Annual Report 2018

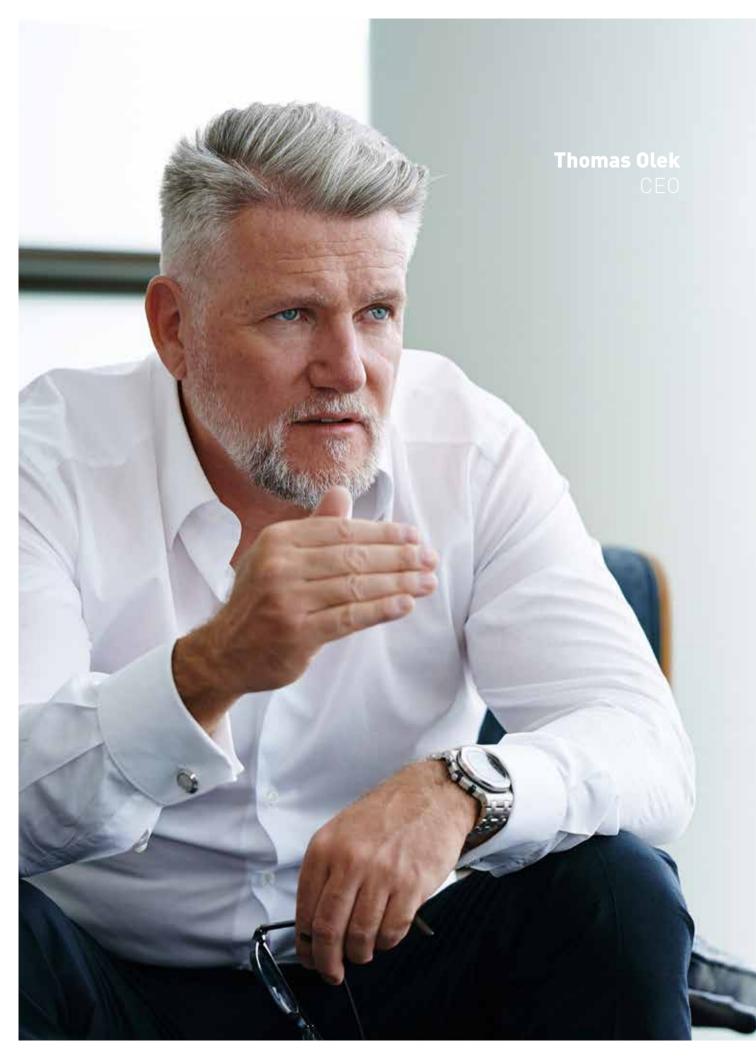






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01 Foreword

Dear shareholders, bondholders and business partners.

This publity AG annual report signifies a first in many regards: This is the first time that we have presented consolidated financial statements for our company and the first time that we have prepared accounts in accordance with international IFRS accounting, publity is thus further expanding its transparency and international comparability.

2018 was a successful year for publity.

Our company has reverted to its former strength. We have realised our forecast, which we increased several times in the second half of the year.

In 2018, publity was once again successful for its clients in its operational business as an asset manager. We have acquired numerous properties as part of asset management mandates, achieved important letting successes and were able to report major sales. In addition, with our subsidiary publity Investor GmbH we have expanded our operational focus by starting to establish our Group's own real estate portfolio. In 2018, we also further increased the financial strength of our company - through strong internal financing and a successful capital increase - and strengthened and restructured our personnel at many levels, including on the Management Board. Frank Schneider has been a COO of publity since December 2018

publity's real estate asset management quality along the entire value chain is particularly evident in the current market phase.

After years of price increases on the German real estate market, many market participants are complaining that it has become extremely difficult to find attractive properties – but publity is able to do it.

We benefit from a sustainable network and from our market research on the basis of our own database, which currently comprises around **8,500 commercial real estate properties** in Germany and is constantly being expanded. We are very familiar with the German commercial real estate market and the relevant properties. Despite numerous large-volume sales, we were therefore able to keep assets under management stable at **EUR 4.6 billion** during the financial year. Our existing clients continue to work with us and we continue to attract new national and international institutional investors.

publity's market position as an asset manager is also characterised by the fact that we actively work with the acquired properties. Accordingly, we achieved significant letting successes in 2018. The Karstadt headquarters in Essen may serve as the best example of this. In the case of the property acquired in 2016 with a gross floor area of around 109,000 square metres, we had already been able to conclude an extensive subsequent use agreement with Karstadt Warenhaus GmbH upon acquisition.

In 2018, we also succeeded in letting almost 30,000 additional square metres to the Essen police headquarters. Therefore, publity almost doubled the occupancy rate at the property in just a few quarters. In the meantime, we have been able to achieve full occupancy on this property, as Karstadt has exercised the option agreed in the rental agreement after the end of the reporting period (in March 2019) and has expanded the total lettable area by around 8.000 square metres to **38.000 square metres**. The average remaining term of the rental agreements (WALT) was improved by us from under one year to over 23 years, creating significant value. We will continue to develop and convert the property in 2019. However, we have also achieved significant letting successes with the nearby "Bredeney" office complex. During the reporting period, we concluded an expansion lease with the existing tenant thyssenkrupp. The lease runs through 2021. In addition, thyssenkrupp rents an additional space of just under 2,700 square meters and now uses a total of around 11,700 square meters in the property. We acquired this property at the end of 2015 with a vacancy rate of around 40 per cent. Since then, the complex, which was completed in 1999, has been successfully expanded and the vacancy rate has now been reduced to approx. 10 per cent. At the wholesale market in Leipzig, we were also able to acquire new tenants through successful asset management for a total letting space of 1,500 square meters and thus secure full occupancy in the long term. On the sales side, publity was also extremely active in 2018. This was reflected in three very large-volume portfolio transactions and numerous individual sales. The quality of the properties sold by us is reflected in the attractive prices that were achieved and in the well-known buyers of the properties, which included such listed companies as DEMIRE AG and Godewind Immobilien AG. Thanks to the lucrative sales, we were able to supplement our current asset volume management fees with significant success fees.

The operational successes are reflected in our 2018 financial data. **publity was able to achieve** a very significant increase in sales and profits in 2018. In accordance with German GAAP accounting, both sales and earnings before interest and taxes (EBIT) – as well as net income for the year - were about 50 per cent higher than in the previous year. As per German GAAP, sales amounted to EUR 34.6 million after EUR 23.6 million in 2017. In the financial year, as per German GAAP, EBIT increased to EUR 23.5 million from EUR 16.1 million in the previous year. As per German GAAP, the net income for the year increased to EUR 14.9 million from EUR 10.1 million - as per IFRS accounting, revenues even reached EUR 24.6 million in 2018.

Following the **successful course of business**, the Executive Board and Supervisory Board plan to resume dividend payments. The payment of a dividend of EUR 1.50 per share will be proposed to the Annual General Meeting for the year under review. The dividend payments can either be made in publity shares or in cash. The companies TO-Holding GmbH and

TO Holding 2 GmbH, which are attributable to CEO Thomas Olek and are majority shareholders of publity, have already bindingly declared their intention to receive a dividend in the form of publity shares. This continues the strong commitment of Thomas Olek, who in 2018 significantly increased his interests in publity via his companies TO-Holding GmbH and TO Holding 2 GmbH by purchasing shares and predominantly subscribing to the capital increase in October 2018. The funds from the capital increase will be used to finance the further growth of our company.

Thus publity emerges from the 2018 financial year significantly stronger and focuses in the 2019 financial year on the further implementation of its "manage to core" strategy and the development and further expansion of the Group's own real estate portfolio. We are optimistic for 2019 and beyond and intend to continue our company's profitable growth.

With a very good market position in our new headquarters in the Opernturm in Frankfurt am Main, an experienced and committed team as well as strong partners and customers, we believe that we are ideally positioned to implement the next growth steps of our company.

We would like to thank you, our shareholders, bondholders and business partners for your trust. We would be pleased if you would continue to accompany us as we grow.

We would also like to thank the employees of publity AG, whose high level of motivation continue to drive our company forward each and every day.



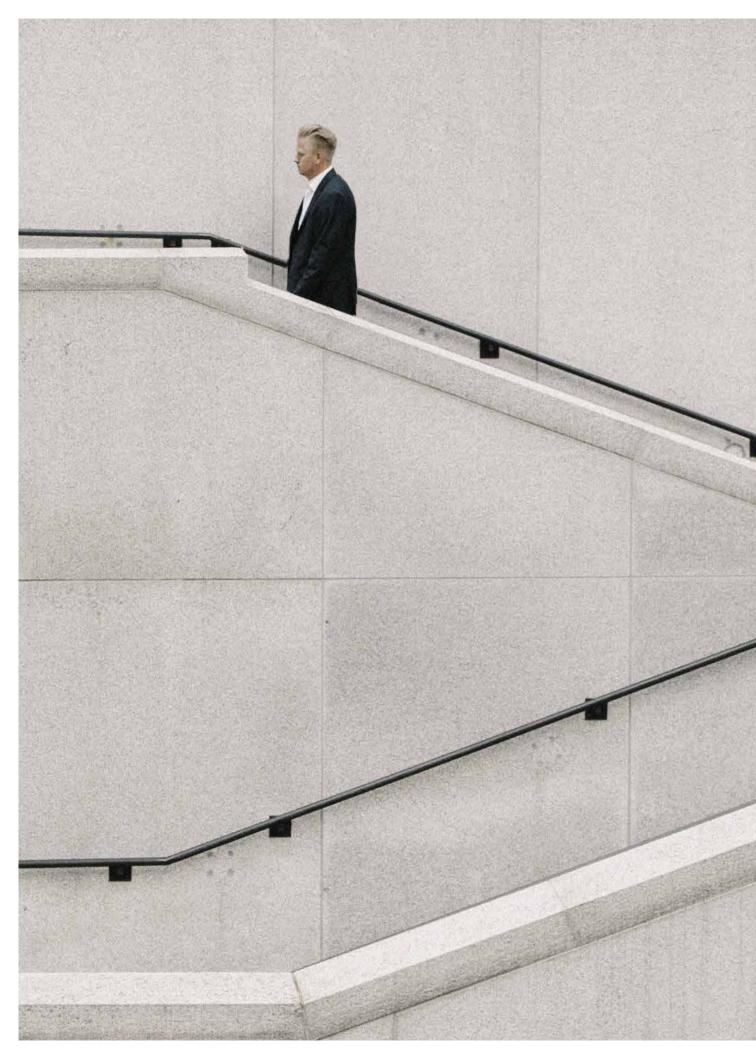
Sincerely,

Thomas Olek

CEO

Frank Schneider

COO



02 Report of the Supervisory Board

The Supervisory Board of publity AG in its respective composition comprehensively monitored the Management Board in accordance with the tasks prescribed to it by law and the Articles of Association, advised it promptly and satisfied itself of the proper conduct of business. The Supervisory Board was involved in all important decisions affecting the company.

A total of five Supervisory Board meetings were held in the financial year under review. Since the members of the Supervisory Board were able to deal with all issues in this context, no committees were formed.

In particular, at the first meeting on 22 March 2018, the Management Board and the Supervisory Board discussed the issue of the convertible bond. The Supervisory Board was informed of how this problem had arisen, what legal implications may be involved, and what options are available to remedy it. The Supervisory Board was also informed that the company is in close negotiations with numerous bondholders.

At the Supervisory Board meeting held on 16 April 2018, the Supervisory Board was informed about the current status of the convertible bond issue. Possible scenarios were presented to the Supervisory Board as to how the existing bond could be replaced. Furthermore, current projects as well as current and planned business activities were presented at

this meeting. In addition, it was concluded that the relocation of the company's registered office to Frankfurt am Main shall be proposed to the Shareholders' Meeting of publity AG.

At a further meeting of the Supervisory Board held on 4 May 2018, the annual financial statements for the 2017 financial year audited by Warth & Klein Grant Thornton, Wirtschaftsprüfungsgesellschaft (auditing firm), Leipzig branch, in particular, were discussed and approved. In addition, the results of the vote at the creditors' meeting and the reasons for the short-term adjustment of the voting items were discussed with the Supervisory Board.

The fourth Supervisory Board meeting of the financial year was held on 21 September 2018. The subject of this meeting was human resource issues, among other things on the basis of Mr Mehlitz's resignation from the Management Board of publity AG, as well as the further course of business for the current financial year. The Management Board also informed the Supervisory Board about the current status of the convertible bond issue.

At the company's final Supervisory Board meeting held on 2 November 2018, the focus was on the current course of business and the outlook for the transition from German GAAP to IFRS accounting for the 2018 financial year. In addition, the Management Board reported on the completed capital increase and the convertible bond.

In addition to these meetings, the current business development was discussed on an ongoing basis with the Management Board as well as the strategic orientation for the coming financial years. Transactions subject to the approval of the Supervisory Board by virtue of statutory or statutory provisions were examined by the Supervisory Board and a decision was taken to grant approval for these transactions.

In addition to the deliberations of the Supervisory Board, the Executive Board regularly informed the Chairman of the Supervisory Board regarding major company developments by providing reports, both in writing and verbally. At regular intervals, the Supervisory Board convinced itself that the company has a functioning and efficient risk management system and that it maintains a cash flow forecast that is adapted to the economic situation.

There were no conflicts of interest of Supervisory Board members during the reporting period.

The Chairman of the Supervisory Board, attorney Paul Löw, resigned from his seat upon his own request, effective from 31 December 2018. The Local Court of Frankfurt am Main appointed attorney Frank Vennemann as a member of the Supervisory Board as per resolution dated 14 January 2019. On 17 January 2019, the Supervisory Board elected Dipl. Kfm. Hans-Jürgen Klumpp as its Chairman. The Supervisory Board of publity AG thanks Mr Löw for his work.

All questions posed by the Supervisory Board in the year under review were answered comprehensively by the Management Board. The Supervisory Board, for its part, examined the annual financial statements as per 31 December 2018 and the management report prepared by the Management Board and approved them by resolution of 8 April 2019 in written circulation. The annual financial statements of publity AG were thus adopted in accordance with Section 172 of the German Stock Corporation Act.

Moreover, the Management Board prepared a report (dependent company report) on relations with affiliated companies in accordance with section 312 of the German Stock Market Act (AktG) for the period from 1 January 2018 to 31 December 2018. This report shows that the company received an appropriate consideration for each legal transaction in accordance with the circumstances known to the company at the time at which these legal transactions were executed. The dependent company report was audited by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Leipzig branch, which issued the following audit certificate:

"The factual statements made in the report are correct, the payments made by the company in connection with the transactions listed in the report were not unreasonably high, or disadvantages were compensated."

The Supervisory Board received both the dependent company report and the auditor's report in good time.

On the basis of its own examination, the Supervisory Board concurs with the above result of the audit of the annual financial statements by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Leipzig branch. It has no objections to these financial statements and approves them.

The Supervisory Board would like to thank the Management Board and all employees of the publity Group for their personal commitment and achievements during the 2018 financial year.

The Supervisory Board would like to thank the shareholders for their confidence in publity AG.

Leipzig, April 2019



Hans-Jürgen Klumpp

Chairman of the Supervisory Board



03 Market environment

Reflecting on 2018, it can be said that neither the moderate rise in interest rates, nor an aspect immanent to the real estate market such as the rapid expansion of supply or the careless actions of the industry's players have so far provided any indication of a turning point in the cycle. Moreover, against the current uncertain global political backdrop, many investors see their safe haven in real estate.

There are good reasons why this development will continue in 2019 and the demand for real estate will remain high. In addition to the lack of alternatives, more and more investors are opting to increase their real estate investment ratios. Numerous pension funds and insurance companies have immense capital pressure and even small changes in the investment strategy have enormous quantitative effects on the real estate market.

The upturn in the investment market has continued through 2018. 2019 will be the 10th consecutive year. In view of the very dynamic last three months of the year and the realisation of some large-volume transactions, 2018 was an exceptional investment year. The remarkable activities apart from the major transactions have also contributed to this development.

And 2018 was another record year, at least for commercial real estate. Commercial real estate accounted for EUR 60.3 billion – a number that has tripled since 2010 – and a 6% increase compared with 2017.

The focus of investors is still clearly on the Big 7 and has also strengthened in the last quarter of the year. Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart accounted for significantly more than half of the total transaction volume (EUR 46 bn of EUR 79 billion) in 2018. The dominance in the most sought-after asset class, commercial real estate, is particularly significant. Since 2012, on average around 80% have been invested in Big 7 properties. In Frankfurt, a series of largevolume office building transactions at the end of the guarter broke the EUR 10 billion barrier for commercial real estate. Including residential real estate. EUR 11.6 billion were traded in Frankfurt, a significant increase of 49% over 2017. Stuttgart grew a bit more strongly, with the total transaction volume increasing by more than half to EUR 2.5 billion. The reason for the high interest in the established markets is the strong letting market as a fundamental basis for investments and the prospect of further rent increases in the course of refurbishments. or the letting of vacancies in the property. In view of the declining compression of returns, the topic of rental growth in particular is becoming increasingly important in order to be able to generate more value. This is another reason why value-added properties with leases that expire at short notice, or properties with vacancies, are currently in high demand. In these properties, higher rents are most likely to be enforced through new contracts. Before commercial real estate investors.

who are looking for investment options, invest in smaller and therefore riskier markets – in terms of potential re-leases – they prefer submarkets away from city centres and CBDs in the Big 7. In addition, rent increases that are significantly higher than in prime locations can be selectively realised here.

At the end of the fourth quarter, there was a slight shift in the relationship between domestic and international buyers. In 2018, foreign capital sources accounted for around 38% of the total transaction volume (approx. EUR 30 billion). The activities of foreign investors increased again in the last quarter of the year. The international investments are still spearheaded by the United States and Great Britain, but these two countries have lost some of their earlier dominance

In return, investors from other European countries and Asia have expanded their activities compared to previous years.

The bottom has not yet been found for office and logistics yields, but yields for shopping centres are rising. In the fourth quarter, the trend towards a moderate decline in yields for top products in the best locations of the type of use with the strongest transactions continued: with a top yield of 3.11% across all seven strongholds, the average office yield of 3.11% for all seven strongholds was once again slightly lower than in the previous quarter, 16 basis points lower in a 12-month comparison.





04 Philosophy of publity AG

Focus on commercial real estate German metropolitan regions

publity AG focuses on an established real estate asset manager with many years of experience, a broad value chain and a strong network.

As an asset manager, the company has been an established and successful player in the German commercial real estate market for many years. The company has specialised in commercial real estate in Germany with a focus on very good locations of the top 10 locations and, increasingly, also on peripheral locations of metropolises. Since 2011, publity has already successfully implemented more than 1,100 real estate transactions together with external partners. Assets under management total approx. EUR 4.6 billion.

With its real estate asset management business (and also servicing so-called non-performing loans or NPLs), the company has a robust earnings base. This model of fixed and constant revenues from asset management services (as well as servicing) combines publity with the possibility of generating additional returns through the new area of the Group's own real estate business. This business segment is expected to become increasingly important. The goal is not to build up a large property portfolio, but to sell the respective properties at a profit after appropriate optimisation.

publity's added value

ADDED VALUE



MANAGE TO CORE

Added-value potential results from the interaction of:

- Low-price acquisition
- Technical upgrade and increase in occupancy rates
- Optimisation of the lease/rental contracts

Reduction of the vacancy rates of managed properties from 200,000 square metres to 16,000 square metres (-92%) within the last 24 months FOR THE CUSTOMER¹

400 mill.

1 Under assumption of an average rental price of EUR 13.50 per m²

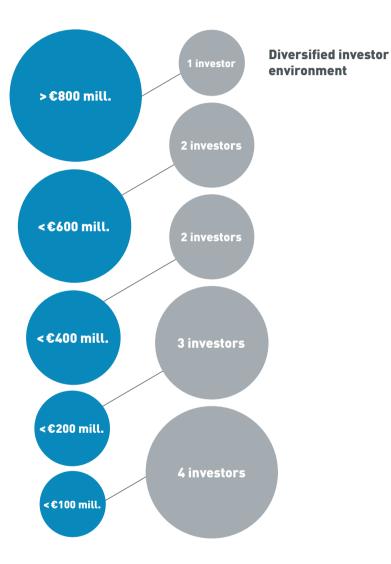




Asset Management

ASSETS UNDER MANAGEMENT

€4.6 billion



- Asset management contracts with a term of 5 years are concluded with an evergreen option
- The current average contract duration is 3.6 years
- Reduced concentration risk due to a broad-based investor environment

Within the framework of asset management contracts with national and international investors, publity acquires various sized properties, each with potential for appreciation. The investment criteria include a good structural condition of the properties as well as an attractive location. In accordance with the "manage to core" approach, the properties are acquired within the framework of off-market deals and further developed by publity.

As a result, significant increases in value can be achieved. The technical upgrading, the improvement of the occupancy rate and the optimisation of the rental agreements are at the core of publity's value creation.

publity's range of services extends from support in the selection and purchase of properties to active asset management and the sale of properties. publity generates income at every stage of the value chain: within the framework of cooperation with institutional investors, publity earns Finders Fees for the purchase of properties, is remunerated for ongoing asset management, and participates in the profitable sale of the properties. Since the end of 2018, publity has also been acquiring real estate for the Group's new real estate business division through publity Investor GmbH, and in this context has also been generating income from the letting of these properties.

publity has very good access to attractive real estate and can rely on a solid network in the real estate market and in the workout departments of financial institutions.

The company's own database, which currently comprises around 8,500 office properties, also has a positive effect. Every year, a large number of properties are checked and publity

only submits purchase offers if precisely defined price and return conditions are met. publity stands out on the market due to its high transaction speed. On average, there are only four to eight weeks between the first property inspection and a purchase. The long-standing cooperation with renowned partners such as CMS Hasche Sigle for legal advice and albrings + müller ag and Drees & Sommer for technical project organisation and due diligence ensure an efficient purchase process.

Commercial real estate

TRACK RECORD

Over the course of the last seven years, we have concluded 1,145 structured processes with service providers.

615
Real estate acquisition

530
Real estate sale

1,145
Concluded transactions

Standardised process





Conclusion of purchase contract: 4-8 Weeks



1,145 completed transactions

2-pipeline model

publity focuses exclusively on the real estate market in western Germany. Rents for commercial real estate continued to rise in 2018 due to an unbroken high demand combined with falling vacancy rates. publity is thus active in a very attractive market.

EUR 8-25 MILL.

211

Objects

EUR 4.1 bn

EUR 25-150 MILL.

124_{Objects}

5 13

EUR 6.8 bn

19 24

The publity Research Tool provides detailed information about approx. 8,500 relevant commercial real estate properties in western Germany. publity NETHERL AND GOTTINGEN GERMANY NUI 0 NUREMBERG EMBONRG REGENSBURG MANNHEYM 2012 AUSTRIA STRASBOURG HANCY LTECHTENSTEIN CIBASEL DIJON

TOP RESEARCH, TOP BUSINESS

The publity Research Tool

The investments totalling several million euros that were made in recent years are now paying off. publity has a research tool that is unique in Germany, with a database comprising around **8,500 relevant commercial real estate properties** in western Germany. A team of researchers travels continuously throughout the country and researches in depth to gather all the important information.

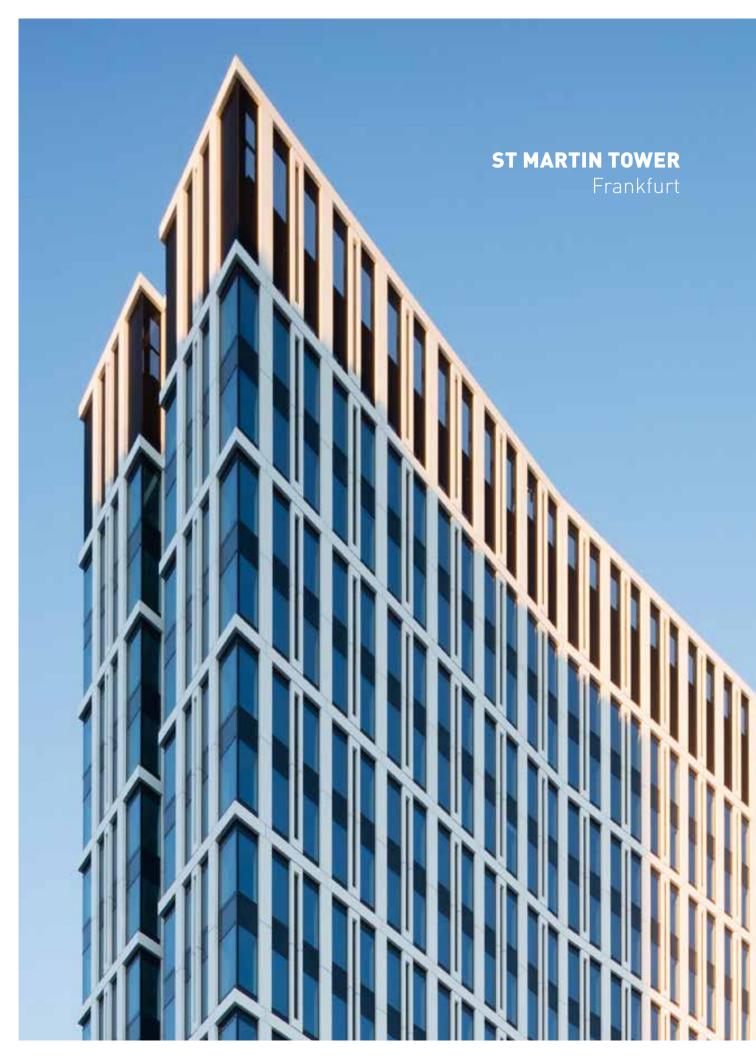
The research tool enables us to travel virtually to the cities, to inspect the buildings, and to gain important insight into the objects. This gives publity a strong competitive advantage. Hardly anyone knows the market as well as we do. The tool supports us in market assessments and in the search for new potential tenants and interesting properties.



The publity Research Car on the way to a new object, which is constantly in use.



A publity Research employee searching for suitable objects.



05 Portfolio of publity AG

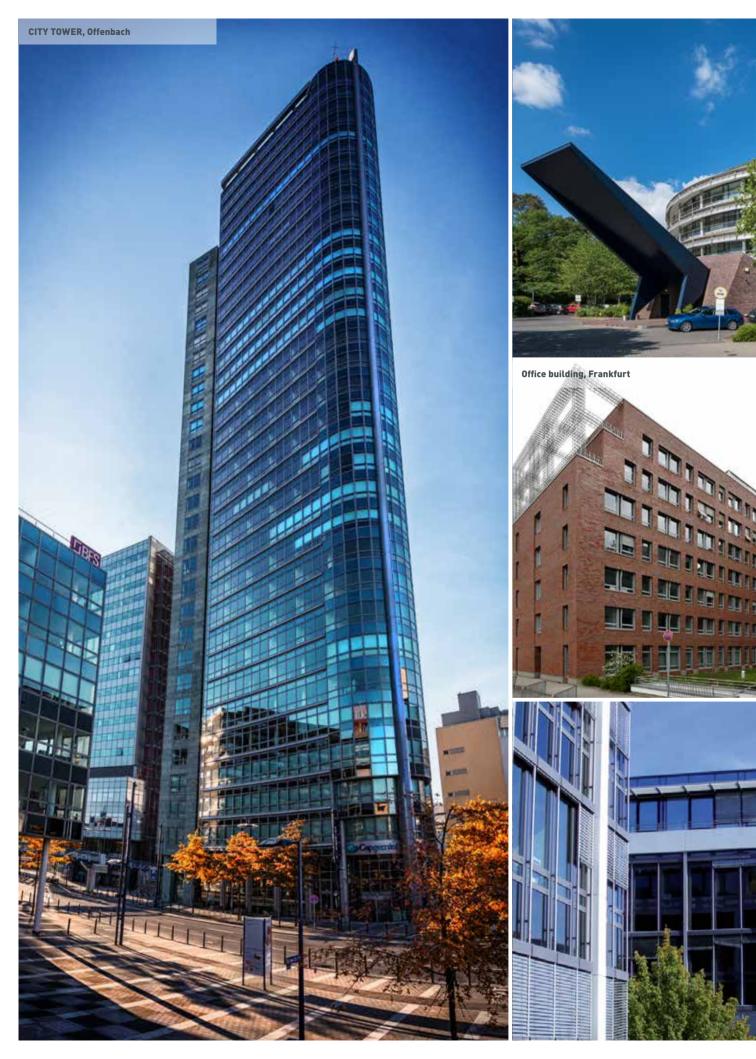
Investment and asset management

publity AG invests in German commercial real estate – for institutional investors and for the establishment and expansion of the Group's own real estate business. The focus is on properties in 1A locations in German metropolitan regions and increasingly also on outlying locations. As an asset manager, publity manages real estate assets totalling EUR 4.6 billion for external clients. Through its subsidiary publity Investor GmbH, publity has already acquired the first commercial

properties for the Group's own real estate business and plans to rapidly expand this new business area. As part of this Groupowned real estate business, publity intends to combine the current income from the services it provides with the returns from the optimisation and subsequent sale of real estate. The goal is not to create a large property portfolio, but to sell the respective properties at a profit within approx. 6 to 24 months after appropriate optimisation.





















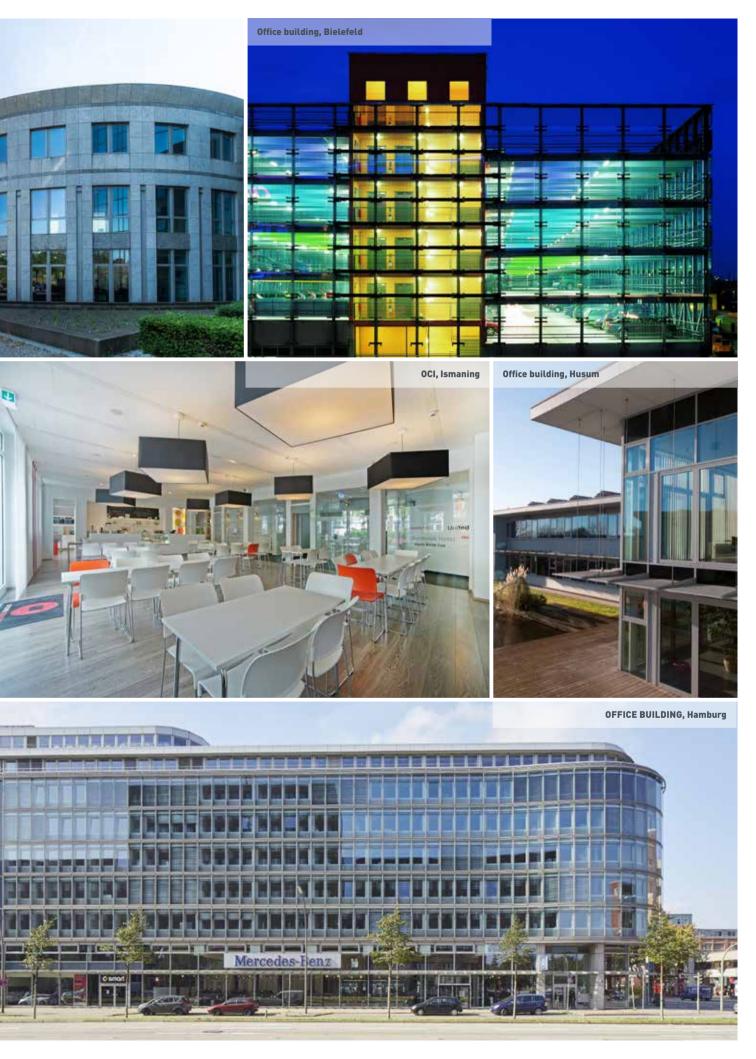






















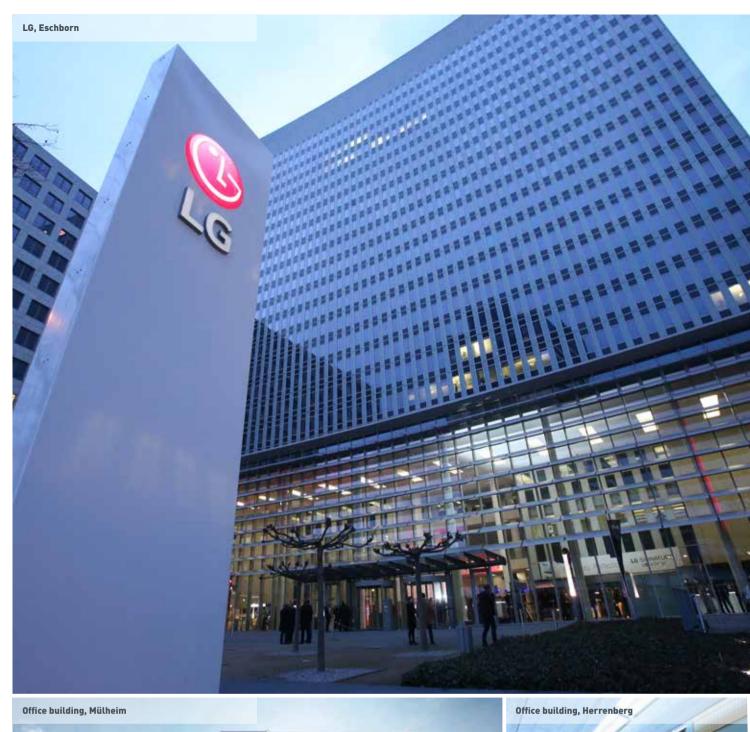


















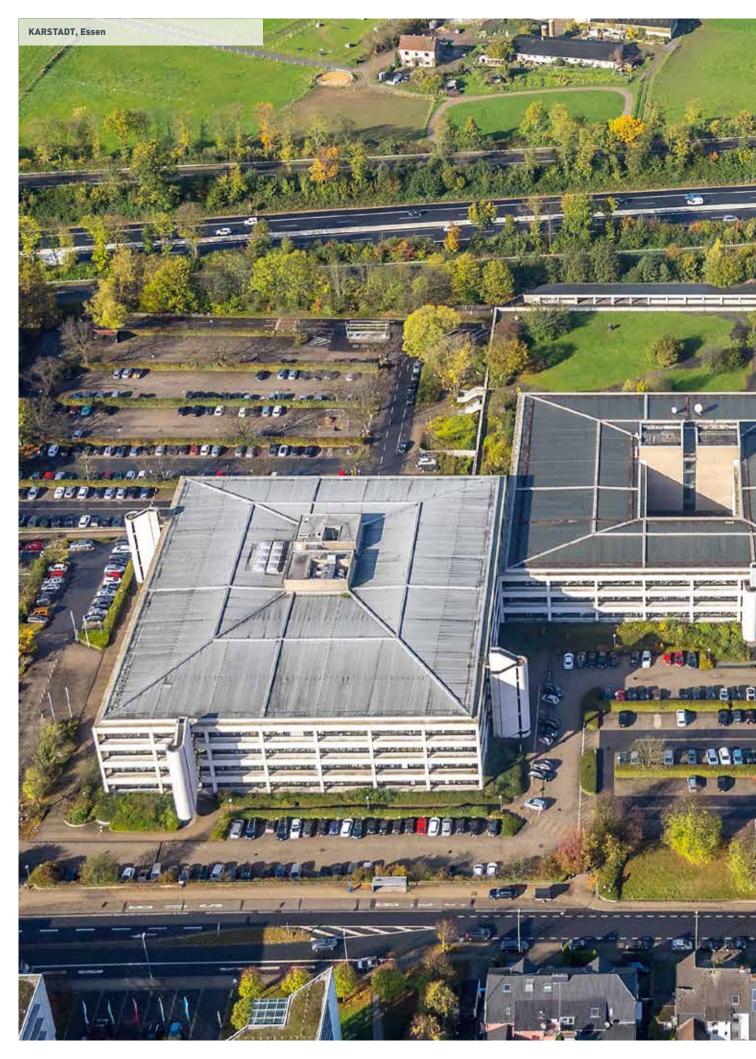




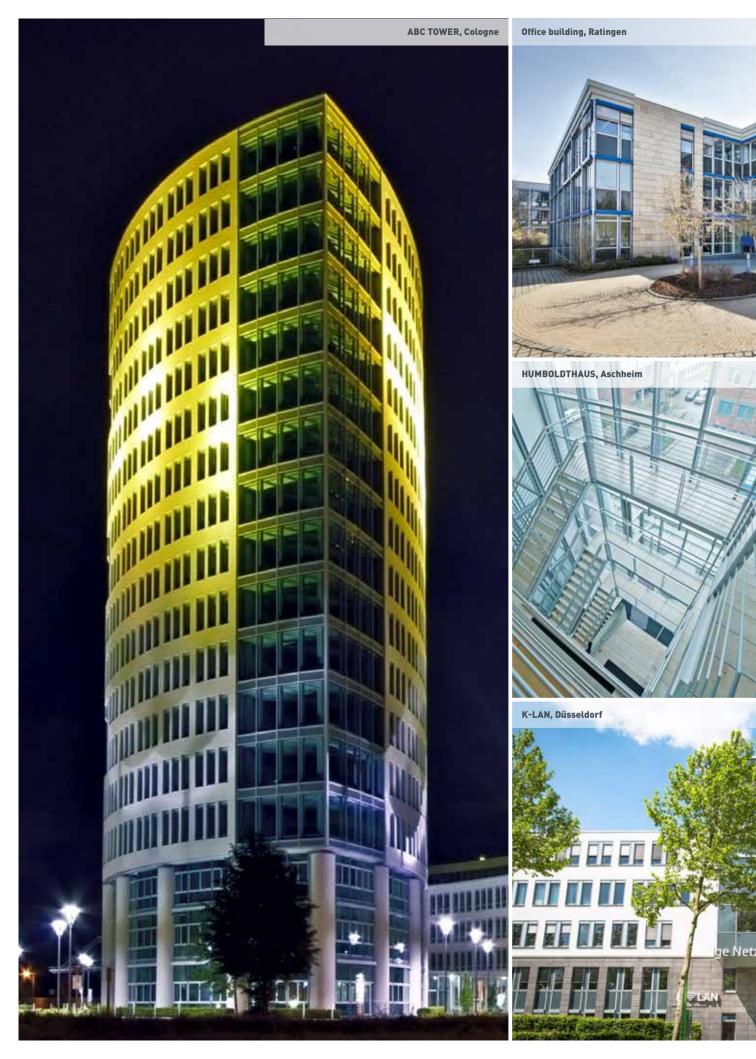


























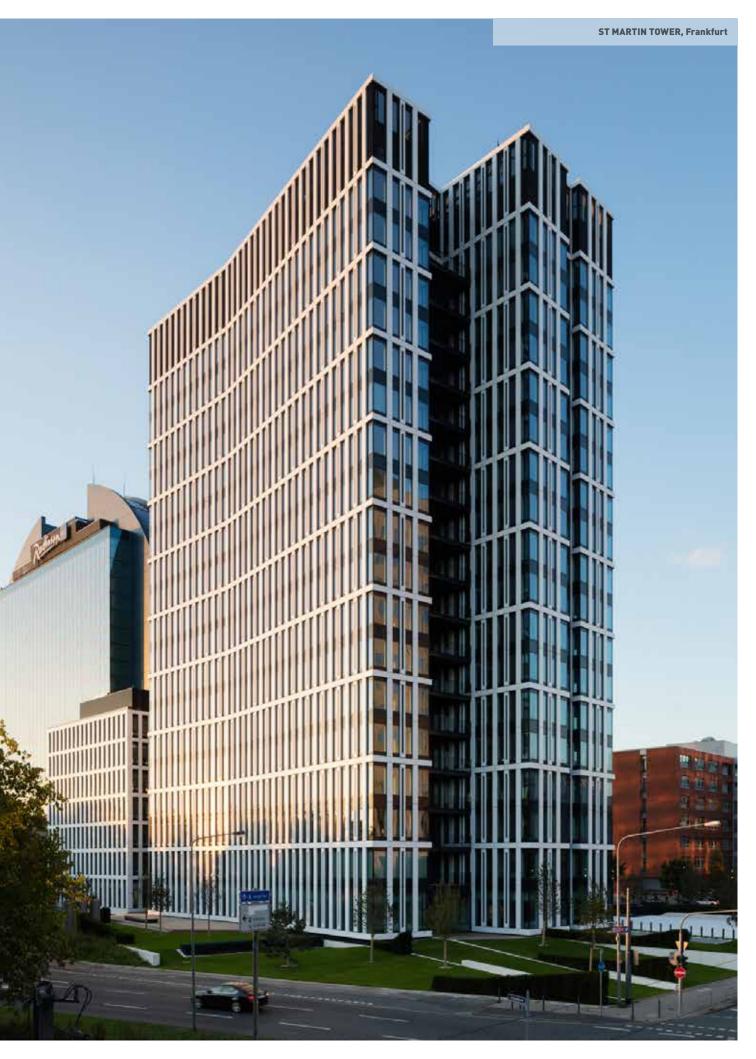


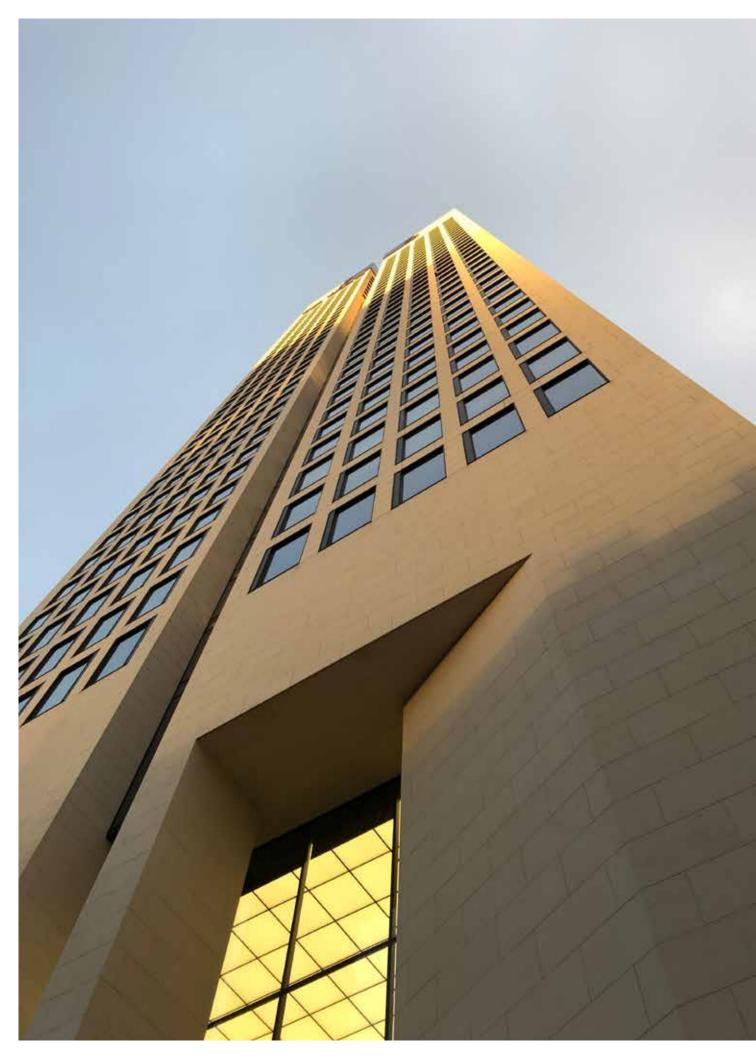












06 publity corporate Group

Company profile

publity AG is an asset manager focused on commercial real estate in Germany and has been investing in the expansion and development of the Group's own real estate business since the end of 2018. The company was founded in 1999 and has its headquarters in Frankfurt am Main. As sole shareholder of TO-Holding GmbH and TO Holding 2 GmbH, Thomas Olek, the CEO of publity AG, indirectly holds approx. 62% of the shares in publity (as of 31.12.2018). The shares of the company (ISIN DE0006972508) are listed in the Scale market segment of Deutsche Börse (German Stock Exchange).

In addition to the real estate market, publity is also active in the market for non-performing loans. However, this division is currently no longer the focus of business activities. publity has also been working very successfully with renowned institutional investors for many years. publity focuses on the respective investor goals and needs and offers efficient real estate investment solutions.

publity's extensive range of services includes the selection and acquisition of properties as well as active property asset management, which improves the letting situation and increases the value of the properties. A detailed and constantly expanding internal database of publity on commercial real estate in Germany is an important success factor in both the purchase of real estate and the acquisition of tenants. The sale of properties as part of asset management mandates as well as the Group's own real estate business will lead to an increase in the value of the properties on the market.

Broad market knowledge, an established network and highly efficient and standardised processes form the basis for the successful business activities of publity AG.

2018 MILESTONES

- Assets under management of around
 EUR 4.6 billion maintained at a high level
 despite major property sales
- Operational focus on Group-owned real estate business
- Capital increase with gross cash inflow of EUR 40.5 million executed
- Increasing earnings momentum in the 2nd half of the year with two forecast increases
- Expansion of real estate database through intensified market research

Diversification is key

Business segments of publity AG

ASSET MANAGEMENT FOR INSTITUTIONAL INVESTORS

- Acquisition of commercial real estate
- Revenues: Finders Fee, Asset Management Fee, Exit Fee

ASSET MANAGEMENT FOR JOINT VENTURES

- Acquisition of commercial real estate for JV companies
- Revenues: Finder Fee, Asset Management Fee, Profit Sharing on Sale

ASSET MANAGEMENT FOR PUBLIC ALTERNATIVE INVESTMENT FUNDS (AIF)

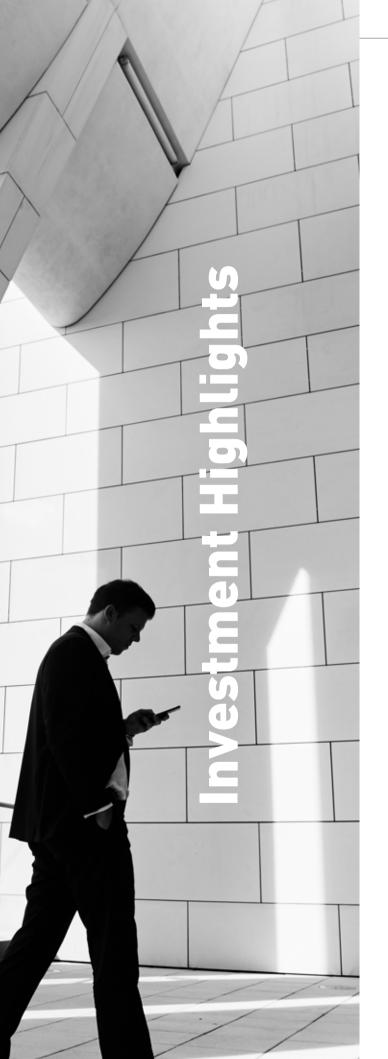
- Purchase of commercial real estate
- Revenues: Asset Management Fee, Conceptualisation and Marketing

NPL SERVICING

- Processing and realisation of receivables portfolios
- Revenues: Servicing Fee

ASSET INVESTMENTS / GROUP'S OWN REAL ESTATE BUSINESS

- Select commercial real estate are purchased by publity Investor GmbH
- Revenues: Rental income, revenues through direct sale after value-added development/upgrade



Successfully established asset management platform with focus on German office real
estate and assets under management of around
EUR 4.6 billion

Many years of experience in the acquisition, sale and management of real estate

Renowned international customersand strong external partners

Excellent market knowledge and very good access to real estate

High transaction speed through standardised processes

Diversified business model

with three major pillars:

- The management of real estate and loan portfolios
- 2. Investments in real estate and loan portfolios
- Structuring and managing investment products in the form of limited partnerships or investment limited partnerships for institutional and private investors

Robust financial base with stable cash flows, consistently high EBIT margin of >55%, successful equity increase

Renowned management with high own capital investment: CEO Thomas Olek has significantly increased his stake in publity since September 2018 to now approx. 72% as of 31.12.2018

Principles of the Group

BUSINESS MODEL

The business activities of publity AG and its wholly-owned subsidiaries and their respective subsidiaries (the "publity Group") comprise the following:

- (1) The management of real estate and loan portfolios
- (2) Investments in real estate and loan portfolios
- (3) Structuring and managing investment products in the form of limited partnerships or investment limited partnerships for institutional and private investors

The publity Group of companies has a track record of several hundred transactions and a strong network in the real estate industry and in the work-out departments of financial institutions. The company also has access to investment funds and handles transactions with trusted partners quickly.

Via a wholly-owned subsidiary, publity Investor GmbH (or its subsidiaries), the company began acquiring real estate at the end of 2018, which is in turn managed by the company as part of an asset management mandate with publity Investor GmbH. As part of this Groupowned real estate business, the publity Group intends to combine the current income from the services it provides with the returns from the optimisation and subsequent sale of real estate. This business segment is expected to gain increasing importance within the publity

Group. The goal is not to create a large property portfolio, but to sell the respective properties at a profit within approx. 6 to 24 months after appropriate optimisation.

The publity Group is also active in the structuring and management of investment products for institutional and private investors, in particular closed-end real estate funds. To date, it has launched three closed-end real estate funds in the form of public alternative investment funds. publity Emissionshaus GmbH acts as the general partner of these funds. The funds are managed by publity Performance GmbH (a capital management company licensed in accordance with the German Investment Code).

In the past, the publity Group had also launched several funds and securitisations for private and institutional investors in the area of non-performing loans (NPLs) (i.e. loans that were no longer serviced properly), which have already been settled or are in the process of being settled. There are currently no plans to launch new funds of this kind. However, the publity Group, via publity Investor GmbH, has acquired NPL portfolios from two Luxembourg joint venture companies in which publity AG until recently held a 49% stake under company law. It now manages these portfolios as well as remaining portfolios in its portfolio, which it acquired between 2015 and 2017 from NPL funds it established in the past.

The publity Group is also involved in transactions with a Luxembourg joint venture company, publity Real Estate Opportunity

Services S.à.r.l. (PREOS 1), as part of a co-investment with institutional investors. The publity Group's co-investments in PREOS 1 are partly in the form of loans and partly in the form of other financing instruments. For the real estate portfolios acquired from PREOS 1, the company assumes responsibility for real estate asset management and participates in the successful sale or realisation of the properties. At the end of 2018, the Company reduced its shareholding under company law in PREOS 1 from 50% to 15% in the course of a restructuring.

After the end of the 2018 financial year, the publity Group had already purchased further properties. The Group's real estate business segment is expected to gain further importance in the future.

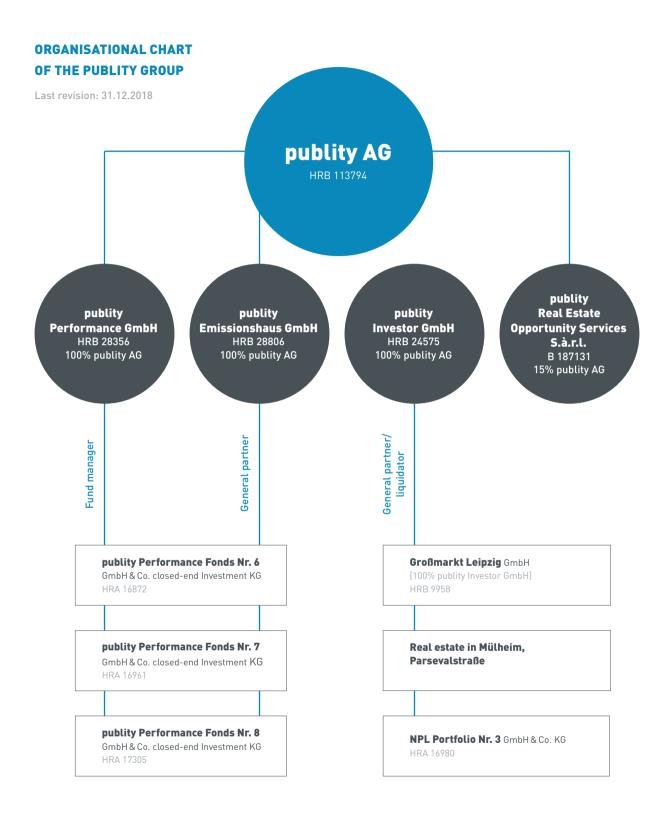
ORGANISATION AND GROUP STRUCTURE

In the 2018 financial year, the company had three direct subsidiaries in Germany. One of these subsidiaries, publity Investor GmbH, also had another subsidiary since the end of 2018, Großmarkt Leipzig GmbH, and held an interest in the limited liability capital of a fund company.

The following table shows the subsidiaries and sub-subsidiaries of publity AG that are material from the company's point of view as well as the material investments of publity AG as of 31 December 2018.

Name	Seat	Shareholdings
publity Investor GmbH	Leipzig	100%
publity Emissionshaus GmbH	Leipzig	100%
publity Performance GmbH	Leipzig	100%
Großmarkt Leipzig GmbH	Leipzig	100%
NPL Portfolio Nr. 3 GmbH & Co. KG	Leipzig	39.75%
publity Real Estate Opportunity Services S.à r.l. (PREOS 1)	Luxembourg	15%

^{*}Directly through publity Investor GmbH



THE SUBSIDIARIES AND EQUITY INVESTMENTS MENTIONED ARE DESCRIBED IN MORE DETAIL BELOW:

publity Investor GmbH (and NPL Portfolio No. 3 GmbH & Co. KG)

publity Investor GmbH was founded on December 15, 2008 as TASK FORCE Investor GmbH. The company is registered in the Commercial Register of the Local Court of Leipzia under the number HRB 24575. Its registered office is in Leipzig. Thomas Olek is the managing director with sole power of representation. The sole shareholder is publity AG. By resolution of the shareholders' meeting held on 14 September 2018, the share capital was increased by EUR 19,850,000.00 from EUR 150,000.00 to EUR 20,000,000.00 (entry in the commercial register on 25 October 2018). The company's purpose is the management of its own assets, making investments in other companies, and the assumption of personal liability as general partner. In addition, the company develops fund concepts, economic concepts, prepares investment sales prospectuses, offers company shares in the conceived fund companies, as well as assumes - to the extent permitted - investor and fund management. As a personally liable shareholder general partner - publity Investor GmbH exercises or has exercised the management of several NPL fund companies and private placements established by the company, some of which have already been dissolved and deleted from the commercial register.

It acts as liquidator for the fund companies not yet deleted from the Commercial Register, namely Fund No. 2, Fund No. 3, Fund No. 4 and Fund No. 5. The aforementioned fund companies have been dissolved and are currently in liquidation. The same applies to NPL Portfolio Nr. 3 GmbH & Co KG, which, according to the prospectus, has been in liquidation since 31 December 2018.

With the exception of the NPL Portfolio Nr. 3 GmbH & Co KG, publity Investor GmbH does not hold an interest in the capital of the respective fund company. In view of the forthcoming liquidation of the NPL Portfolio Nr. 3 GmbH & Co. KG, the general partner acquired limited partnership shares amounting to EUR 2.25 million in the limited partnership capital from investors of the NPL Portfolio Nr. 3 GmbH & Co. KG in 2018. Since that time, the general partner has held an interest in the capital of EUR 2.25 million in the NPL Portfolio Nr. 3 GmbH & Co. KG.

publity Investor GmbH also acquired two properties in 2018, a property in Mülheim an der Ruhr and the Großmarkt Leipzig property, as part of the development of the new area of the Group's own real estate business. In addition, it acquired 100% of the shares in Großmarkt Leipzig GmbH by way of a share purchase. As the operating company, Großmarkt Leipzig GmbH is responsible for operating the Großmarkt (wholesale market) Leipzig property held by publity Investor GmbH.

publity Emissionshaus GmbH

publity Emissionshaus GmbH was founded on 7 September 2012 as publity Asset GmbH and is entered in the Commercial Register of the Leipzig Local Court under number HRB 28806. Its registered office is in Leipzig. The share capital amounts to EUR 150,000. Thomas Olek and Siglinde Heiche are the managing directors with sole power of representation. The sole shareholder is publity AG. The company's purpose is the management of its own assets. making investments in other companies, and the personal liability as general partner. In addition, the company develops fund concepts, economic concepts, prepares investment sales prospectuses, offers company shares in the conceived fund companies, as well as assumes – to the extent permitted – investor and fund management. publity Emissionshaus GmbH is a founding shareholder and general partner of publity Performance Fonds Nr. 6, and Nr. 7 and Nr. 8 (both GmbH & Co. closedend Investment KGI

publity Performance GmbH

publity Performance GmbH was founded on 23 May 2012 as publity Marketing GmbH and is registered in the Commercial Register of the Leipzig Local Court under the number HRB 28356. Its registered office is in Leipzig. The share capital amounts to EUR 500,000. Christoph Blacha and Frederik Mehlitz are the managing directors authorised to represent the company as a whole. The sole shareholder is publity AG, publity Performance GmbH is an external AIF capital management company within the meaning of the German Investment Act, as evidenced by its corporate purpose. The object of the Company is the collective asset management of closed-end public and special AIFs in the area of material assets. In the context of collective asset management. portfolio and risk management in particular are performed. publity Performance GmbH currently assumes this function for publity Performance Fund No. 6, publity Performance Fund No. 7 and publity Performance Fund No. 8 (both GmbH & Co. closed-end Investment KG).

Großmarkt Leipzig GmbH

Großmarkt Leipzig GmbH was founded on 29 November 1994 and is registered in the Commercial Register of the Leipzig Local Court under the number HRB 9958. Its registered office is in Leipzig. The share capital amounts to DEM 50,000 (approx. EUR 25,000) and is fully paid-in. Thomas Olek is the managing director with sole power of representation. The sole shareholder is publity Investor GmbH. The object of the company is to operate and maintain a wholesale market as a fresh produce centre for the sale of fruit, vegetables, flowers, fish, meat, game, poultry, white goods and other fresh produce, including canned goods and consumer goods, to professional resellers, professional consumers, wholesale customers and other service providers with the necessary ancillary facilities. In particular, the company shall be authorised, in connection with the operation of the wholesale market, to engage in rental business for stand space with producers/ direct suppliers of the aforementioned fresh products and produce and commercial trading companies engaged in the resale of such products. The company's purpose is also to promote medium-sized suppliers of regional producer groups. The property operated by Großmarkt Leipzig GmbH, Leipzig Wholesale Market, was purchased by publity Investor GmbH in December 2018, as were the shares in the company.

Joint venture companies

The company entered into a joint venture with an international investor in 2014. In this context. the joint venture partner and the company have established publity Real Estate Opportunity Services S.à r.l., Luxembourg, (Société à responsabilité limitée) as a joint venture company registered in the Luxembourg Companies Register under number B 187131, (PREOS 1). The joint venture company is a limited liability company (LLC) under Luxembourg law. The company's seat is in Luxembourg. Following the sale of a substantial part of its investment at the end of 2018, publity AG still holds 15% of the shares and voting rights in PREOS 1. Through subsidiary companies, PREOS 1 acquires real estate portfolios for which publity AG also assumes the real estate asset management responsibilities and participates in the sale or realisation of the real estate.

In the 2018 financial year, publity AG also held interests in two other Luxembourg joint venture companies, publity Real Estate Opportunity Services II S.à r.l. (PREOS 2) and publity Real Estate Opportunity Services III S.à r.l. (PREOS 3) (49% each). PREOS 2 and PREOS 3 acquired loan portfolios through subsidiaries. In the course of restructuring and focusing on the Group's own real estate business, publity AG sold all of its corporate interests in PREOS 2 and PREOS 3 at the end of December 2018.

REAL ESTATE FUNDS AND NPL FUNDS

Closed-end real estate funds

publity Emissionshaus GmbH acts as general partner for the aforementioned fund companies without its own capital share.

The funds are closed-end real estate funds. The capital raised by the respective fund is, or was, used to acquire the fund properties. After the fund properties have been sold, payments are made to the fund investors.

Neither the company nor any of its subsidiaries holds an interest in the limited liability capital of these funds. Neither the economic nor the legal ownership of the fund properties can therefore be attributed to the company or its subsidiaries. Rather, the fund properties are owned by the fund companies whose capital shares (limited partnership capital) are held by the limited partners, i.e. as a result by the fund investors.

The company and its subsidiaries have also assumed no guarantees for repayment claims of the fund investors against the funds.

NPL funds

Since 2009, publity AG has launched several funds and securitisations for private and institutional investors in the area of non-performing loans (NPLs) with a focus on the purchase and realisation of NPLs in Germany. Today, this business segment no longer represents the main area of activity of publity AG. Some of the relevant funds launched by publity

AG have already been completely liquidated and deleted from the commercial register. The fund companies shown in the organisational chart, TASK FORCE NPL Fonds Nr. 2 GmbH & Co. KG, publity Performance Fonds Nr. 3 GmbH & Co KG, publity Performance Fonds Nr. 4 GmbH & Co. KG and publity Performance Fonds Nr. 5 GmbH & Co. KG have been dissolved and are in liquidation.

The closed-end fund NPL Portfolio Nr. 3 GmbH & Co KG also went into liquidation at the end of 31 December 2018 in accordance with the prospectus. The company is currently being wound up.

In these funds, the wholly owned subsidiary of publity AG, publity Investor GmbH, acts as general partner, acting as liquidator within the framework of the liquidation of the funds. With the exception of the closed-end fund NPL Portfolio Nr. 3 GmbH & Co KG, publity Investor GmbH does not participate in the capital of the respective fund company. Regarding the winding up the closed-end fund NPL Portfolio Nr. 3 GmbH & Co. KG, publity Investor GmbH acquired limited partnership shares totalling EUR 2.25 million in the limited partnership capital of investors in the closed-end fund NPL Portfolio Nr. 3 GmbH & Co. KG in 2018. Since that time, the company has held an interest in the capital of EUR 2.25 million in the closed-end fund NPI Portfolio Nr. 3 GmbH & Co. KG.

The launch of new NPL funds is currently not planned.

COMPETITIVE SITUATION AND COMPETITIVE STRENGTHS

Competitors of the publity Group are - and essentially have been – the investors active on the real estate transaction market in Germany, both in identifying suitable real estate properties for their clients within the scope of asset management mandates and with regard to real estate properties to be acquired by the publity Group of companies itself. These include, for example, family offices, national and international, open and closed alternative investment funds, insurance/pension funds, sovereign wealth funds and private equity funds. But also real estate companies/ REITs as well as banks participate as buyers in the real estate market. As an investment market, Germany is in the focus of international investors. Increasingly, Asian investors are also expected to invest in Germany.

As part of the manage-to-core approach, i.e. the transformation of a property into a better risk class, the company aims to minimise the vacancy rate in the properties it manages and holds within the Group. In this respect, the company competes with commercial real estate lessors.

Since the company generated a substantial portion of its income as a real estate asset manager for third parties in the 2018 financial year, it was also in competition with other asset managers offering comparable services to third parties.

In the search for purchasers of real estate, the publity Group competes with the same market participants as on the buyer side.

In the market for financial products, the company competes with other providers of closed-end public AIFs and special AIFs.

In particular, the publity Group sees its competitive position in the following competitive strengths:

Market access and market knowledge

The publity Group is familiar with the realities of the real estate transaction market in Germany and, in its opinion, can react quickly to new developments. The Group has advised on several hundred transactions and has a strong network in the real estate industry as well as in the work-out departments of financial institutions.

Efficiency and fast processes

The company has developed standardised and formalised processes that enable rapid execution of transactions. In particular, the economic, technical and legal due diligence reviews by internal and external specialists are formalised and available at short notice. At the same time, the company has flat hierarchies and few committees, so that rapid preparation of investments on the part of the company is guaranteed despite comprehensive audits.

The company can therefore generally carry out a property purchase process for its clients, but also for the real estate business of the publity Group, within 4–6 weeks after concluding an exclusivity agreement. According to their assessment and experience, many competitors need a longer period of time to complete a transaction.

Experience in asset management

As a real estate asset manager, the publity Group has experience in managing over 600 properties using a manage-to-core approach. This enables it to develop and implement a management strategy for newly acquired properties. In the past, the publity Group has often succeeded in increasing the occupancy rate of a property and thus increasing the attractiveness of the property on the market. Since the publity Group has set itself the goal of concentrating on properties in the real estate asset class that are already operating at break-even at the time of acquisition, there is no immediate pressure to sell and the publity Group can optimise the property within the required time frame. This applies both to properties held by the publity Group itself and to those held by its external clients. Based on its experience in the sale of real estate, the publity Group maintains close contacts to internationally active real estate agents, as well as direct access to potential buyers.

Infrastructure

In the opinion of the publity Group, it has an infrastructure which is sound for its business model and which, in its view, can represent an advantage over competitors. Due to its activities in the business areas of real estate and non-performing loans, the publity Group has established its own administration for contract, risk and liquidity management. In addition, there is a network of external service providers with whom the publity Group cooperates, such as real estate experts, lawyers and valuation experts.

CORPORATE STRATEGY

In the 2018 financial year, the corporate strategy of the publity Group was essentially geared towards further consolidating its competencies and strengths in the real estate asset management segment and expanding this segment.

On the other hand, the business activities in the credit portfolio segment were no longer a part of the company's main area of business.

The company pursued the following strategic objectives:

Focus on the German real estate market

The company's business activities continued to focus on the German real estate market in particular commercial real estate. In the company's opinion, value creation potential will continue to be prevalent in the future, both as part of the support provided by its external clients or the publity Group in the acquisition of real estate and in the management of such real estate. In the company's opinion, no deterioration in conditions on the real estate market is discernible. The company believes that it has been able to utilise its expertise and many years of experience in real estate asset management as well as its access to real estate and to potential purchasers of real estate to generate attractive returns. According to the company, investor demand – especially from abroad – for German commercial real estate was unbroken.

Distribution of sales revenue across several business areas

The publity Group's business model consists of several business areas, which are described above. The revenues generated by the company (or the Group) are based on the revenues generated by the current asset management mandates (e.g. acquisition fees, asset management fees and fees in the event of a profitable sale of assets). Therefore, these contractually secured compensation payments form the revenue anchor with steady cash flows, whereby the company bears no or only limited investment and financing risks.

This model of fixed and constant revenues from asset management services (as well as servicing) connects the publity Group with the possibility of generating attractive returns through the new area of the Group's own real estate business, which commenced at the end of the 2018 financial year. This new business area came into focus towards the end of the 2018 financial year and is to be further expanded moving forward. This segment aims to optimise the Group's own real estate and subsequently sell it off. By focusing on commercial real estate that covers costs. the publity Group avoids the emergence of sales pressure if the optimisation measures take more time than expected. Current rental income can mitigate any additional costs that may be incurred.

CAPITAL OF PUBLITY AG

Share capital

The company's share capital amounts to EUR 9,831,250.00 and is assigned into 9,831,250 registered shares. All shares represent no-par value shares. All shares are created and fully paid-in in accordance with German law.

The company's share capital is represented by several global certificates without dividend coupons, which can be obtained from Clearstream Banking Aktiengesellschaft, Frankfurt am Main, Germany, at the following business address: Mergenthalerallee 61, 65760 Eschborn, Germany, as depositary. The shareholder's claim to the certification of his share and to the issue of dividend coupons and renewal coupons is excluded (Art. 3 para. 2 sentence 1 of the Articles of Association). The company is entitled to issue certificates for individual shares (individual certificates) or for several shares (global certificates) as well as for dividend coupons and renewal coupons (Art. 3 para. 2 sentence 2 of the Articles of Association). The form and content of share certificates, dividend coupons and renewal coupons shall be determined by the Management Board with the consent of the Supervisory Board (Article 3 para. 2 sentence 3 of the Articles of Association).

The company's shares are included in trading in the Scale trading segment of the Open Market of the Frankfurt Stock Exchange. The shares are not admitted to trading on any regulated market or any other equivalent market.

Authorised capital

The Shareholders' Meeting held on 14 March 2016 resolved to cancel the authorised capital 2014 and to create new authorised capital 2016. The Management Board was initially authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions until 13 March 2021 by a total of up to EUR 2,750,000.00 against cash and/or non-cash contributions, whereby shareholders' subscription rights may be excluded.

On 18 March 2016, the company processed a capital increase of EUR 550,000.00 to EUR 6,050,000.00 with partial utilisation of authorised capital 2016, excluding share-holders' subscription rights. Based on this, as of 31 December 2018, the authorised capital of publity AG was EUR 2,200,000.00.

With the approval of the Supervisory Board, the Management Board is authorised to increase the share capital on the basis of the authorised capital until 13 March 2021 by issuing new no-par value registered shares against cash and/or non-cash contributions once or several times, but by a maximum amount of EUR 2,200,000.00 ("maximum amount"), whereby shareholders' subscription rights may be excluded.

In principle, the shareholders must be granted a subscription right when utilising authorised capital 2016. The shares may also be taken over by one or more banks with the obligation to offer them to the shareholders for subscription. However, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

- in order to exclude fractional amounts from the subscription right;
- in order to increase the share capital against contributions in kind;
- to the extent necessary to grant the holders of the bonds with warrants or convertible bonds issued by the company or a group company of the company within the meaning of Art. 18 of the Stock Corporations Act (AktG) a subscription right to new no-par value registered shares to the extent to which they would be entitled as shareholders after exercising the warrant or conversion right or fulfilling the warrant or conversion obligation or after exercising a replacement right of the company;
- to service conversion rights in accordance with the terms and conditions of the convertible bond to the holders of convertible bonds issued, or to be issued in the future, by the company by 29 March 2020 on the basis of the authorisation resolution of the Shareholders' Meeting of 30 March 2015.

Authorisation to issue convertible bonds

By resolution of the Shareholders' Meeting on 30 March 2015, the Executive Board was authorised, with the approval of the Supervisory Board, to issue bearer or registered convertible bonds with a total nominal value of up to EUR 150,000,000.00 with or without a term restriction on one or more occasions up to 29 March 2020, and to grant or impose conversion rights and/or obligations to the holders or creditors of convertible bonds for registered no-par value shares of the company with a proportionate amount of the share capital of

up to EUR 2,500,000.00 in accordance with the terms and conditions of these bonds.

On the basis of this authorisation provided through the Shareholders' Meeting, the Management Board, with the approval of the Supervisory Board, issued convertible bonds with a total nominal value of EUR 50.000.000.00 with conversion rights to registered no-par value shares in the company in three tranches in 2015 and 2017. Accordingly, as of 31 December 2018, it was still possible to issue convertible bonds with a total nominal value of up to EUR 100,000,000.00, whereby the conversion rights and/or obligations to be granted to the creditors are to be limited to shares with a proportionate amount of the share capital of EUR 2,500,000, including the convertible bonds already issued.

Conditional capital

By resolution of the Shareholders' Meeting on 14 March 2016, conditional capital was created to service the convertible bonds issued on the basis of the authorisation of 30 March 2015, whereby the share capital of the company was conditionally increased by up to EUR 2,500,000.00 by issuing up to 2,500,000 new no-par value registered shares. As of 31 December 2018, no use had been made of conditional capital 2016.

Composition of the Management Board

During the financial year under review, the company's Management Board consisted of the members lsited in more detail below:

M	la	na	q	e	m	e	nt	В	o	a	rd	

member	Responsibility	First appointment	End of current term
Thomas Olek (Chairman of the Board)	Among others, Strategy, Finance, Investor Relations, Public Relations	09.10.2003	03.10.2023
Frank Schneider	Among others, Asset Management, Transactions, Public Funds	20.11.2018 (effective as of 1.12.2018)	30.11.2020
Frederik Mehlitz	Among other, Finance, Public Funds, Investor Relations	04.08.2014	Left office as per 31 August 2018



Thomas Olek

Thomas Olek was born in 1968 in Essen, North Rhine-Westphalia. He has been self-employed since 1991. From 1998 to 2002, he was an advisor to the Sächsische Landesbank in close cooperation with the board members active at the time. On 8 April 2003, Thomas Olek became majority shareholder of publity AG; on 9 October 2003 he was appointed CEO of publity AG. Under his leadership, publity AG has been active in the German real estate market since 2004. Thomas Olek has been a personal member of the International Bankers Forum (IBF) since 8 October 2010. In addition, from March 2010 to May 2013, he was an associate member of the Executive Committee of the "Bundesvereinigung Kreditankauf und Servicing e. V." (Federal Association for Credit Purchase and Servicing). Mr Olek has since been reappointed by the Supervisory Board of publity AG as a member of the Management Board.



Function within the publity Group	from	to
Chairman of the Board of publity AG	2003	present
Managing Director of publity Emissionshaus GmbH	2012	present
Managing Director of publity Real Estate Opportunity Services S.à r.l (PREOS 1)	2014	2016
Managing Director of Großmarkt Leipzig GmbH	2014	present
Managing Director of publity Investor GmbH	2018	present

During the last five years, Mr Olek has held, or is currently holding, the following board positions in addition to his functions in the publity Group:

Function within the publity Group	from	to
Member of the Supervisory Board of Capitale AG	2008	2013
Managing Director of NPL capital partners S.à r.l.	2011	2016
Managing Director of TO-Holding GmbH	2012	present
Managing Director of Olek Capital S.à r.l.	2012	present
Member of the Board of Consus Real Estate AG (formerly: Consus Commercial Property AG)	2016	2017
Managing Director of publity CCP 1 GmbH	2016	2017
Managing Director of publity CCP 2 GmbH	2016	2017
Managing Director of publity CCP 3 GmbH	2016	2017
Managing Director of publity CCP 4 GmbH	2016	2017
Managing Director of publity CCP 5 GmbH	2016	2017
Managing Director of publity CCP 6 GmbH	2016	2017
Managing Director of publity CCP 7 GmbH	2017	2017
Managing Director of publity CCP 8 GmbH	2017	2017
Managing Director of publity CCP 9 GmbH	2017	2017
Managing Director of publity CCP 10 GmbH	2017	2017
Managing Director of publity CCP 11 GmbH	2017	2017
Managing Director of publity CCP 12 GmbH	2017	2017
Managing Director of publity CCP 13 GmbH	2017	2017
Member of the Supervisory Board of Consus Real Estate AG (formerly: Consus Commercial Property AG)	2017	2017
Managing Director of Olek Holding GmbH	2018	present
Management Board of PREOS Real Estate AG	2018	2018
Managing Director of PREOS Immobilien GmbH	2018	2018
Managing Director of PREOS 1 Beteiligungsgesellschaft mbH through PREOS 10. Beteiligungsgesellschaft mbH	2018	2018
Managing Director of TO-Holding 2 GmbH	2018	present

Frederik Mehlitz (until 31 August 2018)

Frederik Mehlitz was born in 1965 in Saar-brücken. After studying industrial engineering in Karlsruhe, he worked in management positions for various major national and international banks. Today, he has over 20 years of experience in banking and finance. Since 2011, Mr Mehlitz has been responsible for all transactions with banks and financial investors at publity AG. Since 2013, Mr Mehlitz has also been Managing Director of publity Performance GmbH, a capital management company regulated under the German Investment Code (KAGB). On 4 August 2014, Mr Mehlitz was appointed to the Management Board of publity AG alongside Mr Thomas Olek.





Function within the publity Group	from	to
Managing Director of publity Performance GmbH	2013	present
Management Board of publity AG	2014	2018

During the last five years, Mr Mehlitz has held, or is currently holding, the following executive positions in addition to his functions in the publity Group:

Company/function	from	to
Managing Director of PO Verwaltungs GmbH	2015	2018
Management Board of PREOS Real Estate AG	2018	present
Managing Director of PREOS Immobilien GmbH	2018	present
Managing Director of PREOS 1 Beteiligungsgesellschaft mbH through PREOS 20. Beteiligungsgesellschaft mbH	2018	present
Managing Director of Objekta Fütingsweg GmbH	2018	present
Managing Director of LVG Nieder-Olm GmbH	2018	present

Frank Schneider (from 1 December 2018)

Frank Schneider was born in 1963 in Pinneberg (near Hamburg), Schleswig-Holstein. From 1999 to April 2018, Frank Schneider worked for CMS Hasche Sigle, Germany's largest commercial law firm, as a lawyer specialising in real estate and construction law. He became a partner in January 2004. Previously, he was a legal advisor at the HOCHTIEF construction group. Mr Schneider has many years of experience in legal project management for real estate transactions and has provided publity AG with legal advice and support for many years within the scope of real estate acquisition and sale processes.

Mr Schneider was a member of the publity AG Supervisory Board from October 2012 to November 2014. He was Chairman of the Supervisory Board until May 2014.



Function within the publity Group	from	to
Member of the Management Board of publity AG	2018	present

During the last five years, Mr Schneider has held, or is currently holding, the following executive positions in addition to his functions in the publity Group:

Company/function	from	to
Management Board of Diakonissenhaus Leipzig e.V.	2007	present
Supervisory Board of Diakonissenkrankenhaus Leipzig GmbH	2007	present

The Supervisory Board can exempt members of the Management Board from the right to sole representation and from the prohibition of multiple representation pursuant to Art. 181 old version 2 BGB (German Civil Code).

Thomas Olek, member of the Executive Board, has sole power of representation and is exempt from the restrictions of Art. 181 old version 2 BGB (German Civil Code). The member of the Executive Board Frank Schneider is authorised to represent the company together with another member of the Executive Board or an authorised signatory.

The Management Board can be reached at the business address of publity AG (OpernTurm, Bockenheimer Landstraße 24, 60306 Frankfurt am Main).

CHANGES IN THE MANAGEMENT BOARD DURING THE 2018 FINANCIAL YEAR

The composition of the Company's Management Board changed in the 2018 reporting year. As of 31 August 2018, Mr Frederik Mehlitz resigned from his position as a member of the Management Board of publity AG. Mr Mehlitz had been a member of the publity AG Management Board since August 2014. Despite his resignation from the Management Board of publity AG, for the time being Mr Mehlitz will remain managing director of publity Performance GmbH, a subsidiary of publity AG.

Following Mr Mehlitz's departure from the Management Board of publity AG, for a brief period Mr Thomas Olek was the sole member of the Management Board of the company.

On 20 November 2018, the Supervisory Board of publity AG appointed Mr Frank Schneider as a new member of the Management Board with effect from 1 December 2018 until 30 November 2020. At the same time, Thomas Olek was appointed Chairman of the Management Board. The expansion of the Management Board was intended in particular to meet the new requirements arising from the expansion of publity AG's business segment to include the Group's own real estate business.

Within the scope of his role on the Management Board, Mr Frank Schneider will be responsible for asset management, transactions and the management of mutual funds.

Composition of the Supervisory Board

During the 2018 financial year, the company's Supervisory Board consisted of the members listed in more detail below:

Supervisory board	Function	First appointment	End of the current term
Günther Paul Löw	Chairman of the Supervisory Board	06.05.2014	2020 (resigned per 31.12.2018)
Norbert Kistermann	Deputy Chairman of the Supervisory Board	09.12.2014 by the District Court of Leipzig	2020
Hans-Jürgen Klumpp	Member of the Supervisory Board	22.12.2016 by the District Court of Leipzig	2020

Günther Paul Löw

Günther Paul Löw was born on 25 October 1960 and has over 25 years of transaction and investment experience in the small- and mid-cap segment. Among other things, he was the in-house lawyer at the Rothenberger Group, head of investment management at Gold-Zack AG and founder and long-tenured board member of the listed Impera Total Return AG, Frankfurt. Attorney Günther Paul Löw has been Chairman of the Supervisory Board of publity AG since 6 May 2014.

During the past five years, Mr Löw has held or is holding the following board positions in addition to his supervisory board position at publity AG:



Company/function	from	to
Chairman of the Supervisory Board of publity Performance GmbH	2016	present
Supervisory Board of Die Skonto AG, Iserlohn	2005	present
Chairman of the Supervisory Board of venturecapital.de GmbH & Co. KG, Frankfurt/Main	2008	present
Chairman of the Supervisory Board of CFP BioConnect AG, Frankfurt/Main	1998	2015
Chairman of the Supervisory Board of S+O Mineral Industries AG, Frankfurt/Main	2011	present
Chairman of the Supervisory Board Value Management & Research AG, Kronberg/Ts.	2011	2017
Chairman of the Supervisory Board of Tauris Holding AG	2013	2016
Managing Director of GPL Verwaltungs- und Beteiligungs GmbH, Frankfurt/Main	2003	present

Hans-Jürgen Klumpp

Dipl.-Kfm. Hans-Jürgen Klumpp (MS in business), born on 7 July 1947, has more than 25 years of experience in the banking sector. He has held management positions at Stadtsparkasse Köln, Sparkasse Bielefeld and Landesbank Sachsen Girozentrale in Leipzig, among others. At Landesbank Sachsen Girozentrale, he most recently served as Deputy Chairman of the Board of Management with responsibility for risk management, back office functions, balance sheets/reporting/taxes, human resources, investment management, e-business and organisation. He was also spokesman of the board of Sächsische Aufbaubank GmbH Dresden (SAB) in its founding phase. He was Chairman of the Supervisory Board of setis Bank AG, Leipzig, and Deputy Chairman of the Supervisory Board of SüdKA GmbH Stuttgart/Frankfurt and Consors Capital Bank AG, Berlin, Chairman of the Supervisory Board of Kommunalen Entwicklungsgesellschaft der sächsischen Sparkassen mbH, Pirna, and a member of the Supervisory Board of DekaBank GmbH, Frankfurt. He has also held numerous other positions.

From January 2002 to November 2005, Mr Klumpp was already a member of the Supervisory Board of publity AG and held the office of Chairman of the Supervisory Board.

During the past five years, Mr Klumpp has held, or is holding, the following board positions in addition to his supervisory board position at publity AG:

Company/function	from	to
Supervisory Board of publity Performance GmbH	2017	present



Norbert Kistermann

Dipl.-Bankbetriebswirt Norbert Kistermann, born on 3 May 1963, has been working in the banking sector for more than 20 years. Among other positions, he was Chairman of the Management Board of Corporate Banking Region Bayern for Dresdner Bank AG, Munich, Head of Division (Extended Management) at BHF-BANK, Frankfurt/Main and a member of the Management Board of a medium-sized bank in Essen / Hamburg. Since 2015, Mr Kistermann has been Chairman of the Board of a medium-sized private bank.

During the past five years, Mr Kistermann has held, or is holding, the following board positions in addition to his supervisory board position at publity AG:



Company/function	from	to
Management Board of Gallinat-Bank AG	2012	2014
Chairman of the Board of Bankhaus Bauer Aktiengesellschaft	2015	present
Deputy Chairman of the Supervisory Board of venturecapital.de GmbH & Co. KG,	2007	present

CHANGES IN THE SUPERVISORY BOARD AFTER THE REPORTING YEAR

Mr Günther Paul Löw resigned from his position as Chairman of the Supervisory Board of publity AG effective from 31 December 2018 due to personal reasons and resigned from the Board. He had been Chairman of the publity Supervisory Board since May 2014 and had contributed to the positive development of publity AG through his many years of capital market and transaction experience.

When the resignation became effective, the Supervisory Board of the Company consisted of only two members. At the request of the Executive Board and with the support of the remaining members of the Supervisory Board, the Local Court of Frankfurt am Main therefore appointed Mr Frank Vennemann as a member of the Supervisory Board with immediate effect by resolution of 14 January 2019 until the end of the company's next shareholders' meeting. Mr Frank Vennemann (54) is a partner in the renowned commercial law firm GRUENDELPARTNER and specialises, among other things, in real estate law. Mr Frank Vennemann is now to be elected to the Supervisory Board by the company's shareholders' meeting on 16 May 2019 as the successor to Mr Günther Paul Löw.

Mr Hans-Jürgen Klumpp was unanimously elected by the Supervisory Board as the new Chairman of the Supervisory Board at the constituent meeting of the Supervisory Board following the appointment of Mr Vennemann by the Local Court of Frankfurt am Main. Mr Norbert Kistermann will continue to hold the office of Deputy Chairman of the Supervisory Board.

MANAGEMENT BOARD MATTERS

Mr Frederik Mehlitz resigned from his position as a member of the Management Board of publity AG with effect from 31 August 2018.

Mr Mehlitz had been a member of the publity AG Management Board since August 2014.

Despite his resignation from the Management Board of publity AG, for the time being

Mr Mehlitz will remain managing director of publity Performance GmbH, a subsidiary of publity AG.

Since Mr Mehlitz left the Management Board of publity AG, Mr Thomas Olek was the sole member of the Management Board of the company for a short time. On 20 November 2018, the Supervisory Board of publity AG appointed Mr Frank Schneider as a new member of the Management Board with effect from 1 December 2018 until 30 November 2020. At the same time, Thomas Olek was appointed Chairman of the Management Board. The expansion of the Management Board was intended in particular to meet the new requirements arising from the expansion of publity AG's business segment to include the Group's own real estate business.

Within the scope of his role on the Management Board, Mr Frank Schneider will be responsible for asset management, transactions and the management of mutual funds.

Compensation

REMUNERATION OF THE MANAGEMENT BOARD

Through 31 August 2018, Frederik Mehlitz was a member of the company's Management Board (in addition to Thomas Olek, Chairman of the Management Board). Effective 31 August 2018, Mr Mehlitz resigned from his position as a member of the company's Management Board. Effective 1 December 2018, Frank Schneider was appointed to the Management Board alongside Thomas Olek.

For the 2018 financial year, the members of the Management Board received total remuneration of around EUR [658,000]. This includes the fixed annual remuneration (EUR [620.000]) and the provision of company cars (EUR [38,000]). The service contracts applicable in 2018 for the members of the company's Management Board provided for a fixed annual remuneration of EUR 360,000 for Mr Olek and Mr Mehlitz (through 31 August 2018) and a fixed annual remuneration of EUR 240.000 for Mr Schneider (from 1 December 2018). During his term of office, the Frederik Mehlitz was provided with a company car that could also be used privately. The board members Frank Schneider and Thomas Olek do not have a company car. There were no variable compensation components, neither for Thomas Olek, a member of the Management Board, nor for Frederik Mehlitz, a member of the Management Board who resigned on 31 August 2018, nor for Frank Schneider, a member of the Management Board. If a member of the Management Board passes away during the term of their contract of service, the salary for the month of death and the following three calendar months shall continue to be paid to his or her relatives.

In the event of illness or other impediment to service through no fault of their own, the Management Board member's contractual remuneration shall continue to be paid for a period of six months, up to the end of the employment contract at the latest. The remuneration to be continued is reduced by the amounts that the Management Board member receives from third parties for this period, in particular from health insurance or daily benefits insurance. The member of the Management Board shall receive reasonable compensation for expenses incurred in the interests of the company. The expenses incurred will be reimbursed upon presentation of the original receipts or as a lump sum in accordance with the maximum rates permissible for tax purposes in each case, provided that the member of the Management Board is able to prove the existence of management or operational circumstances or that these are obvious. The service contracts with the members of the Management Board provide for a non-competition clause, which – with the exception of the service contract with Management Board member Frank Schneider – continues to apply for two vears after termination of the service contract. For the duration of the non-competition clause. the company shall pay the Management Board member a compensation payment in accordance with Articles 74 et seg. of the German Commercial Code (HGB). The Company may waive the post-contractual non-competition clause with the effect that it is released from the obligation to pay compensation for non-competition. The members of the Management Board of publity AG do not receive any remuneration or benefits in kind from the company's subsidiaries.

REMUNERATION OF THE SUPERVISORY BOARD

Pursuant to Art. 11 of the Articles of Association, each member of the Supervisory Board receives fixed remuneration of EUR 15,000 for each full financial year of membership in the Supervisory Board in addition to reimbursement of documented expenses. The Chairman of the Supervisory Board receives double this amount. The remuneration is due for payment at the end of a financial year. Members who did not belong to the Supervisory Board for a full financial year or did not hold the chair during the full financial year receive the remuneration on a pro-rated basis. Value added tax shall be reimbursed by the company if the members of the Supervisory Board are entitled to invoice the company separately for value added tax and exercise this right.

FURTHER INFORMATION REGARDING THE MANAGEMENT BOARD AND SUPERVISORY BOARD

In 2015, the company also took out D&O and E&O insurance at its own expense for the benefit of the company's executive bodies and officers.

Neither the company nor any of its other subsidiaries have set aside provisions for pensions. There are also no corresponding commitments.

With the exception of the compensation for the non-competition clause for members of the Management Board (with the exception of Mr Schneider), there are no service contracts concluded between members of the executive bodies and the company or its subsidiaries which provide for benefits upon termination of the service relationship.

Corporate governance and risk management

publity AG is listed on the Regulated Unofficial Market of the Frankfurt Stock Exchange and is therefore not a company listed on the regulated market. Therefore, publity AG is not subject to the German Corporate Governance Code. publity AG is not obliged to comply with the corresponding regulations and publity AG thus does not ensure that these are complied with.

Nevertheless, publity AG complies with the requirements of the Corporate Governance Code of the German Real Estate Industry e.V., which is based on the German Corporate Governance Code of the Government Commission and contains additional requirements relevant to the real estate industry. publity AG pursues this on a voluntary basis, as the listing on the Regulated Unofficial Market of the Frankfurt Stock Exchange in the Scale trading segment does not require this.

MANAGEMENT AND CONTROL STRUCTURE

Management Board

As the management body, the Management Board manages the business, develops the strategic orientation, and implements this in coordination with the Supervisory Board. It is bound by the company's interests and business policy principles. The Management Board reports regularly and comprehensively to the Supervisory Board on the course of business, strategy and risks. The rules of procedure for the Management Board determine the responsibilities of the individual departments, the modalities

for passing resolutions and other aspects of the work of the Management Board. In addition, the members of the Management Board require the approval of the Supervisory Board for certain material transactions specified in the rules of procedure of the Supervisory Board.

The Supervisory Board has issued rules of procedure dated 12 February 2015 for the Executive Board.

The members of the Management Board shall conduct the company's business in accordance with the law, the Articles of Association, the rules of procedure for the Management Board, and the schedule of responsibilities.

The members of the Management Board may neither pursue personal interests in their decisions nor take advantage of business opportunities to which the company is entitled. For the duration of their employment contracts, they are subject to a comprehensive non-competition clause beyond the provisions of Article 88 of the German Stock Corporation Act (AktG). In connection with their activities, the members of the Management Board may not demand or accept payments or other advantages from third parties for themselves or for other persons. They must also not grant unjustified advantages to third parties. The members of the Management Board are obliged to disclose conflicts of interest immediately to the Chairman of the Supervisory Board and to inform the other members of the Management Board accordingly. All transactions between the company or a company dependent on the company on the one hand,

and the members of the Management Board or persons, companies or associations related to them on the other hand must comply with the standards applicable to transactions with third parties. Such transactions require the approval of the Supervisory Board unless they require the involvement of the Supervisory Board pursuant to Article 112 AktG, in case the value of the individual translation is more than EUR 10.000.

In accordance with Art. 4 of the Articles of Association, the Management Board consists of one or more members. The Supervisory Board appoints the members of the Management Board and determines their number. The Supervisory Board may appoint a Chairman of the Management Board as well as a Deputy Chairman.

Pursuant to Art. 5 of the Articles of Association, the Management Board represents the company both in and out of court. Representation takes place jointly with another member of the Management Board or an authorised signatory. If the Management Board consists of only one member, or is to consist of only one member in the future, then it will represent the company alone.

The members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. A repeated appointment or extension of the term of office, in each case for a maximum of five years, is permissible.

If there is an important reason, such as a gross breach of duty or a vote of no confidence by the Shareholders' Meeting (unless the vote of no confidence was taken for obviously unobjective reasons), a member of the Management Board may be dismissed by the Supervisory Board before his or her term of office has expired.

The Supervisory Board is also responsible for

concluding, amending and terminating employment contracts with the members of the Management Board and generally for representing the company in and out of court vis-à-vis the members of the Management Board.

The Supervisory Board may appoint deputy members of the Management Board.

The Management Board shall pass its resolutions by a simple majority of the votes of the members of the Management Board participating in the adoption of the resolution, unless unanimity is required by law. If the Management Board consists of more than two persons, the Chairman shall have the casting vote in the event of a tie.

The remuneration of the members of the Management Board is explained in the section "Remuneration".

Supervisory Board

The Supervisory Board advises and monitors the Management Board. In particular, it may issue rules of procedure for the Management Board and stipulate that certain transactions may only be carried out with the consent of the Supervisory Board. The Supervisory Board has rules of procedure dated 23 December 2014.

The Supervisory Board performs its duties in accordance with the law, the Articles of Association, any rules of procedure adopted by it and responsible corporate governance. Its members are bound by equal rights and obligations for the benefit of the company and are not bound by orders and instructions.

The Supervisory Board of publity AG consists of three members in accordance with Art. 6 of the Articles of Association. The members of the Supervisory Board are elected by the

Shareholders' Meeting. Subject to the determination of a shorter term of office by the Shareholders' Meeting, the members of the Supervisory Board shall be appointed until the end of the Shareholders' Meeting which resolves on the formal discharge for the fourth financial year after the commencement of the term of office. The financial year in which the term of office begins is not counted. A re-election is possible. Art. 6 (3) of the Articles of Association provides that the Shareholders' Meeting may elect substitute members for the Supervisory Board members to be elected by it who shall replace prematurely departing Supervisory Board members in a manner to be determined at the time of election. One person may be appointed as a substitute member for several Supervisory Board members.

If a member of the Supervisory Board is elected to replace a member who resigns prematurely, his or her office shall continue for the remainder of the term of office of the resigning member. If a substitute member takes the place of the retired member, his office shall expire as soon as a successor has been appointed for the retired Supervisory Board member, at the latest, however, upon expiry of the remaining term of office of the retired Supervisory Board member.

Members of the Supervisory Board who have been elected by the Shareholders' Meeting may be dismissed by it before the end of their term of office. The resolution requires a majority of at least three quarters of the votes cast. Pursuant to Article 6 (7) of the company's Articles of Association, any member of the Supervisory Board may resign from office, even without good cause, by giving four weeks' written notice to the Management Board and notifying the

Chairman of the Supervisory Board. The right to resign from office for good cause shall remain unaffected.

Pursuant to Article 7 (2) of the Articles of Association, the Chairman makes statements by the Supervisory Board on behalf of the Supervisory Board. Only the Chairman is authorised to accept declarations on behalf of the Supervisory Board.

The Supervisory Board meets at least once per calendar quarter. The Supervisory Board meetings shall be convened by the Chairman or, if he or she is prevented from doing so, by their Deputy, with a notice period of fourteen days. The date of dispatch of the invitation and the date of the meeting shall not be included in the calculation of the period. The convocation takes place in written form (also telefax and e-mail) under the address last announced in writing to the executive committee. In urgent cases, the Chairman may reduce the period to three days and convene the meeting verbally, by telephone, fax or e-mail.

The Supervisory Board constitutes a quorum if all members of the Supervisory Board have been invited and at least half of the members participate in the passing of the resolution. As long as the Supervisory Board consists of three members, all members must participate in the adoption of the resolution. A member shall also participate in the adoption of a resolution if he or she abstains from voting.

Absent members of the Supervisory Board may participate in resolutions of the Supervisory Board by casting their votes in writing. In addition, absent members of the Supervisory Board may cast their vote during the meeting or subsequently within a period to be determined

by the Chairman verbally, by telephone, by fax, by e-mail or by other customary means of telecommunication, in particular by video connection, provided that the Chairman of the Supervisory Board so orders and no member of the Supervisory Board objects to this procedure within a period set by the Chairman.

Resolutions of the Supervisory Board are passed – even in the case of elections – by a simple majority of votes, unless otherwise prescribed by law. Abstention does not count as voting. In the event of a tie, the Chairman has the casting (tie-breaking) vote at the relevant meeting, including elections.

Further details on the specific work of the Supervisory Board can be found in the Report of the Supervisory Board, which is an integral part of this Annual Report. The remuneration of the members of the Supervisory Board is explained in the chapter "Remuneration".

Shares of publity AG held by board members and major shareholders

As of 31 December 2018, the members of the Management Board, the Supervisory Board and senior management held the following numbers of shares in the company:

Last
shareholderDirect shareholderShareholdingsThomas OlekTO-Holding GmbH33.56Thomas OlekTO Holding 2 GmbH28.47

At the end of the 2018 financial year, the members of the Management Board, the Supervisory Board and senior management held no bonds of the 2015/2020 convertible bond issued by publity AG (ISIN DE000A169GM5).

Shareholders and Shareholders' Meeting

The Shareholders' Meeting is the body in which shareholders can exercise their rights within the company. Pursuant to Article 12 (1) of the Articles of Association, the Shareholders' Meeting of publity AG shall be held at the registered office of the company, at a German stock exchange, or in another German city with a population over 100,000. The Shareholders' Meeting takes place within the first eight months of each financial year.

The Shareholders' Meeting is convened by the Management Board or, in the cases prescribed by law, by the Supervisory Board. If the shareholders of the company are known by name, the Shareholders' Meeting may be convened by registered letter; the day of dispatch shall be deemed the day of publication. In all other respects Articles 121 and 125–127 AktG remain unaffected. The convening notice must be published in the Federal Gazette (Bundesanzeiger), stating the agenda, in compliance with the statutory period applicable at the time of convening. The day of convocation and the day of the last possible receipt of the application shall not be counted. In the case of periods and dates which are calculated back by the Shareholders' Meeting, the day of the meeting shall not be included in the calculation.

An extraordinary Shareholders' Meeting shall be convened if a resolution of the Shareholders' Meeting is required by law or the Articles of Association or if the best interests of the company necessitate a convocation. Shareholders whose shares alone, or in combination, account for at least one-twentieth of the share capital may request an extraordinary general meeting in writing, stating the purpose and reasons.

The transmission of communications pursuant to Articles 125 and 128 AktG is limited to electronic communication. The Management Board is also entitled to send notifications in paper form without there being any entitlement to this.

Only those shareholders who are entered in the share register on the day of the Shareholders' Meeting – and who have registered with the company in good time – are entitled to attend the Shareholders' Meeting and exercise their voting rights.

The registration must be made in text form and must be submitted in German or English to the Management Board at the registered office of the company or at any other place specified in the notice of meeting. The registration with the company must be received at the address stated in the invitation at least six days prior to the meeting. The convening notice may provide for a shorter period in days. The day of receipt is not included

Each share carries one vote.

The Management Board is authorised to provide that the shareholders may participate in the Shareholders' Meeting even without being present in person and without the presence of a proxy at the place of the meeting and may exercise all or individual of their rights in whole or in part by means of electronic communication (online participation) to the extent permitted by law. The Management Board is further authorised that shareholders may cast their votes by proxy, in writing or by means of electronic communication, even without attending the meeting (absentee voting). The granting of the power of attorney, its revocation and proof of the power of attorney to the company must be made in text

form. The Management Board is authorised to determine otherwise in the notice convening the Shareholders' Meeting. Furthermore, the Management Board is authorised to provide for the admission of video and audio transmission of the Shareholders' Meeting.

The Shareholders' Meeting shall be chaired by the Chairman of the Supervisory Board or, in his absence, by his Deputy. If none of these has appeared or is prepared to manage, the notary public consulted for certification shall open the Shareholders' Meeting and have it elect a chairman. The Chairman shall chair the meeting and determine the order in which the items on the agenda are dealt with, the order of speakers, and the manner and form of voting. Every shareholder has his or her own right to speak and ask questions at the Shareholders' Meeting, which is subject to various restrictions, in particular with regard to the company's confidentiality interests and the orderly and expeditious conduct of the Shareholders' Meeting. The Chairman shall have the right to reasonably limit the time allowed for shareholders to ask questions and speak; in particular, he shall be authorised, at the beginning of the Shareholders' Meeting or during its course, to reasonably determine the time allowed for the course of the negotiations. the discussion of the individual items on the agenda, and the individual speeches and questions.

Unless mandatory statutory provisions to the contrary require otherwise, the resolutions of the Shareholders' Meeting are passed by a simple majority of the votes cast and, if the law prescribes a capital majority in addition to a majority of votes, by a simple majority of the

share capital represented when the resolution is adopted. Abstention does not count as voting. In the event of a tie, a motion shall be deemed rejected.

Under German stock corporation law, resolutions of fundamental importance require a majority of at least three-quarters of the share capital represented at the vote in addition to the majority of votes cast. These decisions of fundamental importance include, in particular:

- amendments to the Articles of Association.
- capital increases under exclusion of subscription rights,
- capital reductions,
- the creation of authorised or conditional capital,
- transformation processes on the basis of the Transformation Act (such as mergers, consolidations, asset transfers and changes of legal form),
- contracts within the meaning of Article 179a of the German Stock Corporation Act (AktG) under which the company undertakes to transfer all of the company's assets,
- the conclusion of company agreements (e.g. control and profit and loss transfer agreements), and
- the dissolution of the company.

D & O and E & O insurance

publity AG has taken out a combined Directors & Officers and Errors & Omissions insurance policy, in particular for its executives, under which insurance cover is provided worldwide in the event that the insured persons are first sued in writing for damages due to breaches of duty committed in the course of their activities for publity AG or its subsidiaries.

NOTIFICATION OBLIGATIONS

The company's shares are listed on the regulated unofficial market. There are therefore no reporting obligations under the German Securities Trading Act (Wertpapierhandelsgesetz).

As the Open Market is not an organised market within the meaning of the Securities Acquisition and Takeover Act, the Securities Acquisition and Takeover Act does not apply to the Company. Therefore, a shareholder who acquires control of the company by holding 30% or more of the voting rights, need not disclose this fact or make a mandatory offer to the other shareholders.

However, the provisions of Articles 20 and 21 of the German Stock Corporation Act (AktG) apply, according to which the company must be notified if a company holds, or no longer holds, more than 25% and/or 50% of the shares in the company. The company must publish the notification immediately in the Company Gazettes.

Furthermore, under the provisions of the Market Abuse Ordinance applicable to the company as a result of the inclusion of its shares in the regulated unofficial market (Freiverkehr), persons who perform management functions at an issuer of shares (e.g. members of a management, administrative or supervisory body of the company) are obliged to notify the issuer and the Federal Financial Supervisory Authority (BaFin) of their own transactions in shares of the issuer or related financial instruments. in particular debt securities and related derivatives, without delay, but at the latest within three business days of the date of the transaction (so-called directors' dealings). A separate duty of disclosure also applies to persons who have a close relationship with the manager. In particular, this includes spouses, registered civil partners, dependent children and other relatives who have been living in the same household as the manager for at least one year at the time the reportable transaction is concluded. It also includes legal entities, trust companies or partnerships whose management functions are performed and/or directly or indirectly controlled by the aforementioned manager or related party, which were founded for the benefit of such a person, or whose economic interests correspond as closely as possible to those of such a person. The aforementioned reporting obligations shall not apply as long as the total amount of the transactions of an executive or of persons closely related to this person, taken individually, does not reach a total of EUR 5,000 within one calendar year.

Article 19 paragraph 3 of the Market Abuse Regulation (Regulation (EU) No. 596/2014) obliges an issuer to publish the notification received from the person subject to the reporting obligation – stating the name of the person concerned – without delay and at the latest within three business days of the transaction. In addition, an MTF issuer within the scope of Article 2 (15) of the German Securities Trading Act (WpHG) shall transmit the information pursuant to Article 26 (2) thereof to the Company Register within the meaning of Article 8b of the German Commercial Code (HGB) for storage without undue delay, but not prior to publication, and shall notify BaFin of the publication. Failure to comply with the aforementioned notification and publication obligations may be sanctioned by the imposition of fines if the notification is not made, is incorrect, incomplete, not made in the prescribed manner or not submitted on time.

The following table lists the directors' dealings of the company's management personnel or persons closely associated with them within the meaning of the Market Abuse Ordinance that have been disclosed since the beginning of 2018.

28.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 9,050 shares at a price of around EUR 19.68 per share (total volume: EUR 178,077.38).

27.12.2018 Purchase of debt securities

Günther Paul Löw has acquired 25 debt securities at a unit price of EUR 870.00 (total volume: EUR 21.750.00).

21.12.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 450 shares at a price of around EUR 19.32 per share (total volume: EUR 8,693.96).

20.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,700 shares at a price of around EUR 20.23 per share (total volume: EUR 54,631.65).

19.12.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 16,103 shares at a price of around EUR 21.24 per share (total volume: EUR 342.021.65).

18.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 5,100 shares at a price of around EUR 21.78 per share (total volume: EUR 111,074.75).

17.12.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 14,649 shares at a price of around EUR 21.29 per share (total volume: EUR 311,879.10).

14.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 9,758 shares at a price of around EUR 22.08 per share (total volume: EUR 215,452.70).

13.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 10,428 shares at a price of around EUR 22.06 per share (total volume: EUR 230.037.15).

13.12.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 800 shares at a price of EUR 22.30 each (total volume: EUR 17,840.00).

12.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 9,100 shares at a price of around EUR 22.18 per share (total volume: EUR 201,838.90).

11.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 4,350 shares at a price of around EUR 22.03 per share (total volume: EUR 95.809.80).

10.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 750 shares at a price of EUR 22.00 each (total volume: EUR 16,500.00).

10.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 19,300 shares at a price of around EUR 22.09 per share (total volume: EUR 426,357.75).

07.12.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 5,700 shares at a price of around EUR 22.12 per share (total volume: EUR 126,074.95).

06.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 5,661 shares at a price of around EUR 22.05 per share (total volume: EUR 116.006.10).

05.12.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 116,000 shares at a price of EUR 22.50 each (total volume: EUR 2,610,000.00).

05.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 14,462 shares at a price of around EUR 21.99 per share (total volume: EUR 318,009.65).

04.12.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 29,296 shares at a price of around EUR 22.57 per share (total volume: EUR 661,208,15).

03.12.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 9,252 shares at a price of around EUR 22.84 per share (total volume: EUR 211,312.85).

30.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 8,400 shares at a price of around EUR 22.74 per share (total volume: EUR 191,023.65).

29.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 24,652 shares at a price of around EUR 22.92 per share (total volume: EUR 565,107.70).

28.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,400 shares at a price of EUR 22.65 each (total volume: EUR 31,710.00).

28.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 8,450 shares at a price of around EUR 22.57 per share (total volume: EUR 190.734.55).

27.11.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,750 shares at a price of around EUR 22.57 per share (total volume: EUR 39,498.55).

26.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 25,965 shares at a price of around EUR 22.68 per share (total volume: EUR 588.989.40).

23.11.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 37,500 shares at a price of around EUR 21.62 per share (total volume: EUR 810.615.95).

22.11.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 75,368 shares at a price of around EUR 20.44 per share (total volume: EUR 1,540,408.35).

21.11.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 23,000 shares at a price of around EUR 19.97 per share (total volume: EUR 459.287.10).

20.11.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 20,000 shares at a price of around EUR 19.70 per share (total volume: EUR 393,983.02).

19.11.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 57,791 shares at a price of around EUR 20.30 per share (total volume: EUR 1,173,441.79).

16.11.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 75,984 shares at a price of around EUR 19.66 per share (total volume: EUR 1,493,853.65).

15.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 20,324 shares at a price of around EUR 18.98 per share (total volume: EUR 385.745.84).

13.11.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 20,000 shares at a price of around EUR 19.28 per share (total volume: EUR 385,567.34).

12.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 65,000 shares at a price of around EUR 18.48 per share (total volume: EUR 1,201,402.22).

09.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 48,000 shares at a price of around EUR 20.51 per share (total volume: EUR 984,501.16).

08.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 7,500 shares at a price of around EUR 21.00 per share (total volume: EUR 157.483.20).

06.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 10,000 shares at a price of around EUR 20.44 per share (total volume: EUR 204,381.15).

01.11.2018 Sale of shares

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,799,824 shares at a price of around EUR 17.59 per share (total volume: EUR 49,248,900.00) to TO Holding 2 GmbH, which is also controlled by Thomas Olek.

01.11.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,799,824 shares at a price of around EUR 17.59 per share (total volume: EUR 49,248,900.00).

31.10.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 9,184 shares at a price of EUR 17.50 each (total volume: EUR 160,720.00).

29.10.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 19,515 shares at a price of EUR 16.50 each (total volume: EUR 321,997.50).

29.10.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 7,500 shares at a price of EUR 16.50 each (total volume: EUR 123,750.00).

23.10.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 27,604 shares at a price of around EUR 15.13 per share (total volume: EUR 417,770.54).

22.10.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 18,526 shares at a price of around EUR 14.45 per share (total volume: FUR 267,678,96).

19.10.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 105,500 shares at a price of around EUR 13.16 per share (total volume: EUR 1,388,095.76).

19.10.2018 Acquisition of shares through the exercise of subscription rights

TO-Holding GmbH, controlled by Thomas Olek, acquired 211,931 shares at a price of EUR 10.70 each (total volume: EUR 2,267,661.70).

19.10.2018 Acquisition of shares by exercising additional subscription rights within the framework of a capital increase with subscription rights

TO-Holding GmbH, controlled by Thomas Olek, acquired 3,009,353 shares at a price of EUR 10.70 each (total volume: EUR 32,200,077.10).

18.10.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 32,500 shares at a price of around EUR 13.52 per share (total volume: EUR 439,309.22).

21.09.2018 Purchase of debt securities

Günther Paul Löw has acquired 27 debt securities at a unit price of EUR 814.50 (total volume: EUR 21.991.50).

14.09.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 18,077 shares at a price of EUR 10.70 each (total volume: EUR 193,423,90).

12.09.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 1 share at a price of EUR 10.70 per share.

11.09.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 15,415 shares at a price of EUR 10.60 each (total volume: EUR 163.399.00).

10.09.2018 Purchase of debt securities

Günther Paul Löw has acquired 8 debt securities at a unit price of EUR 775.00 (total volume: EUR 6,200.00).

10.09.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 14,678 shares at a price of EUR 10.50 each (total volume: EUR 154,119.00).

10.09.2018 Purchase of debt securities

Günther Paul Löw has acquired 15 debt securities at a unit price of EUR 789.50 (total volume: EUR 11,842.50).

07.09.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 160,653 shares at unit prices between EUR 10.40 and EUR 10.50 (total volume: EUR 1,674,549.10).

03.09.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 10,000 shares at a price of EUR 10.40 each (total volume: EUR 104,000.00).

30.08.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 10,000 shares at a price of EUR 10.50 each (total volume: EUR 105.000.00).

28.08.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 20,000 shares at a price of EUR 10.50 each (total volume: EUR 210,000.00).

27.08.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 35,931 shares at a price of EUR 10.40 each (total volume: EUR 373,682.40).

24.08.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 25,000 shares at unit prices between EUR 10.66 and EUR 10.70 (total volume: EUR 267.477.16).

05.07.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,692 shares at a price of EUR 10.70 each (total volume: EUR 18.104.40).

02.07.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 3,008 shares at a price of EUR 10.70 each (total volume: EUR 32.185.60).

29.06.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,315 shares at a price of EUR 10.70 each (total volume: EUR 14,070.50).

28.06.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 5,421 shares at a price of EUR 10.70 each (total volume: EUR 58,004.70).

27.06.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,399 shares at a price of EUR 10.70 each (total volume: EUR 25.669.30).

26.06.2018 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 3,800 shares at a price of EUR 10.70 each (total volume: EUR 40,660.00).

25.06.2018 Share purchase

TO-Holding GmbH, controlled by Thomas Olek, acquired 11,801 shares at unit prices between EUR 10.06 and EUR 10.70 (total volume: EUR 121,905.28).

25.06.2018 Purchase of debt securities

Günther Paul Löw has acquired 15 debt securities at a unit price of EUR 806.00 (total volume: EUR 12.090.00).

22.06.2018 Purchase of debt securities

Günther Paul Löw has acquired 10 debt securities at a unit price of EUR 785.80 (total volume: EUR 7.858.00).

10.04.2018 Purchase of debt securities

Günther Paul Löw has acquired 12 debt securities at a unit price of EUR 767.50 (total volume: EUR 9,210.00).

10.04.2018 Purchase of debt securities

Günther Paul Löw has acquired 13 debt securities at a unit price of EUR 765.00 (total volume: EUR 9,945.00).

03.04.2018 Purchase of debt securities

Günther Paul Löw has acquired 4 debt securities at a unit price of EUR 770.00 (total volume: EUR 3.080.00).

03.04.2018 Purchase of debt securities

Günther Paul Löw has acquired 10 debt securities at a unit price of EUR 759.40 (total volume: EUR 7.594.00).

29.03.2018 Purchase of debt securities

Günther Paul Löw has acquired 50 debt securities at a unit price of EUR 720.00 (total volume: EUR 36.000.00).

29.03.2018 Purchase of debt securities

Günther Paul Löw has acquired 11 debt securities at a unit price of EUR 730.00 (total volume: EUR 8,030.00).

28.03.2018 Purchase of debt securities

Günther Paul Löw has acquired 12 debt securities at a unit price of EUR 719.00 (total volume: EUR 8.628.00).

28.03.2018 Purchase of debt securities

Günther Paul Löw has acquired 23 debt securities at a unit price of EUR 720.00 (total volume: EUR 16,560.00).

27.03.2018 Purchase of debt securities

Günther Paul Löw has acquired 20 debt securities at a unit price of EUR 719.90 (total volume: EUR 14,398.00).

27.03.2018 Purchase of debt securities

Günther Paul Löw has acquired 20 debt securities at a unit price of EUR 700.00 (total volume: EUR 14,000.00).

RISK MANAGEMENT AT PUBLITY PERFORMANCE GMBH

The subsidiary of publity AG, publity Performance GmbH, is a capital management company licensed in accordance with Articles 20 and 22 KAGB and obliged to implement an adequate risk management system within the framework of collective asset management (Articles 28 para. 1 no. 1, 29 KAGB). Components of the risk management system of publity Performance GmbH, which acts hierarchically and functionally independently of the operating divisions of the capital management company ("functional separation"), are in particular

- risk analysis,
- internal control system for risk management,
- risk monitoring,
- stress scenarios,
- employee remuneration system,
- adequate emergency concept, in particular for IT systems.

In addition, it is the task of the risk controlling function to ensure that the investment fund risks material to the respective investment strategies can be recorded, measured, managed and monitored at any time. publity Performance GmbH reviews existing risk management systems regularly, at least once a financial year, and makes adjustments if necessary.

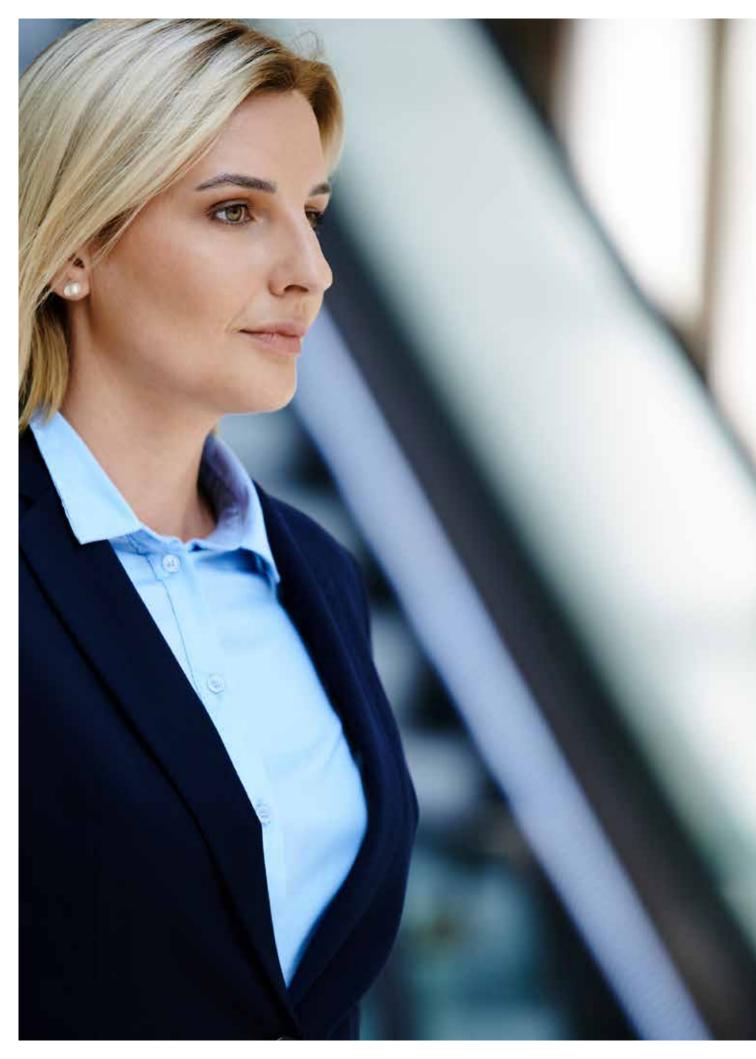
The separation of functions is monitored by the Federal Financial Supervisory Authority (BaFin) in accordance with the principle of proportionality. The appropriateness and effectiveness of the risk management system of publity Performance GmbH is regularly audited by its auditor in accordance with Art. 38 (3) KAGB.

Furthermore, publity Performance GmbH has established a compliance function.

The main tasks of the compliance function include reviewing the control actions of the specialist departments contained in the internal organisational and work instructions, monitoring the company's own actions and monitoring the course of the complaints procedure. Monitoring activities also include on-the-spot audits and other own audit activities. In addition, the Compliance Officer has the task of supporting and advising employees in the execution of their business activities and transactions so that these are carried out in accordance with

the relevant statutory rules, the procedures and regulations of publity AG and the supervisory requirements. The compliance function is involved in strategic decisions and significant organisational changes in operational areas and in the activities of the individual specialist departments.

publity Performance GmbH has implemented appropriate (internal) control procedures on the basis of Art. 28 para. 1 no. 7 KAGB, which require, among other things, the existence of an internal audit department. Internal Audit is used for process-independent monitoring and is an integral part of internal control procedures. In this respect, too, the annual financial statements of publity Performance GmbH to be audited include an adequacy and effectiveness audit pursuant to Art. 38 (3) KAGB by its auditor.



07 publity on the capital market

PUBLITY STOCK AT A GLANCE

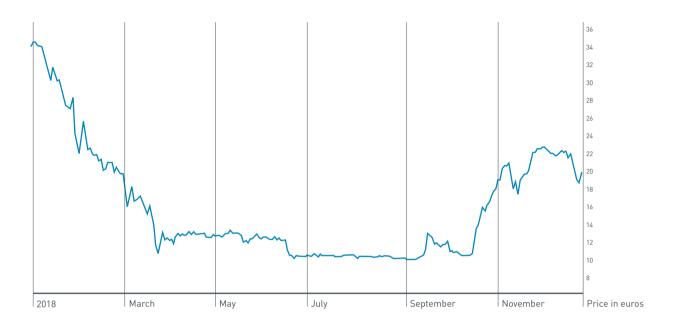
publity AG has share capital totalling EUR 9,831,250.00, which is distributed among 9,831,250 registered shares. All of the shares are no-par shares without a nominal value. They are traded in the trade segment Scale of the Open Market on the Frankfurt Stock Exchange. The shares are not admitted to trading either on a regulated market or on any other equivalent market.

31.12.2018 DE0006972508 PBY Frankfurt and Xetra Scale (Open Market) ACON Actienbank AG (now: JFD Bank AG)	31.12.2017 DE0006972508 PBY Frankfurt and Xetra Scale (Open Market) ACON Actienbank AG
PBY Frankfurt and Xetra Scale (Open Market) ACON Actienbank AG	PBY Frankfurt and Xetra Scale (Open Market) ACON Actienbank AG
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ACON Actienbank AG	ACON Actienbank AG
(11011. 31 D Dallik AO)	(now: JFD Bank AG)
€9,831,250.00	€6,050,000.00
9,831,250	6,050,000
19.960	34.035
32,100 shares per day	20,000 shares per day
€198,692,500	€205,881,500

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Development of the publity stock

in 2018 (price in euros)



DEVELOPMENT OF THE STOCK MARKET AND THE PUBLITY STOCK

Following the positive development on the capital markets in 2017 and a good start at the end of January, the stock trading year of 2018 was strongly marked by political uncertainties and other dampening factors. Uncertainties on national and international stock exchanges arose above all from the concerns about a trade war (especially between China and the USA), the increases in interest rates by the US Federal Reserve, the uncertainties relating to Great Britain's planned exit from the European Union, the decline in the Ifo and Purchasing Managers Index for the euro area and the announcement of the ECB's intention to close its bond purchase scheme. These uncertainties prompted investors to pursue a strategy that was averse

to taking risks, and this ultimately found expression in a downward trend on the exchanges.

This was further reinforced by the downward trend of major and established securities. Automotive stocks, for instance, suffered from the diesel scandal, and the shares of the pharmaceutical company Bayer AG lost more than 40% of their stock market value as a consequence of its acquisition of the US agricultural company Monsanto.

The DAX peaked for the year at 13,559.60 points on 23 January 2018 before beginning its downward slide, and at the end of the year it closed at 10,558.96, 18.3% lower than in the previous year. All in all, investors in 2018 suffered their greatest losses since the international financial crisis in 2008.

SUBSTANTIAL RECOVERY OF THE PUBLITY STOCK AT THE END OF THE YEAR

During the first quarter of 2018, the price of the publity stock initially fell. One of the causes was the general decline in stock prices on the stock markets, but internal factors in the Company played a role as well. In particular, the announcement on 12 January 2018 – in which publity AG reported that, in view of the dividend disbursement in 2017, some of the bond creditors of the convertible bond 2015/2020 it had issued were of the opinion that the dividend disbursement represented a breach of the negative pledge included in the terms and conditions of the convertible

bond 2015/2020 – triggered a decline in the share price. Additional negative impact came from the announcement on 26 January 2018 that publity AG expected annual profit in 2017 to be below the level of the previous year.

During the last quarter of the year, the publity stock posted a substantial price increase that ran contrary to the trend on the international stock exchanges. One reason for this development was the good revenue forecast; another was the regained trust of the market in the publity stock because of reports that TO-Holding (whose sole shareholder is Thomas Olek, CEO of publity AG) purchased additional shares between 25 June 2018 and the end of the year.



CONVERTIBLE BOND 2015/2020 AT A GLANCE

Key figures of the convertible bond 2015/2020

	31.12.2018	31.12.201 7
	31.12.2018	31.12.2017
ISIN	DE000A169GM5	DE000A169GM5
SIN	A169GM	A169GM
Stock exchange	Frankfurt, Berlin, Stuttgart, Tradegate	Frankfurt, Berlin, Stuttgart, Tradegate
Market segment	In each case, Open Market of the Frankfurt Stock Exchange	In each case, Open Market of the Frankfurt Stock Exchange
Number of bonds	50,000	50,000
Interest rate	3.5% on nominal amount	3.5% on nominal amount
Interest payment	annual, retroactive, on 17 November of each year	annual, retroactive, on 17 November of each year

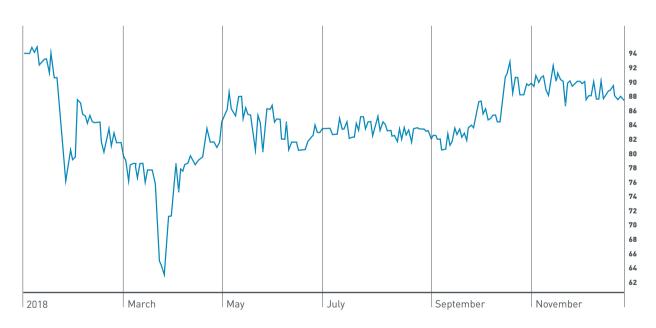
DEVELOPMENT OF THE CONVERTIBLE BOND 2015/2020

Similarly, the bond markets in Europe proved to be more volatile during the reporting period than in the previous year. Political uncertainties led to increased risk premiums here as well. They affected government and corporate bonds (and others) in Italy as well as in other European countries.

The convertible bond 2015/2020 began at the high point of the year of 94.95% and suffered a negative development until it reached its nadir at 63%. As of the end of March, the bond was able to recover significantly, and in the middle of October was at 92.45%, close to the year's peak.

Convertible bond publity AG (Frankfurt)

02.01.2018-31.12.2018



Development in reporting year 2018

The year 2018 was a highly eventful one for the convertible bond 2015/2020 as well.

After some of the bond creditors of the convertible bond 2015/2020, in view of the dividend disbursement in 2017, expressed the opinion that the dividend disbursement represented a breach of the negative pledge included in the terms and conditions of the convertible bond 2015/2020, about 30% of the bond creditors declared the termination of the partial debentures they were holding. Although publity AG maintained the position that these terminations were not justified, it nevertheless repurchased partial debentures in a total nominal amount of EUR 3,050,000.00 from available cash in the reporting year 2018.

Wanting to resolve the situation in the interest of all bond creditors of the convertible bond 2015/2020 and of publity AG, the Company decided in spring 2018 to propose to the bond creditors an exchange of the convertible bond 2015/2020 for acquisition rights to a new bond with a higher yield and to hold a vote regarding the appointment, authorisation and empowerment of a common representative for all bond creditors.

In the time after the announcement calling for the casting of votes was issued, however, publity AG gained the impression (based on communications and feedback from various bond creditors who held a significant part of the debentures of the convertible bond 2015/2020) that the concept for exchange of the convertible bond 2015/2020 against acquisition rights proposed by the Company would not be supported by the required majority of the bond

creditors. The Company consequently modified its proposal for a resolution and initially called for a vote solely on the appointment of a common representative. The Company placed an announcement to this effect in the Federal Gazette on 29 May 2018.

The result of the vote without a meeting was the adoption by the bond creditors of the convertible bond 2015/2020 of the resolution proposed by the Company, and One Square Advisory Services GmbH (head office in Munich, registered under the number HRB 207387 in the Commercial Register of the Munich Local Court) was appointed to be the common representative for all bond creditors (Common Representative). The Common Representative was assigned the task of negotiating a concept for the sustainable resolution of the overall situation concerning the convertible bond 2015/2010 with the Company, one that would meet with the required approval of the bond creditors and could possibly be put to a separate vote at a later time in a possible further creditor vote. The appointment was for an indefinite term. The resolution was announced in the Federal Gazette on 6 June 2018.

In the course of the discussions conducted by the Common Representative on the basis of the appointment and mandate with major bond creditors, creditors repeatedly called upon the Company to strengthen the Company's equity before the proposed resolutions from publity AG could be discussed in the creditors' meeting. To meet this demand of the bond creditors and to bring new equity of about EUR 40 million into the Company, Management Board and Supervisory Board proposed to the Annual General Meeting 2018 the adoption of a resolution for a

cash capital increase of up to EUR 3,781,250.00 to a total of EUR 9,831,250.00 by the issue of up to 3,781,250 new registered no-par shares at a subscription price of EUR 10.70 for each new share. To ensure that the equity endowment demanded by the bond creditors would actually be achieved if the resolution were adopted by the General Meeting, the Company also secured the support of its primary shareholder, TO-Holding GmbH, whose sole shareholder and sole managing director is Mr Thomas Olek, the CEO of publity AG. TO-Holding GmbH committed to subscribing on its own behalf any and all new shares that were not subscribed by other shareholders.

In the course of the cash capital increase, all 3,781,250 new shares could be placed thanks to the fulfilment of the subscription commitment from TO-Holding, increasing the Company's capital by the envisioned approximately EUR 40 million. The participation of TO-Holding GmbH in the Company's share capital increased as a consequence from about 30% to more than 50%. At the same time, publity AG adjusted the convertible bond price in accordance with the terms and conditions of the convertible bond 2015/2020 from EUR 41.5814 to EUR 40.3095.

Some of the bond creditors subsequently claimed that the overstepping of the 50% participation threshold by TO-Holding GmbH represented a change in control in the sense of Section 14 of the terms and conditions of the convertible bond 2015/2020. In the opinion of these bond creditors, publity AG would have been required to notify the bond creditors of this change in control in accordance with the terms and conditions of the convertible bond 2015/2020. The consequence would have been

that the bond creditors would have had the right in accordance with the terms and conditions of the convertible bond to request premature repayment of a part or all of their debentures in the convertible bond 2015/2020. Moreover, a (temporary) adjustment in the conversion price would have been required. The Company, on the other hand, is of the opinion that the overstepping of the 50% participation threshold by TO-Holding GmbH did not represent a change in control in the sense of the terms and conditions of the convertible bond 2015/2010 because TO-Holding GmbH is not a third party (as required for a change in control in the sense of the terms and conditions of the convertible bond 2015/2020), but is the holding company of publity AG. The Company announced its standpoint in an information announcement to the creditors of the convertible bond 2015/2020 on 19 September 2018. Furthermore, the Company provided comprehensive legal argumentation supporting its opinion to the Common Representative.

The Common Representative asked its own legal advisors to review the Company's opinion, and they also came to the conclusion that the overstepping of the 50% participation threshold by TO-Holding GmbH did not establish a change in control in the sense of the terms and conditions of the convertible bond 2015/2020. The Common Representative explained this conclusion to the bond creditors of the convertible bond 2015/2020 during two investor telephone conferences (held in German and English) on 24 January 2019; a copy of the assessment from its legal advisors was provided to interested bond creditors in advance of this telephone conference.

Despite the successful cash capital increase and the strengthening of the equity capital that resulted, the Company, after further talks with the Common Representative, did not have the impression that the original concept of an exchange of the debentures from the convertible bond 2015/2020 against acquisition rights for a new bond with increased yield would meet with the required approval majority among the bond creditors of the convertible bond 2015/2020. On the contrary, the Company had received feedback to the effect that certain creditors would prefer an offer of a premature repayment of the debentures from the convertible bond 2015/2020 from publity AG while other bond creditors could imagine holding their investment in the convertible bond 2015/2020. until the end of the term.

Development after the reporting year

In its Corporate News of 28 January 2019, publity AG announced that it was reviewing its options for obtaining financing on the debt capital markets for the possible issue of a new bond. The revenue acquired from this issue could be used in part for a refinancing of the convertible bond 2015/2020 as well as for the planned continued growth of the Company. Obtaining such financing, however, required in advance an amendment of the terms and conditions of the convertible bond 2015/2020, in particular an amendment of a negative pledge on the part of publity AG that does not or did not allow it on principle to assume financial liabilities in excess of EUR 5 million.

In view of these circumstances, the bond creditors of the convertible bond 2015/2020 adopted a resolution by the required majority during a vote outside of a meeting in the period from

12 to 14 March 2019, to wit: (i) This negative pledge in the terms and conditions of the convertible bond 2015/2020 is deleted: and (ii) in return, the bond creditors are granted the right to request premature repayment of the debentures, including accrued interest, from publity AG if and when and as soon as publity AG assumes a new financial liability in excess of EUR 5 million. This is intended to ensure that publity AG is legally in a position to obtain refinancing without a breach of the terms and conditions of the convertible bond 2015/2020 while all bond creditors of the convertible bond 2015/2020 are granted in this case the right to request repayment of their debentures at the nominal amount plus accrued interest from publity AG.

To ensure that the funds obtained by publity AG from a new financial liability are also available for the satisfaction of any repayment and interest obligations to the bond creditors of the convertible bond 2015/2020 who exercise their right to premature repayment, publity AG covenanted, in accordance with the resolutions of the bond creditors, to place the funds in the required amount in a separate fiduciary account set up expressly for this purpose. In addition, the current mandate of the Common Representative of the bond creditors of the convertible bond 2015/2020 was confirmed and expanded by the responsibility and authority to monitor the correct realisation of the resolutions adopted by the vote outside of a meeting and to inform the bond creditors of the convertible bond 2015/2020 of the details of the realisation steps.

ANNUAL GENERAL MEETING

The Annual General Meeting of publity AG adopted on 1 August 2018 the resolution proposed by the management to increase the share capital by cash contributions by up to EUR 3,781,250.00 to a maximum of EUR 9,831,250.00 by the issue of as many as 3,781,250 new registered no-par shares entitled to participate in profits as of 1 January 2018. The subscription price per share with a calculated proportion of share capital of EUR 1.00 each was set at FUR 10.70. The conduct of this capital increase by EUR 3,781,250.00 by the issue of 3,781,250 new registered no-par shares was completed in full and was registered in the publity AG Commercial Register on 19 October 2018

In addition, the Annual General Meeting adopted a resolution (among others) to carry forward in full to a new account the unappropriated retained earnings disclosed in the annual financial statements per 31 December 2017 in the amount of EUR 17,747,115.37, i.e. not to disburse any dividends for fiscal year 2017. Furthermore, it was resolved to move the head office of publity AG from Leipzig to Frankfurt am Main. The required amendment of the by-laws was registered in the Commercial Register on 28 November 2018.

SHAREHOLDER STRUCTURE

The shareholder structure of publity AG changed significantly in fiscal year 2018 owing to (among other factors) the issue of 3,781,250 new registered no-par shares related to the capital increase resolved by the Annual General meeting on 1 August 2018. Moreover, Mr Thomas Olek, CEO of publity AG, invested in publity AG stock through the two companies TO-Holding GmbH and TO Holding 2 GmbH that he controls during the second half of 2018.

WHEN YOU KNOW YOUR STRENGTHS, YOU RISK NOTHING

Shareholder structure

37.9% Diversified holdings

33.6%

TO-Holding GmbH

Managing Director
Thomas Olek

28.5%

TO Holding 2 GmbH

Managing Director
Thomas Olek

Last revised: 31.12.2018



08 Consolidated financial statements

Consolidated balance sheet as of 31.12.2018 in EUR

			7	
		31.12.2018	31.12.2017	01.01.2017
Long-term assets				
Intangible assets	D.1	550	863	8,970
Fixed assets	D.2	7,841,920	5,166,636	5,477,959
Investment properties	D.3	17,000,000	0	0
Shares in companies valuated at equity	D.4	1,690,057	0	0
Other financial assets	D.5	81,725,876	82,055,233	69,712,322
Deferred tax assets	D.12	844,390	654,959	854,106
		109,102,793	87,877,691	76,053,357
Short-term assets				
Trade receivables and	D.6	33,854,895	32,486,402	35,104,258
other receivables				
Receivables from tax on profits	D.14	0	2,654,940	0
Other financial assets	D.7	1,128,454	577,481	343,791
Other assets	D.8	296,219	202,729	205,886
Liquid funds	D.9	27,952,918	9,534,376	9,998,619
		63,232,486	45,455,928	45,652,555
Long-term assets held for sale	D.10	15,600,000	0	2,335,678
Total as	sets	187,935,280	133,333,618	124,041,590

			٦	
		31.12.2018	31.12.2017	01.01.2017
Equity capital				
Subscribed capital	D.11	9,831,250	6,050,000	6,050,000
Capital reserves	D.11	70,036,275	33,378,176	33,378,176
Revenue reserves	D.11	15,399,118	4,806,742	21,746,742
Net profit	D.11	24,530,458	10,592,375	0
Equity attributable to the shareholders of the parent company		119,797,100	54,827,293	61,174,918
Shares of non-controlling partners	D.11	0	311,211	214,577
		119,797,100	55,138,505	61,389,495
Long-term liabilities				
Other financial liabilities	D.13	45,014,787	55,598,780	36,424,597
Deferred tax liabilities	D.12	2,678,326	460,590	0
		47,693,113	56,059,370	36,424,597
Short-term liabilities				
Accruals	D.15	400,000	400,000	0
Income tax liabilities	D.14	2,888,853	361,048	4,751,567
Trade accounts payable	D.16	2,303,668	1,929,633	1,559,916
Financial liabilities		0	17,870,583	17,537,926
Other financial liabilities	D.17	12,369,077	1,121,288	1,629,048
Other payables	D.18	2,483,467	453,190	749,040
		20,445,066	22,135,744	26,227,498
Total lia	bilities	187,935,280	133,333,618	124,041,590
			_	

Group profit and loss statement for the period **01.01.—31.12.2018** in EUR

		2018	2017
Revenue	E.1	37,217,061	29,249,231
Cost of sales	E.1	-6,793,109	-3,625,528
Gross profit from sales		30,423,953	25,623,703
Other operating income	E.2	1,293,874	286,618
Impairment on receivables	D.6	-142,842	-1,775,123
Personnel costs	E.3	-2,023,822	-2,322,195
Other operating expenses	E.4	-7,675,072	-9,916,926
Result from the valuation of property held as financial investment	E.5	8,939,857	0
Earnings before interest and taxes		30,815,948	11,896,077
Finance income	E.6	8,454,217	9,464,193
Finance expenses	E.7	-2,850,528	-2,498,139
Depreciation of long-term financial assets	E.8	-2,962,499	-4,085,202
Other expenses		0	1,047,665
Share of earnings from affiliated companies	D.4	-16,082	0
Income before tax		33,441,055	15,824,594
Taxes on income and revenue	E.9	-8,825,842	-5,135,584
Group result		24,615,213	10,689,010
Of which to the account of:			
Shareholders of the parent company		24,530,458	10,592,375
Share in the profit and loss of non-controlling part	ners	84,755	96,634
		31.12.2018	31.12.2017
Undiluted result per share	E.9	3.26	1.75
Diluted result per share	E.9	2.95	1.64

Consolidated statement of comprehensive income for the period **31.01.–31.12.2018** in EUR

	2018	2017
Group result	24,615,213	10,689,010
Other comprehensive income:	0	0
Consolidated statement of comprehensive income	24,615,213	10,689,010
Of which to the account of:		
Shareholders of the parent company	24,530,458	10,473,328
Share in the profit and loss of non-controlling partners	84,755	96,634

Group statement of cash flows for the period **31.01.–31.12.2018** in EUR

Depreciation of tangible and			
Depreciation of tangible and intangible assets		2018	2017
Depreciation of tangible and intangible assets	Group result	24,615,213	10,689,010
of financial fixed assets (161,729) (201,729)	Depreciation of tangible and		555,230
Adjustment of the deconsolidation gain resulting from the sale of subsidiaries Cabe Cab		(376,048)	0
Revenue from companies valuated at equity 16,082 (20,082)		[161,729]	0
Result from the valuation of property held as financial investment at market value 8,939,857): 0 Income from the repurchase of convertible bonds (234,299) 0 Finance income (2,668,180) (1,442,725 Finance expenses 839,077 723,910 Changes in assets and liabilities (1ncrease)/decrease (5,469,641) 2,617,856 from trade receivables (550,521) 2,105,146 2,617,856 (Decrease)/increase of other assets (550,521) 2,105,146 3,69,717 from trade receivables 396,134 369,717 369,717 (Decrease)/increase in other liabilities 4,891,016 (803,610 (803,610 (Decrease)/increase in income tax receivables and payables 5,829,623 (7,045,459 (Decrease)/increase in deferred taxes 1,983,610 659,737 Other non-cash expenses and income 717,993 (203,401 Cash inflow/outflow from operating activities 20,971,991 8,625,411		[626,698]	0
Income from the repurchase of convertible bonds (234,299) (234,299) (234,299) (234,299) (234,299) (234,299) (234,299) (234,299) (234,299) (234,299) (234,299) (234,2725) (23	Revenue from companies valuated at equity	16,082	0
Finance income [2,668,180] (1,442,725 Finance expenses 839,077 723,910 Changes in assets and liabilities [Increase]/decrease [5,469,641] 2,617,856 Increase]/decrease of other assets [550,521] 2,105,146 Increase]/increase in provisions 0 400,000 Increase]/increase of liabilities 396,134 369,717 Increase]/increase in other liabilities 4,891,016 [803,610 Increase]/increase in income tax receivables 5,829,623 (7,045,459 Increase]/increase in deferred taxes 1,983,610 659,737 Increase]/increase in defe		8,939,857):	0
Finance income [2,668,180] (1,442,725 Finance expenses 839,077 723,910 Changes in assets and liabilities (5,469,641) 2,617,856 [Increase]/decrease (5,469,641) 2,617,856 from trade receivables (550,521) 2,105,146 [Decrease]/increase in provisions 0 400,000 [Decrease]/increase of liabilities 396,134 369,717 from trade receivables 1,891,016 [803,610 [Decrease]/increase in other liabilities 4,891,016 [803,610 [Decrease]/increase in income tax receivables 5,829,623 (7,045,459 [Decrease]/increase in deferred taxes 1,983,610 659,737 Other non-cash expenses and income 717,993 (203,401 Cash inflow/outflow from operating activities 20,971,991 8,625,411	Income from the repurchase of convertible bonds	(234,299)	0
Finance expenses 839,077 723,910 Changes in assets and liabilities (5,469,641) 2,617,856 [Increase]/decrease from trade receivables (550,521) 2,105,146 [Increase]/increase in provisions 0 400,000 [Decrease]/increase of liabilities 396,134 369,717 from trade receivables 4,891,016 (803,610 [Decrease]/increase in other liabilities 4,891,016 (803,610 [Decrease]/increase in income tax receivables and payables 5,829,623 (7,045,459 [Decrease]/increase in deferred taxes 1,983,610 659,737 Other non-cash expenses and income 717,993 (203,401 Cash inflow/outflow from operating activities 20,971,991 8,625,411	·		(1,442,725)
Changes in assets and liabilities [Increase]/decrease from trade receivables [Increase]/decrease of other assets [Increase]/increase in provisions [Decrease]/increase of liabilities from trade receivables [Decrease]/increase in other liabilities [Decrease]/increase in other liabilities [Decrease]/increase in income tax receivables [Decrease]/increase in income tax receivables and payables [Decrease]/increase in deferred taxes	Finance expenses		723,910
(Increase)/decrease from trade receivables (5,469,641) 2,617,856 (Increase)/decrease of other assets (550,521) 2,105,146 (Decrease)/increase in provisions 0 400,000 (Decrease)/increase of liabilities from trade receivables 396,134 369,717 (Decrease)/increase in other liabilities 4,891,016 (803,610 (Decrease)/increase in income tax receivables and payables 5,829,623 (7,045,459 (Decrease)/increase in deferred taxes 1,983,610 659,737 Other non-cash expenses and income 717,993 (203,401 Cash inflow/outflow from operating activities 20,971,991 8,625,411	·		
(Decrease)/increase in provisions0400,000(Decrease)/increase of liabilities396,134369,717from trade receivables4,891,016(803,610(Decrease)/increase in other liabilities5,829,623(7,045,459and payables1,983,610659,737(Decrease)/increase in deferred taxes1,983,610659,737Other non-cash expenses and income717,993(203,401Cash inflow/outflow from operating activities20,971,9918,625,411		(5,469,641)	2,617,856
(Decrease)/increase of liabilities 396,134 369,717 from trade receivables 4,891,016 (803,610 (Decrease)/increase in income tax receivables and payables 5,829,623 (7,045,459 (Decrease)/increase in deferred taxes 1,983,610 659,737 Other non-cash expenses and income 717,993 (203,401 Cash inflow/outflow from operating activities 20,971,991 8,625,411	(Increase)/decrease of other assets	(550,521)	2,105,146
from trade receivables 4,891,016 (803,610 (Decrease)/increase in other liabilities 5,829,623 (7,045,459 and payables 1,983,610 659,737 Other non-cash expenses and income 717,993 (203,401 Cash inflow/outflow from operating activities 20,971,991 8,625,411	(Decrease)/increase in provisions	0	400,000
(Decrease)/increase in income tax receivables and payables5,829,623(7,045,459(Decrease)/increase in deferred taxes1,983,610659,737Other non-cash expenses and income717,993(203,401Cash inflow/outflow from operating activities20,971,9918,625,411		396,134	369,717
and payables [Decrease]/increase in deferred taxes Other non-cash expenses and income Cash inflow/outflow from operating activities 1,983,610 659,737 (203,401 20,971,993 8,625,411	(Decrease)/increase in other liabilities	4,891,016	(803,610)
Other non-cash expenses and income 717,993 (203,401 Cash inflow/outflow from operating activities 20,971,991 8,625,411		5,829,623	(7,045,459)
Cash inflow/outflow from operating activities 20,971,991 8,625,411	(Decrease)/increase in deferred taxes	1,983,610	659,737
	Other non-cash expenses and income		(203,401)
	Cash inflow/outflow from operating activities	20,971,991	8,625,411
	,		
	Cash initow/outflow from operating activities	20,771,771	0,023,
	110		

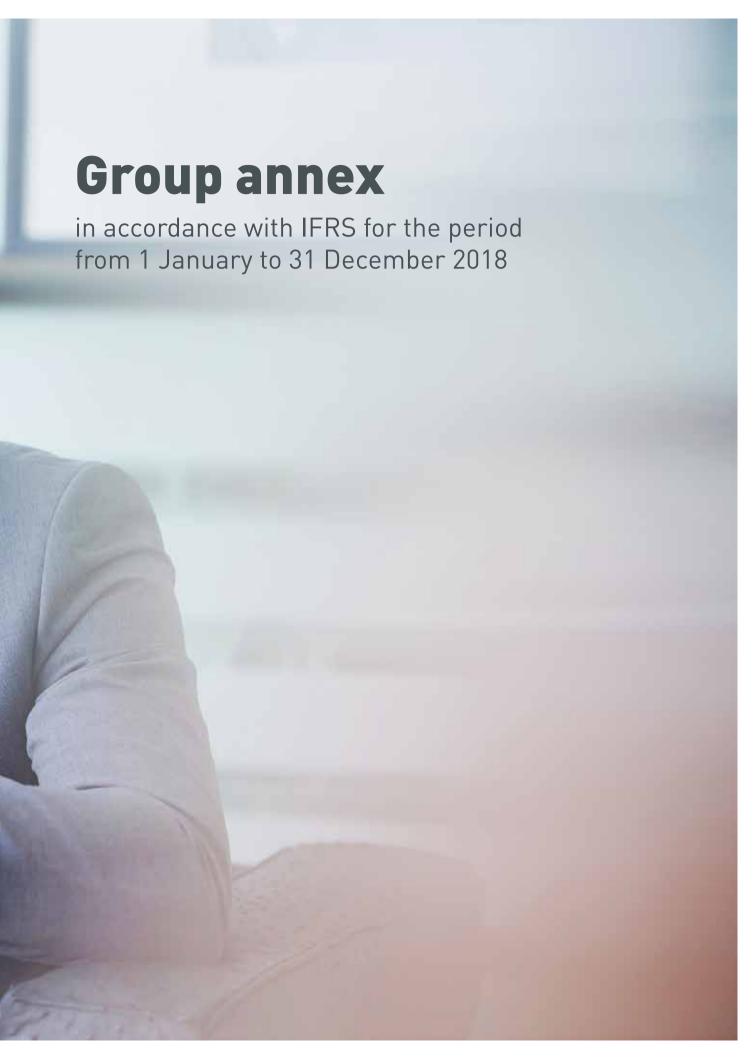
	2018	2017
Incoming payment from the repayment	1,958,007	2,049,815
of loan receivables and loans		
Payments for the acquisition of loan receivables	0	(12,950,000)
Investments in tangible and intangible assets	(167,349)	(235,810)
Incoming payment from the disposal of tangible assets	61,804	10
Payments for the acquisition of property held as financial investment	(22,525,180)	0
Incoming payments from the disposal of financial fixed assets	510,688	0
Acquisition of subsidiaries less net cash acquired	233,098	0
Sale of subsidiaries less net cash acquired	[18,096,532]	0
Payments for the acquisition of ownership interest	(1,706,138)	0
Cash inflow/outflow from investment activities	(39,731,601)	(11,135,985)
Incoming payments from the issue of convertible bonds	0	20,000,000
Payment for the issue of convertible bonds	0	(720,443)
Income from the repurchase of convertible bonds	(2,826,268)	0
Payment from repayment of finance leases	(445,497)	(293,226)
Dividend payouts	0	(16,940,000)
Incoming payments from capital increases	40,449,916	0
Cash inflow/outflow from financing activities	37,178,151	2,046,331
Change in liquid funds	18,418,541	[464,243]
Liquid funds at beginning of period	9,534,376	9,998,619
Liquid funds at end of period	27,952,917	9,534,376
Supplementary information on payment transactions included in cash inflow/outflow from operating activities		
Received interest	205,408	37,602
Paid interest	2,135,654	2,004,612
Taxes on profit paid	4,602,998	11,732,197
Taxes on profit received	718,141	146,850

Group equity change statement

01.01.–31.12.2018 in EUR	Subscribed capital	Capital reserves	Revenue reserves	Net profit	Total	Non- dominant shares	Total equity capital
As of 1 January 2018	6,050,000	33,378,176	15,399,118	0	54,827,293	311,211	55,138,505
Period result	0	0	0	24,530,458	24,530,458	84,755	24,615,213
Overall result	6,050,000	33,378,176	15,399,118	24,530,458	79,357,751	395,967	79,753,717
Capital increases	3,781,250	36,668,666	0	0	40,449,916	0	40,449,916
Effects from the repurchase of convertible bonds	0	-10,567	0	0	-10,567	0	-10,567
Sale of subsidiaries	0	0	0	0	0	-395,967	-395,967
As of 31 December 2018	9,831,250	70,036,275	15,399,118	24,530,458	119,797,100	0	119,979,100

01.01.–31.12.2017 in EUR	Subscribed capital	Capital reserves	Revenue reserves	Net profit	Total	Non- dominant shares	Total equity capital
As of 01 January 2017	6,050,000	33,880,000	25,053,938	0	64,983,938	214,577	65,198,515
Changes in the accounting method HGB (German Commercial Code)/ IFRS	0	-501,824	-3,307,196	0	-3,809,020	0	-3,809,020
As of 1 January 2017 adjusted	6,050,000	33,378,176	21,746,742	0	61,174,918	214,577	61,389,495
Period result	0	0	0	10,592,375	10,592,375	96,634	10,689,010
Overall result	6,050,000	33,378,176	21,746,742	10,592,375	71,767,293	311,211	72,078,505
Distribution of dividends	0	0	-16,940,000	0	-16,940,000	0	-16,940,000
As of 31 December 2017	6,050,000	33,378,176	4,806,742	10,592,375	54,827,293	311,211	55,138,505





A General information

1 COMPANY INFORMATION

As the parent company of the Group, publity AG is headquartered in Germany, Frankfurt am Main, OpernTurm, Bockenheimer Landstraße 2–4. The Company is registered under HRB 113794 in the Commercial Register of Frankfurt am Main district court. The financial year is the calendar year.

The company has been listed on the Regulated Unofficial Market (Scale) in Frankfurt am Main since 1 March 2017 (previously, since April 2015, in the Entry Standard).

publity AG is first and foremost an established asset manager for commercial real estate with a focus on high-yield commercial properties in large cities in Germany such as Frankfurt am Main and Munich. The company practices a "manage-to-core" approach. As part of its business activities, publity controls the entire value chain and covers large parts of it itself. In the company's view, value creation is based on many years of expertise in the real estate sector and the management of receivables and collateral from non-performing loans, its own asset management, networking in the banking sector and many years of experience in the development of financial products.

In addition to asset management, at the end of 2018 publity AG began to acquire real estate via a wholly-owned subsidiary, publity Investor GmbH (and/or its subsidiaries), which is in turn managed by publity AG as part of an asset management mandate with publity Investor GmbH. The aim of this real estate business is to

generate ongoing income from the letting and subsequent sale of properties.

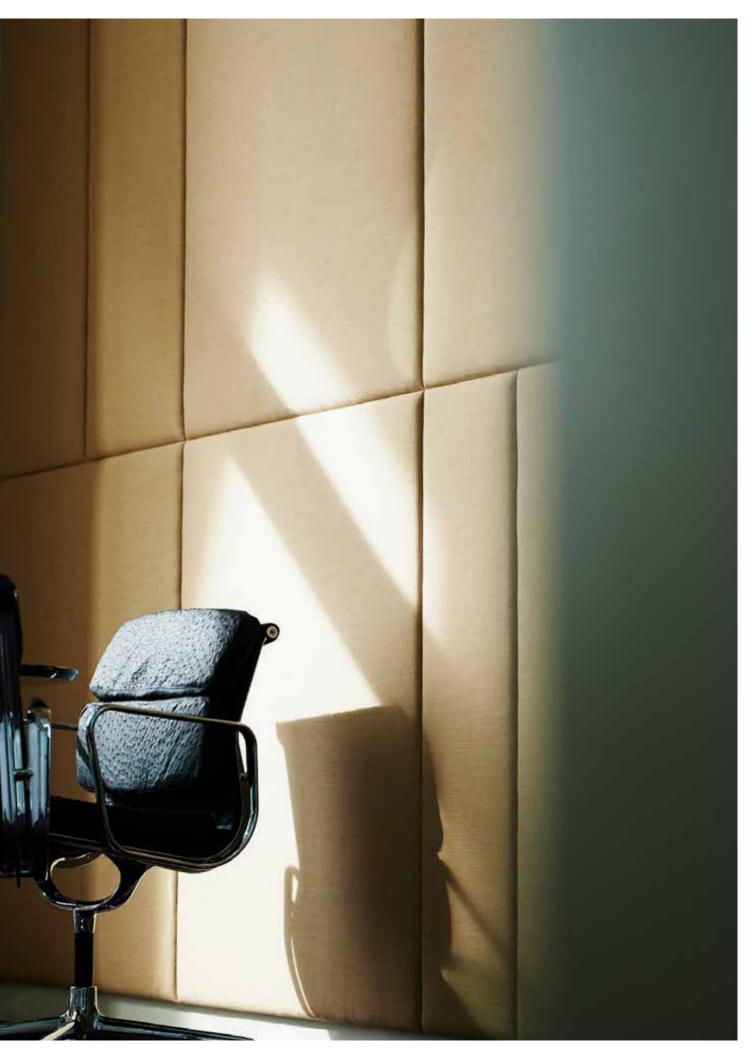
publity AG also structures and manages investment products for institutional and private investors, in particular closed-end real estate funds. To date, it has launched three closed-end real estate funds in the form of public alternative investment funds. publity Emissionshaus GmbH acts as the general partner of these funds. The funds are managed by publity Performance GmbH (financial investment management company).

In addition, publity AG operates in the area of non-performing loans (NPLs) (i.e. loans that have no longer been serviced properly).

publity also participates in real estate properties, real estate portfolios and non-performing real estate loans within the framework of service contracts with third parties and assumes the asset management thereof. In some cases to a minor extent, publity also acts as a co-investor in joint venture transactions with institutional investors. If increases in value are realised during the sale of the properties, publity participates in the success.

publity raises capital from private and institutional investors for real estate funds and exclusively from institutional investors for special funds. Institutional investors finance the investments through joint ventures in which publity participates through smaller co-investments.

The consolidated financial statements were approved by the Executive Board on 15 May 2019.



B Accounting principles

1 BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

At the time of initial consolidation on 1 January 2017, publity AG exercised a controlling influence over several subsidiaries (see section C. Scope and principles of consolidation). Consequently, publity AG is generally required to prepare consolidated financial statements in accordance with section 290 of the German. Commercial Code (HGB). Due to the size-dependent exemptions pursuant to section 293 (1) no. 1 b) and c) of the German Commercial Code (HGB), the Company is exempt from preparing consolidated financial statements. A listing on the Regulated Unofficial Market does not preclude this. publity AG is preparing its first voluntary consolidated financial statements as of 31 December 2018 in accordance with the International Financial Accounting Standards (IFRS) as applicable in the European Union (EU). The comparison period is the 2017 financial year.

IFRS 1.7 requires uniform accounting and valuation methods to be applied to the opening IFRS balance sheet as of 1 January, 2017 (date of transition) and to all periods presented in the first IFRS financial statements. All IFRS applicable as of 31 December 2018 formed the basis for determining the consolidated financial statement figures.

As publity AG has previously not prepared any consolidated financial statements, the reconciliations for equity and comprehensive income provided for in IFRS 1 do not apply.

The simplification options for IFRS 1 with regard to the retrospective application of IFRS regulations were not exercised.

The consolidated financial statements comprise the financial statements of publity AG and its subsidiaries as at 31 December of each financial year. The financial statements of the subsidiaries are prepared using uniform accounting and valuation methods at the same balance sheet date as the financial statements of the parent company. The total cost method was chosen for the consolidated statement of comprehensive income.

The consolidated financial statements are prepared in euros, the Group's functional currency.

2 MANDATORY ACCOUNTING STANDARDS TO BE APPLIED

All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the IFRS Interpretations Committee (IFRS IC) mandatory for the 2018 financial year have been applied. As the consolidated financial statements of publity AG were prepared for the first time, all standards requiring mandatory application in 2018 were applied uniformly from 1 January 2017 (date of transition). Individual standards whose application was merely voluntary in 2017 were already applied in this year. This serves in particular to ensure comparability between the two years. Specifically, this concerns:

Standard/ interpretations	Content of standards/ interpretations	Mandatory application from
IFRS 15	Revenues from contracts with customers	for financial years beginning on or after 1 January 2018
IFRS 9	Financial instruments	for financial years beginning on or after 1 January 2018
IFRS 16	Leasing	for financial years beginning on or after 1 January 2019
Amendment to IAS 40	Change; transfer to and from investment property portfolio	for financial years beginning on or after 1 January 2018
Amendment to IFRS 2	Change; classification and valuation of share-based compensation	for financial years beginning on or after 1 January 2018
Amendment to IFRS 4	Amendment; application of IFRS 9 together with IFRS 4 insurance transactions	for financial years beginning on or after 1 January 2018 (transitional provisions until 2021 in connection with IFRS 17)
Annual improvement (cycle 2014-2016)	IAS 28: Investments in associates and joint ventures	for financial years beginning on or after 1 January 2018
Annual improvement (cycle 2014-2016)	IFRS 1: First-time adoption of IFRS, deletion of temporary exemptions for first-time adopters	for financial years beginning on or after 1 January 2018

3 ACCOUNTING STANDARDS THAT ARE NOT YET MANDATORY

Further standards and interpretations were adopted by the IASB, but are not expected to have a significant effect on the consolidated financial statements. A list and description of these standards and interpretations is therefore not provided. There are no plans for early application of the standards and interpretations not mentioned.

4 ACCOUNTING AND VALUATION PRINCIPLES

Measurement of fair value

The fair value is 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. When measuring the fair value, it is assumed that the transaction in which the asset is sold or the liability is transferred is based either on the:

- principal market for the asset or liability, or
- the most advantageous market for the asset or liability, if there is no principal market

The group must have access to the principal market or to the most advantageous market. The fair value of an asset or liability is measured using assumptions that market participants would make in pricing the asset or liability. This is based on the assumption that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The use of observable input factors should be as high as possible and those of unobservable input factors as low as possible.

All assets and liabilities for which the fair value is determined or reported in the financial statements are classified in the fair value hierarchy described below, based on the input parameter of the lowest level that is generally significant for measurement at fair value:

Level 1: Prices quoted (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation methods in which input parameters at the lowest level that are generally significant for fair value measurement are observable directly or indirectly on the market.

Level 3: Valuation methods in which input parameters at the lowest level that are generally significant overall for fair value measurement are not observable in the market.

For assets and liabilities recorded in the financial statements on a recurring basis, the Group determines whether reclassifications between levels of the hierarchy have occurred by reviewing the classification at the end of the reporting period (based on the input parameter of the lowest level that is generally significant for measurement at fair value).

Classification into current and non-current

The Group classifies its assets and liabilities in the balance sheet according to current and non-current assets and liabilities. An asset is classified as current when:

- the asset is expected to be realised within the normal operating cycle or the asset is held for sale or consumption within that period, or
- the asset is expected to be realised within twelve months of the balance sheet date, or
- this concerns cash or cash equivalents unless the exchange or use of the asset to settle an obligation is restricted for at least twelve months after the date of the financial statements.

All other assets are classified as non-current.

A liability is classified as current when:

- the liability is expected to be settled within the normal operating cycle
- the liability is expected to be settled within twelve months of the balance sheet date, or
- the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date (e.g. in the event of a breach of credit terms).

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets or liabilities.

Acquisition of assets and business combinations

When taking control of a subsidiary or acquiring assets, it must be assessed whether these transactions are a business combination. under IFRS 3 or are to be classified as the acquisition of a group of assets or net assets (aggregated assets). If, in addition to the assets and liabilities, a business operation in the sense of an integrated group of activities is also acquired, this constitutes a business combination that must be accounted for in accordance with IFRS 3. For example, business processes in the areas of property management, accounts receivable management and accounting are regarded as an integrated group of activities. In addition, the fact that personnel are employed in the acquired real estate company is an indication that a business operation has been taken over.

Impairment of non-financial assets

At each balance sheet date, the Group assesses whether there are any indications of impairment of non-financial assets. If such indications exist or if an annual impairment test of an asset is required, it estimates the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the two sums of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for each individual asset, unless an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount.

Cash flow statement

The cash flow statement is prepared in accordance with IAS 7. The cash flow statement is divided into three sections: operating activities and investing and financing activities. In the case of mixed business transactions, an assignment to several areas of activity shall be made where necessary. Cash inflows and outflows from operating activities are presented using the indirect method. The cash flow statement is defined as the balance of liquid funds at the balance sheet date.

5 SIGNIFICANT DISCRETIONARY DECISIONS, ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, the Executive Board makes discretionary decisions, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and related information. Due to the uncertainty associated with these assumptions and estimates, actual results in future periods could lead to significant adjustments in the carrying amounts of the assets and liabilities concerned. Assumptions and estimates are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

In applying the accounting and valuation methods, the Group has made the following estimates which have a significant effect on the amounts in the consolidated financial statements:

- The market values of investment properties are based on the findings of the independent experts commissioned for this purpose. This valuation is based on the discounted future revenue surpluses, which are determined using the German income approach. For valuation purposes, the appraisers must estimate factors such as future rental income, vacancies, maintenance and modernisation measures and applicable property interest rates, which have a direct influence on the fair value of the investment properties.
- Estimates also play a significant role in determining the impairment of financial

- assets. In this context, the default risks for financial assets must be assessed and the respective expected credit losses estimated. In particular, the future cash flows used to measure the impairment of portfolios with credit claims whose creditworthiness was impaired at acquisition are based on estimates made by management.
- Deferred taxes: On the basis of current planning, the Executive Board makes decisions about the extent to which future loss carryforwards can be utilised. The decisions are therefore based on the expected taxable profits of the respective company, which are largely correlated with the fair value of the properties of the respective company.
- In the case of provisions, various assumptions must be made with regard to the probability of occurrence and the amount of the utilisation. All information known at the time the balance sheet was prepared was taken into account.

In applying the accounting and valuation methods, the Executive Board has made the following discretionary decisions which have a significant effect on the amounts in the consolidated financial statements:

• With regard to the properties held by the Group, the Executive Board must decide at each balance sheet date whether these are to be held for long-term rental, for capital appreciation or for sale. Depending on this decision, the properties are reported either under investment properties, inventories or non-current assets held for sale. This decision is subject to a high degree of

discretion, as opportunities for a particularly advantageous sale of properties held for long-term rental or appreciation are not foreseeable.

- When subsidiaries are acquired, it must be decided whether this involves the acquisition of a business. If, in addition to the assets and liabilities, a business operation (integrated group of activities) is also acquired, this constitutes a business combination. For example, the business processes asset and property management, receivables management and accounting, are regarded as an integrated group of activities. In addition, a significant indication that a business operation is taken over is whether personnel are also employed in the acquired company.
- When financial instruments are initially recognised, a decision must be made regarding the measurement category they are allocated to.
- The assessment of the entity's business models for managing financial assets is at the discretion of management. In particular, the following discretionary decisions should be emphasised:
 - The transaction price of the acquired portfolios of purchased and originated credit-impaired loan receivables (POCI) is regarded as the best evidence of fair value.
 - In the case of portfolios of purchased and originated credit-impaired loan receivables (POCI), the Executive Board has significant discretion in estimating the amount of the expected cash inflows and the time of the inflow

— The classification of portfolios of purchased and originated credit-impaired loan receivables (POCI) is based on measurement at amortised cost. Portfolios of purchased and originated credit-impaired loan receivables are allocated exclusively to the "hold" business model. This decision is subject to a high degree of discretion, as opportunities for a particularly advantageous sale may arise in the future, so that an early sale cannot be completely ruled out.

C Scope and principles of consolidation

1 PRINCIPLES OF CONSOLIDATION

Subsidiaries are all companies controlled by publity AG. The Group controls a company when it is exposed to or has a right to fluctuating returns and has the ability to control those returns through its influence over the company. Control is generally manifested in a voting interest of more than 50 per cent. In assessing whether control exists, the existence and effect of potential voting rights that are currently subject to being exercised or converted are taken into account.

Subsidiaries are fully consolidated from the date on which control is transferred to the parent company. They are deconsolidated when control ceases. All subsidiaries are included in the consolidated financial statements (cf. Scope of Consolidation).

In the case of corporate acquisitions, an assessment is made (cf. Significant Discretionary Decisions and Estimates) as to whether this involves a merger in accordance with IFRS 3 or merely an acquisition of a Group of assets and liabilities as an aggregated asset without company status.

Corporate acquisitions as defined in IFRS 3 appear in the balance sheet based on the purchase method. Accordingly, the acquisition costs are allocated to the acquired, individually identifiable assets, liabilities and contingent liabilities in accordance with their fair values at the time of acquisition. Any remaining positive

difference is recognised as goodwill, while any negative difference is recognised in profit or loss. Incidental acquisition costs are expensed as incurred.

Shares in the net assets of subsidiaries that are not attributable to publity AG are shown separately under equity as non-controlling interests. When calculating the consolidated net income attributable to non-controlling interests, consolidation entries recognised in profit or loss are also taken into account. The shares of non-controlling interests in partnerships are shown as a separate item under liabilities.

The acquisition of property companies that do not represent business operations within the meaning of IFRS 3 is recognised as the direct purchase of an aggregated asset – specifically, real estate. Acquisition costs are allocated to the individually identifiable assets and liabilities on the basis of their fair values. The acquisition of pure property companies therefore does not result in a positive or negative difference from capital consolidation. The sale of property companies is accordingly portrayed as the sale of an aggregated asset – specifically, real estate.

Intragroup receivables, liabilities and profits are eliminated for the purposes of the consolidated financial statements as part of the consolidation of liabilities or income and expense. Expenses and income arising from intragroup transfers of assets are also eliminated.

The acquisition of shares in companies resulting in a shareholding of less than 50% is accounted for using the equity method, provided that significant influence can be exercised over the investee. Investments in shares of less than 20% are accounted for in accordance with IFRS 9.

Publity AG held 49% of the voting rights in two Luxembourg holding companies until the end of 2018. The companies were financed exclusively by loans from publity AG. In addition, publity AG provided almost all business services for these companies, so that these companies were fully consolidated as special purpose entities until they were sold. It was taken into account that, from the management's point of view, the main variable returns comprised the repayment of the loans and the remuneration for the services provided.

2 SCOPE OF CONSOLIDATION

The scope of consolidation comprises five fully consolidated companies, including the parent company. The scope of consolidation has developed in the following manner:

Number	2018	2017
As of 01.01	8	8
New Group companies	1	0
Former Group companies	4	0
As of 31.12	5	8

As of 31 December 2018, the scope of consolidation has the following structure:

	Fully consolidated companies			1	
No.	Company	Domicile	Share in %	Held by No.	Activity
1.	publity AG	Frankfurt am Main			Asset management and inventory management
2.	publity Investor GmbH	Leipzig	100%	1	Inventory management
3.	Großmarkt Leipzig GmbH	Leipzig	100%	2	Inventory management
4.	publity Emissionshaus GmbH	Leipzig	100%	1	Inventory management
5.	publity Performance GmbH	Leipzig	100%	1	Inventory management

An associated company is a company in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not imply control or joint control of the decision-making processes.

If a shareholder directly or indirectly holds 20% or more of the voting rights in another company, significant influence is presumed. The decisive factor in establishing significant influence is that the shareholder can actually exercise significant influence. According to IAS 28.6, significant influence can be inferred even if the share of voting rights is less than 20% if one or more of the following conditions apply:

- the shareholder has a representative on the management board or supervisory board,
- the shareholder can play a significant role in business policy, including dividend policy,
- the exchange of management personnel between the shareholder's company and the associated company is possible,
- significant business transactions or most business relationships occur between the shareholder's company and the associated company,
- the shareholder's company provides significant technical information to the associated company.

The considerations regarding the presumption of association are comparable to those for determining a controlling relationship.

The Group's shares in an associated company are accounted for using the equity method. The shares are initially recognised at cost and reported under financial assets. In subsequent periods, changes in the Group's share of net assets are accounted for. The income statement is reported within finance as income from equity investments. The Group also assesses at each balance sheet date whether there are objective indications that an investment may be impaired.

3 CHANGES IN THE SCOPE OF CONSOLIDA-TION IN THE PERIOD UNDER REVIEW

3.1. Divestments in the period under review

publity Investor GmbH sold its entire shareholding of 49% in Publity Real Estate Opportunity Services II Sarl, Luxembourg ("PREOS II") to German Assets Management (G.P.) Limited for EUR 1 by way of a purchase agreement dated 27 December 2018, PREOS II in turn holds 100% of the shares in German. Loans 2015 Sàrl, Luxembourg. German Loans 2015 Sarl sold its major assets to publity Investor GmbH by way of a purchase agreement dated 30 November 2018. This sale represents an intragroup transaction and therefore did not result in any change in the consolidated assets. By selling the shares in PREOS II, the shares in German Loans 2015 Sàrl were also sold. Both companies were fully consolidated in the consolidated financial statements of publity AG until the shares were sold. The sale price was paid in the form of cash.

Furthermore, publity Investor GmbH sold its entire shareholding of 49% in Publity Real Estate Opportunity Services III Sàrl, Luxembourg ("PREOS III") to German Assets Management (G.P.) Limited for EUR 1 by way of a purchase agreement dated 27 December 2018. PREOS III in turn holds 100% of the shares in Real Estate Loans 2016 Sarl. Luxembourg, Real Estate Loans 2016 Sàrl sold its major assets to publity Investor GmbH by way of a purchase agreement dated 30 November 2018. This sale represents an intragroup transaction and therefore did not result in any change in the consolidated assets. By selling the shares in PREOS III, the shares in Real Estate Loans 2016 Sarl were also sold. Both companies were fully consolidated in the consolidated financial statements of publity AG until the shares were sold. The sale price was paid in the form of cash. The assets and liabilities disposed of in the course of the sale and the accompanying deconsolidation have the following composition:

in EUR	Publity Real Estate Opportunity Services II Sàrl	Publity Real Estate Opportunity Services III Sàrl	German Loans 2015 Sàrl	Real Estate Loans 2016 Sàrl
Short-term assets	386,893	874	4,355,094	17,679,542
of which, cash and cash equivalents	263,352	874	245,211	17,587,097
Current liabilities	3,278,888	491,806	279,935	18,377,289

As a result of the deconsolidation of these companies, the minority interests in equity reported in the consolidated financial statements of publity AG were reduced by EUR 395,967. The income from deconsolidation, which is recorded in the consolidated income statement under other operating income, amounts to EUR 516,343.

3.2. Corporate acquisitions in the period under review

Publity Investor GmbH acquired 100% of the shares in Großmarkt Leipzig GmbH for a purchase price of EUR 50,000 by means of a notarised share purchase and assignment agreement dated 18 December 2018.

Großmarkt Leipzig GmbH is domiciled in Leipzig. The corporate purpose is the operation and maintenance of Großmarkt Leipzig (Leipzig Wholesale Market) as a fresh produce centre for the sale of fruit, vegetables, flowers, fish, meat, game, poultry, linen and other fresh produce to commercial resellers, commercial consumers, bulk buyers and other service providers.

Großmarkt Leipzig GmbH was fully consolidated in the consolidated financial statements of publity AG in accordance with the requirements of IFRS 3 for mergers, as a business and the associated business processes were acquired. Großmarkt Leipzig GmbH was first consolidated on 31 December 2018.

For the acquisition of all shares in Großmarkt Leipzig GmbH, a consideration of EUR 50,000 was transferred (acquisition costs). This was paid in full in the 2018 financial year by bank transfer. No significant transaction costs were incurred.

The fair values of the identified assets and liabilities of Großmarkt Leipzig GmbH at the time of acquisition are as follows:

Other non-current assets	EUR 12,187
Current assets	EUR 318,663
Cash and cash equivalents	EUR 283,098
Acquired assets	EUR 613,949
Deferred taxes	EUR 44,695
Current liabilities	EUR 357,525
Acquired liabilities	EUR 402,220
Net assets (100%)	EUR 211,729
Negative difference	EUR 161,729
Acquisition costs	EUR 50,000

The gross amount of trade receivables acquired amounted to EUR 103,580 at the time of initial consolidation. No value adjustments were recorded, so that the fair value of trade receivables at the balance sheet date amounted to EUR 103,580. The gross amount of other assets acquired amounted to EUR 217,483 at the time of initial consolidation. No value adjustments have been recorded on these, so that the fair value of the other assets at the balance sheet date amounts to EUR 217,483.

No hidden encumbrances were identified within current liabilities. In addition, no contingent liabilities as defined in IAS 37, which would have to be recognised as liabilities at the time of initial consolidation in accordance with IFRS 3.22, have been identified.

Since offsetting the consideration transferred (acquisition costs) against the net assets of the acquired company resulted in a negative difference, the carrying amounts of the acquired assets and liabilities and the calculated consideration transferred were subjected to another critical review. The negative difference of EUR 161,729 calculated following a critical

review was recognised immediately as a one-off effect in the consolidated income statement under the item "Other operating income".

The negative difference is primarily due to the fact that the existing operating agreement for the operation of the wholesale market ended on 31 December 2018 and could therefore not be assigned a positive market value in the course of purchase price allocation.

If Großmarkt Leipzig GmbH had been fully consolidated as of 1 January 2018, the company would have contributed EUR 1,850,517 to Group sales and EUR 142,583 to Group earnings before taxes.



D Notes to the consolidated balance sheet

1 INTANGIBLE ASSETS

Individually acquired intangible assets are initially recognised at cost. After initial recognition, intangible assets with a finite useful life are amortised on a straight-line basis over their expected useful lives, generally three to five years, and tested for impairment as soon as there are indications that they may be impaired. Impairment losses on intangible assets are recognised in the income statement under amortisation of intangible assets.

As of 31 December 2018, intangible assets amounted to EUR 550 (31 December 2017: EUR 863) and include acquired software programs.

2 FIXED ASSETS

Fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses. Acquisition costs include expenses directly attributable to the acquisition. Subsequent acquisition or production costs are only capitalised if it is probable that the

company will derive future economic benefits from them. Repairs and maintenance are recognised as expenses in the statement of comprehensive income in the financial year in which they are incurred. Depreciation is calculated based on the straight-line method using estimated useful lives of generally three to fifteen years. Depreciation methods and useful lives are reviewed at each balance sheet date and adjusted if necessary. The carrying amounts of fixed assets are checked for impairment whenever there is an indication that the carrying amount may exceed the recoverable amount.

Profits and losses from the disposal of assets are determined as the difference between the net disposal proceeds and the carrying amount and recognised in profit or loss.

As of 31 December 2018, the fixed assets included the operating and office equipment of the Group companies. These are carried at historical cost minus depreciation. Fixed assets also include rights of use in connection with existing leases as of the balance sheet date.

Development of fixed assets

in EUR

III LON		Operating	
	Rights of use	and office	
2018	from leasing	equipment	Total
Acquisition/production costs as of 01.01.2018	5,495,866	1,311,967	6,807,833
Additions	3,267,456	167,349	3,434,804
Additions from corporate acquisitions	0	94,621	94,621
Removals	0	163,489	163,489
Transfers	0	0	0
Acquisition/production costs as of 31.12.2018	8,763,322	1,410,448	10,173,770
Write-ups	0	0	0
Accumulated depreciation as of 31.12.2017	732,782	908,415	1,641,197
Additions	556,993	152,912	709,904
Additions from corporate acquisitions	0	82,434	82,434
Removals	0	101,686	101,686
Transfers	0	0	0
Accumulated depreciation as of 31.12.2018	1,289,775	1,042,075	2,331,850
			E 1// /2/
Carrying amount as of 01.01.2018	4,763,084	403,552	5,166,636
Carrying amount as of 01.01.2018 Carrying amount as of 31.12.2018	4,763,084 7,473,547	403,552 368,373	7,841,920
		ŕ	
Carrying amount as of 31.12.2018	7,473,547 Rights of use	368,373 Operating and office	7,841,920
Carrying amount as of 31.12.2018 2017	7,473,547 Rights of use from leasing	368,373 Operating and office equipment	7,841,920 Total
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017	7,473,547 Rights of use from leasing 5,495,866	Operating and office equipment 1,090,016	7,841,920 Total 6,585,882
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions	7,473,547 Rights of use from leasing 5,495,866	Operating and office equipment 1,090,016 234,874	7,841,920 Total 6,585,882 234,874
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions	7,473,547 Rights of use from leasing 5,495,866 0 0	Operating and office equipment 1,090,016 234,874	7,841,920 Total 6,585,882 234,874 0
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions Removals	7,473,547 Rights of use from leasing 5,495,866 0 0 0	368,373 Operating and office equipment 1,090,016 234,874 0 12,923	7,841,920 Total 6,585,882 234,874 0 12,923
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions Removals Transfers	7,473,547 Rights of use from leasing 5,495,866 0 0 0 0	368,373 Operating and office equipment 1,090,016 234,874 0 12,923 0	7,841,920 Total 6,585,882 234,874 0 12,923 0
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions Removals Transfers Acquisition/production costs as of 31.12.2017	7,473,547 Rights of use from leasing 5,495,866 0 0 0 5,495,866	368,373 Operating and office equipment 1,090,016 234,874 0 12,923 0 1,311,967	7,841,920 Total 6,585,882 234,874 0 12,923 0 6,807,833
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions Removals Transfers Acquisition/production costs as of 31.12.2017 Write-ups	7,473,547 Rights of use from leasing 5,495,866 0 0 0 5,495,866 0	368,373 Operating and office equipment 1,090,016 234,874 0 12,923 0 1,311,967	7,841,920 Total 6,585,882 234,874 0 12,923 0 6,807,833 0
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions Removals Transfers Acquisition/production costs as of 31.12.2017 Write-ups Accumulated depreciation as of 31.12.2016	7,473,547 Rights of use from leasing 5,495,866 0 0 5,495,866 0 366,391	368,373 Operating and office equipment 1,090,016 234,874 0 12,923 0 1,311,967 0 741,532	7,841,920 Total 6,585,882 234,874 0 12,923 0 6,807,833 0 1,107,923
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions Removals Transfers Acquisition/production costs as of 31.12.2017 Write-ups Accumulated depreciation as of 31.12.2016 Additions	7,473,547 Rights of use from leasing 5,495,866 0 0 5,495,866 0 366,391 366,391	368,373 Operating and office equipment 1,090,016 234,874 0 12,923 0 1,311,967 0 741,532 179,797	7,841,920 Total 6,585,882 234,874 0 12,923 0 6,807,833 0 1,107,923 546,188
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions Removals Transfers Acquisition/production costs as of 31.12.2017 Write-ups Accumulated depreciation as of 31.12.2016 Additions Additions from corporate acquisitions	7,473,547 Rights of use from leasing 5,495,866 0 0 5,495,866 0 366,391 366,391 0	368,373 Operating and office equipment 1,090,016 234,874 0 12,923 0 1,311,967 0 741,532 179,797	7,841,920 Total 6,585,882 234,874 0 12,923 0 6,807,833 0 1,107,923 546,188 0
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions Removals Transfers Acquisition/production costs as of 31.12.2017 Write-ups Accumulated depreciation as of 31.12.2016 Additions Additions Additions from corporate acquisitions Removals	7,473,547 Rights of use from leasing 5,495,866 0 0 5,495,866 0 366,391 366,391 0 0	368,373 Operating and office equipment 1,090,016 234,874 0 12,923 0 1,311,967 0 741,532 179,797 0 12,914	7,841,920 Total 6,585,882 234,874 0 12,923 0 6,807,833 0 1,107,923 546,188 0 12,914
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions Removals Transfers Acquisition/production costs as of 31.12.2017 Write-ups Accumulated depreciation as of 31.12.2016 Additions Additions Additions Additions from corporate acquisitions Removals Transfers	7,473,547 Rights of use from leasing 5,495,866 0 0 5,495,866 0 366,391 366,391 0 0	368,373 Operating and office equipment 1,090,016 234,874 0 12,923 0 1,311,967 0 741,532 179,797 0 12,914 0	7,841,920 Total 6,585,882 234,874 0 12,923 0 6,807,833 0 1,107,923 546,188 0 12,914 0
Carrying amount as of 31.12.2018 2017 Acquisition/production costs as of 01.01.2017 Additions Additions from corporate acquisitions Removals Transfers Acquisition/production costs as of 31.12.2017 Write-ups Accumulated depreciation as of 31.12.2016 Additions Additions from corporate acquisitions Removals Transfers Accumulated depreciation as of 31.12.2017	7,473,547 Rights of use from leasing 5,495,866 0 0 5,495,866 0 366,391 366,391 0 0 732,782	368,373 Operating and office equipment 1,090,016 234,874 0 12,923 0 1,311,967 0 741,532 179,797 0 12,914 0 908,415	7,841,920 Total 6,585,882 234,874 0 12,923 0 6,807,833 0 1,107,923 546,188 0 12,914 0 1,641,197

3 INVESTMENT PROPERTY

Investment property comprises property held to earn rental income or for capital appreciation rather than for the Group's use or for sale in the ordinary course of business. At the time of acquisition, the properties are valued at acquisition cost plus incidental acquisition costs. In subsequent accounting, the Group measures investment property at fair value in accordance with the option provided for in IAS 40 in conjunction with IFRS 13. The fair value reflects the market conditions on the balance sheet date. Profits or losses arising from changes in the fair value of investment property are recognised in the income statement in the period in which they arise.

Properties are valued at the purchase price if this can be reliably determined. The Group assumes such a determination is possible if there is a (non-executed) purchase agreement or a letter of intent to purchase. If no purchase price can be used as a market value, the Group uses an expert third party to determine the market

value. The valuer is independent and sufficiently qualified to value the properties. Property is valued using the capitalised earnings value method in accordance with the requirements of the German Property Valuation Regulations ("ImmoWertV").

The main valuation parameters are the market rent obtainable, the appropriate interest rate for the property and management costs. These parameters are determined separately depending on the location and characteristics of the respective property. For the property in Leipzig, a market rent of 6.05 EUR/m², a property interest rate of 4.0% and management costs of 13% of the annual gross profit obtainable were applied. For the property in Mülheim, a market rent of 7.50 EUR/m², a property interest rate of 5.5% and management costs of 18% of the annual gross profit obtainable were applied.

The following overview shows the effect of a unique change in individual parameters on balance sheet items with properties whose fair value was determined as Level 3 valuations.

	Income-generating	
in EUR	properties	Assets held for sale
Market rent increase of 10%	+ TEUR 1,631	+ TEUR 1,637
Market rent decrease of 10%	./. + TEUR 1,631	./. + TEUR 1,637
Interest rate decrease of 50 BP	+ TEUR 1,129	+ TEUR 1,190
Interest rate increase of 50 BP	./. + TEUR 1,004	./. + TEUR 1,064
10% decrease in operating costs	+ TEUR 878	+ TEUR 370
10% increase in operating costs	./. + TEUR 878	./. + TEUR 370

In accordance with the provisions of IFRS 13, the "highest and best use" is to be assumed in the valuation of investment properties, provided that this use can be made by the reporting entity as part of a sale. Among other things, the Group is involved in the revitalisation of existing real estate concepts and new development of previously unplanned real estate/space. If these are determined at fair value, they are measured by:

- determining the success of project planning by means of a comparison of income and expenses, or
- adjusting the success of project planning by taking into account appropriate risk discounts, in each case depending on the concrete implementation status (building permit status, conclusion of general contractor agreement, construction status).

The Group's management is involved in and monitors the valuation process for investment property. The results of this process are checked for plausibility and compared with our own assessments.

Investment property is either derecognised when it is sold or derecognised when it becomes permanently unusable and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period in which the asset is derecognised.

The fair values of investment property underwent the following changes in the period under

review (no investment property was held in the previous period):

Development of		_
in EUR	2018	
Carrying amounts as of 01.01	0	
Acquisitions (+)	23,660,143	
Fair value increases (+)	8,939,857	
Fair value reductions (-)	0	
Removals (-)	0	
Reclassification (-)	-15,600,000	
Carrying amounts as of 31.12	17,000,000	
		1

Income from increases in fair value relates entirely to properties still held by the Group at the reporting date and is shown in a separate line in the income statement.

The acquisitions mainly result from acquiring the "Großmarkt Leipzig" and "Mülheim" properties. As both properties were not acquired until December 2018, the Group did not generate any significant rental income.

In the case of the "Großmarkt Leipzig" property, the Group takes on a number of additional services which the customers pay for as part of the rent. In particular, this involves the smooth organisation of market operations. Overall, the emphasis of service provision is clearly the letting of space, which leads to classifying the entire property as a financial investment. In particular, this is reinforced by the fact that long-term rental agreements are generally concluded with tenants, thus guaranteeing a stable cash inflow from rental income.

Assets and liabilities measured at fair value:	Valuation date	Total:	Quoted price in active markets (Level 1)	Significant observable input parameter (Level 2)	Significant unobservable input parameter (Level 3)
Investment property	31.12.2018	17,000,000			17,000,000

The measurement of investment property at fair value and of property classified as "available for sale" is assigned to Level 3 of the measurement hierarchy in accordance with IFRS 13 (Measurement based on unobservable inputs), as significant measurement parameters of the underlying valuations are unobservable.

4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of 31 December 2018, the Group held a 39.75% interest in NPL Portfolio Nr. 3 GmbH & Co. KG (31 December 2017: 0%). NPL Portfolio Nr. 3 GmbH & Co. KG is a closed-end fund. The corporate purpose is the acquisition of enforceable bank receivables from real estate financing as well as other enforceable secured receivables from German banks, foreign financial investors and/or other service providers in individual packages on the basis of individual contracts negotiated separately with the respective sellers as well as the generation of income from the realisation of the individual receivables.

The Group accounts for its interest in NPL Portfolio Nr. 3 GmbH & Co. KG in the consolidated financial statements as of 31 December 2018 using the equity method. The following table contains summary financial information on the Group's investment in NPL Portfolio Nr. 3 GmbH & Co. KG:

in EUR	31.12.2018
Current assets	3,362,154
of which, cash and cash equivalents	376,813
Current liabilities	275,315
Equity	3,086,840
Group share of equity: 39.75%	1,240,515
Goodwill	449,542
Carrying amount of the Group's interest	1,690,057
Sales proceeds	519,733
Annual deficit	74,409
Group share of profit/loss	-16,082

5 NON-CURRENT FINANCIAL ASSETS

On initial recognition, financial assets are classified for subsequent measurement as having been valued either at amortised cost, at fair value through equity in other comprehensive income or at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets.

Financial assets are classified by publity as having been valued at amortised cost if the objective of the business model for the Group of assets to which the asset belongs is to hold the assets in order to realise the contractual cash flows and if the contractual provisions for the financial asset result in cash flows at specified points in time which exclusively represent interest and principal payments on the outstanding capital sum. If a financial asset fulfils none or only one of these criteria, it should be reported at fair value.

Financial assets measured at amortised cost are measured in subsequent periods using the effective interest method and shall be tested for impairment. Profits and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

Financial assets measured at fair value through profit or loss are recognised in the balance sheet at fair value, with changes in fair value being recognised in the income statement on a net basis.

For the recognition of impairment losses, the concept of expected loss is applied. Accordingly, financial instruments, loan commitments or financial quarantees are divided into three stages depending on changes in their credit quality compared with the time of acquisition. The calculation of expected loan defaults is based on the allocation of a financial instrument to the appropriate stages. In stage 1. the expected loan defaults are calculated in the amount of the expected loss with an observation period of one year. In stages 2 and 3, the expected credit losses are calculated over the term of the financial instrument (lifetime expected loss). Exceptions exist for trade and leasing receivables. Trade receivables without significant financing components must, or trade receivables with significant financing components and leasing receivables may, have all expected losses recognised upon initial recognition. In addition, there are special provisions for financial assets with a credit rating already impaired at the time of acquisition (POCI).

The carrying amount of non-current financial assets as of 31 December 2018 is as follows:

in EUR	31.12.2018	31.12.2017
Loan receivables with impaired credit rating	73,416,415	72,695,327
Loans	8,260,501	9,155,906
Equity holdings	48,960	204,000
Total	81,725,876	82,055,233

5.1. Loan receivables with impaired credit rating

The Group measures acquired portfolios of credit receivables with impaired credit rating ("Purchased or Originated Credit Impaired assets"/"POCI") at fair value upon initial recognition in accordance with IFRS 9.5.1.1.

A financial asset is deemed to have an impaired credit rating or to have been acquired at risk of default if there is objective evidence of impairment at the time of initial recognition.

Purchased or Originated Credit Impaired/POCI financial assets for which there is objective evidence of impairment at the time of initial recognition are automatically allocated to stage 3. Credit default risks for POCIs are managed at the respective sub-portfolio level. In the case of POCIs measured at amortised cost, impairment is determined on the basis of the discounted expected future cash flows using a credit-adjusted effective interest rate of the sub-portfolios. The Group reduces or increases the carrying amount of the POCI through a value adjustment and recognises the loss or profit in the income statement as part of the impairment loss or gain.

Management believes that the consideration given to acquire the portfolios (transaction price) is the best evidence of fair value. The main sub-portfolios were acquired at the end of 2016. For the purposes of IFRS first-time adoption, all POCI assets are measured uniformly as of 1 January 2017 (first-time adoption date). For subsequent measurement, the Group classifies POCI in accordance with IFRS 9.4.1.2 as having been valued at amortised cost based on the respective business model for managing financial assets and the characteristics of the contractual cash flows of these portfolios. One business objective of the Group is the joint management of credit receivables with impaired credit ratings by holding financial assets in portfolios for the purpose of collecting contractual cash flows.

If a financial asset is assigned to the "hold" business model, an assessment is required to determine whether the contractual cash flows at that time are exclusively principal and interest payments on the outstanding principal amount. Such cash flows are generally in line with the original credit agreements of the POCI. At the same time, the criterion is also fulfilled when acquiring transferred (contractual) relationships with debtors with impaired credit ratings, provided that these relationships are actively managed in order to achieve sustainable repayment or special and interest payments on the outstanding capital amounts (reduced in market value) from creditor claims of the buyer up to a possibly modified final maturity.

The Group basically divides the POCIs into three sub-portfolios (private insolvent debtors, commercial insolvent debtors, non-insolvent

debtors). The aim is to realise the cash flows of the assets held in the respective sub-port-folios using various means, e.g. by contacting the debtors for the purpose of concluding instalment payment or settlement agreements, realising securities or asserting claims in insolvency proceedings. The sub-portfolios are homogeneous in nature and are therefore only managed and valued as sub-portfolios.

After initial recognition, the Group measures each sub-portfolio at amortised cost (IFRS 9.5.2.1 (a)), taking into account the specific provisions for POCIs. Impairment losses are not recognised at the time of acquisition as the carrying amount of the POCI reflects the expected credit losses over the term of the asset.

As POCI assets are generally non-current financial assets, the income from them is

recognised over the expected term of the contracts and is recognised based on the period. To calculate this interest income, a credit-adjusted effective interest rate (interest rate at which the estimated inflows or outflows over the expected term of the POCI exactly correspond to the amortised cost of the POCI on initial recognition) is applied to the amortised cost of the respective sub-portfolios. Initial expected credit losses in the estimated cash flows are included in the calculation of the credit-adjusted effective interest rate. Interest rates between 8.4% and 16.4% were calculated for the sub-portfolios in the portfolio. The interest rates determined are materially dependent on management's estimate of the expected cash inflows. Both the amount and the timing of such events are subject to discretion. Management's estimates are as follows:

	Commercial insolvency	Private insolvency	No insolvency	
Purchase price in relation to the nominal value of the receivable	2.5%	0.6%	1.6%	
(undiscounted) cash inflow in relation to the nominal value	4.1%	1.0%	2.5%	
Cash inflow year 1	0%	17%	0%	
Cash inflow year 2	0	17%	0%	
Cash inflow year 3	0%	17%	20%	
Cash inflow year 4	50%	17%	0%	
Cash inflow year 5	10%	16%	30%	
Cash inflow year 6	10%	16%	0%	
Cash inflow year 7	10%	0%	50%	
Cash inflow year 8	10%	0%	0%	
Cash inflow year 9	10%	0%	0%	
Implicit interest from the aforementioned valuation parameters	9.47%	16.42%	8.39%	

The following table shows which changes in the implicit interest rate would occur if revenue expectations were adjusted by $\pm - 0.5\%$ of the nominal value of the receivable.

	Commercial insolvency	Private insolvency	No insolvency	
Decrease in expected revenue	6.80%	./. 5.29%	12.09%	
Increase in expected revenue	11.91%	50.00%	2.5%	

Should the payments occur later (earlier) than expected, this would result in a decrease (increase) in the implicit interest rate.

At each subsequent balance sheet date, the Group recognises interest income on its POCI assets using the implicit interest rates described above. This ensures interest is paid according to the effective interest method (amortised cost)

In addition, value adjustments for the sub-portfolios are generally recognised as impairment losses or gains in the income statement in the amount of the expected credit losses over the entire (remaining) term and cumulative changes in the expected credit losses (or expected reversal of impairment losses) over the term since initial recognition. POCIs remain in stage 3 of financial assets at risk of default over their entire term.

The expected distribution and the expected incoming payments represent key valuation parameters. These parameters were not changed at the end of 2017 and at the end of 2018.

5.2 Loans

In accordance with IFRS 9.5.1.1, the Group measures long-term loans at fair value at the time of acquisition, plus transaction costs if applicable. Since the loans are not held for sale and the objective is to hold them to collect the contractually agreed fixed cash flows, the loans are carried at amortised cost for subsequent measurement.

Loans amounted to TEUR 8,261 as of the balance sheet date (31 December 2017: TEUR 9,156) and represent co-investments in properties where the economic focus is on the transfer of capital.

6 TRADE RECEIVABLES

The composition of trade receivables as of 31 December 2018 is shown in the table below:

in EUR	31.12.2018	31.12.2017
Trade receivables	30,725,369	27,161,635
Receivables from the sale of loan portfolios	4,000,000	8,000,000
Impairments	-870,474	-2,675,233
Total	33,854,895	32,486,402

Trade receivables are mainly related to the Group's ordinary activities. Parts of a loan portfolio were sold in the 2018 and 2017 financial years. The receivables from Gateway AG amounting to EUR 3.5 million from the 2017 financial year and the contrasting value adjustments of EUR 1,950,000 were derecognised in the 2018 financial year as part of the settlement. As of 31 December 2018, impairment losses on trade receivables amounted to EUR 870,474.

All trade receivables are of a short-term nature and do not bear interest.

The impairment provisions of IFRS 9 were taken into account in determining the impairment of trade receivables. The simplified model was chosen and a risk provision in the amount of the expected credit losses ("lifetime expected credit losses") was formed. The impairment requirement is analysed at each balance sheet

date using an impairment matrix to determine the expected credit losses. The expected default rates are determined on the basis of payment profiles for the last three years prior to the balance sheet date and taking into account current knowledge and expectations. An impairment loss is recognised for the first time when the receivable is initially recognised. As of 31 December 2018, the expected credit loss amounted to TEUR 868 (31 December 2017: TEUR 725).

7 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of the balance sheet date are comprised as follows:

in EUR		31.12.2018	31.12.2017
Creditors with debit accounts		501,437	3,878
Deposits		423,863	301,176
Miscellaneous		203,154	272,426
	Total	1,128,454	577,481

In the reporting period, other current financial assets mainly comprise creditors with debit balances in the amount of EUR 501,437 resulting from a commission receivable from Apollo Real Estate GmbH as well as deposits and VAT receivables. The year-on-year increase is mainly due to creditors with debit balances.

8 OTHER CURRENT ASSETS

The other current assets as of 31 December 2018 are composed as follows:

in EUR	31.12.2018	31.12.2017
Tax receivables (VAT)	245,468	148,733
Accrued income and prepaid expenses	35,643	53,995
Miscellaneous	15,109	0
Total	296,219	202,729

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of current account balances on the business accounts of the companies included in the scope of consolidation, which are carried at nominal value. The development of cash and cash equivalents is shown in the consolidated cash flow statement

10 NON-CURRENT ASSETS HELD FOR DISPOSAL

If the Group intends to dispose of non-current assets, it is determined whether the assets can be disposed of in their present condition and whether the disposal is to be classified as highly probable. If this is the case, the assets held for disposal are reported and measured in accordance with IFRS 5. At the reclassification date, non-current assets held for disposal are carried at the lower of carrying amount or net fair value less disposal costs. In accordance with the exception set out in IFRS 5.5d, properties that are measured using the fair value model in accordance with the requirements of IAS 40 continue to be measured at fair value. To the extent that the net fair value less disposal costs at initial classification is classified as held for disposal or subsequently falls below the carrying amount, an impairment loss is recognised in the income statement as an extraordinary write-down. Any subsequent increase in the net fair value less disposal costs is recognised as a gain. However, a write-up is only recognised to the extent of the previous extraordinary write-down.

The property in Mülheim was classified as held for disposal as of the balance sheet date. The fair value of the property is TEUR 15,600 (31 December 2017: TEUR 0). The property was allocated to the portfolio management segment until the intention to sell arose.

11 **EQUITY**

By resolution of the Annual General Meeting on 1 August 2018, the share capital of EUR 6,050,000, divided into 6,050,000 registered no-par value shares, was increased by EUR 3,781,250 by issuing 3,781,250 new registered no-par value shares by means of a cash capital increase. The capital increase was recorded in the commercial register on 19 October 2018. The capital increase was carried a premium of EUR 36,668,666.38. The premium was transferred in full to the capital reserve in accordance with section 272 (2) No. 1 of the German Commercial Code (HGB). The capital reserve amounted to EUR 70,046,841.90 as of 31 December 2018.

The Annual General Meeting on 14 March 2016 resolved to cancel the previously authorised capital, to create new authorised capital and to amend Section 3 (3) (Authorised Capital). By resolution of the Annual General Meeting on 14 March 2016, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital by 13 March 2021 once or several times by a total of up to EUR 2,750,000.00 in exchange for cash and/or non-cash contributions, with the option of barring existing shareholders' from exercising subscription rights (Authorised Capital 2016).

Making partial use of Authorised Capital 2016, a capital increase of EUR 550,000.00 to EUR 6,050,000.00 was entered in the Commercial Register on 18 March 2016. The capital increase of EUR 550,000.00 carried a premium of EUR 19,250,000.00. The premium was transferred in full to the capital reserve. The authorised capital pursuant to the resolution of 14 March 2016

(Authorised Capital 2016) still amounts to EUR 2,200,000.00 after partial utilisation.

The non-controlling interests relate to the capital and profit shares of third parties in the fully consolidated corporations in which publity AG or its subsidiaries do not hold 100% of the shares.

Changes in equity during the reporting period are shown in the statement of changes in equity.

12 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognised in accordance with IAS 12 using the liability method for existing temporary differences between the carrying amount of an asset or liability in the consolidated balance sheet and its tax base at the balance sheet date or for unused tax loss carryforwards.

Deferred tax liabilities are recognised for all taxable temporary differences with the exception of

- deferred tax liabilities arising from the initial recognition of goodwill or an asset or liability from a transaction that is not a merger and, at the time of the transaction, affects neither the accounting income nor taxable income, and
- deferred tax liabilities arising from taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences
 will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilised, except for

- deferred tax assets arising from deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a merger and, at the time of the transaction, affects neither accounting income nor taxable income, and
- deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures when it is probable that the temporary differences will not reverse in the foreseeable future or that sufficient taxable income will not be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be utilised, at least in part. Unrecognised deferred tax assets are reviewed at each balance sheet date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred taxes are measured using local tax rates of approximately 31% (including trade tax) expected to apply when the asset is realised or the liability settled. This is based on the tax rates applicable on the balance sheet date. The effects of changes in tax laws are already recognised in the income statement in the year in which the changes take effect. Deferred taxes relating to items recognised directly in equity are not recognised in the consolidated income statement but directly in equity. A valuation allowance is recognised on deferred tax assets if it becomes unlikely that future tax benefits will be realised. Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority either on the same taxable entity or on different taxable entities that, in each future period in which the redemption or realisation of a substantial amount of the deferred tax liabilities or assets is to be expected, intend to settle either the actual tax liabilities and refund claims on a net basis or to discharge the obligations at the same time as the claims are realised.

As of 31 December 2018, deferred tax assets and liabilities consisted of temporary differences in the following balance sheet items:

		٦
Deferred taxes in EUR	31.12.2018	31.12.2017
Investment property	215,494	0
Shares in companies accounted for using the equity method	2,545	0
Trade receivables	277,133	231,531
Other non-current financial liabilities	3,187,469	2,346,225
Tax loss carryforwards	776,880	0
Deferred tax assets before netting	4,459,521	2,577,755
Netting	-3,615,130	-1,922,796
Deferred tax assets after netting	844,390	654,959
Investment property	-2,854,049	0
Other non-current financial assets	-774,500	-460,590
Other non-current financial liabilities	-234,282	-402,182
Fixed Assets	-2,385,930	-1,520,615
Provisions	-44,695	0
Deferred tax liabilities before netting	-6,293,456	-2,383,386
Netting	3,615,130	1,922,796
Deferred tax liabilities after netting	-2,678,326	-460,590

The changes in deferred taxes in the reporting period are shown in the following table:

in EUR	01.01.2018	Income statement	Deferred taxes acquired as part of mergers	31.12.2018
Investment property	0	-2,638,555	0	-2,638,680
Other non-current financial assets	-460,590	-313,910	0	-774,500
Shares in companies accounted for using the equity method	0	2,545	0	2,545
Trade receivables	231,531	45,602	0	277,133
Other non-current financial liabilities	423,428	143,829	0	567,258
Provisions	0	0	-44,695	-44,695
Tax loss carryforwards	0	776,880	0	776,880
Total	194,369	-1,983,610	-44,695	-1,833,936

in EUR	01.01.2017	Income statement	Deferred taxes acquired as part of mergers	31.12.2017
Other non-current financial assets	0	-460,590	0	-460,590
Trade receivables	287,360	-55,829	0	231,531
Other non-current financial liabilities	566,746	-143,318	0	423,428
Total	854,106	-659,737	0	194,369

13 OTHER FINANCIAL LIABILITIES (NON-CURRENT)

Non-current financial liabilities are initially measured at fair value less directly attributable transaction costs and discounts. Subsequent measurement is at amortised cost using the effective interest method.

In the case of newly assumed liabilities, the acquisition costs result from the amount paid out less directly attributable transaction costs. In the case of liabilities of subsidiaries acquired by the Group as part of initial consolidation, the acquisition costs correspond to the market value of these liabilities at the time of initial consolidation. The effective interest rate is determined at the time the financial liabilities are initially recognised. Any difference between the acquisition costs and the repayment amount is distributed over the fixed interest period by adjusting the carrying amount ratably through profit or loss.

If there are changes in the conditions regarding the amount or timing of interest and principal repayments, the carrying amount is recalculated to reflect the actual and revised cash flow estimates. Any differences to the carrying amount of liabilities previously recognised in the balance sheet are recognised in profit or loss.

Non-current financial liabilities break down as follows as of 31 December 2018:

in EUR	31.12.2018	31.12.2017
Convertible bond	35,784,580	48,740,229
Lease liabilities	9,230,206	6,858,551
Total	45,014,787	55,598,780

Other non-current financial liabilities include the convertible bond issued and lease liabilities. The decrease in the convertible bond compared to the previous year is due, on the one hand, to publity AG repurchasing bonds with a nominal value of TEUR 3.050. On the other hand, a partial amount of TEUR 10.432 was reclassified to current financial liabilities as bondholders terminated bonds with a nominal value of TEUR 10,571 in the 2018 financial year. On the one hand, lease liabilities are related to the leasing of the "Publity Center" in Leipzig (31 December 2018: TEUR 6,357, 31 December 2017: TEUR 6,859) and the leasing of office space in the Opernturm in Frankfurt am Main (31 December 2018: TEUR 2,873, 31 December 2017: TEUR 0). The lease agreement for the office space in the Opernturm began on 1 June 2018, thus making the increase in lease liabilities attributable to the fact that there was no corresponding obligation in the previous year.

Convertible bond

By resolution of the Annual General Meeting on 30 March 2015, the Management Board was authorised, with the approval of the Supervisory Board, to issue bearer or registered convertible bonds with a total nominal value of up to EUR 150,000,000 with or without a term restriction on one or more occasions up to 29 March 2020 and to grant or impose conversion rights and/or obligations on the holders or creditors of convertible bonds for registered shares of the company with a proportionate amount of the share capital of up to EUR 2,500,000.00 in accordance with the terms and conditions of these bonds.

The bonds are divided into partial bonds.
The holders or creditors of the bonds shall be entitled to convert their bonds into registered shares of the company in accordance with the terms and conditions of the bonds as determined by the Management Board.

In exercising this authorisation, the Management Board, with the approval of the Supervisory Board, issued a convertible bond with a total nominal value of EUR 30,000,000.00 by resolutions on 9 November 2015 and 11 December 2015. By resolution on 2 May 2017, the Management Board resolved to issue a further EUR 20,000,000.00. The total volume now amounts to EUR 50,000,000.00. The statutory subscription rights of shareholders were excluded. The convertible bond entitles holders and creditors to up to 1,119,069 new shares. The right of conversion may be exercised from 1 October 2016 until the third business day prior

to the repayment date on 17 November 2020. The conversion right was not exercised in 2018.

According to the terms and conditions of the bond, the annual interest rate on the convertible bond is 3.5% of its nominal amount. The bonds will be redeemed on 17 November 2020 at par plus interest accrued on the par unless they have previously been redeemed, converted or repurchased and cancelled. The bond grants the right to convert each bond in whole, but not in part, into registered no-par value shares with a proportionate amount of the share capital of EUR 1.00 per share on the issue date. The original conversion price per share was EUR 47.00. Due to provisions contained in the terms and conditions of the convertible bond which provide for dilution protection in favour of the bondholders, in particular in the case of corporate actions and dividend payments of publity AG, the conversion price has since been adjusted to EUR 40.3095.

With regard to the dividend payment in 2017, some of the bondholders of the convertible bond 2015/2020 (ISIN DE000A169GM5) issued by the company were of the opinion that the dividend payment had violated a negative obligation stipulated in the terms and conditions of the convertible bond. Approximately 30% of the bondholders subsequently redeemed the partial bonds held by them. The company is of the opinion that these redemptions are unjustified. As part of the repurchase of the convertible bond, the company repurchased a nominal amount of EUR 3,050,000.00 in the 2018 financial year.

In accordance with the requirements of IAS 32.28. the convertible bond was divided into an equity and a liability component. The division into equity and liability occurred in accordance with IAS 32.31 ff. using the residual value method. The value of the financial liability was determined by discounting the future repayments and interest payments at the risk-adjusted rate that would be payable for a similar financial liability that does not have an equity component depending on market conditions and the credit rating of the company. The equity component was then determined by subtracting the financial liability from the value of the entire compound instrument. When additional convertible bonds in the amount of EUR 20.000.000 were issued in May 2017, it turned out that the risk-weighted interest rate for bonds without conversion rights was below the nominal interest rate. The issue was made at fair value at the time, so that no material economic value was attached to the conversion right as a whole and therefore no additional equity component was recognised. In subsequent periods, the liability component was measured at amortised cost using the effective interest method.

As of 31 December 2018, the value of the debt component amounted to TEUR 46,216 (31 December 2017: TEUR 48,740).

As of 31 December 2018, the value of the equity component amounted to TEUR 118 (31 December 2017: TEUR 128) and was transferred to the capital reserve. The reduction in the equity component compared to the

previous year is related to the repurchase of convertible bonds in fiscal year 2018.

14 INCOME TAX LIABILITIES

Current tax liabilities are measured at the amount expected to be paid to the taxation authority. The calculation of the amount is based on the tax rates and tax laws that are enacted or substantively enacted at the balance sheet date in the countries in which the Group operates and generates taxable income.

Income tax liabilities in the amount of TEUR 2,889 include tax provisions for current corporate income tax and trade tax liabilities.

15 **PROVISIONS**

Provisions are recognised for legal or constructive obligations to third parties that originated in the past and whose timing or amount is uncertain if it is probable that an outflow of Group resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. The Group recognises a provision for lossmaking transactions when the expected benefit from the contractual claim

is lower than the unavoidable costs of fulfilling the contractual obligation. They are measured at the best estimate of the present obligation at the balance sheet date. Long-term provisions are carried at their settlement amount discounted to the balance sheet date.

The provisions as of 31 December 2018 in the amount of TEUR 400 (31 December 2017: TEUR 400) include a provision for an expected lawsuit and developed as follows in the reporting period:

in EUR		01.01.2018	Utilisation	Dissolution	Transfer	31.12.2018
Provision for warranties		400,000	0	0	0	400,000
	Total	400,000	0	0	0	400,000
in EUR		01.01.2017	Utilisation	Dissolution	Transfer	31.12.2017
Provision for warranties		0	0	0	400,000	400,000
	Total	0	0	0	400,000	400,000

The provision was established on the basis of management's best estimate of the amount of the expected financial statements. The provision

recognised in the balance sheet represents the estimated cash outflows of a pending lawsuit relating to risks from asset management.

16 TRADE PAYABLES

Trade payables are composed as follows:

in EUR	31.12.2018	31.12.2017
Trade payables	461,548	1,929,633
Broker commissions payable	1,842,120	0
Total	2,303,668	1,929,633

17 OTHER CURRENT LIABILITIES

Other current liabilities break down as follows in the reporting period:

]
in EUR	31.12.2018	31.12.2017
Convertible bond (current portion)	10,431,570	0
Lease liabilities (current portion)	754,035	490,626
Audit and closing costs	247,500	100,250
Interest payable	214,535	228,472
Deposits received	213,823	0
Debtors with credit balances	16,412	0
other liabilities	491,202	301,940
Total	12,369,077	1,121,288

The change of TEUR 11,248 in other current liabilities compared to the previous year results to a large extent from the reclassification of the current portion of the convertible bond, the increased current portion of lease liabilities (31 December 2018: TEUR 754, 31 December 2017: TEUR 491) and deposits received

(31 December 2018: TEUR 214, 31 December 2017: TEUR 0). The increase in lease liabilities is related to the leasing of office space in the Opernturm in Frankfurt am Main. The liabilities for deposits originate from Großmarkt Leipzig GmbH, which was acquired and consolidated for the first time in the 2018 financial year.

18 OTHER CURRENT LIABILITIES

Other current liabilities are carried at amortised cost and break down as follows as of 31 December 2018:

31.12.2018	31.12.2017
1,372,379	334,469
1,106,213	0
4,875	63,446
0	55,275
2,483,467	453,190
	1,372,379 1,106,213 4,875 0

The increase of TEUR 2,030 in other current liabilities compared to the previous year is primarily due to an increase in VAT liabilities (31 December 2018: TEUR 1,372, 31 December 2017: TEUR 334) as well as liabilities for land transfer tax and levies amounting to TEUR 1,106 in connection with the acquisition of the "Großmarkt Leipzig" and "Mülheim" properties.

19 LEASES

19.1 The Group as lessee

In accordance with IFRS 16, the lessee recognises a right to use an asset and a lease liability for all existing leases at the inception of the lease.

The right of use is measured at cost at the time of acquisition. In accordance with IFRS 16.24, acquisition costs include the initial value of the lease liability, lease payments made by the lessee before or at the beginning of the transfer of use and therefore not included in the lease liability, incremental costs of concluding the lease agreement, any dismantling costs and, as a negative component, incentives received by the lessee before or at the beginning of the transfer of use. Subsequent measurement of the right of use is generally at amortised cost. The right of use is depreciated on a straight-line basis over the term of the lease or, if applicable, the shorter useful life.

Lease liabilities are accounted for in accordance with the provisions for financial instruments under IFRS 9. The lease liability is measured at the beginning of the transfer of use at the present value of the payments to be made by the lessee over the term. All fixed payments to be made by the lessee are taken into account. The discount rate used to determine the present value of the lease payments to be taken into account is as follows: The implicit interest rate, which reflects the expected return on the lessor's investment from the perspective

of the lessor, is used primarily. If the implicit interest rate cannot be reliably determined, its own marginal borrowing rate shall be used. In subsequent periods, the lease liability is carried forward depending on the agreed repayment. In applying the effective interest method, a constant periodic rate of interest on the outstanding liability is recognised. The lease liability outstanding on the respective balance sheet date is discounted at the interest rate used to calculate the present value and reduced by the repayments made.

Payments for short-term leases (< 1 year) and low-value leased assets (< TEUR 5) are expensed over the term of the lease.

A sale and leaseback transaction involves selling an asset and then leasing it back. If such a transaction results in a finance lease, any excess of the proceeds of the sale over the carrying amount shall not be recognised directly as income of the lessee. Instead, it must be deferred and distributed over the term of the lease with an effect on income. By notarised agreement (Deed roll no. M 974/2015, Notary Dr Johannes Meinel) dated 14 December 2015, publity AG sold the "Publity Center" property in Leipzig to Pola Property (2015) GmbH for a purchase price of TEUR 6,800. At the same time, a "Triple-Net" rental agreement was concluded for the property, which commences on 1 January 2016 and has a rental period of 15 years. The monthly net rent amounts to TEUR 40. The tenant is the sole tenant and bears all operating costs of the property.

The related agreements are classified as saleand-lease-back finance leases. The gain on sale is deferred over the term of the agreement and recognised on a straight-line basis.

As of 31 December 2018, the following amounts are recognised in the consolidated balance sheet in connection with leases in which the Group acts as lessee:

Rights of use in EUR	31.12.2018	31.12.2017
Property	7,473,547	4,763,084
Total	7,473,547	4,763,084

Lease liabilities in EUR	31.12.2018 754,035	31.12.2017 490,626
non-current financial liabilities	9,230,207	6,858,551
Total	9,984,241	7,349,177

The rights of use for leased assets amounted to TEUR 3,267 in the 2018 financial year. The rights of use for properties used exclusively as office buildings are reported under fixed assets.

The following amounts in connection with leases are reported in the consolidated income statement:

Depreciation of rights of use in EUR		2018	2017
Property		556,993	366,391
	Total	556,993	366,391

Further expenses		1
related to leases in EUR	2018	2017
Interest expense	252,664	186,774
Expenses for short-term leases	0	0
Expenses for leases of low-value assets	41,090	38,358
Expense for variable lease payments not included in the measurement of lease liabilities	0	0
Total	293,753	225,132

The total cash outflows for leases amounted to TEUR 739 for the 2018 financial year (2017 financial year: TEUR 518).

The maturities of lease liabilities as of the balance sheet date are shown in the following table:

Maturity analysis		_
of lease liabilities in EUR	31.12.2018	31.12.2017
Up to one year	765,685	530,236
Longer than one year and up to 5 years	3,308,343	2,086,951
Over 5 years	5,921,863	4,783,250
Total	9,995,891	7,400,437

19.2. The Group as lessor

As a lessor, the Group classifies its identified leases at the inception of the lease as finance or operating leases. A finance lease exists when virtually all the risks and rewards associated with owning the leased asset are transferred to the lessee. If this is not the case, the identified lease is classified as an operating lease. In the case of a finance lease, the leased asset is derecognised and a lease receivable is booked. The lease receivable is booked at the net investment value. For subsequent measurement, the lease instalments are split into an interest portion and a repayment portion. The interest income is distributed over the term of the lease in such a way that the periodic return on the net investment value remains constant on the basis. of the lessor's internal interest rate.

If the identified lease is classified as an operating lease, the Group as lessor recognises current income from the lease payments. In accordance with IAS 16 and IAS 38, the leased asset is depreciated on a straight-line basis and, taking into account the requirements of IAS 36, on an extraordinary basis.

As of the balance sheet date, there were only leases classified by the Group as operating leases. It concerns the letting of real estate. The minimum lease payments under these leases are shown in the table below. The minimum lease payments stated include the net rents to be received up to the agreed end of the contract or the earliest possible termination date of the lessee.

Minimum lease payments in EUR		31.12.2018	31.12.2017
Up to one year	'	120,000	0
Longer than one year and up to 5 years		480,000	0
Over 5 years		840,000	0
	Total	1,440,000	0

E Notes on the statement of income

1 GROSS PROFIT ON SALES

Revenue is recognised, if it is probable that the economic benefits will flow to the group and the amount of the income can be reliably measured, irrespective of the time of payment. Revenue is measured at the fair value of the consideration received or receivable, taking into account the contractually defined terms of payment, while taxes or other duties are not taken into account.

As part of its ordinary business activities, the individual group companies provide services from the areas of purchasing, management and the administration of real estate and real estate-related financing, which are described below.

Income from servicing for third parties (asset management)

As part of asset management services for third parties, Publity generates income in the form of acquisition fees for real estate purchased (finder's fee), flat rate remuneration for the ongoing management of real estate as well as performance-based remuneration in the event of the sale of the managed real estate (exit fee/promote). The finder's and exit fees relate to services performed at a defined point in time, which are realised when all the requirements for the receipt of the fee have been met. This is generally the conclusion of a purchase contract. This is the time at which the material

benefits of the service (lucrative purchase agency or sales agency) flow to the customer. Contracts on ongoing asset management are generally concluded over a longer term. This involves contractually agreed monthly fees (period-based income), where the benefits (profitable management of the real estate) simultaneously flow to the owner. The company generally arranges terms of payment of approximately three months. Apart from the statutory warranties, the group does not have any separate obligations.

Income from own loan portfolios (portfolio management)

The income from own loan portfolios primarily includes the sale of own loan portfolios and non-performing loans as well as, in individual cases, from the sale of receivables from these loans. The income from the receivables is periodbased and is based on charging appropriate interest on the acquired receivables. In this case, the effective interest rate determined when purchasing the receivable is applied over the estimated term. As the sale, in comparison with servicing, takes place for our own account, the company generates its sales revenue from sales of receivables agreed in each individual case at a certain point in time. Income is recognised when the conditions from the contracts on the sales of receivables are met. Terms of payment of approximately three months are typically agreed.

Income from servicing non-performing loans for third parties (asset management)

As part of the servicing of loan portfolios for third parties, Publity primarily receives fees of 22% of the income generated from the sale or redemption of loan receivables. In addition, the group receives flat fees for managing debtor files, so-called file administration fees. In this case, publity commissions lawyers to manage the current receivables accounts for every debtor and the fiduciary management of the notary accounts for Publity.

The servicing income is only received and recognised in the event of a successful outcome (realisation at a certain point in time). This is the time at which the material benefits of the service (cash inflow from the non-performing loan) flow to the customer. The publity Group operates as the sole service provider in external relationships and takes over the complete coordination as well as the liability. The income is therefore generated based on the gross method

(principal). Apart from the statutory warranties, the group does not have any separate obligations. Terms of payment of approximately three months are typically agreed.

Income from own real estate (portfolio management)

The income from own real estate is primarily comprised of rental income, which is generated on a period basis in accordance with the provisions of IFRS 16. In this case, the total income of the non-terminable basic rental period of a rental contract is linearly distributed over its term. Incidental rental costs charged to the tenant are uniformly presented based on the gross method. This line of business was of secondary importance in the 2018 and 2017 financial years.

The following table shows the breakdown of the sales revenue as well as the cost of sales of the Publity Group:

2018 28,348,285 4,257,318 3,042,121	2017 14,771,012 6,939,666
4,257,318	6,939,666
3,042,121	
	5,205,434
1,569,338	2,333,120
37,217,061	29,249,231
-5,716,488	-107,926
-1,076,621	-3,517,602
-6,793,109	-3,625,528
20 / 22 052	25,623,703
	-6,793,109 30,423,953

The sales revenue rose by EUR 7.968 million to EUR 37.217 million compared to the previous year, which is primarily due to the rise in income from the servicing for third parties. The sales revenue for the 2018 financial year includes around EUR 8.000 million in finder's fees for realised real estate purchases.

The costs of sale for the 2018 financial year total EUR 6.793 million and primarily include brokerage commissions, costs for procured asset management services and expenditures for servicing costs. The reason for the sharp rise in expenses for procured services in

the 2018 financial year of EUR 3.168 million compared to the 2017 financial year is that third-party commission claims for the sale of real estate of EUR 5.296 million accrued in the 2018 financial year (2017 financial year: EUR 3.148 million). Apart from this, the procured services rose in the same ratio as the sales revenue.

2 OTHER OPERATING INCOME

The other operating income in the 2018 financial year is comprised as follows:

in EUR	2018	2017
Deconsolidation gains	626,698	0
Non-period income	206,595	500
Income from sale and lease-back transactions	186,894	186,894
Income from initial consolidation	161,729	0
Remuneration in kind	31,692	26,401
Expense compensation	23,901	25,661
Income from the reversal of accruals	485	50,538
Other	55,880	-3,376
Total	1,293,874	286,618

The rise in other operating income compared to the previous year is related to the revenue from the deconsolidation of EUR 627 thousand as well as the recognition of a difference on the liabilities side of EUR 162 thousand recognised in the statement of income, which arose in connection with the initial consolidation of Großmarkt Leipzig GmbH. The non-period revenue of EUR 207 thousand includes the reimbursement of the pro rata court costs by Gateway AG in connection with the settlement (EUR 35 thousand) as well as the reimbursement of fees (EUR 170 thousand).

3 PERSONNEL COSTS

The personnel costs are comprised as follows in the period under review:

in EUR	2018	2017
Wages and salaries	-1,783,637	-2,039,954
Social security contributions	-240,185	-282,241
Total	-2,023,822	-2,322,195

The decline in personnel costs compared to the previous year is due to a reduction in the average number of employees (2018 financial year: 27 employees, 2017 financial year: 35 employees). In addition, the decline in personnel costs is also due to a change in the parent company's Executive Board. As a result of this, only one board member was appointed for a period of three months. The social security contributions include payments for a defined contribution plan (statutory pension insurance) of EUR 120 thousand (2017: EUR 141 thousand).

4 OTHER OPERATING EXPENSES

The other operating expenses in the 2018 financial are comprised as follows:

]
in EUR	2018	2017
Impairments on receivables	-1,985,935	-633,539
Legal and consulting costs	-1,869,764	-1,998,043
Advertising and travel expenses	-1,062,166	-1,039,475
Depreciation on property, plant and equipment	-722,962	-562,394
Year-end and audit expenses	-329,402	-83,182
Sales commissions	-294,155	-4,626,705
Occupancy costs	-207,843	-103,457
Third-party services and third-party work	-170,261	-82,045
Financing costs	-124,271	-4,919
IT costs	-105,390	-67,567
Vehicle costs	-102,556	-125,328
Office supplies and operating costs	-102,445	-101,694
Non-period expenses	-84,293	0
Supervisory Board remuneration	-78,000	-80,000
Rental/leasing expenses	-54,611	-50,601
Insurances	-49,688	-48,890
Incidentals of monetary transactions	-40,800	-21,097
Other	-290,530	-287,989
Total	-7,675,072	-9,916,926

The other operating expenses fell by EUR 2.242 million in the 2018 financial year (2018 financial year: EUR 7.675 million, 2017 financial year: EUR 9.917 million), which is primarily due to the lower sales commissions (2018 financial year: EUR 294 thousand, 2017 financial year: EUR 4.627 million). This reduction was offset by the rise in impairments on receivables (2018 financial year: EUR 1.986 million, 2017 financial year:

EUR 634 thousand). In addition, the year-end and audit costs rose as a result of the initial preparation of a consolidated financial statement (2018: EUR 329 thousand, 2017: EUR 83 thousand). Likewise, depreciation on property, plant and equipment rose by EUR 161 thousand. This rise was due to the depreciation of the right of use in connection with the leasing relationship for the office space in the "Opernturm" in Frankfurt am Main.

5 INCOME FROM THE MEASUREMENT OF INVESTMENT PROPERTIES

The income from the measurement of investment properties of EUR 8.940 million (2017: EUR 0) resulted from the remeasurement of the "Großmarkt Leipzig" and "Mülheim" properties.

6 FINANCIAL INCOME

In the 2018 financial year, the financial income is comprised as follows:

		1
in EUR	2018	2017
Interest income from loan receivables with impaired credit rating	6,832,909	7,377,612
Interest income from loans	915,775	2,047,466
Income from the disposal of financial assets	376,048	0
Income from the repurchase of convertible bonds	223,732	0
Other financial income	105,751	39,114
Total	8,454,436	9,464,193

The financial income fell by EUR 1.010 million in the 2018 financial year and amounts to EUR 8.454 million (2017: EUR 9.464 million). The fall compared to the previous year is primarily due to the decline in interest income from loans to PREOS I. Moreover, the interest income from loan receivables with an impaired credit rating also fell due to the termination

or expiration of the funds in 2017. By contrast, income of EUR 376 thousand in connection with the disposal of financial assets as well as EUR 224 thousand in connection with the repurchase of convertible bonds in the nominal value of EUR 3.050 million had a counteracting effect.

7 FINANCIAL EXPENSES

In the 2018 financial year, the financial expenses are comprised as follows:

in EUR	2018	2017
Interest expense from convertible bond	-2,283,175	-1,954,564
Interest expense from leasing	-252,664	-186,774
Other interest expenses	-314,690	-356,801
Total	-2,850,528	-2,498,139

The financial expenses rose slightly in the 2018 financial year, by EUR 352 thousand compared to the 2017 financial year, which is primarily due to the EUR 329 thousand increase in interest expenses for the convertible bond. The increase in interest expenses from leasing relationships (2018 financial year: EUR 253 thousand, 2017 financial year: EUR 187 thousand) is due to the conclusion of the leasing relationship for office space in the "Opernturm" in Frankfurt am Main. The other expenses include interest for loans, which the group obtained from the parent company's Chairman of the Executive Board, Mr Thomas Olek, and Consus GmbH.

8 IMPAIRMENTS ON NON-CURRENT FINANCIAL ASSETS

The impairments on non-current financial assets of EUR 2.962 million (2017 financial year: EUR 2.498 million) include the reported adjustments on the portfolios of loan receivables with an impaired credit rating. Adjustments to the sub-portfolios are essentially reported in the amount of the loan losses expected over the entire (remaining) term in compliance with the provisions of the IFRS 9.5.3.

9 INCOME TAXES

in EUR	2018	2017
Current taxes	-6,842,232	-4,475,848
Deferred taxes	-1,983,610	-659,737
Total income taxes	-8,825,842	-5,135,584

The ongoing tax expenses of EUR 6.842 million (2017 financial year: EUR 4.476 million) include corporation tax and trade tax expenses and exclusively accrued in Germany.

The deferred tax expenses of EUR 1.984 million (2017 financial year: EUR 660 thousand) are comprised of deferred tax income of EUR 969 thousand and deferred tax expenses of EUR 2.952 million. The deferred tax expenses predominantly arise from temporary differences in connection with the measurement of the investment properties at fair value.

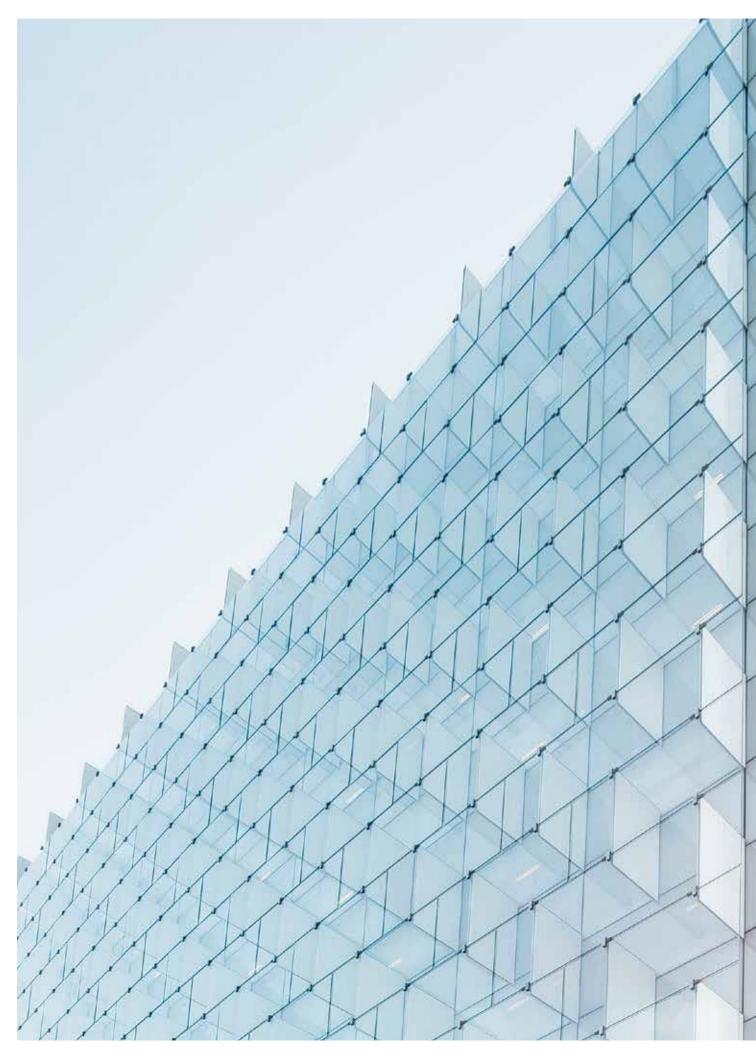
As at the reporting date, no unused tax loss carryforwards exist for the investments included in the consolidated financial statement (31 December 2017: EUR 4.781 million).

Tax reconciliation

The tax reconciliation between the expected and the actual tax expense for the financial year is reported based on a group tax rate of 31.93% (2017 financial year: 31.93%). The group tax rate of 31.93% includes the currently applicable corporate tax rate of 15%, the solidarity surcharge of 5.5% and a trade tax rate of 16.1%.

in EUR	2018	2017
Earnings before taxes	33,441,055	15,824,594
Group tax rate	31.93%	31.93%
Expected tax result	10,676,057	5,052,002
Reconciliation items		
Tax effects of non-deductible operating expenses	12,683	30,023
Tax effects of tax-exempt investment income and capital gains	-376,048	0
Tax effects from other tax-exempt income	-84,479	
Current taxes for previous years	-275,144	-25,233
Tax effects from the recognition of deferred tax assets on loss carryforwards	-776,880	0
Other effects	-350,346	78,793
Total	8,825,842	5,135,584





9 BASIC EARNINGS PER SHARE

The basic earnings per share are calculated as follows:

in EUR	2018	2017
Consolidated earnings (in EUR)	24,615,213	10,689,010
Consolidated earnings less non-controlling interests	24,530,458	10,592,376
Interest expenses from convertible bonds	1,154,914	992,760
Consolidated earnings adjusted for dilutive effects	25,685,372	11,585,136
Number of shares (in units)		
Shares issued at the reporting date	9,831,250	6,050,000
Weighted number of issued shares	7,516,009	6,050,000
Effects of the conversion of convertible bonds	1,202,502	1,033,667
Weighted number of issued shares (diluted)	8,718,511	7,083,667
Basic earnings per share (in EUR)		
Undiluted basic earnings per share	3.26	1.75
Diluted basic earnings per share	2.95	1.64

When calculating the undiluted basic earnings per share, the earnings attributable to the holders of the parent company shares are divided by the weighted average number of shares in circulation during the reporting period. The diluted basic earnings per share are calculated from the adjusted earnings for the period and the number of issued shares based on the assumption that convertible instruments are fully converted.

F Group segment reporting

The consolidated financial statement data is segmented in compliance with the provisions of IFRS 8 in accordance with the internal alignment by strategic business areas.

For the purposes of corporate management, the group is split into the following two reporting business segments:

- The "Asset Management" business segment is responsible for the ongoing management of real estate for third parties as well as the provision of services within the scope of acquisitions or sales of real estate and the generation of cash flows from non-performing loans.
- The "Portfolio Management" business segment is responsible for holding and managing commercial real estate as well as for managing and selling portfolios of non-performing loans.

No business segments were pooled to form the aforementioned reporting business segments.

The operating results of the business segments are monitored by the Executive Board.

Transactions between the business segments are essentially processed based on arm's length conditions. In the 2018 and 2017 financial year, the "Asset Management" and "Portfolio Management" business segments exclusively generated income from external customers.

Asset Management generates 60.1% (previous year: 42%) of its revenue from a single major customer or related parties. In 2018, another customer in the Asset Management segment accounted for around 13% of the revenue from asset management. Portfolio Management generates 53% (previous year: 40%) of its revenue from a single major customer.

2018 financial year in EUR	Asset Management	Portfolio Management	Group
Sales revenue	30,387,409	6,829,653	37,217,061
Cost of sales	-5,716,488	-1,076,621	-6,793,109
Gross profit on sales	24,670,921	5,753,032	30,423,953
Income from the measurement of investment properties at fair value	0	8,939,857	8,939,857
Impairments and receivables	-142,842	0	-142,842
Other operating income	480,526	813,348	1,293,874
Personnel costs	-1,549,915	-473,907	-2,023,822
Other operating expenses	-5,363,080	-2,311,992	-7,675,072
Operating result (EBIT)	18,095,610	12,720,338	30,815,948
Financial expenses			-2,850,528
Financial income			8,454,217
Impairments on non-current financial assets			-2,962,499
Share of profit or loss of affiliates			-16,082
Earnings before taxes			33,441,055
Income taxes			-8,825,842
Earnings for the period			24,615,213

2017 financial year in EUR	Asset Management	Portfolio Management	Group
Sales revenue	18,452,671	10,796,560	29,249,231
Cost of sales	-107,926	-3,517,602	-3,625,528
Gross profit on sales	18,344,745	7,278,958	25,623,703
Income from the measurement of investment properties at fair value	0	0	0
Impairments and receivables	174,877	0	174,877
Other operating income	232,324	54,294	286,618
Personnel costs	-1,853,612	-468,583	-2,322,195
Other operating expenses	-9,664,135	-2,202,790	-11,866,926
Operating result (EBIT)	7,234,199	4,661,879	11,896,077
Financial expenses			-2,498,139
Financial income			9,464,193
Impairments on non-current financial assets			-4,085,202
Other			1,047,665
Share of profit or loss of affiliates			0
Earnings before taxes			15,824,594
Income taxes			-5,135,584
Earnings for the period			10,689,010

G Other information

1: FINANCIAL INSTRUMENTS

1.1. Objectives and methods of risk management of financial instruments

The Group's significant financial liabilities include the convertible bond and trade payables as well as other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's main financial assets are impaired credit claims, trade receivables and liquid funds arising directly from its operations.

The Group is exposed to a number of financial risks in the course of its business activities, including market, default and liquidity risks. The management of these risks is the responsibility of the Group. In the course of risk management, the concentration of individual risks is also monitored regularly.

Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk involves three types of risk: Interest rate risk, currency risk and other price risks. Financial instruments exposed to market risk include, but are not limited to, credit claims and convertible honds

Interest rate change risk

The interest rate change risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group maintains day money credit balance, the interest rate of which depends on the respective market interest rate level. Variable interest-bearing financial liabilities did not exist in the fiscal year 2018 or 2017. Fixed income financial liabilities involve the risk of an increase in market value. This risk is not reflected in the balance sheet or in the income statement as the financial liabilities are measured at amortised cost rather than at market value.

Currency risk

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Since the Group processes all business transactions in euro, the Group is not exposed to exchange rate risks in the course of its business activities.

Other market risks

Among other market risks, the Group subsumes all other risks arising from market price fluctuations, such as those arising from stock market prices. The Group is not exposed to any other market risks.

Default risk

The default risk is the risk that a counterparty fails to meet its obligations in the context of a financial instrument and this leads to a financial loss. The Group is exposed to default risks (in particular in the case of credit claims with impaired creditworthiness and trade receivables) as well as risks in the context of its financing activities, including those arising from deposits with banks and financial institutions, and other financial instruments.

The maximum default risk at the balance sheet date is the carrying amount of each reported class of financial assets.

Default risk from credit claims with impaired credit quality

As part of the acquisition of portfolios with credit claims that are purchased or originated credit-impaired (POCI), the Company has developed a strategy that is regularly reviewed. Basic objective for such portfolios is a revenue-oriented settlement over the (residual) term with various measures, such as instalments or settlement, insolvency or realisation of collateral. In individual cases, the (re-) sale of selected subportfolios is not excluded. To actively control in particular the risk of a borrower's default risk, the portfolios are first divided into the following subportfolios with similar characteristics:

- Insolvent individuals
- Insolvent self-employed/traders and companies ("firms")
- Non-insolvent debtors

With regard to the respective subportfolios, the following assumptions are made, which are reviewed at each reporting date and compared with actual events at company level (e.g. default rates) as well as with historical and current macroeconomic developments:

- a) For subportfolios with credit claims of insolvent individuals, a total term of six years is assumed with regard to the average duration of private insolvency proceedings. Against the background of servicing experiences with comparable subportfolios, management also assumes at least an average realisation rate of 1% of the original nominal loan amount. For the sake of simplicity, it is assumed that the cash flows will be distributed evenly over the term.
- b) For subportfolios with credit claims of insolvent firms, a total term of nine years is assumed with regard to the average duration of company insolvency proceedings. Against the background of servicing experiences with comparable subportfolios, management also assumes at least an average realisation rate of 4.1% of the original nominal loan amount. For the corresponding cash flows, it is assumed that 50% of the outstanding amounts will be realised after four years and a further 10% in each of the following years.

c) For subportfolios with non-insolvent credit claims, a total term of seven years is assumed with regard to comparable servicing experience. Management assumes at least an average realisation rate of 2.6% of the original nominal loan amount. For the corresponding cash flows, it is assumed that 20% of the outstanding amounts will be realised after three years, an additional 50% after another two years and the remaining 50% after another two years.

In the model-based calculation of the credit-worthiness-adjusted effective interest rate, the company takes into account the contractual terms of the debtors and expected credit losses based on the aforementioned parameters or input factors for the respective subportfolios to estimate the expected cash flows from the portfolios with credit claims that are purchased or originated credit-impaired (POCI). The expected credit losses are calculated as a probability-weighted estimate of the credit

losses (present value of all defaults) over the expected remaining term of the respective subportfolios.

We calculate the risk provisions in accordance with IFRS 9 for credit claims with restricted creditworthiness as follows: Purchased or Originated Credit Impaired ("POCI") financial assets. for which objective evidence of impairment exists at the time of initial recognition, are automatically allocated to Level 3 of the impairment model. The management of credit default risks at the POCI is carried out at the respective subportfolio level. For POCIs measured at amortised cost, the impairment is determined based on the discounted expected future cash flows using a credit-adjusted effective interest rate on the subportfolios. The Group reduces or increases the carrying amount of POCI through a valuation allowance and recognises the loss or profit in the consolidated income statement as part of the impairment loss or income.

Default risk from trade receivables

Default risk from trade receivables is managed based on the Group's default risk management policies. A creditworthiness is checked to avoid defaults, in particular for new customers. Outstanding receivables are monitored regularly.

The value adjustment requirement is analysed at each reporting date using a value adjustment matrix to determine the expected credit losses. The expected default rates are determined based on payment profiles from the last three years before the balance sheet date and taking into account appropriate and reliable information about past events, current circumstances and future economic conditions available on the balance sheet date. Based on this information, management expects receivables to default at the balance sheet date in the amount of approximately 2.5 per cent, which were taken into account by the formation of a value adjustment. The maximum default risk for

trade receivables on the balance sheet date corresponds to the carrying amount as at 31 December 2018.

The Group considers the risk concentration for trade receivables to be low. Although the Group has a manageable number of accounts receivable, the default risk is classified as very low due to long-term business relationships with these customers.

For newly concluded asset management contracts, which in particular only relate to the brokerage of a property, the default risk is classified as higher. An established business relationship is lacking in these cases. In these cases, the default risk is counteracted with standardised processes, in-depth due diligence checks and letters of intent.

The following table shows the maturities of the Group's trade receivables:

in EUR	Not overdue	Overdue since 3 months	Overdue since 6 months	Overdue since 9 months	Overdue since 12 months
31 December 2018				'	
Trade receivables	29,905,665	71,400	329,878	0	4,416,027
Individual value adjustments	-2,400	0	0	0	0
Expected credit loss	-747,642	-1,785	-8,247	0	-110,401
31 December 2017					
Trade receivables	26,199,741	0	1,785,000	0	2,974,565
Individual value adjustments	0	0	-360,649	0	-1,589,351
Expected credit loss	-654,994	0	-35,609	0	-34,630

The following tables provide an overview of the gross carrying amount and impairment losses for credit losses, broken down by financial assets and classified according to the requirements of IFRS 9:

Development of gross book values in the 2018 fiscal year in EUR	Trade receivables	Credit claims that are purchased or originated credit-impaired (POCI)
Balance at beginning of the year	30,959,306	76,811,553
Inflows	30,306,942	0
Changes in financial assets (including interest income)	0	5,607,096
Transfers due to deteriorated credit quality	0	0
Changes due to modifications (without write-off)	0	0
Model changes	0	0
Disposals (including value adjustments)	-26,543,279	-884,490
Receipts from written-off or impaired receivables	0	-1,062,602
Foreign currency movements and other changes	0	-7,440
Balance at end of the year	34.722.969	80,464,117

Development of impairments in the 2018 fiscal year in EUR	Trade receivables	Credit claims that are purchased or originated credit-impaired (POCI)
Balance at beginning of the year	-2,675,233	-4,085,202
Changes in financial assets (including interest income)	-145,242	-2,962,499
Transfers due to deteriorated credit quality	0	0
Changes due to modifications (without write-off)	0	0
Model changes	0	0
Disposals (including value adjustments)	0	0
Receipts from written-off or impaired receivables	1,950,000	0
Foreign currency movements and other changes	0	0
Balance at end of the year	-870,474	-7,047,702

Liquidity risk

The Group monitors the risk of any liquidity bottleneck using a liquidity planning tool.

The liquidity situation is monitored by the management board and regularly discussed with the supervisory board.

The Group's objective is to maintain a balance between continuing financing needs and ensuring flexibility through the use of overdrafts, bank loans, debt securities and finance leases.

The Group's financial liabilities have maturities as shown below. The information is based on the contractual, undiscounted payments.

in EUR	2019	2020	2021	2022	2023	After 31.12.2023
Convertible bond	10,571,570	36,379,000	0	0	0	0
Leasing liabilities	765,685	782,041	811,237	841,671	873,394	5,921,863
Liabilities Trade accounts payable	2,303,668	0	0	0	0	0
Other financial liabilities	1,032,393	0	0	0	0	0
Total	14,672,745	37,161,041	811,237	841,671	873,394	5,921,863

As at 31 December 2017, the financial liabilities of the Group were as follows:

in EUR	2018	2019	2020	2021	2022	After 31.12.2022
Convertible bond	0	0	50,000,000	0	0	0
Leasing liabilities	530,236	513,159	512,781	524,458	536,553	4,783,250
Liabilities Trade accounts payable	1,929,633	0	0	0	0	0
Other financial liabilities	18,461,636	0	0	0	0	0
Total	20,921,505	513,159	50,512,781	524,458	536,553	4,783,250

In the reporting year, there were special cancellations of the 2015/2020 convertible bond. These were justified by the creditors on the grounds that bond conditions were violated. The corresponding bonds were repurchased

in the reporting year or reclassified into shortterm financial liabilities. As of the balance sheet date, there are no termination rights for the bonds reported as long-term.

1.2. Additional Information about the financial instruments

Financial assets and financial liabilities are classified and accounted for in accordance with IFRS 9 on the date of recognition.

In accordance with IFRS 9, financial instruments are classified in the categories at amortised cost, at market value not affecting net income or at market value affecting net income Financial assets and financial liabilities are recognised in the consolidated balance sheet for the first time when one of the Group companies becomes a party to a corresponding contract. When a financial instrument is recognised for the first time, it is recognised at market value, including any transaction costs.

The breakdown of carrying amounts by valuation category required by IFRS 7.8 and the market values of financial instruments are as follows:

31 December 2018 in EUR	Valuation category	Book value according to IAS 9	Fair Value
Financial assets			
Other long-term financial assets	At amortised procurement costs	81,725,876	81,725,876
Trade receivables	At amortised procurement costs	33,854,895	33,854,895
Other current financial assets	At amortised procurement costs	1,128,454	1,128,454
Liquid funds	At amortised procurement costs	27,952,918	27,952,918
Financial liabilities			
Other long-term financial assets	At amortised procurement costs	45,014,787	27,550,758
Trade accounts payable	At amortised procurement costs	2,303,668	2,303,668
Other short-term financial liabilities	At amortised procurement costs	12,369,077	7,261,088

31 December 2017 in EUR	Valuation category	Book value according to IAS 9	Fair Value
Financial assets			
Other long-term financial assets	At amortised procurement costs	82,055,233	82,055,233
Trade receivables	At amortised procurement costs	28,284,074	28,284,074
Other current financial assets	At amortised procurement costs	4,982,538	4,982,538
Liquid funds	At amortised procurement costs	9,534,376	9,534,376
Financial liabilities			
Other long-term financial assets	At amortised procurement costs	55,598,780	48,785,683
Trade accounts payable	At amortised procurement costs	1,929,633	1,929,633
Short-term financial liabilities	At amortised procurement costs	17,870,583	17,870,583
Other short-term financial liabilities	At amortised procurement costs	1,121,288	1,121,288

The market values of the financial instruments are measured at the respective carrying amount, except for the listed bond (2015/2020), as this is the best estimate of the market value of non-marketable financial instruments.

The market value of the convertible bond is allocated to Level 1 of the measurement hierarchy. Input factors for determining the market value of this financial instrument are price quotes observable on an active market on the measurement date.

Management has determined that the market values of liquid funds, trade receivables, other current financial assets, trade payables, current financial liabilities and other current financial liabilities are close to their carrying amounts mainly due to the short maturities of these financial instruments.

The following net gains and losses on financial instruments resulted in fiscal year 2018 and the previous year: To determine these, all respective profit and loss statement entries (except taxes) were added together.

Net gains/losses from financial instruments in the 2018 fiscal year	Total	Of which from interest	Of which from value adjustments	Of which from disposal
Financial assets				
At amortised procurement costs	5,622,256	5,237,598	-3,105,341	3,490,000
Financial liabilities				
At amortised procurement costs	-2,229,587	-2,416,481	0	235,881
Net gains/losses from financial instruments in the 2017 fiscal year	Total	Of which from interest	Of which from value adjustments	Of which from disposal
Financial assets				
At amortised procurement costs	6,946,068	7,575,394	-5,860,326	5,231,000
Financial liabilities				
At amortised procurement costs	-1,552,073	-1,738,967	0	0

The proceeds from the disposal represent sales of POCI assets or the repurchase of the convertible bond.



2 INFORMATION ABOUT RELATIONS TO CLOSELY AFFILIATED COMPANIES AND PERSONS

Companies and persons who have the opportunity to control publity AG and its subsidiaries or have a significant influence on their financial and business policies are regarded as closely affiliated companies and persons. Existing control relationships have been taken into account in determining the significant influence of closely affiliated companies and persons on financial and business policy.



a) Business transactions with controlling shareholder and persons affiliated with him

As of the balance sheet date, the CEO of publity AG indirectly holds shares of 62.03% in publity AG. These shares are held directly by TO-Holding GmbH and TO Holding 2 GmbH, which is thus also the direct and ultimate parent company of publity AG. The sole shareholder of TO-Holding GmbH and TO Holding 2 GmbH is the CEO of publity AG, Mr Thomas Olek.

In addition to the fully consolidated subsidiaries of publity AG, the group of affiliated companies also includes the affiliated companies accounted for using the equity method and companies in which Group companies hold the position of general partner. Furthermore, PREOS Real Estate AG and its subsidiaries are to be classified as affiliated companies of publity, since TO-Holding GmbH and TO Holding 2 GmbH have a significant influence on these companies.

In addition, the following persons in key positions of the legal parent are affiliated within the meaning of IAS 24 due to decisive influence:

- Members of the Management Board of publity AG and their close relatives as well as
- Members of the Supervisory Board of publity AG and their close relatives

The following tables show the total amount of transactions with affiliated companies and persons in the respective fiscal year:

Total amount of transactions with affiliated companies and persons in the respective fiscal year in EUR	Year	Services provided to affiliated companies and persons	Sales to affiliated companies and persons	Purchases from affiliated companies and persons	Receivables from affiliated companies and persons
Affiliated company					
NPL Portfolio No. 3 GmbH & Co. KG					
	2018	227,367	l	0	248,179
	2017	138,189	(0	78,465
Companies in which a group company is a general partner and not a shareholder:					
Publity Performance Fonds No. 4 GmbH & Co. KG					
Publity Performance Fonds No. 5 GmbH & Co. KG					
Publity Performance Fonds No. 6 GmbH & Co. closed Investment KG					
Publity Performance Fonds No. 7 GmbH & Co. closed Investment KG					
Publity Performance Fonds No. 8 GmbH & Co. closed Investment KG					
	2018	2,151,980	l	0 0	0
	2017	2,499,320	I	0 13,350,000	0
Related companies of the ultimate parent company of publity AG:					
PREOS 1. Beteiligungsgesellschaft mbH					
PREOS 2. Beteiligungsgesellschaft mbH					
PREOS 3. Beteiligungsgesellschaft mbH					
PREOS 4. Beteiligungsgesellschaft mbH					
PREOS 5. Beteiligungsgesellschaft mbH					
PREOS 6. Beteiligungsgesellschaft mbH					
PREOS 7. Beteiligungsgesellschaft mbH					
PREOS 8. Beteiligungsgesellschaft mbH					
PREOS 9. Beteiligungsgesellschaft mbH					
PREOS 10. Beteiligungsgesellschaft mbH					
	2018	1,245,241	60,00	0	1,254,535
	2017	0	1	0	0

in EUR		Paid interest	Relation to closely affiliated companies and persons
Loans from persons in key positions of the Group	2018	0	0
	2017	0	17,870,583

In fiscal year 2017, the parent company acquired portfolios that were purchased or originated credit-impaired ("POCI") from Publity Performance Fonds No. 4 GmbH & Co. KG and Publity Performance Fonds No. 5 GmbH & Co. KG for a purchase price of TEUR 13,350. The nominal volume of these portfolios was TEUR 67,184.

Of these portfolios, subportfolios were resold to third parties in the 2017 fiscal year.

Business transaction with persons in key positions of the Group

The CEO of publity AG, Thomas Olek, granted Real Estate Loans 2016 Sàrl a loan with a nominal value of EUR 9,500,000 on 22 November 2016. The loan bears interest at 2% p.a., with the interest being capitalised, and has a term until 31 December 2018.

Furthermore, TO-Holding GmbH (formerly Consus GmbH), whose sole shareholder is Thomas Olek, also granted Real Estate Loans 2016 Sàrl a loan with a nominal value of EUR 8,000,000 on 22 November 2016.

The loan bears interest at 2% p.a., with the interest being capitalised, and has a term until 31 December 2018. Both loans were reported as financial liabilities in the balance sheet as of 31 December 2017. In the wake of the deconsolidation of Real Estate Loans 2016 Sàrl in fiscal year 2018, these financial liabilities have been cancelled.

Conditions of business transactions with affiliated companies and persons

Legal transactions with affiliated companies were settled exclusively at customary market terms in the reporting year. The outstanding account balances at the end of the business year are not collateralised, non-interest bearing and will be paid in cash in principle. Receivables from affiliated companies and persons are not guaranteed.

Management Board and Supervisory Board

b) Business transactions with the Management Board

The following persons were appointed members of the board of management of publity AG:

- Mr Thomas Olek,
 CEO of Strategy
- Mr Frederik Mehlitz,
 Chief Financial Officer until 31.12.2018
- Mr Frank Schneider,
 Chief Financial Officer and Legal Officer
 from 01.12.2018

The total compensation of the Management Board are as follows:

]
in EUR	2018	2017
Ongoing remuneration	658,000	747,000
Post-employment benefits	0	0
Other long-term benefits due	0	0
Benefits from termination of employment	0	0
Share price-oriented compensation	0	0
Total	658,000	747,000

No loans or advances were granted to the members of the Management Board, nor were any liability relationships entered into in favour of the members of the Management Board.

c) Auditing Board

The Supervisory Board members of publity AG and the Supervisory Board remuneration received for the past fiscal year are shown in the table below:

Name		1
Position	2018	2017
Günther Paul Löw Chairperson Attorney in his own firm	30,000	30,000
Norbert Kistermann Deputy Chairman Management Board at Bankhaus Bauer AG	15,000	15,000
Hans-Jürgen Fuchs Member Management consultant at HJK Financial Consulting	15,000	15,000
Total	60,000	60,000

No loans or advances were granted to the members of the Supervisory Board, nor were any liability relationships entered into in favour of the members of the Supervisory Board.

3 CAPITAL MANAGEMENT

The aim of the capital management of the publity Group is a strong equity base to ensure the confidence of investors and business partners in the sustainability of the group.

The focus is on the further development of the business and thus also on increasing the company's value. To ensure this, the equity ratio and the factors affecting it, such as the EBIT control variable, are monitored and assessed at regular intervals. Management aims to strike a balance between outside capital share and an increase in rate of return. The equity ratio increased from 41% as of 31 December 2017 to 63% as of 31 December 2018. To ensure financial flexibility and solvency at all times, the publity Group endeavours to have a certain liquidity buffer at all times and to control the liquidity in the Group accordingly. Liquidity is controlled by central financial management by the Management Board. Liquid funds are pooled, monitored and invested in accordance with uniform principles throughout the Group.

As an internal capital management company, publity performance GmbH is subject to the German Capital Investment Code (KAGB) and therefore has to retain a minimum capital of TEUR 242. There are no other minimum capital requirements in the Group.

4 DEVELOPMENT OF FINANCIAL LIABILITIES

The change in the financial liabilities of the publicity group results mainly from payments. In the reporting year, financial liabilities amounting to TEUR 17,871 were deconsolidated by the sale of a subsidiary. As a result of the acquisition of another subsidiary, financial liabilities of TEUR 353 were initially recognised in the consolidated financial statements as not affecting means of payment. Additionally, a write-up amounting to TEUR 535 (previous year: TEUR 529) was recognised as an increase in financial liabilities (convertible bonds) using the effective interest method in the reporting year 2018. Liabilities from the sale and lease back amounting to TEUR 187 (previous year: TEUR 187) were also cancelled not affecting means of payment in the reporting year. The first recognition of new lease liabilities amounting to TEUR 3,267 (previous year: TEUR 0) had the opposite effect.

5 EVENTS AFTER THE BALANCE SHEET KEY DATE

Against the background of the appointment of One Square Advisory Services GmbH, Munich, as joint representative of all bond holders in May/June 2018 for the sustainable satisfaction of the overall situation with regard to the convertible bond, the following resolutions were adopted in a vote of the bond holders without a meeting (vote from 12 March 2019 to 14 March 2019):

Specifically, the bondholders have decided by the required majority to cancel the negative obligation entered into in § 12 (3) (ii) of the bond conditions, according to which the Issuer (with certain exceptions) may not enter into any financial liabilities (within the meaning of § 13 (2) of the bond conditions) in an amount of more than EUR 5,000,000.00. It was also decided that, in the event that publity AG incurs such financial liabilities, the bondholders would have the right to demand an early repayment of their debt securities together with accrued interest as part of a specifically regulated procedure. In addition, the bondholders have decided to confirm and extend the existing mandate of the Joint Representative and, in particular, to give the Joint Representative the task and the power to monitor the proper implementation of the decisions in the interest of the bondholders and to keep them informed of the implementation steps in detail.

After the balance sheet key date, a repurchase of his bond was agreed with a bondholder until 1 July 2019. This will result in a cash outflow of TEUR 9,972 for publity AG.

Furthermore, lawyer Frank Vennemann was appointed as the new Supervisory Board member of publity AG by court order of 14 January 2019. The previous Chairman of the Supervisory Board, Günther Paul Löw,

has resigned as of 31 December 2018 and is leaving the Board. He had been Chairman of the Publicity Supervisory Board since May 2014. MBA Hans-Jürgen Klumpp was unanimously elected by the Supervisory Board as new Chairman of the Supervisory Board.

After the balance sheet key date, the publity Group acquired three major real estate properties. The total value of the properties is well above EUR 100 million and was partly financed by the taking of financial loans and the assumption of debts. In addition, a letter of intent for sale was signed for a property. The disposal of this property would result in a significant return for the Group.

Frankfurt am Main, 15 May 2019

Thomas Olek

Chief Executive Officer

Frank Schneider

Executive Board





09 Report

of the independent auditor

TO PUBLITY AG, FRANKFURT AM MAIN

Audit opinion

We have audited the consolidated financial statements of publity AG, Frankfurt am Main, and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from 1 January 2018 to 31 December 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on the findings of our audit, the accompanying consolidated financial statements comply in all material respects with the IFRS as adopted by the EU, and, in accordance with these standards, give a true and fair view of the financial position and cash flows of the Group as of 31 December 2018 and of its financial performance for the financial year from 1 January 2018 to 31 December 2018.

In accordance with section 322 (3) sentence 1 of the HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements.

Basis for the audit opinion

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted auditing standards established by the Institute of Public Auditors in Germany (IDW). Our responsibility under these rules and principles is further described in the section "Auditor's responsibility for auditing the consolidated financial statements" of our audit opinion. We are independent of the Group companies in accordance with German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Other information

The legal representatives are responsible for the other information. The other information comprises the remaining parts of the annual report, with the exception of the audited consolidated financial statements and our report.

Our audit opinion on the consolidated financial statements does not extend to the other information and, accordingly, we do not express an audit opinion or any other form of audit conclusion thereon.

In connection with our audit of the consolidated financial statements, we are responsible for reading the other information and assessing whether the other information

- has material discrepancies with the consolidated financial statements or with the information we acquired during the audit, or
- otherwise appear to show material misstatements.

If, based on the work we have performed, we determine that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS as adopted by the EU, and for the presentation of the financial position, cash flows and financial performance of the Group in accordance with these requirements. In addition, management is responsible for internal checks relevant to the preparation and fair presentation of consolidated financial statements that are free from intentional or unintentional material misstatements.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they have the responsibility to disclose matters relating to the continuing operation of the company, if relevant. In addition, they are responsible for accounting under the going concern assumption unless there is an intention to liquidate the Group or discontinue operations, or there is no realistic alternative.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements.

Responsibility of the auditor for auditing the consolidated financial statements

Our objective is to obtain reasonable assurance whether the consolidated financial statements as a whole are free from intentional or unintentional material misstatements, and to issue a report on the consolidated financial statements that includes our audit opinion.

Sufficient assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with section 317 HGB and German generally accepted auditing standards established by the Institute of Public Auditors in Germany (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they will individually or collectively influence the economic decisions of users made on the basis of these consolidated financial statements.

During the audit, we exercise our best judgement and maintain a critical attitude. In addition

we identify and evaluate the risks of intentional or unintentional material misstatements in the consolidated financial statements, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to providing a basis for our audit opinion. The risk that material misstatements will not be detected is greater for violations than for inaccuracies, as violations may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation, or overriding internal controls;

- we gain an understanding of the internal control system relevant to auditing the consolidated financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of that system;
- we evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of accounting estimates and related disclosures made by the legal representatives;
- we draw conclusions about the appropriateness of the going concern assumption applied by the legal representatives and, on the basis of the audit evidence obtained. whether there is a material uncertainty in connection with events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our report to the relevant information in the consolidated financial statements or, if the information is inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our report. Future events or circumstances may, however, result in the Group ceasing to be a going concern;
- we express an opinion on the overall presentation, structure and content of the consolidated financial statements, includ-

ing the disclosures, and on whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the financial position, cash flows and financial performance of the Group in accordance with the IFRS as adopted by the EU;

 we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for directing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinion. Among other things, we discuss the planned scope and timing of the audit and significant findings of the audit with the Supervisory Board, including any deficiencies in the internal control system that we identify during our audit.

Leipzig, 15 May 2019

Warth & Klein Grant Thornton AG

Auditing firm

signed. pp. Sebastian Koch

Auditor

signed Kathleen Hennig

Auditor

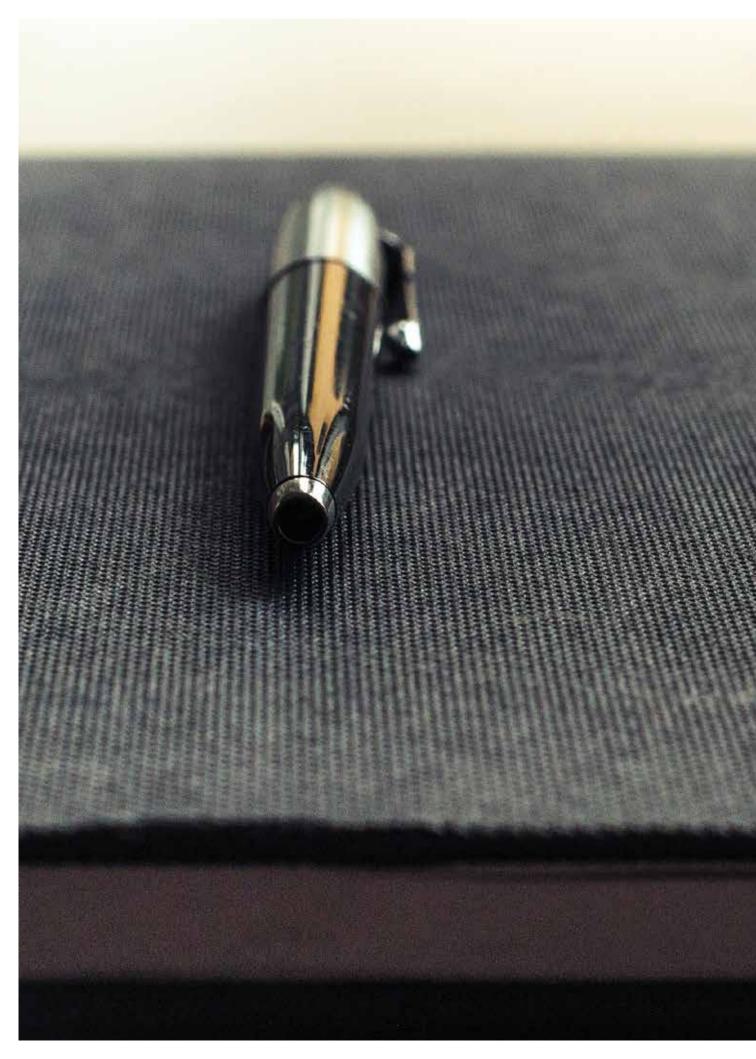
10 Important notes

This publication is a voluntary annual report that contains the audited voluntary consolidated financial statements of publity AG as of 31 December 2018. The voluntary consolidated financial statements do not contain a Group management report and the information contained in this annual report is no substitute for a Group management report. In particular, this annual report does not contain a risk, opportunity and/or forecast report.

This annual report does not constitute an offer. In particular, it does not constitute a public offer to sell or an offer or an invitation to purchase, buy or subscribe for shares or other securities.

Investors are advised to make a decision to acquire or dispose of shares or other securities of publity AG only with reference to all available information about the company after consultation with their own attorneys, tax advisors and/or financial advisors.

This Annual Report may contain forward-looking statements. Forward-looking statements are all statements that do not relate to historical facts or events. This applies in particular to statements about the intentions, beliefs or current expectations of the company with respect to its future financial performance, plans, liquidity, prospects, growth, strategy and profitability as well as the economic environment in which the company operates. The forward-looking statements are based on current estimates and assumptions made by the company to the best of its knowledge. However, such forward-looking statements are subject to risks and uncertainties because they relate to future events and are based on assumptions that may not occur in the future. The company is under no obligation to update or revise any forward-looking statements contained in this Annual Report to reflect events or circumstances after the date of this Annual Report unless it contains insider information subject to disclosure.



11 Financial calendar

16 MAY 2019

Annual General Meeting of publity AG

09 AUGUST 2019

Semi-annual Report 2019

17 SEPTEMBER 2019

Prior Capital Market Conference

NOVEMBER 2019

German Equity Forum



12 Location and contact persons

FRANKFURT AM MAIN

publity AG - OpernTurm

Bockenheimer Landstraße 2–4 60306 Frankfurt am Main Germany

Telephone: +49 (0) 69 770 115 29 Fax: +49 (0) 69 716 776 40

E-mail: info@publity.de

LEIPZIG

publity AG - Headquarters

Landsteinerstraße 6 04103 Leipzig Germany

Telephone: +49 (0) 341 26 17 87-0 Fax: +49 (0) 341 26 17 87-31

E-mail: info@publity.de

IMPRINT

publity AG

Bockenheimer Landstraße 2–4

60306 Frankfurt am Main

Germany

Telephone: +49(0)6977011529

Fax: +49(0)6971677640

E-mail: info@publity.de

Website: www.publity.de

Management Board: Thomas Olek (Chairman)

Frank Schneider

Supervisory Board: Hans Jürgen Klumpp (Chairman)

Norbert Kistermann (Deputy Chairman)

Frank Vennemann

Publisher: publity AG, Frankfurt am Main

Layout: Prime Objects GmbH

