is also a broad demand for flats in the simple to medium market segment, which should increase again with rising rents for new contracts and a possible crisis-related decrease in disposable income and/or continued high inflation. The Board of Managing Directors therefore assumes that further rental contracts will be concluded and that the vacancy rate for properties not undergoing renovation will decrease. The properties acquired in 2021 and the Hydra properties in Kiel and Frankfurt will also generate rental income for the full year for the first time and thus contribute to an increase in the Group's rental income. The first flats could be re-let by the end of 2022, depending on the further progress of the extensive renovation work currently underway at two properties in Göttingen, and thus possibly contribute to an increase in the annual target rent.

The planned sale of flats in Gelsenkirchen and the property in Lünen, which is in the process of being upgraded, would not only release tied-up capital but also strengthen internal financing power. If the capital increase announced on 19 April 2022 is fully placed, the potential acquisition volume would increase accordingly.

Coreo identifies particular opportunities in the acquisition of the portfolio of 1,341 flats, which was paid for in July 2021 by way of a share deal and is scheduled for the current year 2022. For example, the vacancy rate of 23% at the time of the conclusion of the purchase agreement is to be sustainably reduced through the introduction of professional asset management tailored to the respective on-site requirements. In addition, the investments in the portfolio planned for this purpose should lead to an increase in the average rent per square metre.

In summary, the Managing Board anticipates a considerable increase in rental income in 2022. Due to the fact that the planned sales of non-strategic properties, with the exemption of the residential units in Gelsenkirchen and Lünen, have now largely taken place, the amount of revenue generated from property sales in the current year is dependent on the size and composition of the portfolios still to be acquired.

5. Forecast report

Macroeconomic development

The prospects for the German economy have clouded over considerably in recent months on the basis of various reports and analyses by renowned economic researchers and institutions. Although the German Council of Economic Experts assumed economic growth of 4.6% in its annual report for 2021/2022, it has adjusted its estimate significantly downwards to 1.8% in its most recent forecast. The economic experts are thus even more cautious in their expectations than the IMF. The growth assumptions for Germany in particular were lowered in the World Economic Outlook presented in mid-April. While the estimates for the global economy and the Eurozone were lowered by 0.8% and 1.1% respectively compared to the January estimate, the estimate for German GDP was downgraded by 1.7% to 2.1%. The main reasons for the worsened outlook are the effects of the war in Ukraine, especially on energy, raw material and food prices, the significantly lowered growth assumptions for China in connection with the measures taken there to contain the resurgence of infections and the resulting disruption of supply chains. Moreover, the room for manoeuvre in fiscal policy for continued high compensation payments is likely to be limited by the decided increase in defence spending as well as the additional expenditure for the Ukraine refugees.

Sector-specific development

The start of the year on the German investment property market was extremely promising.

All major brokerage houses report not only a doubling of the transaction volume compared to the same period of the previous year, but also the achievement of a new record. Forecasts for the remainder of the year are at the same time subject to a significant degree of uncertainty due to the Ukraine conflict, rising inflation, and more restrictive financing conditions with simultaneously rising financing costs. A turnover volume in the region of 60 billion euros is nevertheless expected and thus at the level of the previous year's figure. Against the background of the overall economic environment, this positive outlook is supported by catch-up effects after two years of pandemic as well as the interest in inflation-protected appendices. Investors are therefore likely to be particularly interested in commercial properties with indexed rental contacts. The crisis-related drop in risk appetite is increasingly bringing core properties into the focus of investors. Because Germany is considered to have above-average economic stability internationally, the share of foreign investors in the transaction volume, which already increased significantly in the first quarter with the abolition of international restrictions on freedom of travel, should also be achieved in the further course of the year.

Companies are likely to consider the appendix of increased reserves for required raw materials and primary products as well as increased on-site production due to the disruptions in the global supply chains. Such a development would particularly benefit logistics as well as production and light industrial properties, which make up a high proportion of Coreo's commercial real estate portfolio. As a result, prices may continue to rise, and slightly higher yields may be achieved by switching to second-tier locations.

Rents on the residential property market are expected to continue to rise throughout Germany, albeit at a less dynamic pace, with demand remaining high.

Expected business development of the Coreo Group

The rental income will rise significantly in 2022 compared to 2021, depending on the timing of the possible acquisition of a residential portfolio, on the basis of a corresponding annual net cold rent of EUR 3.8 million, and will far more than compensate for the decreases in rental income that will occur in the course of the planned sales in Gelsenkirchen and Lünen. The conversion measures in two properties in Göttingen will continue at the same time. The first new lettings could take place here by the end of 2022. For the residential portfolios in Bad Köstritz as well as Wuppertal and Bielefeld, a slight increase in rental income is expected. Negotiations with a prospective tenant for the currently vacant office space in Wetzlar are at an advanced stage. With the conclusion of a rental contract, the remaining properties in the Hydra portfolio would be fully let. Stable rental income is expected for the other commercial properties in the portfolio.

The sale of the properties in the Hydra and Göttingen residential portfolios, which are not expected to remain in the portfolio in the long term, is almost complete. Therefore, the sales volume in the current Financial Year 2022 will be fed by the planned residential sales in Gelsenkirchen and Lünen and is expected to decline moderately compared to the value achieved in the Financial Year 2021.

The result from the property valuation depends not only on property-specific factors such as rental income and building fabric, but also on economic parameters such as the interest rate level and the inflation rate. Considering the developments since the beginning of the year, it hardly seems possible to make a forecast with a sufficient degree of certainty. The measures implemented by Coreo as part of its portfolio management should lead to an additional increase in the existing portfolio, disregarding the aforementioned influencing factors.

The financing partners of the Coreo Group continue to be willing to support the portfolio growth with further loans. The management expects a slightly positive business development for 2022, despite increased uncertainty due to the developments of the last few months. A jump in annual rental income is expected in particular. The portfolio volume should grow to well over 100 million euros.

Frankfurt am Main, 29 April 2022

The Board of Managing Directors

Dennis Gothan

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 2021 to 31 December, 2021. Additionally, we audited the Group Management Report of Coreo AG, Frankfurt am Main, for the fiscal year from January 1, 2021 to 31 December, 2021.

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, 2021, and of its financial performance for the financial year from January 1, 2021 to December 31, 2021.

- 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, 6 May 2021

VOTUM AG
Auditing Company
Tax Consulting Company

Leoff	Lehnert
Auditor	Auditor

Annual financial statement (HGB) of Coreo AG
as of 12/31/2021

Balance sheet as of 12/31/2021 (HGB)
assets

in EUR	12/31/2021	12/31/2020
A. Fixed assets		
I. Intangible assets		
Concessions, industrial and similar rights and assets, and licenses to such rights and assets	3,449.00	4,149.00
II. Tangible assets		
1. Property, plant and equipment	5,885.00	6,092.00
III. Financial assets		
1. Shares in affiliated companies	6,978,646.01	950,000.00
2. Loans to affiliated companies	1,311,000.00	1,270,750.00
3. Securities held as fixed assets and GmbH shares	6,203,039.36	13,402,188.59
	14,492,685.37	**15,622,938.59**
B. Current assets		
I. Stocks		
1. Finished products and goods	5,407,926.79	5,457,926.79
2. Advance payments	30,916.20	0.00
	5,438,842.99	**5,457,926.79**
II. Receivables and other assets		
1. Accounts payable trade	62,139.90	110,923.13
2. Amounts due from affiliated companies	26,903,945.88	24,587,705.88
3. Other assets	1,297,003.39	1,309,899.97
	28,263,089.17	**26,008,528.98**
IV. Cash and bank balances	5,919,767.32	2,259,685.08
C. Deferred income	703,522.73	901,654.32
	54,827,241.58	**50,260,974.76**

Balance sheet as of 12/31/2021 (HGB)
liabilities

in EUR	12/31/2021	12/31/2020
A. Equity		
I. Subscribed capital - thereof conditional capital: EUR 7,522,230.00 (EUR 6,724,940.00)	17,540,460.00	17,540,460.00
II. Capital reserves - thereof adjusted during the financial year EUR 0.00 (EUR 318,916.00)	24,096,524.86	24,096,524.86
III. Retained earnings	12,544,585.38	12,544,585.38
IV. Loss carried forward	-25,264,099.13	-25,278,054.09
V. Net loss	-2,765,368.29	13,954.96
B. Accurals		
I. Tax liabilities	0.00	1,157.37
II. Other provisions	203,684.74	240,515.92
	203,684.74	**241,673.29**
C. Liabilities		
I. Liabilities due to banks	4,383,143.83	4,619,077.57
II. Trade payables	62,008.22	92,662.27
III. Liabilities to affiliated companies	496,050.62	240,253.38
IV. Other current liabilities	23,529,636.73	16,147,909.33
	28,470,839.40	**21,099,902.55**
- thereof for taxes: EUR 99,567.12 (EUR 95,710.64)		
- thereof for social security: EUR 919.13 (EUR 1,795.33)		
D. Deferred income	614.62	1,927.81
	54,827,241.58	**50,260,974.76**

Income statement (HGB)
01/01/2021 to 12/31/2021

in EUR	2021	2020
1. Sales revenues	1,499,712.70	1,369,254.98
2. Other operating income	166,121.27	123,099.77
3. Cost of materials	-541,629.19	-263,164.62
4. Personal costs		
a) Wages and salaries	-918,500.00	-926,965.37
b) Social charges and costs for pension and other benefits of which for pensions - thereof for pensions: -2,640.00 (EUR -2,640.00)	-116,667.68	-123,038.89
	-1,035,167.68	**-1,050,004.26**
5. Depreciation		
a) of intangible assets and property, plant and equipment	-3,309.92	-7,183.85
b) on current assets in as far as such exceed the usual depreciations in the corporation	0.00	-672,727.40
	-3,309.92	**-679,911.25**
6. Other operating costs	-2,312,386.56	-1,080,520.72
7. Income from shareholdings - thereof from affiliated companies EUR 233,619.15 (EUR 1,847,348.87)	233,619.15	1,847,378.87
8. Other expenses and similar earnings - thereof from affiliated companies EUR 1,111,104.54 (EUR 1,541,041.62)	1,188,473.59	1,668,391.76
9. Amortization of financial assets and securities held as current assets - thereof unplanned depreciation: EUR 0.00 (EUR -285,067.56)	0.00	-285,067.56
10. Interests and similar expenses	-1,965,306.28	-1,629,841.05
11. Taxes on income and profit	-5,077.63	-5,087.96
12. Result after taxes	**-2,764,795.29**	**14,527.96**
13. Other taxes	-573.00	-573.00
14. Net loss	**-2,765,368.29**	**13,954.96**
15. Loss carried forward	-25,264,099.13	-25,278,054.09
16. Balance sheet loss	**-28,029,467.42**	**-25,264,099.13**

Appendix of the annual financial statement
as of 12/31/2021 (HGB)

General

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

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

In accordance with the size categories set out in § 267 HGB, the company is a small limited company. The financial reliefs for a small-sized capital company was partly claimed.

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

Accounting and valuation methods

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

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

Low-value property items with a value of 800.00 euro are fully depreciated in the year of acquisition.

The financial assets are valued at cost or at fair value if lower. Extraordinary depreciations are only carried out for financial assets because a lasting reduction in value is to be expected. Write-ups are made if the reason for previous write-downs no longer applies.

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

Cash and accounts with credit institutions are shown at their fair value.

The other provisions are rated in a settlement amount which is necessary in accordance with prudent business principles according to par. 253 section 1, sentence 2 HGB and consider all recognizable risks and uncertain obligations. In so far as it is necessary, future cost increases are considered. In case of provisions with a remaining time to maturity of more than one year, a discounting according to par. 253 section 2 HGB is carried out.

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

Disclosures and explanations with regard to items of the balance sheet

Fixed assets

In accordance with § 284 para. 3 HGB, the composition and development of the individual fixed asset items is omitted with reference to § 288 para. 1 no. 1 HGB.

Disclosures of shareholdings:

Disclosures of shareholdings	Capital share	Equity	Result	Year
Erste Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	-28 TEUR	-3 TEUR	2021
Zweite Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	1,236 TEUR	691 TEUR	2021
Dritte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	278 TEUR	19 TEUR	2021
Vierte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	-110 TEUR	-127 TEUR	2021
Coreo Göttingen AM UG, Frankfurt a. M., Germany	100 %	0 TEUR	0 TEUR	2021
Coreo Solo AM UG, Frankfurt a. M., Germany	100 %	2 TEUR	1 TEUR	2021
Coreo Han AM UG, Frankfurt a. M., Germany	100 %	4 TEUR	1 TEUR	2021
Coreo Solo UG & Co. KG, Frankfurt a. M., Germany	100 %	1 TEUR	192 TEUR	2021
Coreo Han UG & Co. KG, Frankfurt a. M., Germany	100 %	-4,194 TEUR	553 TEUR	2021
Coreo Göttingen Residential UG & Co. KG, Frankfurt a. M., Germany	94 %	-319 TEUR	-328 TEUR	2021
Coreo Wubi Residential UG & Co. KG, Frankfurt a. M., Germany	100 %	-342 TEUR	-121 TEUR	2021
Coreo Wiesbaden PE UG & Co. KG, Frankfurt a. M., Germany	100 %	-262 TEUR	-226 TEUR	2021

Receivables and other assets

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

Equity capital

As of 31 December 2021, the share capital of Coreo AG is divided into 17,540,460 shares which are all made out to the bearer.

With the approval of the Supervisory Board, the Managing Board is authorised to increase the share capital of the Company on one or more occasions until 13 September 2026 in partial amounts by up to a total of EUR 8,770,230.00 against cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 8,770,230 new no-par value bearer shares (ordinary shares). The subscription rights of the shareholders may be excluded in this context (Authorised Capital 2021).

Provisions

Other provisions mainly relate to provisions for outstanding holiday and personnel costs, annual accounts, and legal advice as well as costs for the Annual General Meeting.

Liabilities

in TEUR	Total	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term over 5 years
12/31/2021				
Liabilities to credit institutions	4,383	4,383	0	0
Liabilities from deliveries and services	72	72	0	0
Liabilities to affiliated companies	496	496	0	0
Other liabilities	23,530	130	23,400	0
	28,481	**5,081**	**23,400**	**0**
12/31/2020				
Liabilities to credit institutions	4,619	4,619	0	0
Liabilities from deliveries and services	94	94	0	0
Liabilities to affiliated companies	240	240	0	0
Other liabilities	16,149	149	16,000	0
	21,102	**5,102**	**16,000**	**0**

In order to finance further growth, a loan in the amount of EUR 23 million was taken out with the contract of 7 December 2020. The loan was completely disbursed.

The following shares were pledged to secure the loan:

- Coreo Göttingen AM UG (limited liability)
- Coreo Han AM UG (limited liability)
- Coreo Han AM UG (limited liability)
- Coreo Han UG (limited liability) & Co. KG
- Coreo Wubi Residential UG (limited liability) & Co. KG
- Coreo Han UG (limited liability) & Co. KG
- Dritte Coreo Immobilien VVG mbH
- Coreo Göttingen Residential UG (limited liability) & Co. KG
- Vierte Coreo Immobilien VVG mbH

Furthermore, the bank account of Coreo AG being used for the purpose of this loan agreement was pledged.

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

Other operating revenues

Other operating income essentially contains other benefits in kind as well as income from the write-up of current assets.

Other operating expenses

Other operating expenses mainly include external services, costs of premises, incidental costs of monetary transactions as well as legal and consulting costs and the costs of preparing the annual financial statements.

Other information

Contingent liabilities

There is a default guarantee of TEUR 1,958 for Dritte Coreo Immobilien VVG mbH vis-à-vis Volksbank Neckartal eG to secure the loan liability of TEUR 1,778 from the financing of the property acquisition. Coreo AG may not be called upon from this guarantee until it is confirmed that the utilisation of Dritte Coreo Immobilien VVG mbH, including the realisation of all its collateral if necessary, is unsuccessful.

A directly enforceable guarantee of TEUR 1,300 was also agreed for the two newly concluded loans with Volksbank Neckartal eG for the acquisition of a new property.

In order to secure the loan liability of TEUR 5,002 from the financing of the property acquisition, Coreo AG provided a directly enforceable guarantee for Vierte Coreo Immobilien VVG mbH in the amount of TEUR 2,310 to Volksbank Münsterland Nord eG.

Coreo AG issued a letter of comfort for Coreo Han UG (limited liability) & Co. KG to Volksbank Rhein-Lahn-Limburg eG to secure the loan liability of TEUR 5,250 from the financing of the property acquisition. In the letter of comfort, Coreo AG undertakes vis-à-vis Volksbank Rhein-Lahn-Limburg eG to enable its subsidiary, Coreo Han UG (limited liability) & Co. KG, to meet its obligations under the loan at all times.

On 23 April 2020, Coreo AG issued a directly enforceable guarantee in the amount of TEUR 2,720 to Volksbank Greven eG in favour of Coreo Wubi Residential UG (limited liability) & Co. KG to secure a loan liability of TEUR 2,589 from the financing of the residential property in Bielefeld.

Coreo AG assumed a directly enforceable guarantee in the amount of TEUR 750 with Volksbank Neckartal eG in favour of Zweite Coreo Immobilien VVG mbH on 27 April 2020 to secure a loan liability in the amount of TEUR 1,390 from the real estate financing.

Coreo AG provided a directly enforceable guarantee dated 20 October 2020 and 29 December 2020 to Volksbank Neckertal eG in favour of Coreo Wiesbaden PE UG (limited liability) & Co. KG to secure a loan liability of TEUR 2,165 from the financing of two properties in Wiesbaden with a directly enforceable guarantee in the amount of TEUR 1,265.

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

Average number of employees during the financial year

The average number of employees in the company during the financial year was 11.

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, (until 28 February 2022)
- Dennis Gothan, Real Estate Transaction manager, Frankfurt a. M. (as of 1 March 2022)

In the business year 2021, 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) (until 14 September 2021),

- Dr. Friedrich Schmitz, Kaufmann (merchant), Munich of Bavaria, (until 14 September 2021),

- Mr Jürgen Faè, (Vice Chairman), entrepreneur, Vienna, Austria (as of 15 September 2021),

- Dr. Christoph Jeannée, lawyer, Vienna, Austria (as of 15 September 2021)

Frankfurt am Main, 16 March 2022

Dennis Gothan
Management Board

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 2021 and the Profit and Loss Statement for the fiscal year 1 January 2021 to 31 December 2021 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 2021, as well as the results of its operations for the fiscal year of 1 January 2021 to 31 December 2021.

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, 18 March 2022

VOTUM AG
Auditing Company
Tax Consulting Company

Leoff
Auditor

Lehnert
Auditor

real estate

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