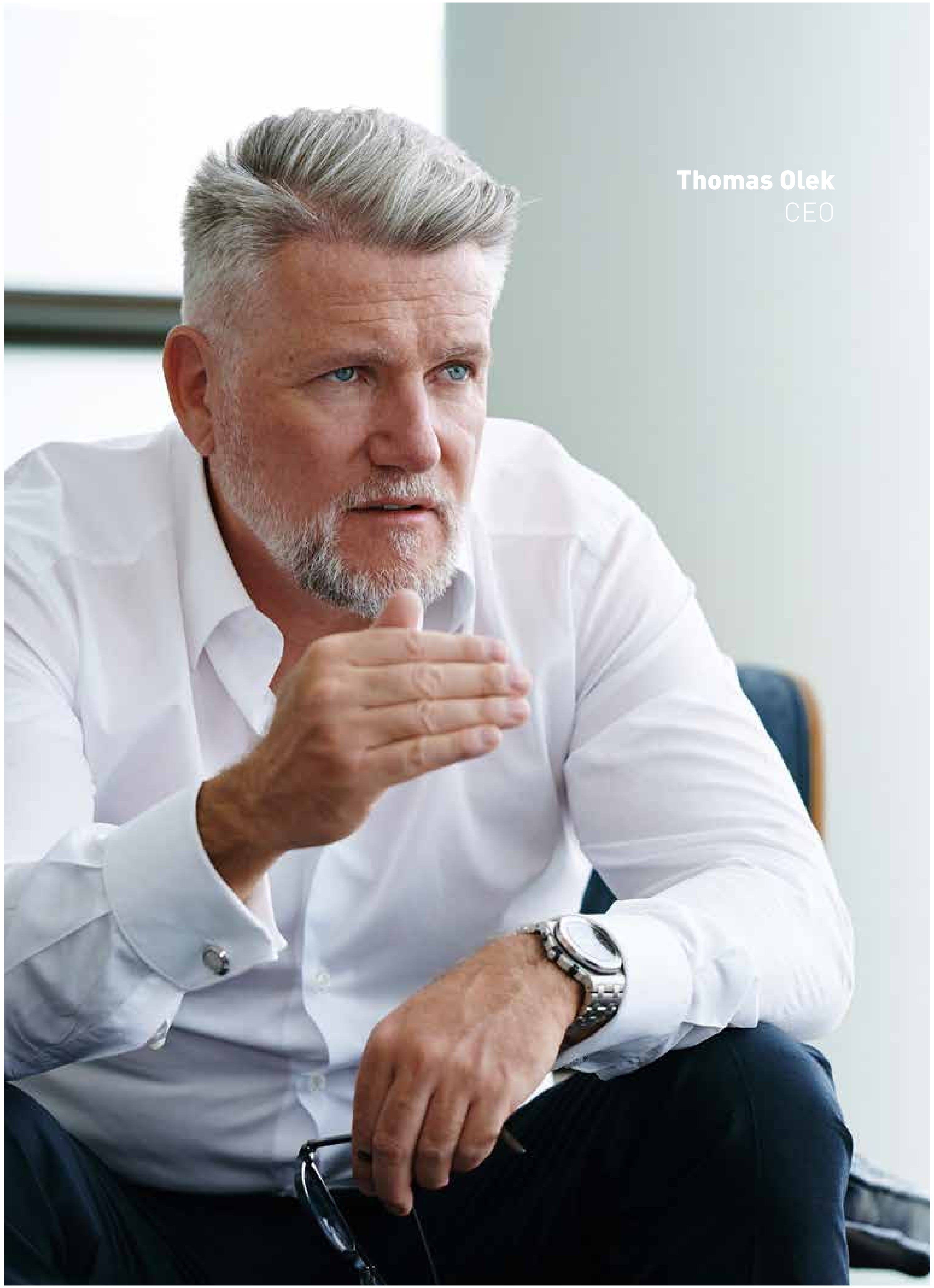
Annual Report

2019

publity

Contents



01 **Letter from the Executive Board**

Dear shareholders, bondholders and business partners,

2019 was a particularly successful financial year for publity AG. One milestone reached was the expansion of our own real estate portfolio, which we have transferred to our subsidiary PREOS Real Estate AG. In addition, we sold two properties from our portfolio at attractive conditions which were significantly above the purchase price. Our **own portfolio had a value of more than EUR 1.1bn.** At the same time, we increased our **assets under management to more than EUR 5.5bn** overall.

The successes of 2019 were also reflected in our figures. Consolidated net income in accordance with IFRS increased year on year by more than 150 % to EUR 64m. As a consequence, we have significantly exceeded our projected profits. Due to the sharp growth in our portfolio, our total assets also increased from EUR 187.9m at the end of 2018 to approximately EUR 878,9m. Our equity base is solid, amounting to EUR 302m as at the end of 2019, compared to EUR 119,8m a year before that.

In the year marking the 20th anniversary of our founding, we can look back with pride on an impressive growth story.

Our business model is based on two solid pillars: on the one hand, we generate attractive, consistent fees as asset managers for customers, while on the other we reap the full benefit of value-adding development when selling our own properties, moreover generating rental income through our portfolio.

Overall, we have bought and sold **more than 1,100 properties in Germany** in recent years. 1.150 of these were reviewed by us and included in our database of office properties, which now comprises roughly 9,500 buildings. This excellent access to suitable properties – whether for institutional investors and real estate companies as our customers or for our own portfolio – sets us apart from the rest of the real estate companies. This, alongside our vast network, forms the basis for our strength and speed when it comes to transactions.

We acquire properties which we know there will be market demand for when we sell, which fits with investors' acquisition strategies. Our focus on various size classes for properties and risk/return profiles for our customers and ourselves enables us to avoid conflicts of interest. To the contrary, **our broad market position renders**

it possible for us to better leverage existing potential.

The properties we acquired for our own portfolio in 2019 include the 100,000 sqm property in Essen-Bredeney where Karstadt and the Essen police are long-term tenants, the 21,000 sqm Access Tower in Frankfurt/Main and the Sky HQ near Munich, offering more than 30,000 sqm of rental space. In addition, we took advantage of market opportunities to sell two properties in our portfolio. For instance, we were able to dispose of the approximately 26,000 sqm St. Martin Tower in Frankfurt/Main at attractive conditions after holding it for only a few months in our portfolio. This offers impressive proof of what potential there is on the market and that we are in a position to take advantage of these opportunities.

However, our intention remains to optimise properties and sell them, and to realise the appreciation in their value on the market through disposals. **We will continue to expand our portfolio and acquire new properties.** The focus rests on properties in top locations in cities such as Frankfurt and Munich with market values in excess of EUR 50m.

The COVID-19 pandemic has been dominating headlines worldwide and in Germany ever since the first quarter of 2020. In our view, publity holds a strong position, even as the situation temporarily deteriorates. Our business model rests on two pillars that combine value and substance. Our own portfolio is geared towards a market segment that features above-average price stability – even in the face of a significant economic slowdown. For this reason, we are optimistic that we will be able to continue selling properties at attractive conditions going forward.

At the same time, we aim to continue the dynamic expansion of our real estate portfolio and have at our disposal a continuously evolving deal pipeline that relies on our market position, our network and our database. Hence, we view temporary market slumps as additional opportunities for expansion.

We have secured the financial leeway to expand our portfolio through our own strong financial base, our excellent reputation with banks and by entering into additional financing agreements with well-known partners such as Meritz Financial Group, the Hamburg Commercial Bank (HCOB) and Helaba in 2019 and early 2020.

Our **success as an active asset manager** is evident in the significant progress we have achieved with the properties in the asset-management portfolio and in our own portfolio.

We are confident about publity's continued performance and expect to report **further profitable growth.** We are well-equipped for this.

We hope that you will continue to accompany us on this growth path as a shareholder, investor or bondholder. We are very grateful for the confidence you have placed in us so far. We would also like to thank our business partners for their work with us and our employees for their dedication.

We look forward to continuing our success story.

Sincerely,

Thomas Olek
CEO

Frank Schneider
COO

02 **Report of the Supervisory Board**

In accordance with the duties incumbent upon it by law and by the Articles of Association, the Supervisory Board of publity AG, as constituted, performed comprehensive oversight of the Executive Board, offered it timely advice and ensured that the management of the Company was due and proper. The Supervisory Board was involved in all key decisions made for the Company.

A total of nine Supervisory Board meetings were convened in the year under review. Six of those were physical, plenary sessions, and three took place as conference calls. Because the members of the Supervisory Board were able to discuss all relevant issues at these meetings, no committees were formed.

In the first meeting, held on 17 January 2019, Hans-Jürgen Klumpp was elected Chairman of the Supervisory Board to succeed Günther Paul Löw, who had resigned with effect form 31 December 2018. Furthermore, Frank Vennemann was appointed by the Local Court (Amtsgericht) of Leipzig to serve on the Supervisory Board.

At the Supervisory Board meeting on 11 February 2019, the Executive Board presented the publity-Research-Tool and the benefits that the new system would entail for the publity-Group's continued business development. At that meeting, current projects and current and future business activities were also reported on.

In another meeting of the Supervisory Board, held on 5 April 2019, the HGB annual financial statements for financial year 2018 – prepared by Warth & Klein Grant Thornton, Wirtschaftsprüfungsgesellschaft, Leipzig – were discussed and approved by resolution. In addition, the individual agenda items for the Annual General Meeting were discussed in detail at that meeting, and the proposal to the Annual General Meeting on a potential dividend distribution was adopted. Furthermore, the Supervisory Board also discussed the current state of the business and current projects.

On 15 May 2019, the Supervisory Board held its fourth meeting of the year. The resolution to adopt the consolidated financial statements for financial year 2018, which were prepared and audited on a voluntary basis, was discussed – as were the preparations for the Annual General Meeting and publity AG's strategy for the current financial year.

The Supervisory Board adopted new rules of procedure for itself at a further meeting, held on 29 July 2019. The potential contribution of publity Investor GmbH into PREOS Real Estate AG was also presented at that meeting.

At the Supervisory Board meeting on 30 August 2019, Prof. Holger Till was elected Deputy Chairman of the Supervisory Board. The Supervisory Board also voted to approve the contribution and subscription agreement that had been negotiated.

On 19 September 2019, the Supervisory Board held its seventh meeting of the year, where it discussed and approved the contribution of further PREOS Real Estate AG shares in exchange for a contribution in kind taking the form of no-par value shares in publity AG.

At the eighth Supervisory Board meeting, held on 11 October 2019, a resolution on the formation of new companies within publity's structure was passed.

At the final meeting of the year, on 28 November 2019, the Executive Board and Supervisory Board were informed of publity AG's planned strategy for 2020 as well as the current state of the business following the contribution of publity Investor to PREOS Real Estate AG. In addition, the current risk report was also presented at the meeting.

Outside of these meetings, the Supervisory Board and the Executive Board regularly discussed the current state of the business and the strategic orientation for the coming financial years. Transactions subject to approval by the Supervisory Board in accordance with statutory regulations or provisions in the Articles of Association were reviewed by the Supervisory Board and decisions to grant approval were taken.

In addition to consulting with the Supervisory Board, the Executive Board submitted regular verbal and written reports to the Chairman of the Supervisory Board concerning significant developments at the Company. The Supervisory Board reviewed at regular intervals whether the Company had a functioning, efficient risk management system in place and was maintaining liquidity planning that is in line with economic conditions.

During the reporting period, none of the members of the Supervisory Board had any conflicts of interest.

The Deputy Chairman of the Supervisory Board, Norbert Kistermann, resigned his office at his own request with effect from 28 August 2018. By order dated 30 August 2019, the Local Court of Frankfurt / Main appointed Prof. Holger Till to serve as a member of the Supervisory Board. On 30 August 2019, the Supervisory Board elected Prof. Holger Till Deputy Chairman. The Supervisory Board of publity AG thanks Norbert Kistermann for his service.

The Executive Board answered in detail all questions put to it by the Supervisory Board during the year under review. The Supervisory Board reviewed and approved the annual financial statements as at 31 December 2019 and the management report prepared by the Executive Board. The annual financial statements of publity AG were thus adopted in accordance with section 172 of the German Stock Corporation Act (Aktiengesetz, "AktG").

Furthermore, the Executive Board drew up its report on relations with affiliated companies for the period from 1 January 2019 to 31 December 2019 pursuant to section 312 AktG (Dependent company report). This report demonstrates that in the transactions listed in the report on relations with affiliated companies, the Company received appropriate consideration for each transaction under the circumstances known to the Executive Board at the date at which the transactions referred to were entered into. The dependent companies report was audited by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Leipzig, which issued the following audit opinion:

"The facts disclosed in the report were correct, the consideration paid to the Company in legal transactions disclosed in the report was not unreasonably high or disadvantages were compensated for."

Both the dependent companies report and the auditor's report were submitted to the Supervisory Board in due time.

Based on its own review, the Supervisory Board concurs with the opinion on the audit of the annual financial statements by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Leipzig. If did not raise any objections to these financial statements and approved them.

The Supervisory Board would like to thank the Executive Board and all employees of the publity-Group for their personal dedication and their hard work in financial year 2019.

The Supervisory Board would also like to thank the shareholders for the faith they have placed in publity AG.

Frankfurt, March 2020

Hans-Jürgen Klumpp

Hans-Jürgen Klumpp
Chairman of the Supervisory Board

03 **Market environment**

German commercial real estate market maintains upswing

Despite slowing economic growth and tighter regulation, the commercial real estate market in Germany had an outstanding year in 2019 thanks to the European Central Bank's low interest rate policy and a lack of investment alternatives. In difficult times, investors tend to opt for safe havens such as real estate in Germany and this is also true in light of geopolitical uncertainties such as the simmering trade dispute between the USA and China. Investors choose Germany for its political and economic stability in particular, and this is also reflected in the figures for the local commercial real estate market in 2019. The past year saw investment volumes in the German commercial real estate market hit a new record high of EUR 72.6bn, up 19 % on the figure for the previous year.

(German Property Federation (ZIA) Spring Real Estate Industry Report 2020, 12 February 2020)

In 2019, investors continued to focus on the seven major investment destinations (Berlin, Munich, Hamburg, Frankfurt, Cologne, Düsseldorf, Stuttgart). These accounted for transaction volumes of EUR 44bn, up 21 % year on year.

(Colliers International, Pace of year-end rally and record transaction volumes in 2019 set new standards on German investment market, 6 January 2020)

Berlin recorded an extraordinarily strong year overall, taking first place among the top seven cities with growth of 75 % to EUR 12.2bn. Munich also surpassed the 10bn mark, chalking up transaction volumes of EUR 10.9bn. Roughly half of the overall investment volume was recorded in the fourth quarter. For JLL, there is "virtually no alternative" to real estate as an investment product for institutional investors.

(JLL, New transaction record on German investment market at the end of a "real estate decade", 6 January 2020)

Investors from Germany and abroad restructured their portfolios and increased the share of real estate investments. The low interest rate environment is increasing capital pressure on many insurers and pension funds, who are investing in real estate.

In terms of the individual investments, office properties remain the strongest asset class nationwide. According to data from the German Property Federation, office properties accounted for EUR 40bn last year and thus more than half of all investments in commercial real estate. The figure relates to both individual transactions and portfolio deals. Prime rents for office properties have risen continually over the past decade. The weighted average prime rent in the top seven cities amounted to some EUR 33.90 per sqm at the end of 2019, up almost 10 % year on year. Frankfurt again saw the highest prime rents, at EUR 41.00 per sqm (+3.8 %), followed by Munich (EUR 39.50 per sqm; +3.5 %) and Berlin, where prime rents jumped 16.4 % to EUR 39.00 per sqm. While the average prime rents in B locations amounted to EUR 15.00 per sqm (+4.3 %) at the end of 2019, growth was notably lower in C-locations (+3.4 % to EUR 13.40 per sqm) and D-locations (+2.1 % to EUR 10.50 per sqm). Despite the increase in construction activity, there will still be notable excess demand and rents will remain high. While prime rents have grown continually for a decade, net initial yields declined over the same period. The weighted average net initial yields in the top seven locations amounted to 2.8 % in 2019. The slight drop by 20 basis points hints at a bottoming out. The German Property Federation observes an increase in the trend towards relocating to smaller cities.

DEVELOPMENT IN 2020

In the first months of 2020, the real estate market was dominated by the Corona crisis, although not all segments were equally affected. While revenues are collapsing, particularly in the hotel and retail industries, and investors are becoming increasingly cautious in these areas, the situation is different for attractive office properties in Germany – the market in which publity is active as an asset manager and investor. The demand from international investors for top properties in the top 7 cities in Germany continues to be very high.

According to Jones Lang LaSalle (JLL) in April 2020, the Covid 19 crisis had no perceptible impact on the real estate transaction market in the first three months of 2020. JLL reports that the transaction volume in the German real estate market as a whole in the first quarter of 2020 amounted to around EUR 28bn, which corresponds to an increase of 82 % over the same period last year. In the first three months of the year around 5bn Euros were invested in office real estate after 5.9bn in the same period last year.

According to experts, it is not yet possible to provide a reliable forecast for 2020. However, JLL points to factors that continue to apply. There are still numerous institutional investors who want to invest in real estate. Especially for office real estate, there would still be a number of (high-priced) bids and, in addition, core products would be in particularly high demand in a crisis.

(https://www.jll.de/de/presse/deutscher-investmentmarkt-zum-ende-des-ersten-quartals-von-pandemie-noch-unbeeindruckt)

04 **publity AG's strategy**

Investments in Germany's stable, dynamic office real estate market

publity AG is a successful real estate asset manager and property investor focusing on office properties in prime locations in Germany's top 7 cities. The Company is among the most successful players engaging in the largest transactions in the German commercial property market. publity has completed roughly 1,100 real estate transactions over the past eight years, and manages EUR 5.5bn in real estate assets (as at the end of December 2019).

publity has a balanced business model that rests on two stable pillars: Asset-management for international and domestic investors, with whom publity had already successfully worked for several years in some instances, enables publity to generate proceeds along every step in the process. This includes finders' fees when purchasing properties, consistent fees for ongoing asset-management and proceeds from the sale of properties. Furthermore, we are now also benefiting fully from a value-enhancing development in the sale of our own properties and are also generating rental income from our portfolio.

publity's 2-pillar model

SOLID MODEL IN THE REAL ESTATE SECTOR

1

ASSET-MANAGEMENT

3-STEP REVENUE PROCESS

- Finders Fee
- Basic Fee
- Exit Fee

2

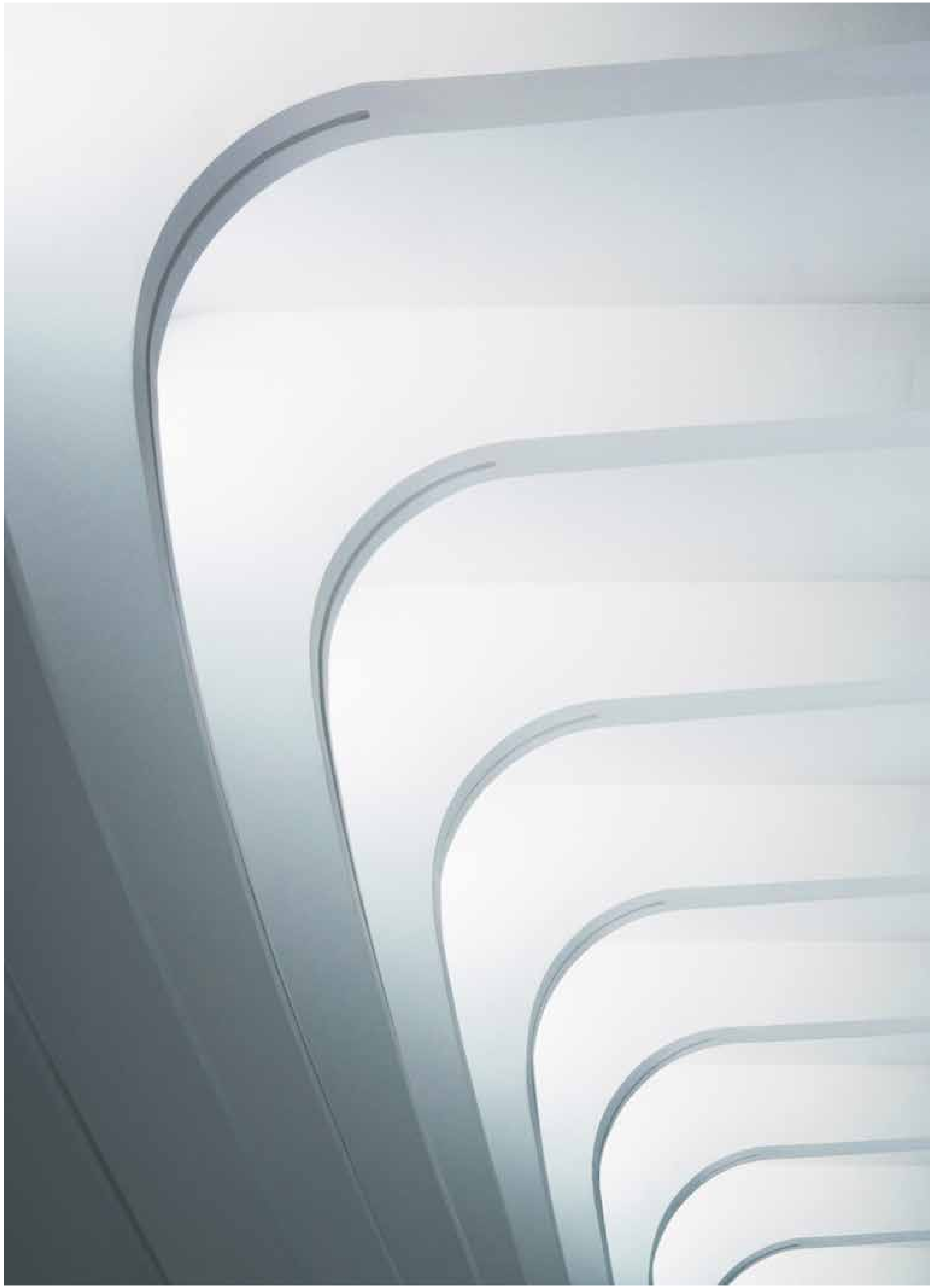
OWN REAL ESTATE PORTFOLIO

- Increase by EUR 1bn in 2019
- Two properties already sold (including the St. Martin Tower in Frankfurt)
- publity profits fully from increases in value upon sale
- Additionally: Rental income until sale
- International network and needs-based purchasing: Acquisition of properties suitable for the investment profile of investors

EUR 1.1bn in real estate assets (LTV approx. 65%) currently as a portfolio of the subsidiary PREOS Real Estate AG

19 properties including in Munich, Frankfurt/Main and the NRW metropolitan region

And a total rental area of **about 313,000 sqm**



publity's added value

ADDED VALUE

Finders Fee 1–3 %

Finders Fee
Successful acquisition result

Basic Fee

Implementation of property strategy
Manage-to-Core

Exit Fee

Return on Investment and value added
Revenue from sales

Rental Income

from own portfolio

MANAGE TO CORE

Value added potential results from the interaction of:

- Low-cost purchasing
- Technical upgrading and increase in letting rates
- Optimisation of rental agreements

At the same time, publity has built up and expanded its own real estate portfolio, which is held by its subsidiary PREOS Real Estate AG. The portfolio centres around properties worth roughly EUR 50m in German cities, primarily in Frankfurt and Munich. In this business line, the objective is also to leverage potential and to sell properties at a profit. In its own portfolio, publity benefits entirely from the appreciations in value upon the sale of properties, and furthermore generates rental income.

publity stands apart from the rest thanks to its excellent access to properties which meet the strict investment criteria set by publity and investors. A strong network and an in-house database of approximately 9,500 properties, covering nearly 75 % of the relevant German office property market, enable publity to quickly identify suitable properties and form the basis for its high transaction speed. At the same time, the Company takes great care at the time of purchase to ensure that properties have the potential to meet the relevant demand on the market.

In keeping with a manage-to-core strategy, publity's potential for creating value relies on a variety of factors: excellent access to attractive properties with the potential to appreciate in value in off-market deals makes it possible to acquire them at advantageous prices. The properties are then further developed to add value – through technical upgrades, increases in occupancy rates and measures to optimise tenancy agreements. publity's range of services thus stretches from the selection and purchase of properties to active asset-management through to the disposal of the properties. The process for acquiring properties is highly standardised. Our many years of collaboration with well-known partners such as CMS Hasche Sigle for legal advice and albrings + müller ag and Drees & Sommer for technical project organisation and technical due diligence are also positive factors in the equation.

Standardised process

SECURING DEAL
Signing the Letter of Intent (LOI)

→

DUE DILIGENCE
Technical, legal and commercial due diligence

→

DECISION
Analysis of due diligence

→

PURCHASE
Conclusion of purchase contract

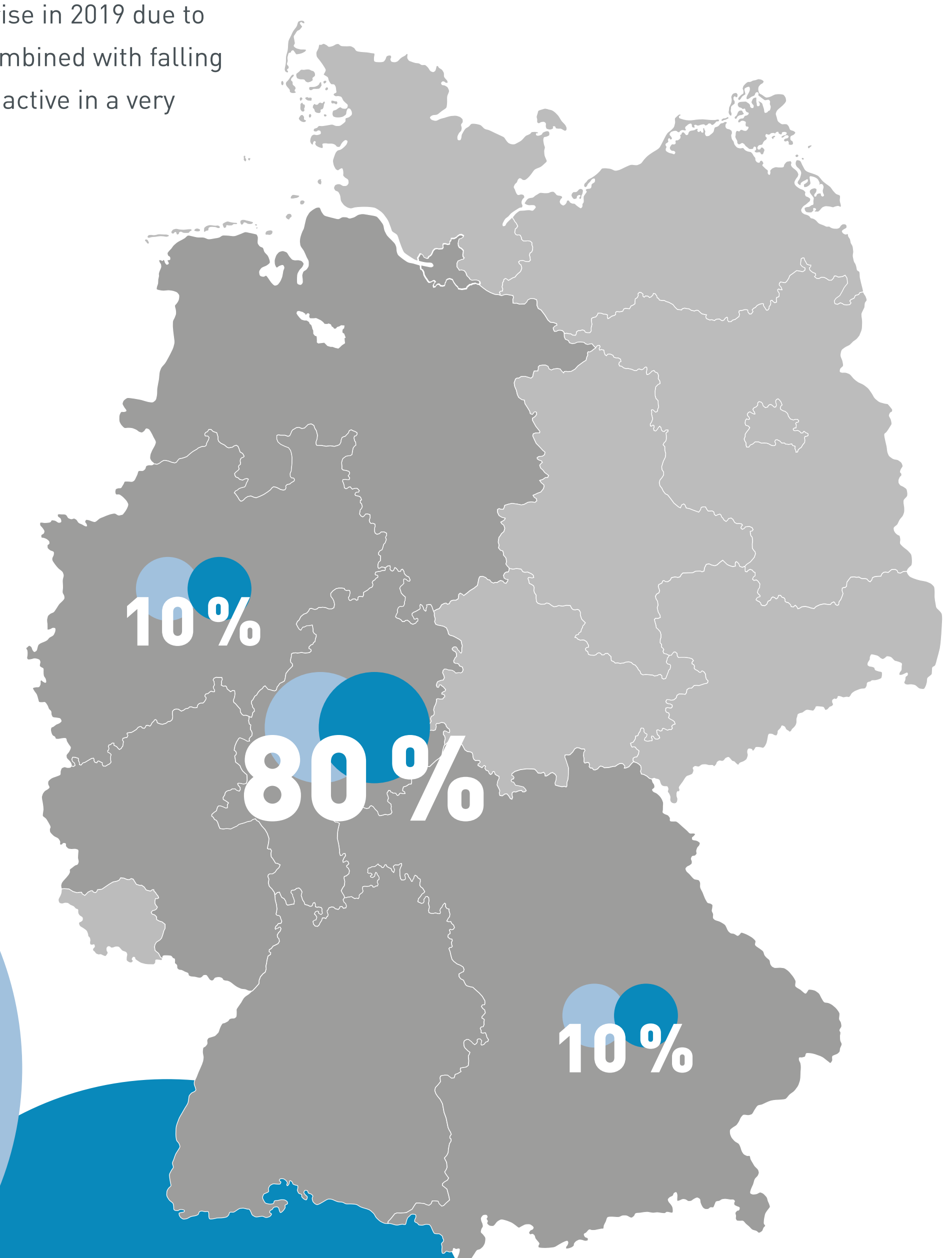
HIGH TRANSACTION SPEED
Conclusion of purchase contract: 4–8 weeks

&

EXTENSIVE EXPERIENCE WITH THESE TRANSACTIONS
1,150 completed transactions

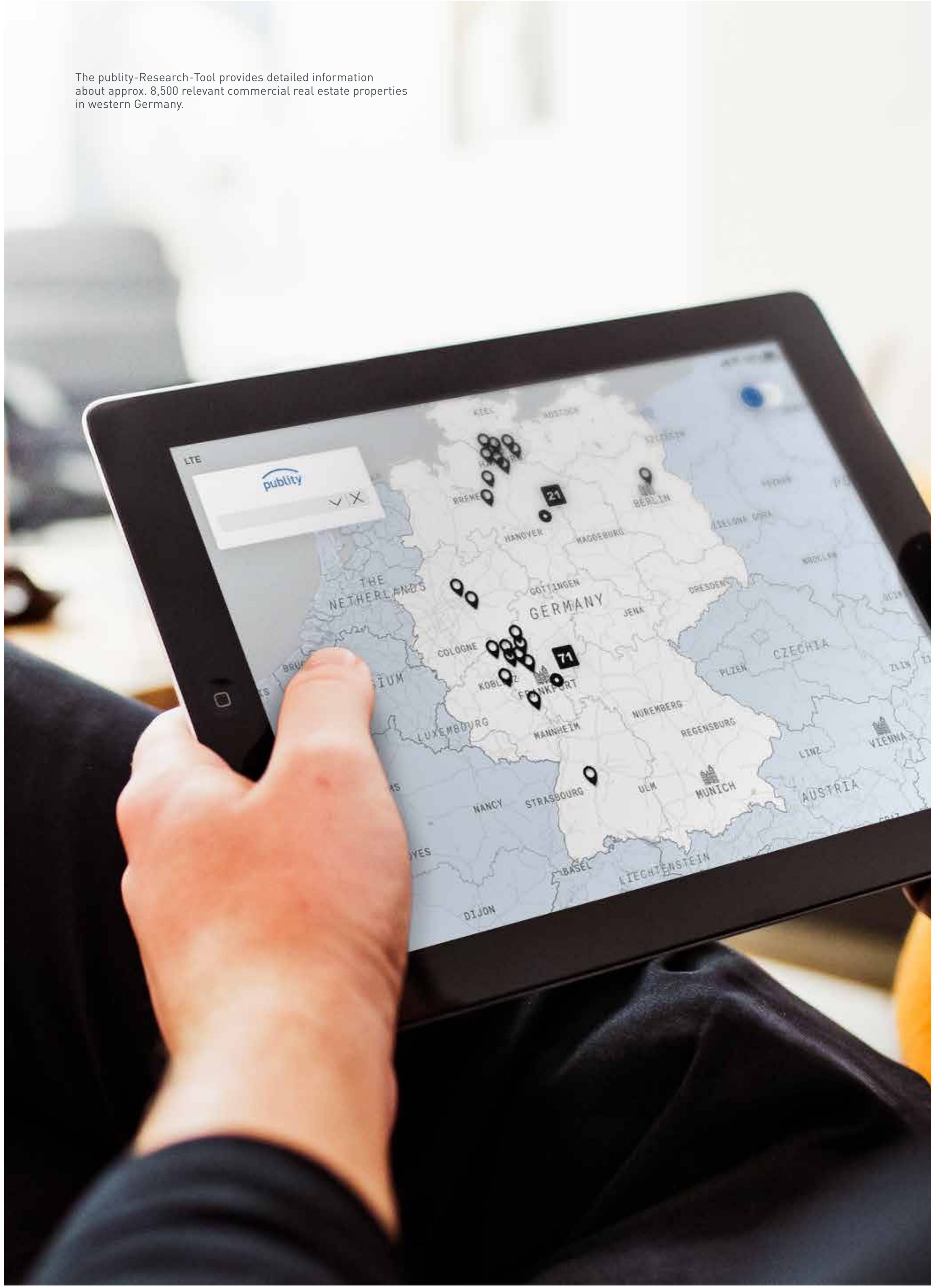
2-pipeline model

publity focuses exclusively on the real estate market in western Germany. Rents for commercial real estate continued to rise in 2019 due to an unbroken high demand combined with falling vacancy rates. publity is thus active in a very attractive market.



EUR 5–25m
48 Assets
EUR 1.0bn

EUR 25–150m
18 Assets
EUR 2.0bn



The publity-Research-Tool provides detailed information about approx. 8,500 relevant commercial real estate properties in western Germany.

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 **9,500 relevant commercial real estate properties** in western Germany. Our own team of researchers examines the market very carefully in order to gather important information on the properties and continuously expand the publity database. 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 publity AG's portfolio

Investments in Germany's stable, dynamic office real estate market

publity AG manages real estate assets amounting to EUR 5.5bn in total (as at the end of December 2019) for institutional investors and within its own real estate portfolio, which is held by the Group subsidiary PREOS Real Estate AG. The focus rests on office properties in excellent locations throughout Germany's top 7 cities.

Since 2018, publity has been building up its own real estate portfolio, adding properties worth approximately EUR 1.1bn. The own portfolio held by the subsidiary PREOS contained a total of 19 properties at the end of 2019 in cities such as Frankfurt and Munich as well as conurbations in North Rhine-Westphalia, offering total rental space of approximately 313,000 sqm. Going forward, the property portfolio will be expanded further through the acquisition of additional properties.

publity's success as an asset manager is underpinned by the significant reduction in vacancies within the properties managed by it.

The properties acquired in 2019 include the 100,000 sqm Karstadt HQ in Essen, the approximately 21,000 sqm Access Tower in Frankfurt/Main and the Sky HQ near Munich, offering more than 30,000 sqm of rental space. In addition, two large properties have already been successfully sold from the own portfolio. These include the St. Martin Tower in Frankfurt/Main, which has approximately 26,000 sqm of space.

ST MARTIN TOWER, Frankfurt / Main


CITY TOWER, Offenbach


Office Building, Neu-Isenburg

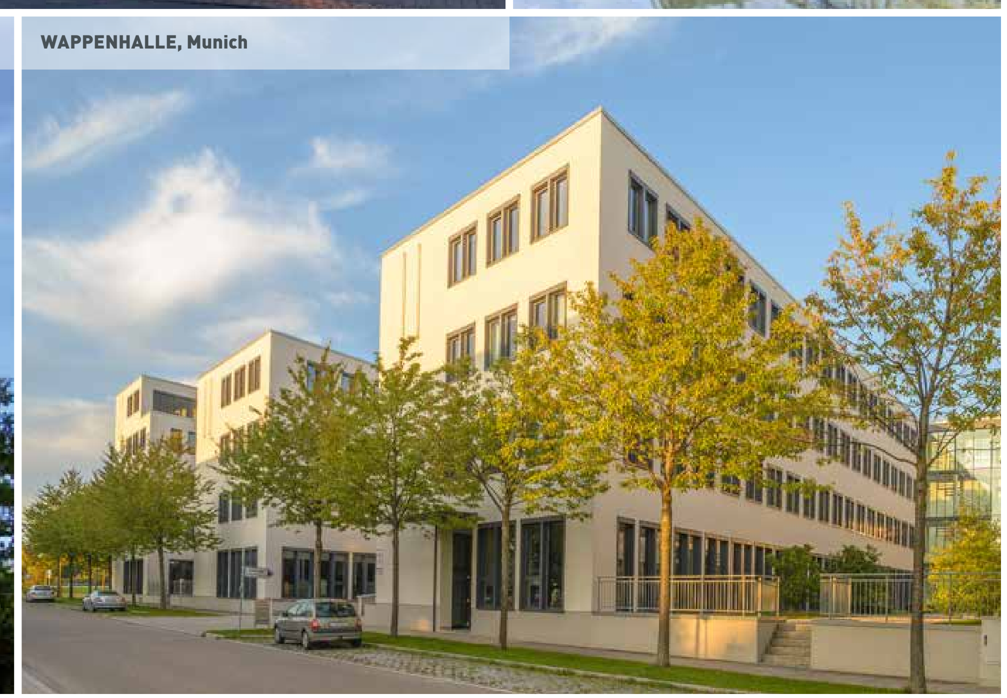

Office Building, Munich


Office Building, Frankfurt / Main


Office Building, Hamburg

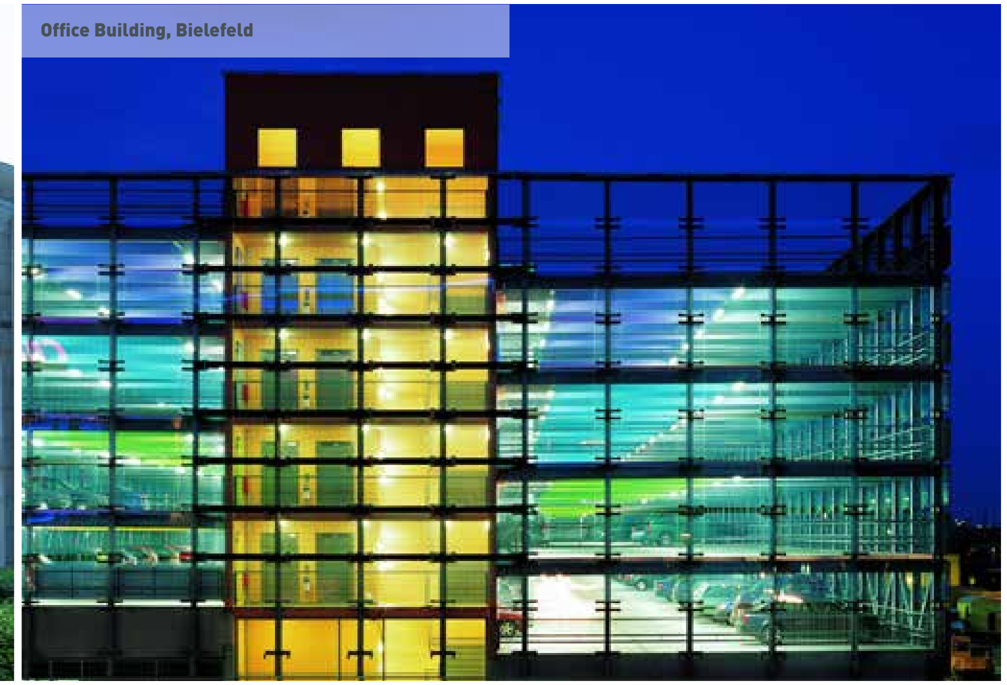

DORNACH, Aschheim


ARTECOM, Ismaning


WAPPENHALLE, Munich


Office Building, Darmstadt


MC 30, Frankfurt / Main


Office Building, Bielefeld


QUATTRIUM, Ratingen


Office Building, Oberhausen


OCI, Ismaning


Office Building, Husum


Office Building, Neu-Isenburg

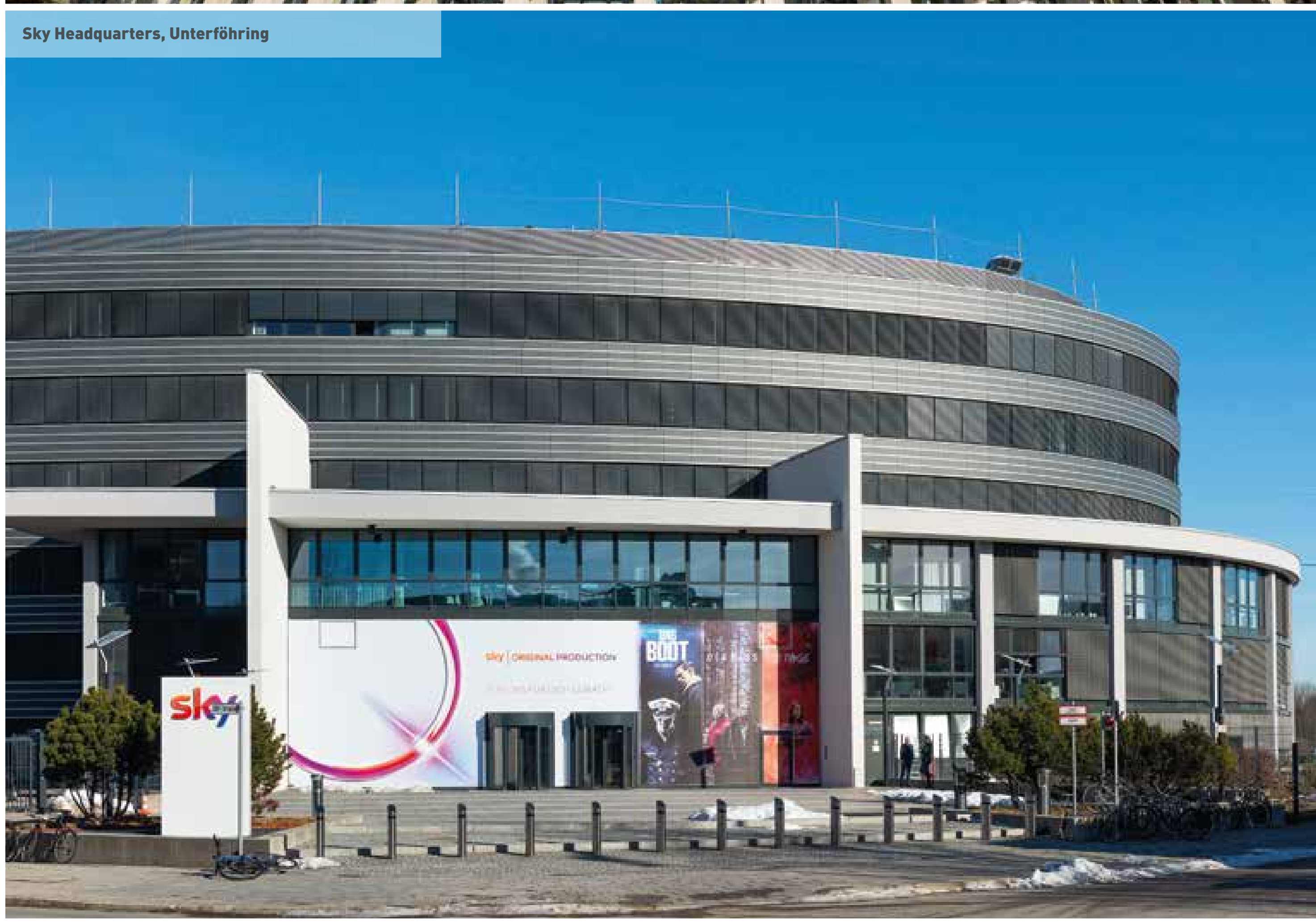

Office Building, Unterschleißheim

Office Building, Hamburg

Centurion, Frankfurt / Main

Office Building, Eschborn

Sky Headquarters, Unterföhring



Access Tower, Frankfurt / Main


WESTENDCARREE

PUBLITY CENTER, Leipzig

KARSTADT, Essen

Office Building, Essen-Bredeney

Office Building, Wilhelmshaven

Office Building, Leonberg

Office Building, Frankfurt/Main

Office Building, Holzwickede

LG, Eschborn

Office Building, Mainz

Office Building, Sauerlach

Office Building, Ismaning

Office Building, Mülheim

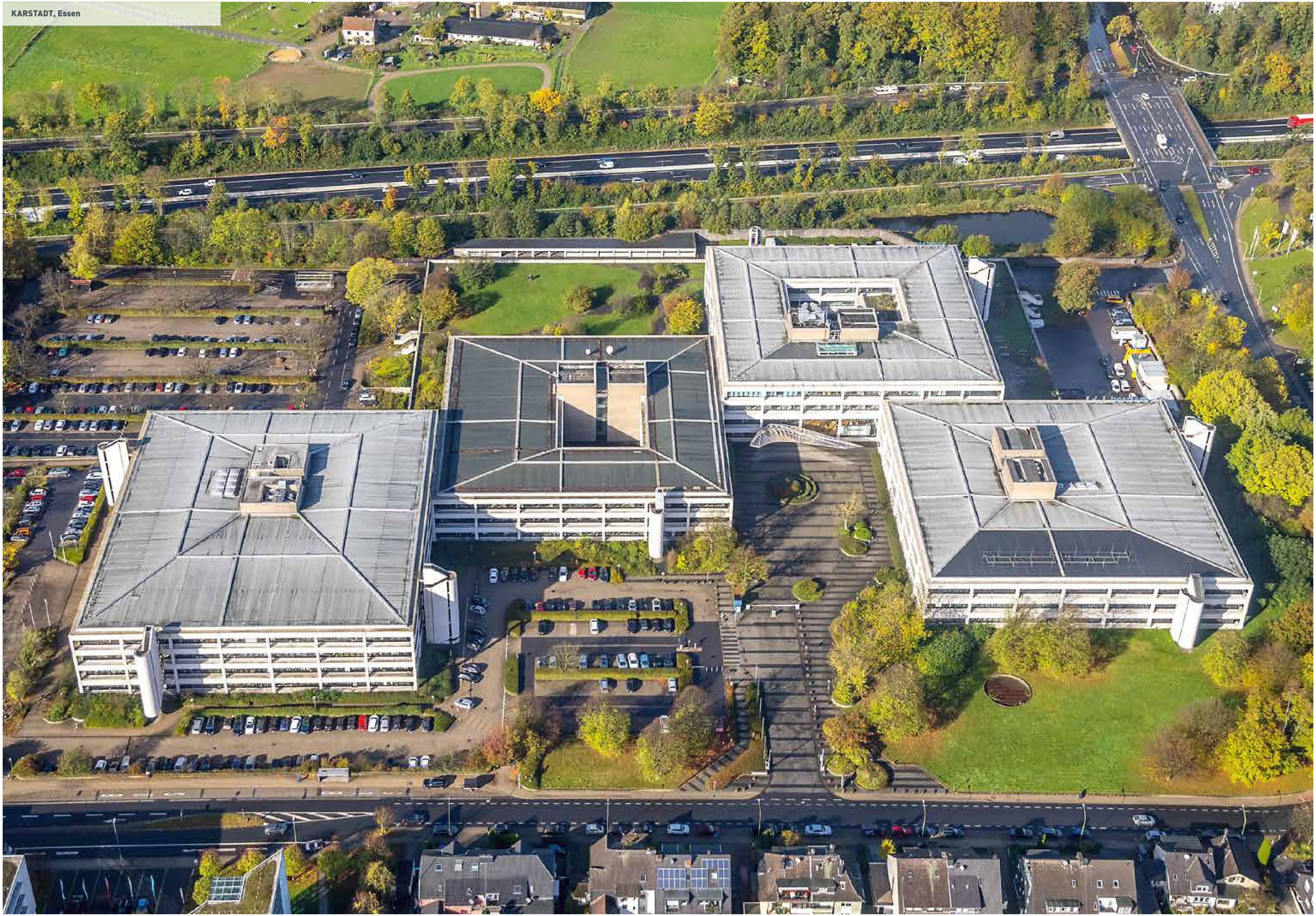
Office Building, Mülheim

Office Building, Herrenberg

Office Building, Taunusstein

Office Building, Krefeld

KARSTADT, Essen

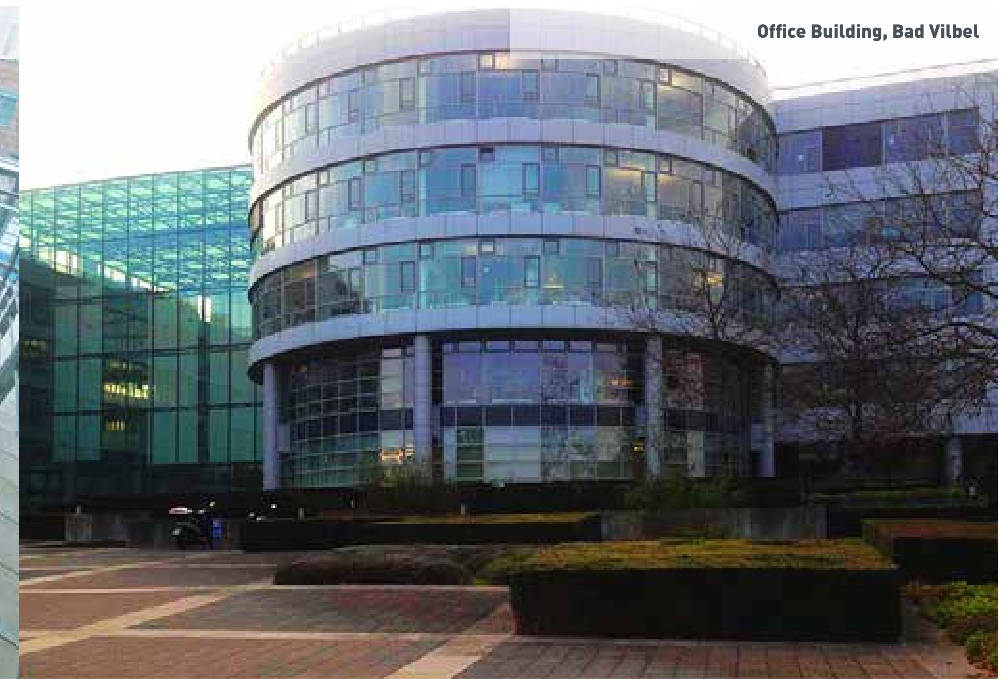


ABC TOWER, Cologne

Office Building, Ratingen

Office Building, Ismaning

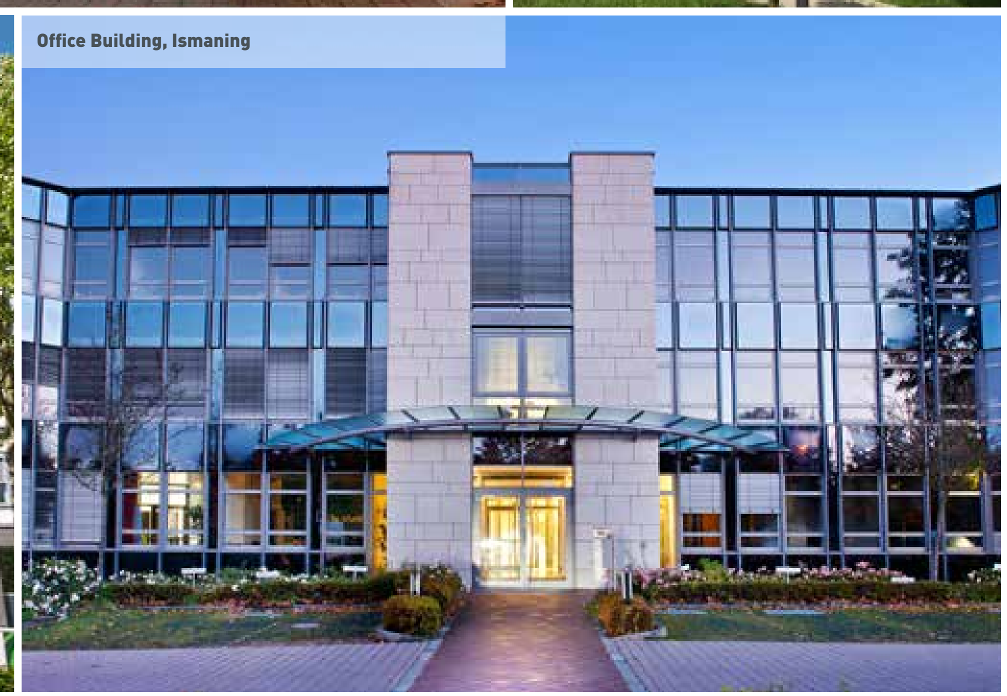
HUMBOLDTHAUS, Aschheim



Office Building, Bad Vilbel

Office Building, Kirchheim

K-LAN, Düsseldorf



Office Building, Ismaning


Office Building, Nieder-Olm


Office Building, Offenbach

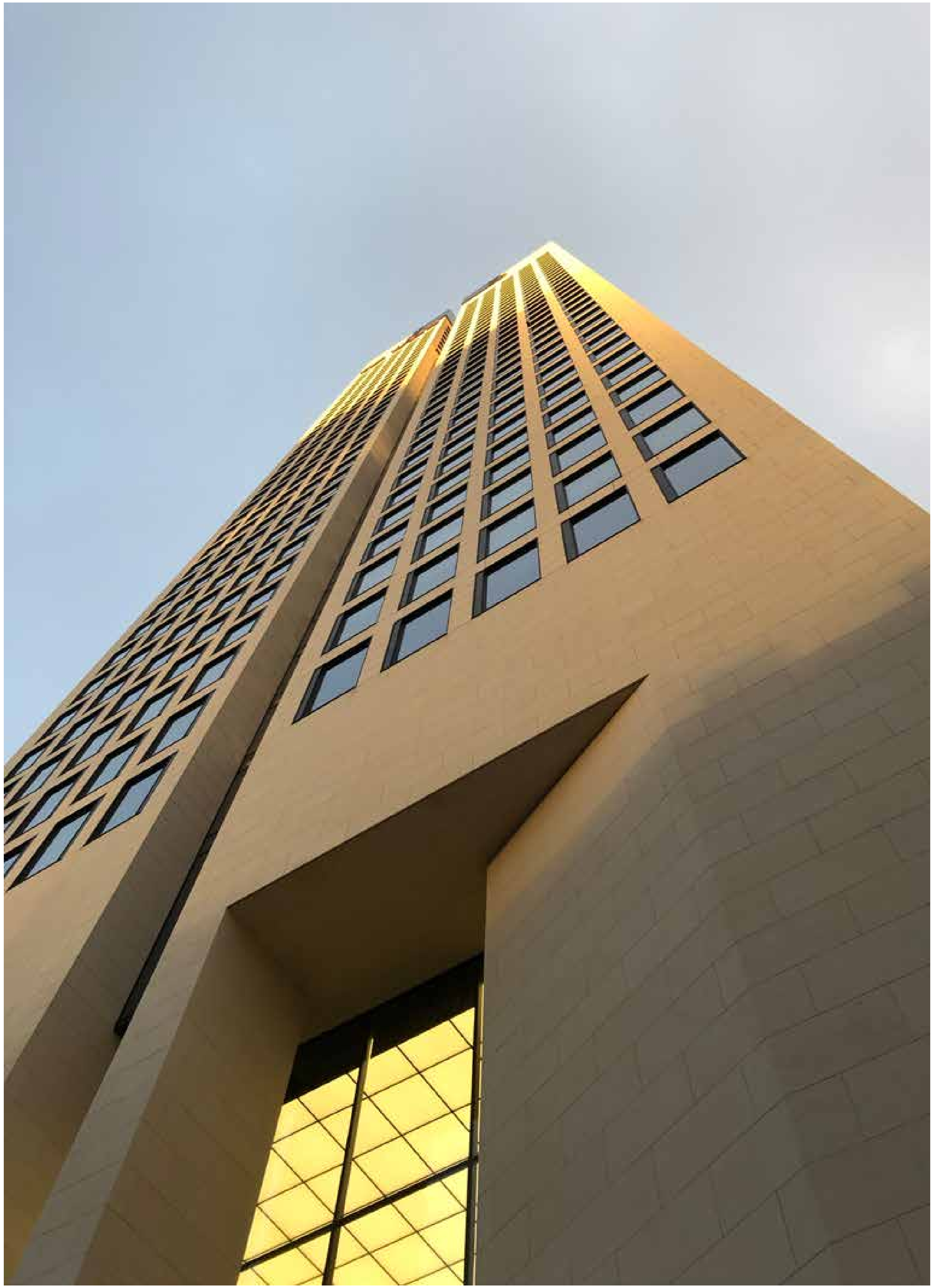

ST MARTIN TOWER, Frankfurt / Main

WAPPENHALLE, Munich


Office Building, Rossdorf


Office Building, Ratingen


Office Building, Sindelfingen



06 **publity-Group**

Company profile

publity AG is an asset-management firm that focuses on office properties in Germany and has invested in expanding and developing its own real estate business since late 2018. The Company was formed in 1999 and is headquartered in Frankfurt / Main. publity AG's CEO, Thomas Olek, is the sole shareholder of TO-Holding GmbH and TO Holding 2 GmbH and indirectly holds approximately 85 % of the shares in publity (as at 31 December 2019). The Company's shares (ISIN DE0006972508) are listed in Deutsche Börse's Scale segment.

In addition to its business on the real estate market, publity also deals in non-performing loans. However, the Company no longer focuses on this business at present. Furthermore, publity has enjoyed a highly successful collaboration with renowned institutional investors for many years. publity caters to the investors' respective objectives and needs, offering them efficient real estate investment solutions.

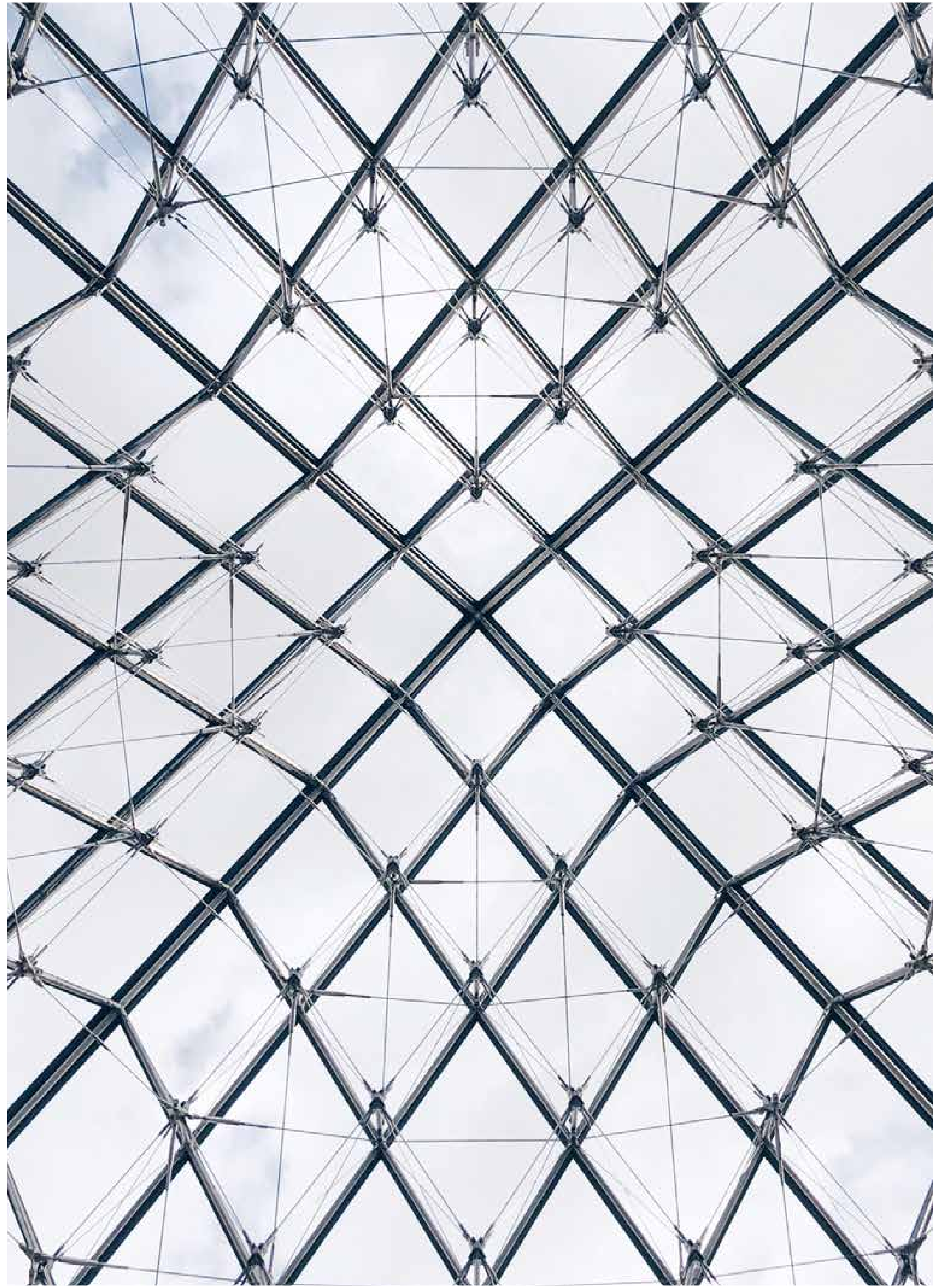
publity's extensive range of services includes the selection and acquisition of properties as well as active real estate asset-management, which helps to improve the properties' letting situation, leading to an appreciation in their value. One key to publity's success in acquiring properties and attracting tenants is its meticulously detailed and updated internal database of German office properties. publity sells properties as an asset manager for its clients and as part of the Group's own real estate business, thereby increasing the value of the properties on the market. publity AG's successful business is built on its extensive knowledge of the market, its established network and its highly efficient, standardised processes.

2019 MILESTONES

The Annual General Meeting on 16 May 2019 resolved to distribute a dividend of EUR 1.50 per no par value share carrying dividend rights (distributed amount: EUR 14,746,875.00). The shareholders had the option of receiving their dividend either entirely in cash or partly in cash and partly in shares of publity AG utilising Authorised Capital 2016/I. The implementation of the corresponding capital increase in conjunction with the dividend payment was recorded in the commercial register on 25 June 2019.

The Group's own real estate business was further expanded in financial year 2019. In addition to acquiring further properties, publity also integrated PREOS Real Estate AG, a real estate portfolio holder, into the Group. This was achieved in part after the Annual General Meeting of PREOS Real Estate AG on 28 August 2019 resolved a capital increase for contributions in kind, in connection with which publity AG contributed 94.9% of the shares in publity Investor GmbH to PREOS Real Estate AG as an in-kind contribution in return for the issue of shares.

By contributing 94.9% of the shares in publity Investor GmbH to PREOS Real Estate AG, publity AG outsourced the Group's own real estate business entirely to PREOS Real Estate AG and its subsidiaries and sub-subsidiaries and in connection with this also expanded its real estate portfolio. From an economic and financial perspective, PREOS Real Estate AG has now been integrated into the publity-Group. However, publity AG does not exert any influence on PREOS Real Estate AG's management.



Fundamental information about the Group

BUSINESS MODEL

The business of publity AG and its subsidiaries and their respective subsidiaries (the "publity-Group") comprises

(1) the management of real estate properties and loan portfolios

(2) investments in real estate and loan portfolios, and

(3) the structuring and management of investment products in the form of limited partnerships (Kommanditgesellschaften) for institutional and retail investors.

In 2018, publity AG began to acquire properties for the Group's own real estate business via publity Investor GmbH, which at that time was publity AG's direct, wholly owned subsidiary. The Company ventured into this new line of business in order to combine the current income generated from publity AG's asset-management services with the returns resulting from the optimisation and subsequent sale of properties.

The Group's own real estate business was further expanded in financial year 2019. In addition to acquiring further properties, publity also welcomed PREOS Real Estate AG, a real estate portfolio holder, to the Group. This was achieved after the Annual General Meeting of PREOS Real Estate AG on 28 August 2019 resolved a capital increase for contributions in kind, in connection with which publity AG contributed 94.9 % of the shares in publity Investor GmbH to PREOS Real Estate AG as an in-kind contribution in return for the issue of shares.

By contributing 94.9 % of the shares in publity Investor GmbH to PREOS Real Estate AG, publity AG outsourced the Group's own real estate business entirely to PREOS Real Estate AG and its subsidiaries and sub-subsidiaries and in connection with this also expanded the Group's real estate portfolio. In economic and financial terms, PREOS Real Estate AG has now been integrated into the publity-Group. However, publity AG has no influence on the management of PREOS Real Estate AG.

The publity-Group also structures and manages investment products for institutional and retail investors, in particular closed-end real estate funds. To date, the Group has issued three closed-end real estate fund in the form of retail alternative investment funds (Publikums-AIF). publity Emissionshaus GmbH functions as the general partner (Komplementär) for these funds. The funds are managed by publity Performance GmbH, which is licensed to operate as a German investment management company (Kapitalverwaltungsgesellschaft, "KVG") as defined by the German Investment Code (Kapitalanlagegesetzbuch, "KAGB").

In the past, the publity-Group also issued several funds and certificates for retail and institutional investors in the area of non-performing loans (NPLs) (i.e., loans that were no longer being serviced in accordance with their terms) that had already been or were being settled. There are currently no plans to launch any new such funds. However, via publity Investor GmbH, the publity-Group acquired and now manages NLP portfolios.

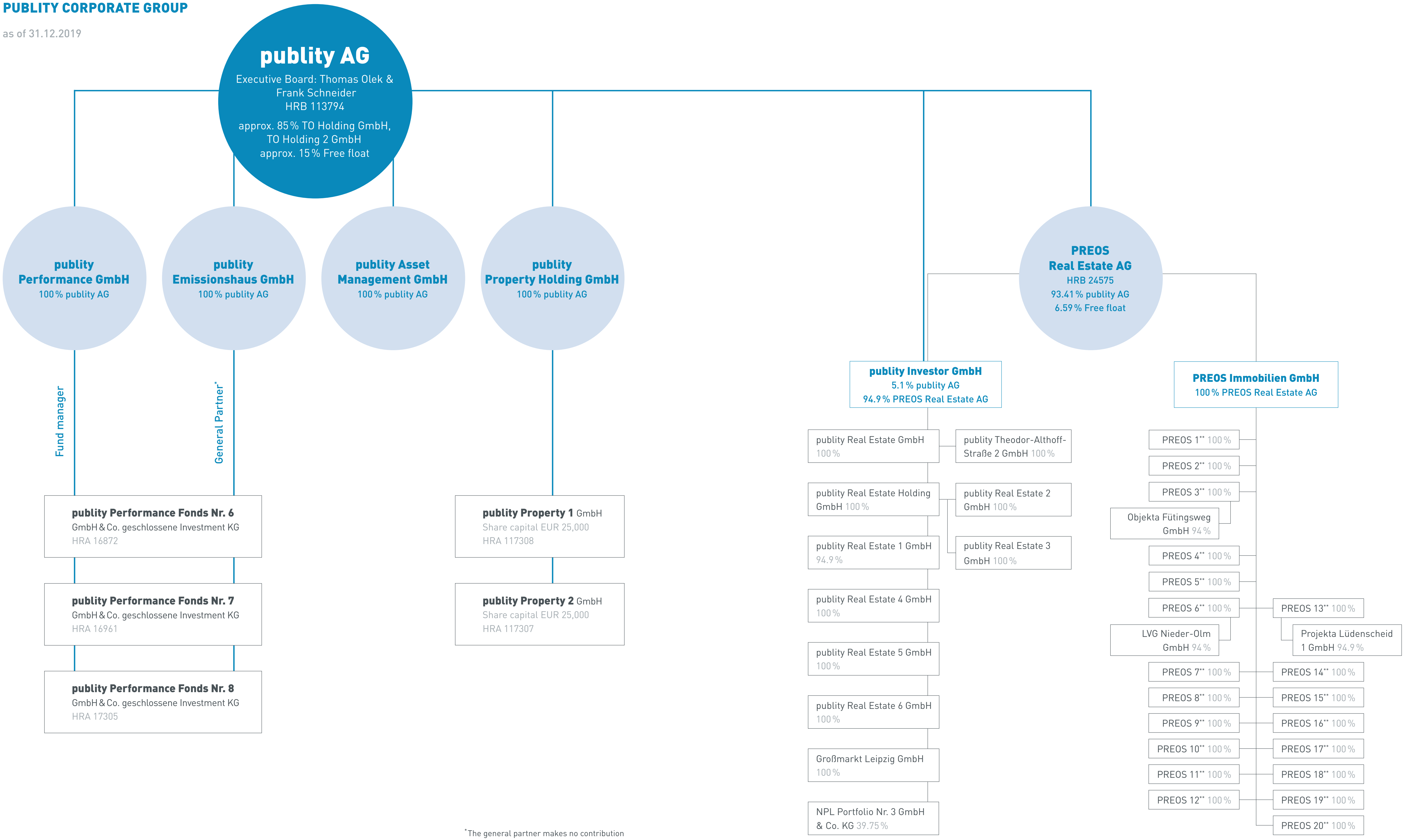
The publity-Group furthermore co-invests in joint ventures with institutional investors, and as such participates in the transactions of the Luxembourg-based joint venture publity Real Estate Opportunity Services S.à. r.l. (PREOS 1). The publity-Group's co-investments in PREOS 1 include loans and other financing instruments. The Company has taken on responsibility for the real estate asset-management for the portfolios acquired by PREOS 1 and participates in the successful sale or realisation of the properties. At the end of 2018, the Company reduced its shareholding in PREOS 1 from 50 % to 15 % as part of a restructuring.

ORGANISATION AND GROUP STRUCTURE

The table next page presents publity AG's material subsidiaries, sub-subsidiaries and equity investments as at 31 December 2019.

ORGANIZATION CHART OF THE PUBLITY CORPORATE GROUP

as of 31.12.2019



*The general partner makes no contribution and has no interest in the capital of the limited partnerships

**Beteiligungsgesellschaft mbH

In financial year 2019, the Company had four direct, wholly owned subsidiaries: (i) publity Property Holding GmbH; (ii) publity asset-management GmbH; (iii) publity Emissionshaus GmbH, the general partner (and liquidator) for the closed-end real estate funds launched by the publity-Group; and (iv) publity Performance GmbH, which manages the closed-end real estate funds as an external German investment management company (KVG) as defined by the German Investment Code. In addition, publity AG also holds more than 93.4 % of the shares in PREOS Real Estate AG, the holding company for the Group's own real estate business, and 5.1 % of the shares in publity Investor GmbH.

In turn, PREOS Real Estate AG has two direct subsidiaries: PREOS Immobilien GmbH (100 %) and publity Investor GmbH (94.9 %). PREOS Real Estate AG primarily controls the publity-Group's real estate business through these two subsidiaries which function, inter alia, as intermediate holding companies.

The commercial properties in connection with the Group's real estate business are generally indirectly held via the individual separate subsidiaries and sub-subsidiaries of publity AG and PREOS Real Estate AG. Commercial real estate is acquired either by way of asset or share deals.

REAL ESTATE FUNDS AND NPL FUNDS

Closed-end real estate funds

publity Emissionshaus GmbH serves as the general partner for the aforementioned fund companies, but does not hold an equity interest in any of the companies. The funds are closed-end real estate funds. The capital raised by the respective fund is or was used to acquire the fund properties. Once the fund properties have been sold, payments are made to the fund investors. Neither the company nor its subsidiaries hold an interest in the limited partnership capital of these funds. Therefore, neither the legal nor the beneficial ownership of the fund properties can 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., the fund investors. The company and its subsidiaries have furthermore not assumed any guarantees for repayment claims asserted against the funds by the fund investors.

NPL funds

Since 2009, publity AG has issued several funds and certificates for retail and institutional investors in the area NPLs with a focus on the acquisition and sale of NPL receivables in Germany.

This business no longer forms a part of publity AG's principal activities. Eight of the nine funds launched by publity AG have already been fully liquidated and have since been deleted from the commercial register.

Only the closed-end fund NPL Portfolio Nr. 3 GmbH & Co. KG, which went into liquidation upon expiry of 31 December 2018 in accordance with the prospectus (**"NPL Fonds Nr. 3"**), is currently still being wound up.

In the case of this fund publity Investor GmbH served as general partner as well as liquidator in connection with the liquidation of the fund. With the exception of the closed-end fund NPL Portfolio Nr. 3 GmbH & Co. KG, publity Investor GmbH does not hold an interest in the capital of the respective fund company. With regard to the liquidation of the closed-end fund NPL Portfolio Nr. 3 GmbH & Co. KG, publity Investor GmbH had, in 2018, acquired limited partnership interests amounting to EUR 2.25m in the limited partnership capital from investors of the closed-end fund NPL Portfolio Nr. 3 GmbH & Co. KG and since then holds a limited partnership interest amounting to EUR 2.25m in the limited partnership capital of the closed-end fund NPL Portfolio Nr. 3 GmbH & Co. KG. This equity investment represents an interest of 39.75 % of the total limited partnership interest.

There are currently no plans to launch any new NPL funds.

COMPETITIVE SITUATION AND COMPETITIVE STRENGTHS

When it comes to identifying suitable real estate properties for its asset-management clients as well as identifying the real estate properties to be acquired by the publity-Group itself, the publity-Group's primary competitors are and have been investors active on the German real estate market. In the publity-Group's view, this includes, for example, family offices, national and international open- and closed-end alternative investment funds, insurance / pension funds, sovereign wealth funds and private equity funds. But REITs and banks are also buyers on the real estate market. International investors – including an increasing number of Asian financiers – have been turning their focus to the German investment market. As part of its manage-to-core strategy, i.e., transforming a property into a better risk class, the Company aims to minimise the vacancy rates of the properties it manages and those held by the Group. In this respect, the Company competes against lessors of commercial properties. In addition, publity AG also competes with other asset managers offering similar services to third-party clients.

In its search for parties to acquire its properties, the publity-Group generally 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 retail AIFs (Publikums-AIF) and special AIFs (Spezial-AIF). The publity-Group believes that its competitive position is based in particular on the following competitive strengths:

Market access and expertise
The publity-Group is familiar with the situation on the German real estate market and, in its opinion, can rapidly respond to new developments. It has completed several hundred transactions and has a robust network within the real estate sector and among the workout departments of financial institutions.

Efficient, streamlined processes
The Company has developed standardised and formalised processes that enable transactions to be executed quickly. In particular, the economic, technical and legal due diligence reviews and audits by internal and external experts have been formalised and can be implemented at short notice. At the same time, the Company has flat hierarchies and few governing bodies, meaning that the Company can quickly prepare investments despite the comprehensive reviews and audits.

Thus, the Company is generally in a position to conclude the process of acquiring a property for its clients, but also for the publity-Group's real estate business, within four to six weeks of entering into an exclusivity agreement. In the Company's opinion and based on its experience, many of the its competitors require more time to complete a transaction.

Asset-management experience
As a real estate asset manager, the publity-Group has experience in managing and servicing more than 600 properties on the basis of its manage-to-core strategy. This enables it to develop and implement a management strategy for newly acquired properties. In the past, the publity-Group has often successfully raised the occupancy rate of a property, thereby enhancing its attractiveness on the market. Given that the publity-Group strives to focus its investments in real estate on those properties which are already operated at or below cost, there is no immediate pressure to sell, providing the publity-Group with sufficient time to optimise the properties as required. This applies to properties that are held by the publity-Group itself as well as to properties held by its external clients. On account of its experience in selling real estate, the publity-Group maintains close contacts with international real estate brokers and direct access to prospective buyers.

Infrastructure
The publity-Group's infrastructure is tailored to its business model, thereby offering the Group a decisive advantage over its competitors. In light of its business activities in real estate and non-performing loans, the publity-Group has established its own administration for contract, risk and liquidity management. In addition, the publity-Group also works with a network of external service providers, such as real estate experts, lawyers and valuation experts.

CORPORATE STRATEGY

In financial year 2019, the publity-Group's corporate strategy was geared primarily towards expand its own existing portfolio. By contrast, the management of loan portfolios no longer forms part of the Company's principal business activities. The Company pursued the following strategic objectives:

Focus on the German real estate market
The focus of the Company's business activities remained on the German real estate market, particularly on commercial and office properties. The Company believes there will continue to be the potential for creating value in connection with its efforts to assist its external clients and the publity-Group to acquire properties as well as the management of such properties. According to the Company, there are no signs that the conditions on the real estate market will deteriorate. The Company has leveraged its expertise and many years of experience in real estate asset-management, its access to real estate and to prospective buyers of properties to generate attractive returns. In the Company's view, investor demand for German commercial real estate, particularly from abroad, did not wane.

Allocation of revenue to several business areas
The publity-Group's business model comprises several business areas that have been described above. The basis for the revenue generated by the Company (or its Group) is the revenue generated from the existing asset-management engagements (i.e., finders' fees, asset-management fees and any fees in the event properties are sold at a profit). These contractually agreed payments thus form the primary revenue stream with steady cash flows; the Company is not exposed to any or only limited investment or financing risks. The publity-Group combines this model of fixed and constant revenue from asset-management (as well as maintenance) services with the opportunity to generate attractive returns through the Group's new own real estate business that was launched at the end of financial year 2018. This new line of business fell into focus towards the end of financial year 2018, and will be subject to further expansion going forward. The objective of this business area is to optimise and subsequently sell the properties held by the Group. However, by generally focussing on commercial properties, which are already operated at or below cost, the publity-Group avoids to pressure of having to sell the properties, should the optimisation measures require more time than expected. In this case, current rental income can help to absorb any additional costs incurred.

The Executive Board

During the financial year 2019, the Company's Executive Board comprised the following members:

Executive Board member	Area of responsibility	Initial appointment	End of current term of office
Thomas Olek (Chairman and CEO)	Strategy, Finance, Investor Relations, Public Relations, among other areas	9 Oct. 2003	3 Oct. 2023
Frank Schneider	Asset-management, Transactions, Retail Funds, among other areas	20 Nov. 2018 (with effect from 1 Dec. 2018)	30 Nov. 2024

Thomas Olek

Thomas Olek was born in Essen, North Rhine-Westphalia, in 1968. He has been self-employed since 1991. From 1998 to 2002, he was an advisor to Sächsische Landesbank and worked closely with the then members of the executive board. On 8 April 2003, Thomas Olek became the majority shareholder of publity AG; on 9 October 2003, he was appointed Chairman and CEO of publity AG. Under his stewardship, publity AG has been active on the German real estate market since 2004. Thomas Olek has been a member of the International Bankers Forum (IBF) since 8 October 2010. Furthermore, he served as a committee member of the Steering Committee of BundesvereinigungKreditankauf und Servicing e. V. (BKS) from March 2010 to May 2013. Thomas Olek has since been reappointed to the Executive Board by the Company's Supervisory Board.

Positions held at the publity-Group	from	until
Chairman and CEO of publity AG	2003	present
Managing Director of publity Emissionshaus GmbH	2012	present
Managing Director of publity Asset Management GmbH	2019	present
Managing Director of publity Property Holding GmbH	2019	present
Managing Director of publity Property 2 GmbH	2019	present

In addition to his roles at the publity-Group, Mr Olek also holds the following positions:

Company / position	from	until
Managing Director of Olek Capital S.à r.l.	2012	present
Managing Director of TO-Holding GmbH	2012	present
Managing Director of TO-Holding 2 GmbH	2018	present
Managing Director of TO-Holding 1 GmbH	2019	present
Member of the Executive Board of FORE AG	2020	present

Frank Schneider

Frank Schneider was born in Pinneberg, Schleswig-Holstein, in 1963. From 1999 to April 2018, Frank Schneider was an attorney specialising in real estate and construction at the law firm CMS Hasche Sigle, where he became partner in January 2004. Prior to that, he was legal counsel at the HOCHTIEF construction group. Frank Schneider has many years of experience related to legal project management for real estate transactions and has provided legal advice and counsel to the Issuer for many years in real estate purchase and sales processes. From October 2012 to November 2014, Mr Schneider was a member of the Issuer's Supervisory Board, having served as Supervisory Board Chairman until May 2014.

Positions held at the publity-Group	from	until
Member of the Executive Board of publity AG	2018	present
Managing Director of publity Performance GmbH	2019	present
Managing Director of publity Asset Management GmbH	2019	present
Managing Director of publity Investor GmbH	2019	present
Managing Director of publity Property Holding GmbH	2019	present
Managing Director of publity Property 1 GmbH	2019	present
Managing Director of publity Property 2 GmbH	2019	present
Managing Director of publity Real Estate Holding GmbH	2019	present
Managing Director of publity Real Estate GmbH	2019	present
Managing Director of publity Real Estate 1 GmbH	2019	present
Managing Director of publity Real Estate 2 GmbH	2019	present
Managing Director of publity Real Estate 3 GmbH	2019	present
Managing Director of publity Real Estate 4 GmbH	2019	present
Managing Director of publity Real Estate 5 GmbH	2019	present
Managing Director of publity Real Estate 6 GmbH	2019	present
Managing Director of publity Theodor-Althoff-Straße 2 GmbH	2019	present
Managing Director of GGC Westendcarree S.à r.l.	2020	present

In addition to his roles at the publity-Group, Mr Schneider also holds the following positions:

Company / position	from	until
Member of the Supervisory Board of Diakonissenkrankenhaus Leipzig GmbH	2007	present
Member of the Executive Board of Diakonissenhaus Leipzig e.V.	2007	present
Chairman of the Supervisory Board of GORE German Office Real Estate AG	2019	present

In accordance with article 5 of the Articles of Association, the Executive Board represents the Company both in and out of court. If more than one member has been appointed to the Executive Board, the Company is represented jointly by two members of the Executive Board or by one member and a commercial attorney-in-fact (Prokurist). If the Executive Board has only one member, he or she represents the Company alone.

However, the Supervisory Board can grant Executive Board members the right of sole representation and exempt them from the prohibition on multiple representation in accordance with section 181 alt. 2 of the German Civil Code (Bürgerliches Gesetzbuch, BGB).

CEO Thomas Olek has been granted the right of sole representation and exempted from the limitations of section 181 alt. 2 BGB. The member of the Executive Board Frank Schneider is authorised to represent the Company jointly with one other Executive Board member or a commercial attorney-in-fact.

The Executive Board can be contacted at the Company's business address: OpernTurm, Bockenheimer Landstraße 2–4, 60306 Frankfurt / Main.

The Supervisory Board

In financial year 2019, the Supervisory Board comprised the following three members:

Supervisory Board	Position	Initial appointment	End of current term of office
Hans-Jürgen Klumpp	Chairman of the Supervisory Board	22 Dec. 2016, appointed by the Local Court of Leipzig	2020
Prof. Dr. Holger Till	Deputy Chairman of the Supervisory Board	30 Aug. 2019, appointed by the Local Court of Frankfurt / Main	2020
Frank Vennemann	Member of the Supervisory Board	14 Jan. 2019, appointed by the Local Court of Frankfurt / Main	2020
Norbert Kistermann	Deputy Chairman of the Supervisory Board	9 Dec. 2014, appointed by the Local Court of Leipzig	(departed as at 29 Aug. 2019)

Hans-Jürgen Klumpp

Hans-Jürgen Klumpp, Dipl.-Kfm., born 7 July 1947, has more than 25 years' experience in the banking sector. He has held managing positions at Stadtsparkasse Köln, Sparkasse Bielefeld and Landesbank Sachsen Girozentrale, Leipzig, among others. Most recently, he was the Deputy Chairman of the Executive Board at Landesbank Sachsen Girozentrale, where he was responsible for Risk Managements, Back Office, Accounting / Reporting / Tax, HR, Equity Investment Management, e-Business and Organisation. He was also Chairman of the Executive Board of Sächsische Aufbaubank GmbH Dresden (SAB) during its formation phase. He was the Chairman of the Supervisory Board of setis-bank AG, Leipzig, Deputy Chairman of the Supervisory Board of SüdKA GmbH Stuttgart / Frankfurt as well as of Consors Capital Bank AG, Berlin, Chairman of the Supervisory Board of Kommunale Entwicklungsgesellschaft der sächsischen Sparkassen mbH, Pirna, and member of the Supervisory Board of DekaBank GmbH, Frankfurt, including numerous other positions.

From January 2002 to November 2005, Mr Klumpp was a member and then Chairman of the Issuer's Supervisory Board. He was reappointed Chairman of the Supervisory Board on 17 January 2019.

In addition to his work on the Supervisory Board of the Issuer, Mr Klumpp also holds the following positions:

Company / position	from	until
Supervisory Board of publity Performance GmbH	2017	present

Prof. Dr. Holger Till

Prof. Holger Till, born 14 October 1962, has more than 20 years' experience in the strategic and lean management of organisations. After earning his medical degree, doctorate and post-doctoral qualification, Mr Till in 2012 became the Director of the University Clinic for Paediatric Surgery of the Medical University of Graz, where his areas of responsibility also included Strategy, Finance, Marketing and HR. In addition, since 2009, Mr Till has been an investor / shareholder of ZIFRU Trockenprodukte GmbH, which has developed a special food drying procedure. From 2012 to 2015, Mr Till was also a shareholder of HORICON Invest Immobiliengruppe, which specialises in the marketing and sale of larger real estate packages in Berlin. From 2014 to 2019, Mr Till was a member of the Board of Directors of HOCHDORF Swiss Nutrition AG, which specialises in the development, production and marketing of dairy-, grain- and oil seed-based foodstuffs. In this context, Mr Till is also responsible for Strategy (including corporate transactions), Finance, HR, Sales and Marketing. Mr Till is also the recipient of numerous research awards, a member of Boards of Directors in Switzerland and the President of the International Pediatric Endosurgery Group (IPEG).

In addition to his work on the Supervisory Board of the Issuer, Prof. Till also holds the following positions:

Company / position	from	until
Member of the Executive Board of the University Clinic for Paediatric Surgery (Medical University of Graz)	2013	present
Member of the Board of Directors of HOCHDORF Swiss Nutrition AG	2014	2019
President of the International Pediatric Endosurgery Group (IPEG)	2019	present

Frank Vennemann

Frank Vennemann, born 16 May 1964, has been an attorney admitted to the bar for more than 25 years. Mr Vennemann began his career in law in 1994 as an attorney at the Leipzig practice of the law firm Deringer Tessin Herrmann & Sedemund (later Freshfields Bruckhaus Deringer). In 1995, he formed the Tintelnot & Partner law firm together with Albrecht Tintelnot and from 2001 to 2015 was one of the partners at the law firm Mohns Tintelnot Pruggmayer Vennemann. Since 2016, Frank Vennemann has been an equity partner at the law firm Gruendelpartner Rechtsanwälte. He specialises in real estate and corporate law as well as hospital law. Mr Vennemann also advises in particular on corporate acquisitions and privatisations.

In addition to his work on the Supervisory Board of the Issuer, Mr Vennemann also holds the following positions:

Company / position	from	until
Member of the Board of Trustees of St. Elisabeth-Krankenhaus Leipzig Gemeinnützige Gesellschaft mbH des Katholischen Kirchenlehens St. Trinitatis	1998	present
Partner at Gruendelpartner Rechtsanwälte Steuerberater Wirtschaftsprüfer PartGmbB	2016	present
Supervisory Board of publity Performance GmbH	2019	present

Norbert Kistermann

Norbert Kistermann, Dipl.-Bankbetriebswirt, born 3 May 1963, has more than 20 years' experience in the banking sector. The positions he has held include Chairman of the Management Corporate Banking Region Bayern for Dresdner Bank AG, Munich, Head of Division (second-tier management) at BHF-BANK, Frankfurt / Main, and member of the Executive Board of a medium-sized bank in Essen / Hamburg. Mr Kistermann has been the CEO of a medium-sized private bank since 2015.

CHANGES TO THE SUPERVISORY BOARD WITHIN THE REPORTING YEAR

Mr Norbert Kistermann resigned from his office as Deputy Chairman of the Supervisory Board of publity AG with effect from 28 August 2019 due to scheduling conflicts. He had been the Deputy Chairman of the Supervisory Board of publity AG since December 2014 and contributed to publity AG's positive performance through his many years of experience in the area of capital markets and transactions.

Upon entry into force of his resignation, the Company's Supervisory Board comprised only two members. Therefore, upon application of the Executive Board, with the support of the remaining members of the Supervisory Board, the Local Court of Frankfurt/Main appointed Prof. Holger Till as a member of the Supervisory Board with immediate effect by order dated 30 August 2019 for the period until the end of the Company's next Annual General Meeting.
Prof. Holger Till (57) is the Director of the University Clinic for Paediatric Surgery of the Medical University of Graz, where his areas of responsibility also included Strategy, Finance, Marketing and HR. Prof. Holger Till is now to be elected as a member of the Supervisory Board by the Company's Annual General Meeting on 26 May 2020.

Following Mr Vennemann's appointment by the Local Court of Frankfurt/Main, the Supervisory Board unanimously elected Mr Hans-Jürgen Klumpp as the Chairman of the Supervisory Board at the Supervisory Board's constituting meeting. Prof. Holger Till was elected as the new Deputy Chairman of the Supervisory Board of publity AG.

EXECUTIVE BOARD MATTERS

On 30 November 2019, the Supervisory Board of publity AG extended Mr Frank Schneider's Executive Board service agreement until 30 November 2024. His Executive Board service agreement was extended in particular in order to take into account the new requirements resulting from the expansion of publity AG's business activities to include the Group's own real estate business. Mr Frank Schneider's responsibilities on the Executive Board include in particular asset-management, transactions and Retail Fund Management.

Compensation

REMUNERATION OF THE EXECUTIVE BOARD

For financial year 2019 the members of the Executive Board received total remuneration amounting to approximately TEUR 613. This comprised fixed annual remuneration (TEUR 607) and the use of company cars (TEUR 6). The service agreements for 2019 for the members of the Company's Executive Board specify fixed annual remuneration of TEUR 360 for Mr Olek; Mr Schneider's service agreement specified fixed annual remuneration of TEUR 240 (until 30 November 2019) and fixed annual remuneration of TEUR 320 (from 1 December 2019). The service agreements do not specify any variable remuneration components either for Executive Board member Thomas Olek or for Executive Board member Frank Schneider. In the event of the death of a member of the Executive Board during the term of the service agreement, his or her relatives receive salary payments in the month of death and the subsequent three calendar months.

In the event of an illness or other inability to work for which the Executive Board member is not responsible, the Executive Board member will be paid the remuneration agreed in the agreement for a period of six months, but no longer than until the end of the service contract's term. The continued payments are reduced by amounts received by the Executive Board member from third parties for this period, particularly from health insurance or sick pay insurance. The Executive Board member will be reimbursed for reasonable expenses arising as required in the Company's interests. Reimbursement for the expenses arising will be paid upon submission of original receipts or in a lump sum at the highest rates allowed by tax regulations to the extent that the Executive Board member provides evidence of their necessity for purposes of managing the Company or its business options, or this is evident. The service agreement with the Executive Board members stipulate a non-compete covenant, which – with the exception of the service agreement for Executive Board member Frank Schneider – remains in effect for two years following the end of the service agreement. The Company will pay the Executive Board member compensation for the duration of the non-compete covenant in accordance with sections 74 et seq. HGB. The Company can dispense with the post-contractual non-compete covenant with the effect that it then is released from the obligation to pay compensation. The members of the publity AG's Executive Board do not receive any remuneration or benefits whatsoever from subsidiaries of the Company.

REMUNERATION OF THE SUPERVISORY BOARD

In accordance with article 11 of the Articles of Association, each member of the Supervisory Board receives a fixed remuneration of TEUR 30 in addition to reimbursement for documented expenses for each full financial year of service on the Supervisory Board. The chairman of the Supervisory Board receives double this amount. The remuneration is payable at the end of each financial year. Individuals who have not been members or have not held the position of chairman of the Supervisory Board for a full financial year receive pro-rated remuneration. VAT is reimbursed by the Company to the extent that the members of the Supervisory Board are entitled to invoice the Company separately for VAT and they exercise this right.

ADDITIONAL INFORMATION ABOUT THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

In 2015, the Company also arranged at its own expense for market-standard D&O and E&O insurance on behalf of the governing bodies and senior management of the Company. There are no provisions for pensions or retirement payments either at the Company or its subsidiaries. The Company has not made any commitments to this effect either. With the exception of the compensation for the non-compete covenant with Executive Board members (with exception of Mr Schneider), no service agreements have been entered into between the members of the governing bodies and the Company or its subsidiaries that stipulate 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 29 July 2019.

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".

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 and128 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 overview 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 2019.

04.02.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 9,251 shares at a price of around EUR 18.31 each (total volume: EUR 169,341.78).

04.02.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 100,000 shares at a price of EUR 19.00 each (total volume: EUR 1,900,000.00).

05.02.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 9,103 shares at a price of EUR 18.98 each (total volume: EUR 172,818.78).

06.02.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 46 shares at a price of EUR 19.00 each (total volume: EUR 874.00).

07.02.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 25,121 shares at a price of around EUR 19.85 (total volume: EUR 498,748.80).

08.02.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 21,431 shares at a price of around EUR 20.00 (total volume: EUR 428,572.66).

11.02.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 279,292 shares at a price of EUR 20.05 each (total volume: EUR 5,600,000.00).

18.03.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 3,600 shares at a price of EUR 20.85 each (total volume: EUR 75,075.05).

19.03.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 6,300 shares at a price of EUR 21.00 each (total volume: EUR 132,330.35).

20.03.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of EUR 21.16 each (total volume: EUR 21,155.05).

21.03.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of EUR 20.95 each (total volume: EUR 20,947.60).

22.03.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of EUR 20.25 each (total volume: EUR 20,252.00).

25.03.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of around EUR 19.90 each (total volume: EUR 19,899.34).

26.03.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of around EUR 19.99 each (total volume: EUR 19,990.52).

27.03.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of EUR 19.60 each (total volume: EUR 19,600.00).

28.03.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 21,000 shares at a price of around EUR 19.03 each (total volume: EUR 399,634.04).

29.03.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,400 shares at a price of EUR 19.07 each (total volume: EUR 26,703.72).

01.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of around EUR 19.31 each (total volume: EUR 19,314.96).

02.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 19,300 shares at a price of around EUR 19.28 each (total volume: EUR 25,059.72).

03.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 600 shares at a price of around EUR 19.46 each (total volume: EUR 11,675.92).

04.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,200 shares at a price of EUR 19.19 each (total volume: EUR 23,031.48).

05.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,500 shares at a price of EUR 18.70 each (total volume: EUR 28,055.28).

08.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of around EUR 18.84 each (total volume: EUR 18,836.50).

09.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 36,500 shares at a price of around EUR 20.01 each (total volume: EUR 730,245.66).

10.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 29,000 shares at a price of EUR 20.69 each (total volume: EUR 600,057.15).

11.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 22,341 shares at a price of EUR 21.31 each (total volume: EUR 476,175.20).

12.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 3,265 shares at a price of around EUR 22.00 each (total volume: EUR 71,828.70).

15.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 17,890 shares at a price of EUR 21.70 each (total volume: EUR 388,213.00).

16.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 28,789 shares at a price of around EUR 26.06 each (total volume: EUR 750,132.20).

17.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 29,643 shares at a price of EUR 27.50 each (total volume: EUR 815,241.30).

18.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 44,525 shares at a price of EUR 28.53 each (total volume: EUR 1,270,457.60).

23.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 16,923 shares at a price of around EUR 28.56 each (total volume: EUR 483,274.35).

24.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 23,568 shares at a price of around EUR 28.79 each (total volume: EUR 678,478.20).

25.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of EUR 28.85 each (total volume: EUR 28,850.00).

26.04.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of EUR 29.26 each (total volume: EUR 29,260.80).

20.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,000 shares at a price of around EUR 30.14 each (total volume: EUR 30,139.65).

21.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 9,570 shares at a price of around EUR 30.53 each (total volume: EUR 292,193.60).

21.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 21,132 shares at a price of around EUR 29.50 each (total volume: EUR 623,394.00).

22.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 6,250 shares at a price of around EUR 30.02 each (total volume: EUR 187,601.00).

23.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,883 shares at a price of around EUR 29.48 each (total volume: EUR 84,988.70).

23.05.2019 **Granting of 3,802,331 subscription rights to shares in conjunction with the implementation of a stock dividend**

TO-Holding GmbH, controlled by Thomas Olek, acquired 0 shares at a price of EUR 0.00 each (total volume: EUR 0.00).

23.05.2019 **Granting of 681,545 subscription rights to shares in conjunction with the implementation of a stock dividend**

TO-Holding 2 GmbH, controlled by Thomas Olek, acquired 0 shares at a price of EUR 0.00 each (total volume: EUR 0.00).

24.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 3,500 shares at a price of EUR 29.81 each (total volume: EUR 104,344.60).

24.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 100,000 shares at a price of EUR 30.00 each (total volume: EUR 3,000,000.00).

27.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 3,700 shares at a price of around EUR 29.89 each (total volume: EUR 110,582.70).

27.05.2019 **Granting of 2,117,566 subscription rights to shares in conjunction with the implementation of a stock dividend**

TO-Holding 2 GmbH, controlled by Thomas Olek, acquired 0 shares at a price of EUR 0.00 each (total volume: EUR 0.00).

28.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 13,750 shares at a price of EUR 30.17 each (total volume: EUR 414,882.10).

29.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 500 shares at a price of EUR 30.00 each (total volume: EUR 15,000.00).

29.05.2019 **Purchase of debt securities**

TO-Holding 2 GmbH, controlled by Thomas Olek, acquired 641,167 shares at a price of EUR 25.97 each (total volume: EUR 16,651,117.21).

29.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 641,167 shares at a price of EUR 25.97 each (total volume: EUR 16,651,117.21).

31.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 19,000 shares at a price of around EUR 30.69 each (total volume: EUR 583,025.00).

31.05.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 29,116 shares at a price of EUR 30.00 each (total volume: EUR 873,462.53).

03.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 47,500 shares at a price of around EUR 34.96 each (total volume: EUR 1,660,589.55).

04.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 22,300 shares at a price of EUR 36.19 each (total volume: EUR 807,039.65).

05.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 3,500 shares at a price of around EUR 36.07 each (total volume: EUR 126,230.90).

06.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 3,650 shares at a price of EUR 35.59 each (total volume: EUR 129,914.35).

07.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 5,450 shares at a price of around EUR 35.18 each (total volume: EUR 191,713.35).

11.06.2019 **Share purchasef**

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,570 shares at a price of around EUR 34.93 each (total volume: EUR 89,781.25).

12.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 4,012 shares at a price of around EUR 34.89 each (total volume: EUR 139,971.90).

13.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 20,500 shares at a price of around EUR 35.49 each (total volume: EUR 727,619.20).

14.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 12,994 shares at a price of around EUR 36.27 each (total volume: EUR 471,267.90).

21.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 8,250 shares at a price of around EUR 34.50 each (total volume: EUR 284,660.65).

24.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 9,750 shares at a price of around EUR 35.03 each (total volume: EUR 341,523.05).

25.06.2019 **Acquisition of shares by exercising subscription rights**

TO-Holding GmbH, controlled by Thomas Olek, acquired 226,756 shares at a price of around EUR 19.26 each (total volume: EUR 4,367,320.56).

25.06.2019 **Acquisition of shares by exercising subscription rights**

TO-Holding GmbH, controlled by Thomas Olek, acquired 155,506 shares at a price of around EUR 19.26 each (total volume: EUR 2,995,045.56).

25.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 8,450 shares at a price of around EUR 36.65 each (total volume: EUR 301,262.20).

26.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 11,650 shares at a price of around EUR 36.04 each (total volume: EUR 419,856.70).

27.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 750 shares at a price of around EUR 35.82 each (total volume: EUR 26,868.45).

28.06.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 350 shares at a price of around EUR 36.28 each (total volume: EUR 12,697.50).

01.07.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 2.250 shares at a price of around EUR 35.53 each (total volume: EUR 79,953.30).

02.07.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1.000 shares at a price of around EUR 35.64 each (total volume: EUR 35,638.25).

03.07.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,600 shares at a price of around EUR 35.59 each (total volume: EUR 56,941.10).

04.07.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,450 shares at a price of EUR 35.55 each (total volume: EUR 51,548.30).

05.07.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,050 shares at a price of around EUR 35.21 each (total volume: EUR 72,172.90).

08.07.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,400 shares at a price of around EUR 34.86 each (total volume: EUR 48.802,65).

09.07.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,850 shares at a price of around EUR 34.56 each (total volume: EUR 63,939.40).

10.07.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,250 shares at a price of EUR 34.14 each (total volume: EUR 42,677.80).

11.07.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 4,950 shares at a price of EUR 34.30 each (total volume: EUR 169,786.40).

12.07.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,600 shares at a price of around EUR 34.68 each (total volume: EUR 90,165.65).

15.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 6,200 shares at a price of EUR 34.50 each (total volume: EUR 213,901.65).

16.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 2,650 shares at a price of around EUR 34.37 each (total volume: EUR 91,080.70).

17.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 4,750 shares at a price of around EUR 34.03 each (total volume: EUR 161,662.25).

22.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 3,032 shares at a price of around EUR 33.68 each (total volume: EUR 102,117.65).

23.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 4,359 shares at a price of EUR 33.88 each (total volume: EUR 147,685.30).

23.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 200 shares at a price of EUR 34.00 each (total volume: EUR 6,800.00).

24.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 5,296 shares at a price of EUR 34.06 each (total volume: EUR 180,383.75).

25.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 250 shares at a price of EUR 34.40 each (total volume: EUR 8,600.00).

26.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,152 shares at a price of around EUR 33.46 each (total volume: EUR 38,544.25).

29.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 11,499 shares at a price of EUR 33.90 each (total volume: EUR 389,838.80).

30.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,635 shares at a price of around EUR 33.84 each (total volume: EUR 55,325.00).

31.07.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 288 shares at a price of around EUR 33.94 each (total volume: EUR 9,773.55).

01.08.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 100 shares at a price of EUR 34.00 each (total volume: EUR 3,400.00).

02.08.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 2,322 shares at a price of around EUR 33.60 each (total volume: EUR 78,013.50).

11.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 2,369 shares at a price of around EUR 32.67 each (total volume: EUR 77,404.65).

12.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 846 shares at a price of around EUR 32.90 each (total volume: EUR 27,832.35).

16.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 500 shares at a price of around EUR 32.63 each (total volume: EUR 16,313.80).

17.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 651 shares at a price of around EUR 32.54 each (total volume: EUR 21,184.40).

18.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 515 shares at a price of around EUR 32.37 each (total volume: EUR 16,669.90).

19.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 805 shares at a price of EUR 32.40 each (total volume: EUR 26,085.20).

20.09.2019 **Share purchasef**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,073 shares at a price of EUR 31.98 each (total volume: EUR 34,318.70).

23.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 255 shares at a price of EUR 31.92 each (total volume: EUR 8,139.50).

23.09.2019 **Subscription of shares within the framework of a non-cash capital increase from authorised capital excluding shareholders' subscription rights**
TO-Holding GmbH, controlled by Thomas Olek, acquired 2,288,251 shares at a price of EUR 33.82 each (total volume: EUR 77,388,648.82).

23.09.2019 **Subscription of shares within the framework of a non-cash capital increase from authorised capital excluding shareholders' subscription rights**
TO-Holding GmbH, controlled by Thomas Olek, acquired 2,213,588 shares at a price of EUR 33.82 each (total volume: EUR 74,863,546.16).

24.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,392 shares at a price of EUR 31.28 each (total volume: EUR 43,543.05).

25.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 1,219 shares at a price of EUR 30.48 each (total volume: EUR 37,158.20).

26.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 121 shares at a price of EUR 31.50 each (total volume: EUR 3.757,05).

26.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 9,541 shares at a price of EUR 30.88 each (total volume: EUR 294,642.15).

27.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 7,202 shares at a price of around EUR 31.26 each (total volume: EUR 225,129.25).

30.09.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 11,965 shares at a price of around EUR 30.71 each (total volume: EUR 367,388.00).

01.10.2019 **Share purchase**
TO-Holding GmbH, controlled by Thomas Olek, acquired 14,757 shares at a price of around EUR 29.96 each (total volume: EUR 446,864.55).

02.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 15,517 shares at a price of around EUR 29.91 each (total volume: EUR 464,187.10).

04.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 49,726 shares at a price of around EUR 29.62 each (total volume: EUR 1,473,128.15).

07.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,819 shares at a price of EUR 29.50 each (total volume: EUR 53,660.50).

15.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 34,775 shares at a price of EUR 32.07 each (total volume: EUR 1,115,291.10).

16.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 63,937 shares at a price of around EUR 33.99 each (total volume: EUR 2,173,101.05).

17.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 18,305 shares at a price of EUR 34.00 each (total volume: EUR 622,370.00).

18.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,768 shares at a price of EUR 34.00 each (total volume: EUR 94,112.00).

21.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 5,105 shares at a price of around EUR 33.97 each (total volume: EUR 173,440.90).

23.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 15,693 shares at a price of EUR 34.00 each (total volume: EUR 533.562,00).

25.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,298 shares at a price of EUR 34.00 each (total volume: EUR 44,132.00).

28.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 41,990 shares at a price of around EUR 34.03 each (total volume: EUR 1,428,850.40).

29.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 541 shares at a price of EUR 34.80 each (total volume: EUR 18,826.80).

30.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,741 shares at a price of around EUR 34.87 each (total volume: EUR 95,586.35).

31.10.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,274 shares at a price of around EUR 34.85 each (total volume: EUR 79,259.85).

01.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 94,540 shares at a price of EUR 35.00 each (total volume: EUR 3,308,825.00).

04.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 14,239 shares at a price of around EUR 35.18 each (total volume: EUR 500,884.10).

05.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 15,014 shares at a price of EUR 35.22 each (total volume: EUR 528.824,85).

06.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 4,041 shares at a price of EUR 36.00 each (total volume: EUR 145,476.00).

08.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,821 shares at a price of around EUR 38.04 each (total volume: EUR 107,306.30).

11.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 70,950 shares at a price of around EUR 39.79 each (total volume: EUR 2,823,054.90).

12.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 16,277 shares at a price of EUR 40.10 each (total volume: EUR 652,707.70).

13.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 17,156 shares at a price of around EUR 40.10 each (total volume: EUR 687,939.90).

14.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 5,588 shares at a price of EUR 40.10 each (total volume: EUR 224,078.80).

15.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 6,752 shares at a price of EUR 40.10 each (total volume: EUR 270,755.20).

18.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 14,510 shares at a price of EUR 40.10 each (total volume: EUR 581,851.00).

19.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 23,370 shares at a price of EUR 40.07 each (total volume: EUR 936,456.20).

20.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 13,033 shares at a price of EUR 40.10 each (total volume: EUR 522,623.30).

21.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 13,604 shares at a price of EUR 40.10 each (total volume: EUR 545,520.40).

22.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 18,332 shares at a price of EUR 40.09 each (total volume: EUR 735,018.05).

25.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 2,488 shares at a price of around EUR 40.10 each (total volume: EUR 99,766.50).

27.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 9,547 shares at a price of EUR 40.10 each (total volume: EUR 382,834.70).

28.11.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,048 shares at a price of EUR 40.10 each (total volume: EUR 42,024.80).

02.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 5,107 shares at a price of EUR 36.31 each (total volume: EUR 185,454.40).

04.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 721 shares at a price of EUR 37.50 each (total volume: EUR 27,037.50).

06.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 842 shares at a price of around EUR 37.20 each (total volume: EUR 31,320.30).

09.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 569 shares at a price of EUR 37.00 each (total volume: EUR 21,056.10).

10.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 5,311 shares at a price of around EUR 36.96 each (total volume: EUR 196,296.50).

11.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 8,336 shares at a price of around EUR 36.82 each (total volume: EUR 306,913.00).

12.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 4,584 shares at a price of around EUR 36.72 each (total volume: EUR 168,135.50).

13.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 6,524 shares at a price of around EUR 36.70 each (total volume: EUR 239,423.50).

16.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,821 shares at a price of around EUR 36.95 each (total volume: EUR 67,284.30).

17.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 10,097 shares at a price of around EUR 36.85 each (total volume: EUR 372,118.85).

18.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 4,582 shares at a price of around EUR 36.50 each (total volume: EUR 167,257.65).

19.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 14,946 shares at a price of EUR 36.52 each (total volume: EUR 545.762,90).

20.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 18,864 shares at a price of EUR 36.42 each (total volume: EUR 686,962.30).

23.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 9,438 shares at a price of EUR 36.69 each (total volume: EUR 346,325.35).

27.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 3,465 shares at a price of around EUR 36.69 each (total volume: EUR 127,138.80).

30.12.2019 **Share purchase**

TO-Holding GmbH, controlled by Thomas Olek, acquired 1,636 shares at a price of EUR 36.70 each (total volume: EUR 60,041.20).

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.

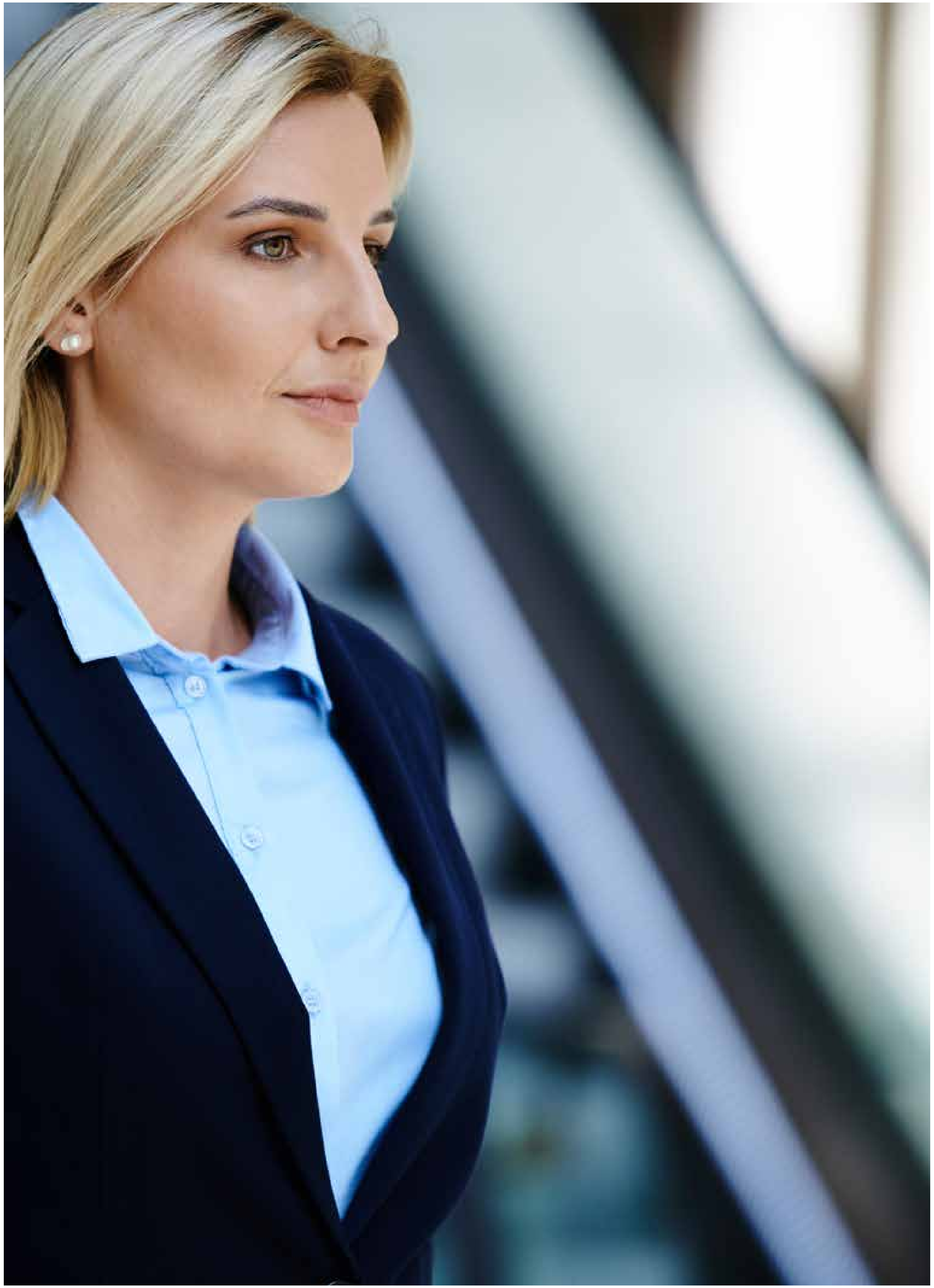
In addition, it is the task of the risk controlling function to ensure that the investment fund risks material to the respective investment strategies can be recorded, measured, managed and monitored at any time. publity Performance GmbH reviews existing risk management systems regularly, at least once 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'S SHARES: AN OVERVIEW

publity AG's share capital amounted to EUR 14,874,487.00m as at 31 December 2019, and was divided into 14,874,487 no-par value registered shares, which are included in trading in the Scale segment of the Open Market of the Frankfurt Stock Exchange.

	31 Dec. 2019	31 Dec. 2018
ISIN	DE0006972508	DE0006972508
Ticker symbol	PBY	PBY
Exchange	Frankfurt and XETRA	Frankfurt and XETRA
Market segment	Scale (Open Market)	Scale (Open Market)
Designated sponsors	mwb Wertpapierhandels-bank AG; Hauck & Aufhäuser	ACON Actienbank AG (now JFD Bank AG)
Share capital	EUR 14,874,487.00	EUR 9,831,250.00
Number of shares	14,874,487	9,831,250
Closing price on 31 December (XETRA)	EUR 36.30	EUR 19.96
Average daily trading volume (1 Jan.–31 Dec.)	17,778 shares per day on all German exchanges	32,100 shares per day on all German exchanges
Market capitalisation as at 31 December	EUR 539,943,878	EUR 198,692,500

publity share price performance
2019 (price in EUR)

DEVELOPMENTS ON THE EQUITIES MARKET AND PERFORMANCE OF PUBLITY'S SHARES

In 2019, publity's shares significantly outperformed not only the solid trend on Germany's equities market overall, but also the shares of listed real estate companies. The German equities market saw a very positive trend during the year. Despite persistent economic uncertainties such as the trade dispute between China and the United States and the United Kingdom's exit from the European Union, investors bought equities, leading German stock indices to rise sharply, particularly in the second half of the year. According to the experts, equities remain in high demand in a low- and negative interest rate environment. In 2019, this development was also supported by prospects of sustained expansionary monetary policy on the part of the central banks and a positive global economic trend.

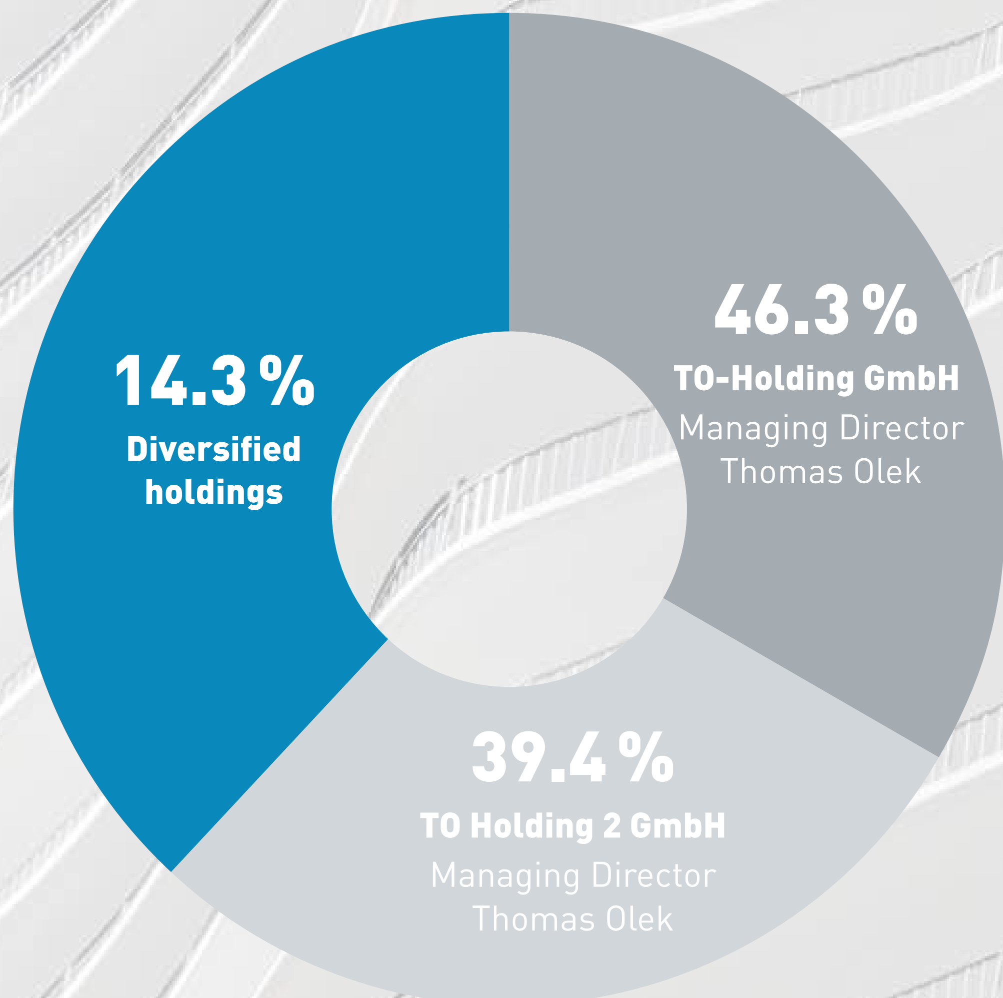
In December 2019, the DAX – a blue-chip index containing Germany's top 30 companies in terms of market cap and liquidity – hit its high for the year at 13,410 points, thus achieving an overall price increase in 2019 of more than a quarter. The German mid cap index MDAX even rose by 31.2 % year on year, while the small cap index SDAX climbed by 31.6 %. While real estate companies' share prices also rose in 2019, the German real estate equities index FTSE EPRA Nareit Germany was up approximately 10 % – thus underperforming the major German stock indices.

PUBLITY SHARES UP BY MORE THAN 80 PERCENT

In 2019, publity's share price rose significantly to close the year at EUR 36.30 – up year on year by roughly 82 %. This places them among the top performers out of the 49 companies trading in the Scale segment. At the beginning of the year – 7 January 2019 – the share price hit its low of EUR 18.18 on the electronic trading platform Xetra, before embarking on a sharp upwards trend from April 2019 onwards. This recovery was fuelled by the Company's positive business performance and the announcement of a dividend. publity shares hit their high for the year on 25 November 2019, closing on Xetra at EUR 40.30.

WHEN YOU KNOW YOUR STRENGTHS, YOU RISK NOTHING

Shareholder structure



Last revised: 31.12.2019

SHAREHOLDER STRUCTURE

publity's CEO, Thomas Olek, boosted investor confidence in the Company by repeatedly purchasing significant numbers of shares. In total, Thomas Olek purchased approximately EUR 65m's worth of publity shares in 2019. At the end of 2019, he held a total of 85.66 % of publity's shares via the companies TO-Holding GmbH and TO Holding 2 GmbH. Further acquisitions of shares after the end of the reporting period meant that his investment in the Company had risen to 86 % (as of the beginning of March 2020).

ANNUAL GENERAL MEETING

publity AG's Annual General Meeting was held in Leipzig on 16 May 2019. Every agenda item was approved there with a significant majority: in each case more than 97 % of votes cast. Among other things, the distribution of a EUR 1.50 per-share dividend was resolved for financial year 2018. Investors were offered the choice of receiving their dividend in cash or in the form of publity shares. In total, approximately 78 % of the shares in the share capital accepted the offer to receive the dividend in the form of publity shares. publity's CEO and primary shareholder, Thomas Olek, also received his dividend in the form of publity shares, thus further increasing his shareholding. Paying out the dividend in the form of publity shares resulted in publity's share capital increasing by 426,818 new no-par value registered shares in exchange for an in-kind contribution (contribution of pro-rata shares of claims to dividends) to EUR 10,258,068. The new shares are entitled to participate in dividends from 1 January 2019 onwards. The implementation of the capital increase was recorded in the commercial register of the Company on 25 June 2019.

On 13 September 2019, the Executive Board, with the Supervisory Board's consent, resolved a capital increase from Authorised Capital in order to increase the equity investment in PREOS Real Estate AG to 92.77 %. As part of this capital increase, the share capital was increased by EUR 4,501,839.00 to EUR 14,759,907.00 through the issue of 4,501,839 new no-par value registered shares carrying dividend rights from 1 January 2019 onwards in exchange for in-kind contribution. Previously, the equity investment in PREOS Real Estate AG had amounted to 66.21 %, following the contribution of 94.9 % of shares in publity Investor GmbH to the PREOS Real Estate AG in exchange for the acquisition of PREOS shares. The extraordinary shareholders' meeting of publity AG on 23 October 2019 approved this contribution agreement and moreover resolved to create a new Authorised and Contingent Capital. All proposed resolutions were approved by this extraordinary shareholders' meeting with more than 98 % of the votes cast. The shareholders also approved the agreement to contribute loan receivables from publity Investor GmbH to PREOS and in exchange to acquire PREOS convertible bonds. As part of the issuance of the convertible bond, PREOS then placed an issuance volume of approximately EUR 139.4m in December 2019.

PUBLITY AG'S 2015/2020 CONVERTIBLE BOND: AN OVERVIEW

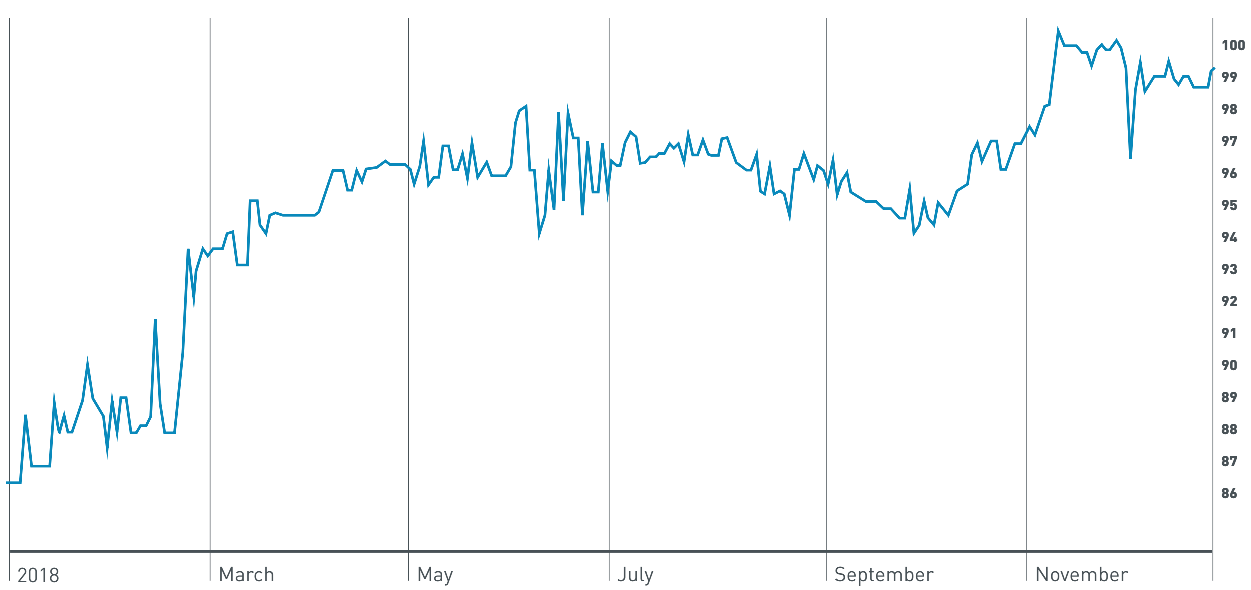
2015/2020 convertible bond: key data

	31 Dec. 2019
ISIN	DE000A169GM5
WKN	A169GM
Exchange	Frankfurt a. M., Berlin, Stuttgart, Tradegate
Market segment	Open Market of the Frankfurt Stock Exchange
Number of bonds outstanding as at reporting date	45,696,000
Principal amount per bond	EUR 1,000
Coupon	3.5 % of principal
Coupon payment	Annual, in arrears; 17 November each year

DEVELOPMENT OF THE CONVERTIBLE BOND 2015/2020

The yield on the convertible bond issued by publity AG rose continuously in the course of 2019 after hitting its low of 86.50 % on 2 January. The yield reached its high on 11 November 2019 at 100.50 % on the Frankfurt Stock Exchange. At the end of 2019, the bonds were trading at 99.20 %, thus up significantly from the previous year's 86.50 %.

Performance of 2015/2020 convertible bond



In a vote held by the convertible bond holders in March 2019, it was resolved that the negative pledge accepted in the Terms and Conditions would be rescinded, meaning that publity AG was no longer bound to a maximum debt limit of EUR 5.0m. Furthermore, it was resolved that the bondholders would receive the right to demand the early redemption of their bonds plus accrued interest in an established process should publity AG assume such financial liabilities.

As a consequence of the resolution of the Annual General Meeting in May 2019 to pay out a EUR 1.50 per-share dividend and to distribute this either in the form of cash or publity shares, the conversion price was amended from EUR 40.3095 to EUR 38.3410 pursuant to section 11 (4) of the Terms and Conditions and then from EUR 38.3410 to EUR 37.5569 pursuant to section 11 (1) (a) in conjunction with (b) of the Terms and Conditions. The amendment to the conversion price in turn resulted in an amended conversion ratio from 1:26.6262. Bondholders may exercise their conversion right at any time prior to the third business day before the redemption date, subject to certain exceptions set out in the Terms and Conditions (section 6(3) and (4)). The redemption date for the convertible bond is 17 November 2020.

INVESTOR RELATIONS

publity AG values open, transparent communications and publishes details on the course of its business in ad hoc disclosures and press releases, as well as in annual and half-yearly reports. Information on the Company, its shares and convertible bond is available at www.publity.de. In the past financial year, the Executive Board maintained contact with investors, analysts and journalists and presented the Company's business model and prospects at a capital markets conference in Frankfurt/Main.

FINANCIAL CALENDAR

26 May 2020
Annual General Meeting

September 2020
Semi-annual report

16–18 November 2020
Participation in Deutsches Eigenkapitalforum

08
Consolidated financial statements

Consolidated balance sheet at 31.12.2019 in EUR

		31.12.2019	31.12.2018
Non-current assets			
Intangible assets	D.1	80,735,433	550
Property, plant and equipment	D.2	3,735,998	7,841,920
Investment properties	D.3	612,101,000	17,000,000
Payments on account	D.4	3,578,490	0
Investments accounted for using the equity method	D.5	1,103,306	1,690,057
Other financial assets	D.6	59,454,238	81,725,876
Deferred tax assets	D.14	403,579	844,390
		761,112,044	109,102,793
Current assets			
Trade and other receivables	D,7	12,053,643	33,854,895
Current tax assets	D,10	1,525,427	0
Other financial assets	D,8	32,334,326	1,128,454
Other assets	D,9	4,456,575	296,219
Cash and cash equivalents	D,11	67,438,205	27,952,918
		117,808,177	63,232,486
Non-current assets held for sale	D.12	0	15,600,000
Total assets		**878,920,221**	**187,935,280**

		31.12.2019	31.12.2018
Equity			
Subscribed capital	D.13	14,874,487	9,831,250
Capital reserves	D.13	173,748,877	70,036,275
Revenue reserves	D.13	25,182,700	15,399,118
Retained earnings	D.13	58,822,351	24,530,458
Equity attributable to the shareholders of the parent company		272,628,415	119,797,100
Equity attributable to non-controlling shareholders	D.13	29,847,329	0
		302,475,744	119,797,100
Non-current liabilities			
Borrowing	D.15	299,915,515	0
Other financial liabilities	D.16	69,264,674	45,014,787
Deferred tax liabilities	D.14	18,679,682	2,678,326
		387,859,872	47,693,113
Current liabilities			
Provisions	D.18	400,000	400,000
Current tax liabilities	D.17	49,051	2,888,853
Trade payables	D.19	6,125,485	2,303,668
Borrowings	D.15	126,789,111	0
Other financial liabilities	D.20	50,961,335	12,369,077
Other liabilities	D.21	4,259,623	2,483,467
		188,584,605	20,445,066
Total equity and liabilities		**878,920,221**	**187,935,280**

Consolidated statement of profit or loss for the period from **01.01.–31.12.2019** in EUR

		2019	2018
Revenue	E.1	20,323,259	37,217,061
Cost of sales	E.1	-10,602,965	-6,793,109
Gross profit		**9,720,294**	**30,423,953**
Other operating income	E.2	6,748,466	1,293,874
Impairment losses on receivables		0	-142,842
Personnel expenses	E.3	-2,547,399	-2,023,822
Other operating expenses	E.4	-19,851,993	-7,675,072
Result of remeasurement of investment properties	E.5	122,229,647	8,939,857
Result before taxes and interest		**116,299,014**	**30,815,948**
Finance income	E.6	6,127,473	8,454,217
Finance costs	E.7	-14,360,448	-2,850,528
Impairment of non-current financial assets	E.8	-27,702,948	-2,962,499
Share of results of associates	D.5	-586,751	-16,082
Result before tax		**79,776,340**	**33,441,055**
Income tax expense	E.9	-15,615,611	-8,825,842
Earnings after taxes		**64,160,729**	**24,615,213**
Thereof attributable to:			
Shareholders of the parent company		58,822,351	24,530,458
Result attributable to non-controlling shareholders		5,338,378	84,755

		2019	2018
Basic earnings per share	E.10	5.25	3.26
Diluted earnings per share	E.10	4.82	2.95

Consolidated statement of comprehensive income for the period from **01.01.–31.12.2019** in EUR

	2019	2018
Earnings after taxes	**64,160,729**	**24,615,213**
Other comprehensive income	0	0
Group comprehensive income	**64,160,729**	**24,615,213**
Thereof attributable to:		
Shareholders of the parent company	58,822,351	24,530,458
Result attributable to non-controlling shareholders	5,338,378	84,755

Consolidated statement of cash flows for the period from **01.01.–31.12.2019** in EUR

	2019	2018
Earnings after taxes	64,160,729	24,615,213
Depreciation and amortisation and impairment of property, plant and equipment and intangible assets	733,149	710,216
Impairment of non-current financial assets	27,702,948	0
Gains on disposal of financial assets	0	(376,048)
Valuation effects arising in connection with the acquisation of subsidiaries	1,154,671	(161,729)
Correction of the deconsolidation result arising on the disposal of subsidiaries	(2,522,873)	(626,698)
Result from equity accounted investments	586,751	16,082
Result of remeasurement of investment properties to fair value	(122,229,647)	(8,939,857)
Gain or loss on the repurchase of convertible bond notes	523,381	(234,299)
Financial income	(6,878,771)	(2,668,180)
Financial costs	1,137,377	839,077
Changes in assets and liabilities		
(Increase) / decrease in trade receivables	22,227,505	(5,469,641)
(Increase) / decrease in other assets	(39,720,117)	(550,521)
(Decrease) / increase in trade payables	(1,589,040)	396,134
(Decrease) / increase in other liabilities	2,759,086	4,891,016
(Decrease) / increase in current tax assets and liabilities	(2,849,707)	5,829,623
(Decrease) / increase in deferred taxes	11,655,830	1,983,610
Other non-cash income and expenses	(2,444,739)	717,993
Cash in / -outflows from operating activities	**(45,593,466)**	**20,971,991**
Cash inflows from loan repayments and bonds	5,566,349	1,958,007
Investments in property, plant and equipment and intangible assets	(429,030)	(167,349)
Cash inflows from disposals of property, plant and equipment	12,646	61,804
Cash outflows for the acquisation of investment properties	(232,053,408)	(22,525,180)
Cash inflows from disposals of investment properties	16,000,000	0
Cash inflows from disposals of financial assets	0	510,688
Acquisation of subsidiaries, less cash acquired	(28,118,728)	233,098
Sale of subsidiaries, less cash balances	50,599,906	(18,096,532)
Cash outflows for the acquisation of investments	0	(1,706,138)
Cash in / -outflows from investing activities	**(188,422,265)**	**(39,731,601)**
Cash inflows from the issue of convertible bond notes	43,026,167	0
Cash outflows for the repurchase of convertible bond notes	9,971,784	(2,826,268)
Proceeds from borrowing	248,293,481	0
Repayment of borrowings	(732,272)	0
Repayment of leasing liabilities	(588,212)	(445,497)
Dividends paid	(6,526,360)	0
Cash inflows from capital increases	0	40,449,916
Cash in / -outflows from financing activities	**273,501,019**	**37,178,151**
Change in cash and cash equivalents	39,485,288	18,418,541
Cash and cash equivalents at the beginning of the perdiod	27,952,917	9,534,376
Cash and cash equivalents at the end of the perdiod	**67,438,205**	**27,952,917**

Supplementary information about cash transactopns included in cash in / -outflows from operating activities

	2019	2018
Interest received	51	205,408
Interest paid	10,003,207	2,135,654
Income taxes paid	6,294,640	4,602,998
Income taxes received	120,775	718,141

Consolidated statement of changes in equity

01.01.–31.12.2019 In EUR	Subscribed capital	Capital reserve	Revenue reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	**9,831,250**	**70,036,275**	**39,929,575**	**0**	**119,797,100**	**0**	**119,797,100**
Earnings after taxes	0	0	0	58,822,351	58,822,351	5,338,378	64,160,729
Comprehensive income	**9,831,250**	**70,036,275**	**39,929,575**	**58,822,351**	**178,619,452**	**5,338,378**	**183,957,830**
Capital increase in exchange for contributions in kind	4,501,839	147,750,356	0	0	152,252,195	0	152,252,195
Effect from the issue of new convertible bond notes	0	462,037	0	0	462,037	0	462,037
Effect from the conversation of convertible bond notes	114,580	4,156,299	0	0	4,270,879		4,270,879
Effect from the repurchase of convertible bond notes	0	-37,282	0	0	-37,282	0	-37,282
Acquisition of subsidiaries	0	0	0	0	0	127,006,807	127,006,807
Disposal of subsidiaries	0	0	0	0	0	-2,764,563	-2,764,563
Acquisition of non-controlling interests	0	-56,412,506	0	0	-56,412,506	-99,734,568	-156,147,074
Dividends paid	426,818	7,793,697	-14,746,875	0	-6,526,360	0	-6,526,360
Other changes	0	0	0	0	-10,567	1,275	1,275
Balance at 31 December 2019	**14,874,487**	**173,748,877**	**25,182,700**	**58,822,351**	**272,628,416**	**29,847,329**	**302,475,745**

01,01,–31,12,2018 In EUR	Subscribed capital	Capital reserve	Revenue reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2018	**6,050,000**	**33,378,176**	**15,399,118**	**0**	**54,827,293**	**311,211**	**55,138,505**
Earnings after taxes	0	0	0	24,530,458	24,530,458	84,755	24,615,213
Comprehensive income	**6,050,000**	**33,378,176**	**15,399,118**	**24,530,458**	**79,357,751**	**395,967**	**79,753,717**
Capital increase	3,781,250	36,668,666	0	0	40,449,916	0	40,449,916
Effect from the repurchase of convertible bond notes	0	-10,567	0	0	-10,567	0	-10,567
Disposal of subsidiaries	0	0	0	0	0	-395,967	-395,967
Balance at 31 December 2018	**9,831,250**	**70,036,275**	**15,399,118**	**24,530,458**	**119,797,100**	**0**	**119,979,100**

Group annex

in accordance with IFRS for the period from 1 January to 31 December 2019

A General information

1 ABOUT THE COMPANY

The Group parent, publity AG, has its registered office in Frankfurt/Main, Germany and is registered in the commercial register of the Local Court (Amtsgericht) of Frankfurt/Main under number HRB 113794. The Company's business address is Bockenheimer Landstraße 2-4, Frankfurt/Main. Its financial year is the same as the calendar year. These consolidated financial statements for the year ended 31 December 2019 include publity AG and its subsidiaries ("publity").

The Company has been listed in the Open Market (Freiverkehr) of the Frankfurt Stock Exchange's Scale segment since 1 March 2017.

publity's business activity is:

- the management of real estate and loan portfolios, as well as the structuring and management of investment products in the form of limited partnerships and investment limited partnerships for institutional and private investors ("asset-management"), and
- investments in real estate and loan portfolios ("portfolio-management").

The company has a track record which includes involvement in several hundred transactions, has a sustainable network in the real estate sector as well as with the work-out departments of financial institutions, and has access to investment funds and completes transactions with proven partners quickly.

Using its direct and indirect subsidiaries, the Group has been acquiring commercial properties since the end of 2018 which are then in turn managed by publity AG under asset-management arrangements. Here, in the Group's own real estate business, the Group's intention is to generate earnings from the services it provides in combination with the yield that it generates from the optimisation and subsequent sale of the properties. In future, it is intended that the Group's own real estate business segment will continue to grow in significance and will be expanded on an ongoing basis.

In addition, the publity-Group structures and manages investment products for institutional and private investors, particularly closed-end real estate funds. In this connection the Group has to date launched three closed-end real estate funds in the form of retail alternative investment funds (Publikums-Alternative Investment Fonds). publity Emissionshaus GmbH acts as general partner (Komplementärin) for these funds. The funds are managed by publity Performance GmbH, an investment fund management company authorised under the German Investment Code (Kapitalanlagegesetzbuch – KAGB).

In the past, publity launched a number of funds and securitisations for private and institutional investors in the non-performing loans (NPLs) sector (i.e. loans that were no longer being properly serviced) which have subsequently been or are currently in the process of being wound up. There are currently no plans to launch any further funds of this type.

In addition, the publity-Group participates as a co-investor with institutional investors in transactions undertaken by publity Real Estate Opportunity Services S.à r.l. ("PREOS 1"), a Luxembourg joint venture company. Co-investments made by publity in PREOS 1 are partly in the form of loans and partly in the form of other financing arrangements. The company undertakes the asset-management role for the real estate portfolios acquired from PREOS 1, and it participates in the successful sale or realisation of the properties. At the end of 2018 the company reduced its corporate law shareholding in PREOS 1 from 50 % to 15 % as part of a restructuring arrangement.

publity AG is listed on the stock markets in Frankfurt/Main, Berlin, Stuttgart and Düsseldorf in the Open Market segment.

These consolidated financial statements were approved by the Executive Board on 24 April 2020.

B **Basis for financial reporting**

1 **BASIS OF PREPARATION**

At 31 December 2019 publity AG exercised control over several subsidiaries (see section C. Group of consolidated companies and consolidation principles). Accordingly, publity AG is generally obligated to prepare consolidated financial statements in accordance with section 290 of the German Commercial Code (Handelsgesetzbuch, "HGB"). However, the Company is exempt from the obligation to prepare consolidated financial statements under the size-based exemptions set out in section 293 HGB. publity AG prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), on a voluntary basis for the first time for the period ended 31 December 2018. These consolidated financial statements for the period ended 31 December 2019 have also been prepared in accordance with IFRSs as applicable in the EU. All International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and Interpretations of the IFRS Interpretations Committee (IFRS IC) which were mandatory for the financial year 2019 were applied. The consolidated financial statements include the financial statements of publity AG and its subsidiaries as at 31 December of each financial year. The financial statements of the subsidiaries were prepared using uniform accounting policies as at the same reporting date as those of the financial statements of the parent. The consolidated statement of comprehensive income was prepared in accordance with the function of expense method.

The consolidated financial statements were prepared in Euros, the Group's functional currency.

2 **MANDATORY ACCOUNTING STANDARDS**

All International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and Interpretations of the IFRS Interpretations Committee (IFRS IC) which were mandatory for the financial year 2019 were applied. In particular, the following new and revised standards and interpretations have been applied from 1 January 2019:

Standard or interpretation	Title of standard or interpretation	Date of initial mandatory application
IFRIC 23	Uncertainty over Income Tax Treatments	for financial years beginning on or after 1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	for financial years beginning on or after 1 January 2019

a) IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in relation to income taxes. According to this interpretation, when accounting for uncertainties in relation to income taxes an entity is to assume that a taxation authority will examine the amounts reported to it with full knowledge of all relevant information. The interpretation is applicable from 1 January 2019; it has no significant effect on the consolidated financial statements of publity.

b) Amendments to IAS 28 "Investments in Associates" – Long-term Interests in Associates and Joint Ventures

The amendments concern the clarification of the exclusion of investments as defined in IAS 28 from the scope of IFRS 9. IFRS 9 will not be applicable to an associated company or a joint venture which is accounted for in accordance with the equity method. However, IFRS 9 is applicable to long-term investments which form part of a net investment in an associated company or joint venture. The Group has applied the amendments for the first time from 1 January 2019. The amendments have no effect on the consolidated financial statements of the publity-Group.

3 STANDARDS NOT YET MANDATORY

The new standards and interpretations listed below have a significant effect on the consolidated financial statements of publity AG. A series of other standards and interpretations have also been issued by the IASB; however, these are not expected to have a significant effect on the consolidated financial statements. Accordingly, no listing or descriptions of these standards and interpretations have been provided. publity does not plan to implement any of the new standards and interpretations earlier than the mandatory date.

Standard or interpretation	Standard or interpretation	Date of initial mandatory application
IAS 39 Financial instruments Recognition and measurement IFRS 9: Financial Instruments	Interest Rate Benchmark Reform, reaction of the IASB to current uncertainties concerning the IBOR reform	1 January 2020
Revision of the conceptual framework	Revised definitions of assets and liabilities as well as new guidelines for measurement and derecognition	1 January 2020
Amendments to IAS 1 and IAS 8	Amendments to the definition of materiality in financial reporting	1 January 2020
IFRS 3 – Business Combinations	Amendments to the definition of a business	1 January 2020, EU endorsement outstanding
IFRS 17 – Insurance contracts	Governs the principles for the recognition, measurement, presentation and disclosure of insurance contracts, ensuring consistent and principles-based accounting for insurance contracts, measurement of insurance liabilities at fair value.	1 January 2020, EU endorsement outstanding

publity does not expect that the application of these standards from 1 January 2020 and 1 January 2021 respectively will have a significant effect on the net assets, financial position and results of operations of the Group.

4 ACCOUNTING AND MEASUREMENT PRINCIPLES

Fair value measurement

Fair value is the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must have access to the principal (or most advantageous) market. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability. In doing so, it is assumed that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities whose fair value is to be determined or presented in the financial statements are classified according to the fair value hierarchy described below, based on the lowest level input that is significant to the entire measurement of fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Measurement methods whose lowest level inputs that are significant to the entire measurement of fair value are observable on the market, either directly or indirectly.

Level 3: Measurement methods whose lowest level inputs that are significant to the entire measurement of fair value are not observable on the market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether any transfers between levels of the fair value hierarchy have occurred by reviewing their classification at the end of the reporting period (based on the lowest level input that is significant to the entire measurement of fair value).

Classification as current or non-current

The Group classifies its assets and liabilities into current and non-current assets or liabilities in the statement of financial position. An asset is classified as current if:

- it is expected to be realised within a normal operating cycle or is held for sale or consumption within that period, or
- it is expected to be realised within twelve months after the reporting date, or
- it is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current if:

- the liability is expected to be settled within a normal operating cycle.
- the liability is expected to be settled within twelve months after the reporting date, or
- the entity does not have an unrestricted right to defer the liability for at least twelve months after the reporting date (e.g. in the event of a breach of loan terms and conditions).

All other liabilities are classified as non-current.

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

Acquisition of assets and business combinations

When control over a subsidiary is obtained or assets are acquired, an assessment must be made about whether the relevant transaction constitutes a business combination in accordance with IFRS 3 or an acquisition of a group of assets or net assets (aggregated group of assets and liabilities). If a business comprising an integrated set of activities is acquired in addition to assets and liabilities, this constitutes a business combination, which must be accounted for in accordance with IFRS 3. For example, the business processes conducted in the areas of property management, accounts receivable management and accounting constitute an integrated set of activities. Additionally, the fact that staff are employed by the acquired property management company is an indication that a business was acquired.

Impairment of non-financial assets

At every reporting date, the Group determines whether there are indications that non-financial assets are impaired. If there are such indications of impairment or if it is necessary to test an asset for impairment annually, the Group estimates the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the fair value of the asset or cash-generating unit less costs to sell and its value in use. The recoverable amount must be determined for each asset individually, unless an asset does not generate any cash inflows that are largely independent of the cash inflows 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 deemed to be impaired and the carrying amount is written down to its recoverable amount.

Statement of cash flows

The statement of cash flows is prepared in accordance with IAS 7. The statement of cash flows is classified into three sections: operating activities, investing activities, and financing activities. Where transactions affect more than one section, if required the transaction is allocated to more than one component. Cash inflows and cash outflows from operating activities are presented using the indirect method. Cash and cash equivalents are defined as the net balance of liquid funds on hand at the balance sheet date.

5 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the consolidated financial statements, the Executive Board uses judgements, estimates and assumptions which affect the amounts of reported income, expenses, assets, liabilities and the associated disclosures in the notes. The uncertainty associated with these estimates and assumptions could lead to actual results in future periods requiring significant adjustments to the carrying amounts of the affected assets and liabilities.

Estimates and assumptions are subject to continual review and are based on experience and other factors, including expectations as to future events, which appear reasonable in the circumstances.

The Group has made the following estimates when applying the accounting policies, which have a material impact on the amounts reported in the consolidated financial statements:

- Market values for investment properties are based on the findings made by the in-dependent experts engaged for this purpose. This valuation is based on discounted future revenue surpluses, which are calculated in accordance with the German income capitalisation approach (Ertragswertverfahren). To perform the valuation, the experts must estimate factors such as future rental income, vacancy rates, maintenance and modernisation work and applicable property yields, which directly affect the fair value of investment properties.
- Determining the amounts of impairments recorded against financial assets also requires the use of estimates. In this connection, the default risks to which financial assets are exposed must be assessed and the respective expected credit losses must be estimated. In particular, the future cash flows used to measure impairment losses on portfolios of loans which were credit-impaired when purchased are based on management estimates.
- Deferred taxes: the Executive Board decides the extent to which future losses carried forward can be utilised based on current projections. Decisions are thus taken based on the expected taxable profits of each company, which generally correlate with the fair value of the properties held by the respective companies.
- Provisions are subject to a variety of assumptions in relation to the probabilities of occurrence and the amounts to be utilised. All information known at the time the financial statements are prepared is taken into account when decisions are made.

The Executive Board has exercised the following judgements when applying the accounting policies, which have a material impact on the amounts reported in the consolidated financial statements:

- At each reporting date, the Executive Board must decide whether the properties held by the Group should be held long-term for the purpose of leasing them, held for capital appreciation, or held for sale. Depending on this decision, the properties are reported either as investment property, inventories or non-current assets held for sale. This decision requires a great deal of discretionary judgement, as it is not possible to predict opportunities that can lead to a particularly beneficial sale of properties generally held long-term for the purpose of leasing them or held for capital appreciation.

- When subsidiaries are acquired, it must be decided whether this constitutes the acquisition of a business. If a business (integrated set of activities) is acquired in addition to assets and liabilities, this constitutes a business combination. For example, the business processes conducted in the areas of asset and property management, accounts receivable management and accounting constitute an integrated set of activities. In addition, the fact that staff are employed by the acquired company is a significant indication that a business was acquired.

- When financial instruments are recognised for the first time, it must be decided which measurement category applies to them.

- Regular-way purchases or sales of financial assets are recognised on the trading date.

- Management applies judgement when assessing the business models used to manage financial assets. The judgemental decisions made include, in particular:
  — The use of the transaction price for the purchased portfolios of credit-impaired (POCI) loans as the assessment of the best approximation for their fair value.
  —The assessment of the expected future cash inflows and the timing of cash in-flows arising from portfolios of credit-impaired (POCI) loans is subject to significant judgement by management.
  — Purchased portfolios of credit-impaired (POCI) loans are classified as measured at amortised cost. Purchased portfolios of credit-impaired loans are entirely assigned to the "hold" business model. This allocation is subject to a significant amount of judgement, as it is possible that future events might lead to circumstances in which a sale might be beneficial, so that it cannot be excluded that the Group might sell the assets prior to their maturity.

C Group of consolidated companies and consolidation principles

1 CONSOLIDATION PRINCIPLES

Subsidiaries include all entities controlled by publity AG. The Group controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is usually assumed if the Group holds more than 50 % of voting rights in the entity. When assessing whether the Group controls an entity, the existence and effects of potential voting rights which may currently be exercised or converted are taken into account.

Subsidiaries are fully consolidated from the date on which control passes to the parent. They are deconsolidated if the parent loses control.

All subsidiaries are included in the consolidated financial statements (see also group of consolidated companies).

When an entity is acquired, it is determined whether the transaction is a business combination in accordance with IFRS 3 or whether the acquisition was merely an aggregated group of assets and liabilities that do not together constitute a business (see also "significant judgements and estimates").

Business acquisitions as defined in IFRS 3 are accounted for in accordance with the acquisition method. Under that method, the acquisition cost is allocated to the individually identifiable assets, liabilities and contingent liabilities acquired using their fair values at the acquisition date. Any remaining positive difference is recognised as goodwill, while a negative difference is recognised through profit or loss. Incidental costs of acquisitions are expensed.

Interests in the net assets of subsidiaries which are not attributable to publity AG are reported separately within equity as interests of non-controlling shareholders. The consolidated net profit or loss attributable to non-controlling shareholders also takes account of consolidation adjustments made that affect profit or loss. Non-controlling interests in partnerships are reported as a separate item within liabilities.

The acquisition of property management companies which do not constitute a business within the meaning of IFRS 3 are presented as a direct acquisition of an aggregated group of assets and liabilities – in particular real estate. The acquisition cost is allocated to the individually identifiable assets and liabilities based on their fair value. The acquisition of pure property management companies therefore does not result in any positive or negative difference arising on acquisition accounting. Accordingly, the sale of property management companies is presented as a sale of an aggregated group of assets and liabilities – particularly real estate.

Intragroup receivables, liabilities and profits and losses are eliminated when consolidating liabilities, expenses and income for the purpose of preparing the consolidated financial statements. Income and expenses arising as a result of the transfer of assets within the Group are also eliminated. The acquisition of shareholdings in entities resulting in an interest of less than 50 % is accounted for in accordance with the equity method if the Group is able to exert a significant influence on the investee. Investments in interests of less than 20 % are accounted for in accordance with IFRS 9.

Until the end of 2018, publity AG held a 49 % interest in the voting rights of two Luxembourg-based holding companies. Those companies were financed exclusively on the basis of loans from publity AG. In addition, publity AG rendered virtually all business-relevant services for these companies, with the result that these companies were fully consolidated as special purpose entities until the date of their disposal. It was taken into account that from the management's perspective, the significant variable returns comprised the repayment of the loans as well as the fees for the services rendered.

2 GROUP OF CONSOLIDATED COMPANIES

The group of consolidated companies consists of 43 fully consolidated entities (including the parent). The group of consolidated companies has changed as follows:

Number	2019	2018
At 01.01.	**5**	**8**
Additions	40	1
Disposals	2	4
At 31.12.	**43**	**5**

The group of consolidated companies includes the following entities as at 31 December 2019:

Voll konsolidierte Unternehmen

No.	Company	Location	Holding in %	Held by no.	Activity
1.	publity AG	Frankfurt/Main			Holding, asset-management
2.	PREOS Real Estate AG	Leipzig	93.4	1	Holding
3.	PREOS Immobilien GmbH	Leipzig	93.4	2	Holding
4.	PREOS 1. Beteiligungsges. mbH	Leipzig	93.4	3	Portfolio-management
5.	PREOS 2. Beteiligungsges. mbH	Leipzig	93.4	3	Asset holding
6.	PREOS 3. Beteiligungsges. mbH	Leipzig	93.4	3	Interim holding
7.	Objekta Fütingsweg GmbH	Monheim/Rhein	87.8	6	Asset holding
8.	PREOS 4. Beteiligungsges. mbH	Leipzig	93.4	3	Asset holding
9.	PREOS 5. Beteiligungsges. mbH	Leipzig	93.4	3	Portfolio-management
10.	PREOS 6. Beteiligungsges. mbH	Leipzig	93.4	3	Interim holding
11.	LVG Niederolm GmbH	Tholey	87.8	10	Portfolio-management
12.	PREOS 7. Beteiligungsges. mbH	Leipzig	93.4	3	Portfolio-management
13.	PREOS 8. Beteiligungsges. mbH	Leipzig	93.4	3	Portfolio-management
14.	PREOS 9. Beteiligungsges. mbH	Leipzig	93.4	3	Portfolio-management
15.	PREOS 10. Beteiligungsges. mbH	Leipzig	93.4	3	Portfolio-management
16.	PREOS 11. Beteiligungsges. mbH	Leipzig	93.4	3	Portfolio-management
17.	PREOS 12. Beteiligungsges. mbH	Leipzig	93.4	3	Planned for portfolio growth
18.	PREOS 13. Beteiligungsges. mbH	Leipzig	93.4	3	Interim holding
19.	Projekta Lüdenscheid 1 GmbH	Monheim/Rhein	88.6	18	Portfolio-management
20.	PREOS 14. Beteiligungsges. mbH	Leipzig	93.4	3	Planned for portfolio growth
21.	PREOS 15. Beteiligungsges. mbH	Leipzig	93.4	3	Planned for portfolio growth
22.	PREOS 16. Beteiligungsges. mbH	Leipzig	93.4	3	Planned for portfolio growth
23.	PREOS 17. Beteiligungsges. mbH	Leipzig	93.4	3	Planned for portfolio growth
24.	PREOS 18. Beteiligungsges. mbH	Leipzig	93.4	3	Planned for portfolio growth
25.	PREOS 19. Beteiligungsges. mbH	Leipzig	93.4	3	Planned for portfolio growth
26.	PREOS 20. Beteiligungsges. mbH	Leipzig	93.4	3	Planned for portfolio growth
27.	publity Investor GmbH	Leipzig	93.7	1/2	Portfolio-management
28.	publity Real Estate GmbH	Leipzig	93.7	27	Interim holding
29.	publity Theodor-Althoff-Str. 2 GmbH	Leipzig	93.7	28	Portfolio-management
30.	publity Real Estate Holding GmbH	Leipzig	93.7	27	Interim holding
31.	publity Real Estate 1 GmbH	Leipzig	89.0	27	Portfolio-management
32.	publity Real Estate 2 GmbH	Leipzig	93.7	30	Portfolio-management
33.	publity Real Estate 3 GmbH	Leipzig	93.7	30	Portfolio-management
34.	publity Real Estate 4 GmbH	Leipzig	93.7	27	Planned for portfolio growth
35.	publity Real Estate 5 GmbH	Leipzig	93.7	27	Portfolio-management
36.	publity Real Estate 6 GmbH	Leipzig	93.7	27	Planned for portfolio growth
37.	Großmarkt Leipzig GmbH	Leipzig	93.7	27	Portfolio-management
38.	publity Property Holding GmbH	Frankfurt/Main	100	1	Holding
39.	publity Property 1 GmbH	Frankfurt/Main	100	38	Planned for portfolio-manag.
40.	publity Property 2 GmbH	Frankfurt/Main	100	38	Planned for portfolio-manag.
41.	publity Asset Management GmbH	Frankfurt/Main	100	1	Planned for portfolio-manag.
42.	publity Emissionshaus GmbH	Leipzig	100	1	Portfolio-management
43.	publity Performance GmbH	Leipzig	100	1	Portfolio-management

3 CHANGES TO THE GROUP OF CONSOLIDATED COMPANIES DURING THE REPORTING PERIOD

3.1 Company formations in the reporting period

publity Real Estate GmbH, publity Real Estate Holding GmbH, publity Theodor-Althoff-Straße 2 GmbH, publity Real Estate 1 GmbH, publity Real Estate 2 GmbH, publity Real Estate 3 GmbH, publity Real Estate 4 GmbH, publity Real Estate 5 GmbH and publity Real Estate 6 GmbH, all located in Leipzig, were included in the consolidation for the first time in the reporting period.

In addition, publity Property Holding GmbH, publity Property 1 GmbH, publity Property 2 GmbH and publity Asset Management GmbH, all located in Frankfurt/Main, were included in the consolidation for the first time in the reporting period.

3.2 Acquisitions in the reporting period

Business combination publity Sankt Martin Tower GmbH (formerly: Immo Hansa Be-teiligungsgesellschaft mbH)

By share purchase agreement certified by public notary on 2 April 2019, publity Real Estate GmbH acquired 94.9% of the share capital of Immo Hansa Beteiligungsgesellschaft mbH for an acquisition price of TEUR 34,275 plus incidental acquisition costs of TEUR 63. Immo Hansa Beteiligungsgesellschaft mbH has its place of business in Frankfurt/Main. The object of the Company is to make investments in partnerships, and to acquire, develop and manage properties, in particular the ownership of real estate at Theodor-Heuss-Allee 116, Frankfurt/Main.

The acquisition of Immo Hansa Beteiligungsgesellschaft mbH was not accounted for as a business combination in the sense of IFRS 3, as the acquired entity does not have a business within the meaning of IFRS 3. Instead, the share purchase has been accounted for as the acquisition of a group of assets and liabilities (a group of assets and liabilities that do not constitute a business).

Immo Hansa Beteiligungsgesellschaft mbH is included in the consolidated financial statements of publity AG on a fully consolidated basis in accordance with IFRS 10. It is included in the consolidation from 30 April 2019.

The consideration transferred for the acquisition of the 94.9% shareholding in Immo Hansa Beteiligungsgesellschaft mbH amounted to TEUR 34,338. The incidental costs of acquisition were allocated to the identifiable assets and liabilities of the acquired entity at the date of acquisition on a pro-rata basis in proportion to their fair values. In contrast, the financial instruments acquired were measured at their fair value at the date of acquisition in accordance with the requirements of IFRS 9. Differences between the relative fair values and the amounts recognised on the date of initial recognition in accordance with IFRS 9 were recognised immediately in profit or loss as a "day-one-gain/day-one-loss".

The fair values of the identifiable assets and liabilities of Immo Hansa Beteiligungsgesellschaft mbH at the acquisition date were as follows:

Investment properties	TEUR 134,725
Current assets	TEUR 1,348
Cash	TEUR 366
Assets acquired	**TEUR 136,439**
Non-current financial liabilities	TEUR 99,532
Current liabilities	TEUR 1,790
Liabilities acquired	**TEUR 101,322**
Net assets (100 %)	**TEUR 35,117**
Non-controlling interests	TEUR 1,842
Day-one-loss	TEUR 1,063
Acquisition costs	**TEUR 34,338**

By registration at the commercial register in Frankfurt/Main on 13 May 2019 the Company was renamed publity Sankt Martin Tower GmbH.

Business combination publity Sankt Martin Tower Verwaltung GmbH (formerly: THA Immo Verwaltungs GmbH)

By share purchase agreement certified by public notary on 2 April 2019, publity Real Estate GmbH acquired 100 % of the share capital of THA Immo Verwaltungs GmbH for an acquisition price of TEUR 100. THA Immo Verwaltungs GmbH has its place of business in Frankfurt/Main. The object of the Company is the acquisition and management of real estate and real estate parcels, leasehold property, operating facilities and inventory, and

shareholdings in companies owning real estate, as well as accepting responsibility for personal liability and management of companies which acquire and manage real estate.

The acquisition of THA Immo Verwaltungs GmbH was not accounted for as a business combination in the sense of IFRS 3, as the acquired entity does not have a business within the meaning of IFRS 3. Instead, the share purchase has been accounted for as the acquisition of a group of assets and liabilities (a group of assets and liabilities that do not constitute a business). THA Immo Verwaltungs GmbH is included in the consolidated financial statements of publity AG on a fully consolidated basis in accordance with IFRS 10. It is included in the consolidation from 30 April 2019.

The consideration transferred for the acquisition of the 100 % shareholding in THA Immo Verwaltungs GmbH amounted to TEUR 100. The incidental costs of acquisition were allocated to the identifiable assets and liabilities of the acquired entity at the date of acquisition on a pro-rata basis in proportion to their fair values. In contrast, the financial instruments acquired were measured at their fair value at the date of acquisition in accordance with the requirements of IFRS 9. Differences between the relative fair values and the amounts recognised on the date of initial recognition in accordance with IFRS 9 were recognised immediately in profit or loss as a "day-one-gain/day-one-loss".

The fair values of THA Immo Verwaltungs GmbH's identifiable assets and liabilities at the acquisition date were as follows:

Non-current assets	TEUR 105
Current assets	TEUR 60
Assets acquired	**TEUR 165**
Current liabilities	TEUR 156
Liabilities acquired	**TEUR 156**
Net assets (100 %)	**TEUR 9**
Day-one-loss	TEUR 91
Acquisition costs	**TEUR 100**

By registration at the commercial register in Frankfurt/Main on 7 May 2019 the Company was renamed publity Sankt Martin Tower Verwaltung GmbH.

Business combination PREOS Real Estate AG

By means of a contribution agreement certified by public notary on 29 August 2019 PREOS Real Estate AG ("PREOS"), Leipzig, registered in the commercial register of the local court of Leipzig under the number HRB 34786, acquired, by means of a capital increase in exchange for contributions in kind, 94.9 % of the shares of publity Investor GmbH ("publity Investor") by an agreement under which publity AG, as sole shareholder of publity Investor GmbH, contributed 18,980,000 publity Investor GmbH shares with a nominal amount of EUR 1.00 each to PREOS Real Estate AG in exchange for 47,450,000 new shares. The capital increase in exchange for contributions in kind was registered in the commercial register on 13 September 2019.

On completion of the capital increase in exchange for contributions in kind, publity AG acquired a 66.21 % shareholding in PREOS. The PREOS Group is an active investor which is specialised in the acquisition, rental and sale of commercial properties (primarily office properties) which have value growth potential and attractive yield factors. PREOS Group's investments are focussed on properties located in the best locations in Germany, in particular in the metropolitan areas. The financial year of PREOS is the same as the calendar year.

PREOS Real Estate AG and publity Investor GmbH are (both before and subsequent to the transaction described above) controlled by the same natural person. Accordingly, the contribution of the 94.9 % shareholding in publity Investor GmbH to PREOS is a common control transaction within the meaning of IFRS 3. As IFRS does not currently provide rules describing the accounting required for such transactions, publity AG has applied the rules set out in IFRS 3 Business Combinations on a voluntary basis. PREOS, together with the subsidiaries controlled by it at the date of acquisition, was consolidated in publity AG's consolidated financial statements on a fully consolidated basis in accordance with the requirements of IFRS 3 for business combinations, since a business and the associated business processes were acquired. The initial consolidation of PREOS and its subsidiaries was completed on a sub-group basis on 31 August 2019, taking into account the interests of non-controlling shareholders at that date.

The consideration (acquisition cost) of TEUR 109,337 paid for the acquisition of the 66.21 % share in the PREOS sub-group was calculated on the basis of the average stock market price of the PREOS shares of EUR 6.82 per share (over a period of three months prior to the announcement of the contribution transaction), multiplied by the number of PREOS shares (24,213,688) attributable to the existing PREOS shareholders. No signif-icant incidental acquisition costs were incurred as a result of the capital increase in exchange for contributions in kind.

The acquisition costs were allocated to the acquired assets and liabilities on the date of acquisition at their fair values based on a purchase price allocation exercise as follows:

Property, plant and equipment	TEUR 1,270
Investment properties	TEUR 102,750
Other non-current assets	TEUR 1,483
Deferred tax assets	TEUR 360
Current assets	TEUR 1,893
Cash	TEUR 11,449
Assets acquired	**TEUR 119,205**
Borrowings	TEUR 67,278
Other non-current liabilities	TEUR 1,354
Deferred tax liabilities	TEUR 3,806
Current liabilities	TEUR 2,464
Liabilities acquired	**TEUR 74,902**
Net assets (100 %)	**TEUR 44,303**
Interests attributable to non-controlling shareholders	TEUR 15,701
Goodwill	TEUR 80,735
Acquisition costs	**TEUR 109,337**

Positive fair value differences recognised on acquisition (hidden reserves) of TEUR 32 arose on right-of-use assets reported within property, plant and equipment as a result of higher fair values for assets held under pre-existing leasing arrangements.

Valuations were obtained from an external real estate expert for the investment properties before the business combination. These measurements have been used by publity AG.

Negative fair value differences recognised on acquisition (hidden liabilities) of TEUR 33 were identified in other non-current assets which primarily result from the determination of fair values for assets which were lower than the carrying amounts of the respective assets.

The gross amount of acquired trade receivables amounted to TEUR 482 at the date of initial consolidation. No valuation allowances were recognised in respect of these receivables, and accordingly the fair value of trade receivables amounted to TEUR 482 at the reporting date.

The gross amount of acquired other assets amounted to TEUR 1,410 at the date of initial consolidation. No write-downs were recognised in respect of these assets, and accordingly the fair value of other assets amounted to TEUR 1,410 at the balance sheet date.

Hidden liabilities of TEUR 946 were identified in non-current borrowings and financial liabilities. This is due to the fact that the fair values of the borrowings and financial liabilities acquired were higher than their respective carrying amounts. No hidden liabilities were identified within current liabilities. In addition, no contingent liabilities within the meaning of IAS 37 were identified, which would have had to have been recognised as liabilities at the date of initial consolidation in accordance with IFRS 3.22.

Deferred tax assets were reduced by TEUR 511 and deferred tax liabilities were increased by TEUR 1,878 as a result of the hidden reserves and hidden liabilities described above, as a result of the release of the deferred tax assets previously recognised by PREOS in respect of tax losses carried forward, and due to the fact that the initial recognition exemption under IAS 12.15 b no longer applies to the deferred tax liabilities on the investment properties.

A goodwill of TEUR 80,735 arose as a result of the offsetting of the consideration paid (acquisition cost) of TEUR 109,337 plus the shareholding attributable to non-controlling interest of TEUR 15,701 against the net assets acquired of TEUR 44,303. The "partial goodwill" method was used to calculate goodwill. The goodwill primarily arose due to the planned further expansion of the PREOS sub-group. For example, audits and negotiations had already taken place at the date of the acquisition for property acquisitions which were planned for the financial year 2020. In addition to this, at the acquisition date there were also specific plans for a further expansion of the asset portfolio in the period from 2021 to 2024.

Had PREOS already been fully consolidated as at 1 January 2019, the sub-group would have contributed TEUR 7,681 to the Group's revenue and TEUR 709 to the result before tax. In the period in which it is included in the consolidation (from 1 September 2019 to 31 December 2019) it contributed TEUR 3,001 to revenue and TEUR 194 to the result before tax.

Business combination Projekta Lüdenscheid 1 GmbH

By purchase and transfer agreement certified by public notary on 17 July 2019, PREOS 13. Beteiligungsgesellschaft mbH acquired a 94.9 % shareholding in Projekta Lüdenscheid 1 GmbH for a consideration of TEUR 2,095 plus incidental costs of acquisition of TEUR 85. Projekta Lüdenscheid 1 GmbH has its business premises in Monheim am Rhein. The objects of the Company are the acquisition of real estate, the management of its own property portfolio and buying and selling land and property on its own account, in particular the property at Bahnhofstraße 1, Lüdenscheid.

The acquisition of Projekta Lüdenscheid 1 GmbH was not accounted for as a business combination in the sense of IFRS 3, as the acquired entity does not have a business within the meaning of IFRS 3. Instead, the share purchase has been accounted for as the acquisition of a group of assets and liabilities (a group of assets and liabilities that do not constitute a business).

Projekta Lüdenscheid 1 GmbH is included in the consolidated financial statements of publity AG on a fully consolidated basis in accordance with IFRS 10. It is included in the consolidation from 4 September 2019.

The consideration transferred for the acquisition of the 94.9 % shareholding in Projekta Lüdenscheid 1 GmbH amounted to TEUR 2,181. The costs of acquisition were allocated to the identifiable assets and liabilities of the acquired entity at the date of acquisition on a pro-rata basis in proportion to their fair values.

The fair values of Projekta Lüdenscheid 1 GmbH's identifiable assets and liabilities at the acquisition date were as follows:

Investment properties	TEUR 6,017
Current assets	TEUR 408
Cash	TEUR 27
Assets acquired	**TEUR 6,453**
Non-current financial liabilities	TEUR 4,072
Current liabilities	TEUR 73
Liabilities acquired	**TEUR 4,145**
Net assets (100 %)	**TEUR 2,308**
Non-controlling interests	TEUR 127
Acquisition costs	**TEUR 2,181**

3.3. **Acquisitions of additional shareholdings not involving change of control**

By contribution agreement dated 13 September 2019, publity AG acquired a further 26.56 % shareholding in PREOS Real Estate AG under an arrangement in which TO-Holding GmbH and TO Holding 2 GmbH, majority shareholders in publity AG, contributed a total of 19,031,529 shares in PREOS with a nominal value of EUR 1.00 each to publity AG in exchange for 4,501,839 new shares issued from approved capital. The capital increase in exchange for contributions in kind was registered in the commercial register on 1 October 2019.

The increase in the existing majority shareholding in PREOS was accounted for in accordance with the requirements of IFRS 10 as a transaction between owners. The contribution was measured on the basis of the average stock market price for publity AG shares in the three months prior to the contribution transaction. Based on this, the fair value of the shareholding in PREOS Real Estate AG contributed amounted to TEUR 152,252. The fair value of the shareholding contributed was offset against the corresponding share attributable to non-controlling interests totalling TEUR 97,379. The difference of TEUR 54,873 was reported directly in equity and offset against the Group capital reserve.

In addition, publity AG acquired a further 0.64 % shareholding in PREOS Real Estate AG by making stock market share purchases between mid-September and the end of December 2019. These share purchases were also accounted for in accordance with IFRS 10 as transactions between owners. The acquisition cost for these purchases amounted to TEUR 3,895. The acquisition cost was offset against the corresponding share attributable to non-controlling interests of TEUR 2,355. The difference between the fair value of the consideration transferred (TEUR 3,895) and the corresponding share attributable to non-controlling interests (TEUR 2,355) was recognised directly in Group equity and offset against the Group capital reserve.

3.4. **Company disposals in the reporting period**

By share purchase agreement certified by public notary dated 4 October 2019, publity Real Estate GmbH sold its entire 94.9 % shareholding in publity Sankt Martin Tower GmbH, Frankfurt / Main for a sale price of TEUR 51,819. The transaction was completed on 12 December 2019. In addition, the share purchase agreement dated 4 October 2019 also granted the buyer a call option for the sale of a 100 % shareholding in publity Sankt Martin Tower Verwaltung GmbH, Frankfurt / Main for a purchase price of EUR 1. The buyer exercised this call option on 13 December 2019. The shares in publity Sankt Martin Tower Verwaltung GmbH had also been held until then by publity Real Estate GmbH.

Both companies were fully consolidated in publity AG's consolidated financial statements until the sale date. The disposal consideration was settled in cash.

The assets and liabilities disposed of in the sale and subsequently deconsolidated comprised the following:

In TEUR	publity Sankt Martin Tower GmbH	publity Sankt Martin Tower Verwaltung GmbH
Non-current assets	147,000	161
Current assets	2,298	178
Thereof: liquid assets	1,099	121
Non-current liabilities	97,134	0
Current liabilities	1,426	331

Due to the deconsolidation of these companies, the minority interests in equity reported in publity AG's consolidated financial statements were reduced by TEUR 2,765. The deconsolidation gain, which is reported within other operating income in the consolidated statement of profit or loss, amounted to TEUR 3,838.

4 CHANGES TO THE COMPANIES INCLUDED IN THE CONSOLIDATION IN THE PREVIOUS YEAR

4.1. **Disposals in the financial year 2018**
Pursuant to the purchase agreement dated 27 December 2018, publity Investor GmbH sold the entirety of its 49 % interest in publity Real Estate Opportunity Services II Sàrl, Luxembourg ("PREOS II") to German Assets Management (G.P.) Limited for EUR 1. PREOS II, for its part, has a 100 % shareholding in German Loans 2015 Sàrl, Luxembourg. Pursuant to the purchase agreement dated 30 November 2018, German Loans 2015 Sàrl sold its significant assets to publity Investor GmbH. This sale constituted an intragroup transaction, which did not result in any change in consolidated assets. The shares in German Loans 2015 Sàrl were also sold along with the sale of the shares in PREOS II. Both companies were fully consolidated in publity AG's consolidated financial statements until the date of the sale. The disposal consideration was settled in cash.

In addition, pursuant to the purchase agreement dated 27 December 2018, publity Investor GmbH sold the entirety of its 49 % interest in publity Real Estate Opportunity Services III Sàrl, Luxembourg ("PREOS III") to German Assets Management (G.P.) Limited for EUR 1. PREOS III, for its part, holds 100 % of shares in Real Estate Loans 2016 Sàrl, Luxembourg. Pursuant to the purchase agreement dated 30 November 2018, Real Estate Loans 2016 Sàrl sold significant assets held by it to publity Investor GmbH. This sale constituted an intragroup transaction, which did not result in any change in consolidated assets. The shares in Real Estate Loans 2016 Sàrl were also sold along with the sale of the shares in PREOS III. Both companies were fully consolidated in publity AG's consolidated financial statements until the date of the sale. The disposal consideration was settled in cash.

The assets and liabilities disposed of in the sale and subsequently deconsolidated comprised the following:

In TEUR	publity Real Estate Opportunity Services II Sàrl	publity Real Estate Opportunity Services III Sàrl	German Loans 2015 Sàrl	Real Estate Loans 2016 Sàrl
Current assets	387	1	4,355	17,680
Thereof: cash balances	263	1	245	17,587
Current liabilities	3,279	492	280	18,377

Due to the deconsolidation of these companies, the minority interests in equity reported in publity AG's consolidated financial statements were reduced by TEUR 396. The gain on deconsolidation is reported within other operating income in the consolidated statement of profit or loss and amounted to TEUR 516.

4.2. **Business combinations in the financial year 2018**
Pursuant to a share purchase and transfer agreement dated 18 December 2018, publity Investor GmbH acquired 100 % of shares in Großmarkt Leipzig GmbH for TEUR 50. Großmarkt Leipzig GmbH has its registered office in Leipzig. The object of the company is the operation and maintenance of the Großmarkt Leipzig, a large market where fresh fruits, vegetables, flowers, fish, meat, game, poultry, white goods and other fresh produce are sold to commercial retailers, commercial consumers, bulk buyers and other service providers.

Großmarkt Leipzig GmbH was fully consolidated in publity AG's consolidated financial statements in accordance with the requirements of IFRS 3 for business combinations, since a business and the associated business processes were acquired. Großmarkt Leipzig GmbH was consolidated for the first time at 31 December 2018.

The consideration paid to acquire all shares in Großmarkt Leipzig GmbH amounted to TEUR 50 (acquisition costs). This amount was paid in full in the financial year 2018 by bank transfer. No significant transaction costs were incurred.

The fair values of Großmarkt Leipzig GmbH's identifiable assets and liabilities at the acquisition date were as follows:

Other non-current assets	TEUR 12
Current assets	TEUR 319
Cash	TEUR 283
Assets acquired	**TEUR 614**
Deferred taxes	TEUR 44
Current liabilities	TEUR 358
Liabilities acquired	**TEUR 402**
Net assets (100 %)	**TEUR 212**
Negative goodwill	TEUR 162
Acquisition costs	**TEUR 50**

The gross amount of acquired trade receivables amounted to TEUR 104 at the date of initial consolidation. No valuation allowances were recognised in respect of these receivables, and accordingly the fair value of trade receivables amounted to TEUR 104 at the reporting date. The gross amount of acquired other assets amounted to TEUR 217 at the date of initial consolidation. No write-downs were recognised in respect of these assets, and accordingly the fair value of other assets amounted to TEUR 217 at the balance sheet date.

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

Since netting the consideration transferred (acquisition costs) against the net assets of the acquired company resulted in negative goodwill, the carrying amounts of the assets and liabilities acquired and the consideration transferred were subjected to a further critical review. Following further critical review, the negative goodwill of TEUR 162 was immediately recognised in the consolidated income statement as a non-recurring item under "other operating income". The negative goodwill was primarily attributable to the fact that the existing agreement governing the operation of the large market expired as at 31 December 2018 and therefore no positive market value could be attributed to it in the course of the purchase price allocation.

Had Großmarkt Leipzig GmbH already been fully consolidated as at 1 January 2018, the company would have contributed TEUR 1,851 to the Group's revenue and TEUR 143 to the consolidated result before tax.

5 SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

PREOS Real Estate AG, Leipzig and its subsidiary companies were included in the consolidated financial statements of publity AG for the first time at 31 August 2019 as the PREOS sub-group.

The carrying amounts of the equity interests of non-controlling shareholders of the PREOS sub-group amounted to TEUR 29,827 at 31 December 2019. The results attributable to the non-controlling shareholders of the PREOS sub-group amounted to TEUR 5,318 in the reporting period.

The condensed financial information presented in accordance with IFRS 12.12 (g) for the PREOS sub-group is shown in the following table:

PREOS Real Estate AG subgroup – Balance sheet In TEUR	**31.12.19**
Non-current assets	727,255
Current assets	106,304
Thereof: liquid assets	61,414
Non-current liabilities	464,201
Current liabilities	150,080

PREOS Real Estate AG subgroup – Income statement In TEUR	**01.09.–31.12.19**
Revenue	14,940
Comprehensive income	65,672

The shareholdings of non-controlling interests in subsidiaries of the PREOS sub-group at 31 December 2019 are shown in the table below:

Company	**Interests attributable to non-controlling shareholders in %**
PREOS Real Estate AG	6.6
PREOS Immobilien GmbH	6.6
PREOS 1. Beteiligungsges. mbH	6.6
PREOS 2. Beteiligungsges. mbH	6.6
PREOS 3. Beteiligungsges. mbH	6.6
Objekta Fütingsweg GmbH	12.2
PREOS 4. Beteiligungsges. mbH	6.6
PREOS 5. Beteiligungsges. mbH	6.6
PREOS 6. Beteiligungsges. mbH	6.6
LVG Niederolm GmbH	12.2
PREOS 7. Beteiligungsges. mbH	6.6
PREOS 8. Beteiligungsges. mbH	6.6
PREOS 9. Beteiligungsges. mbH	6.6
PREOS 10. Beteiligungsges. mbH	6.6
PREOS 11. Beteiligungsges. mbH	6.6
PREOS 12. Beteiligungsges. mbH	6.6
PREOS 13. Beteiligungsges. mbH	6.6
Projekta Lüdenscheid 1 GmbH	11.4
PREOS 14. Beteiligungsges. mbH	6.6
PREOS 15. Beteiligungsges. mbH	6.6
PREOS 16. Beteiligungsges. mbH	6.6
PREOS 17. Beteiligungsges. mbH	6.6
PREOS 18. Beteiligungsges. mbH	6.6
PREOS 19. Beteiligungsges. mbH	6.6
PREOS 20. Beteiligungsges. mbH	6.6
publity Investor GmbH	6.3
publity Real Estate GmbH	6.3
publity Theodor-Althoff-Str. 2 GmbH	6.3
publity Real Estate Holding GmbH	6.3
publity Real Estate 1 GmbH	11.0
publity Real Estate 2 GmbH	6.3
publity Real Estate 3 GmbH	6.3
publity Real Estate 4 GmbH	6.3
publity Real Estate 5 GmbH	6.3
publity Real Estate 6 GmbH	6.3
Großmarkt Leipzig GmbH	6.3

D Notes to the consolidated balance sheet

1 INTANGIBLE ASSETS

1.1 Intangible assets

Individually acquired intangible assets are initially recognised at cost. After initial recognition, intangible assets with finite useful lives are amortised on a straight-line basis over their expected useful lives, usually between three and five years, and tested for impairment if there are indications of impairment. Impairment of intangible assets is recognised through profit or loss under amortisation and write-downs of intangible assets.

The carrying amounts of intangible assets at 31 December 2019 were TEUR 0 (31 December 2018: TEUR 1) and include purchased software.

1.2 Goodwill

On initial recognition, goodwill is measured at acquisition cost, being the excess of the sum total of the consideration transferred, the amount of non-controlling interests and, if applicable, previous shareholdings, over net identifiable assets acquired and liabilities assumed by the Group. Subsequent to initial recognition, goodwill is recognised at acquisition cost less accumulated impairment write-downs. For the purposes of the impairment test, the goodwill acquired as part of a business combination is allocated from the date of the acquisition to the Group's cash-generating units which are expected to benefit from the business combination.

Goodwill is subjected to an impairment test on a regular basis at least once annually. In addition, an examination is also performed when circumstances indicate that the value may be impaired.

The impairment is determined by calculating the recoverable amount of the cash-generating unit to which the goodwill was allocated. An impairment expense is recorded to the extent that the recoverable amount of the cash-generating unit is lower than the carrying value of the unit.

If goodwill is allocated to a cash generating unit, and a business operation that is part of that unit is subsequently sold, the goodwill attributable to the business unit that is sold is treated as part of the carrying value of the business unit for the purposes of determining the result on disposal of the business unit. The share of goodwill sold is determined based on the basis of the relative fair values of the business unit of the cash generating unit that is sold and those that remain.

The goodwill that resulted from the business combination and the initial consolidation of PREOS Real Estate AG on 31 August 2019 amounted to TEUR 80,735, and was allocated to the "Portfolio-Management" segment, as it is primarily this segment which is expected to benefit from the planned further increase in the real estate portfolio. No impairment test was prepared at the balance sheet date as the date of the purchase price allocation prepared as part of the business combination was only four months prior to publity's balance sheet date, and as no circumstances have been identified in this period which could indicate that the goodwill may have been impaired. The goodwill will be tested on a systematic basis once annually.

2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at cost less cumulative depreciation and write-downs. Cost includes the expenditures directly attributable to acquisition. Subsequent costs are only recognised if it is probable that future economic benefits will accrue to the Company. Repairs and maintenance are expensed in the statement of comprehensive income in the financial year in which they are incurred. Depreciation is recognised on a straight-line basis over the estimated useful lives of the assets, which is usually between three and fifteen years. The depreciation methods used and economic lives are reviewed at each reporting date and, if necessary, adjusted. The carrying amounts of property, plant and equipment are tested for impairment if there are indications that the carrying amounts exceed the recoverable amounts of the assets.

Gains and losses on the disposal of assets are calculated as the difference between the net disposal proceeds and the carrying amount, and recognised in earnings through profit or loss.

At 31 December 2019, property, plant and equipment included operating and office equipment for the Group companies. These are recognised at historical cost less depreciation and write-downs.

In addition, property, plant and equipment included right-of-use assets in connection with existing leases as at the reporting date.

Property, plant and equipment changed in the reporting period as follows:

Changes in property, plant and equipment
in EUR

2019	Right-of-use asset	Operating and business equipment	Total
Acquisition / manufacturing cost at 1 January 2019	**8,763,322**	**1,410,448**	**10,173,770**
Additions	0	429,030	429,030
Additions from business combinations	1,223,596	151,887	1,375,482
Disposals	5,029,721	377,916	5,407,637
Reclassification	0	0	0
Acquisition / manufacturing cost at 31 December 2019	**4,957,196**	**1,613,448**	**6,570,644**
Write-ups	0	0	0
Accumulated depreciation at 31 December 2018	**1,289,775**	**1,042,075**	**2,331,850**
Additions	629,606	103,226	732,832
Additions from business combinations	0	0	0
Disposals	0	230,036	230,036
Reclassification	0	0	0
Accumulated depreciation at 31 December 2019	**1,919,381**	**915,265**	**2,834,646**
Balance at 1 January 2019	**7,473,547**	**368,373**	**7,841,920**
Balance at 31 December 2019	**3,037,815**	**698,183**	**3,735,998**

2018	Right-of-use asset	Operating and business equipment	Total
Acquisition / manufacturing cost at 1 January 2018	**5,495,866**	**1,311,967**	**6,807,833**
Additions	3,267,456	167,349	3,434,804
Additions from business combinations	0	94,621	94,621
Disposals	0	163,489	163,489
Reclassification	0	0	0
Acquisition / manufacturing cost at 31 December 2018	**8,763,322**	**1,410,448**	**10,173,770**
Write-ups	0	0	0
Accumulated depreciation at 31 December 2017	**732,782**	**908,415**	**1,641,197**
Additions	556,993	152,912	709,904
Additions from business combinations	0	82,434	82,434
Disposals	0	101,686	101,686
Reclassification	0	0	0
Accumulated depreciation at 31 December 2018	**1,289,775**	**1,042,075**	**2,331,850**
Balance at 1 January 2018	**4,763,084**	**403,552**	**5,166,636**
Balance at 31 December 2018	**7,473,547**	**368,373**	**7,841,920**

3 INVESTMENT PROPERTIES

Investment property includes properties held for the purpose of generating rental income or capital appreciation and not held for internal use by the Company or sale in the ordinary course of business. Investment property is recognised upon acquisition at cost plus incidental transaction costs. The Group subsequently measures investment property at fair value in accordance with the optional accounting treatment set out in IAS 40 in conjunction with IFRS 13. The fair value reflects the market conditions as at the reporting date. Gains and losses arising from changes to the fair value of investment property are recognised in the income statement during the period in which they arise.

Properties are measured at their transaction price provided that this can be determined reliably. The Group assumes that the amounts are determinable if an (unsigned) purchase and sale contract or a reasonably certain confirmation of intent to purchase is available. If a transaction price cannot be used to determine a market value, the Group engages an external expert to value the property. The expert is independent and sufficiently qualified to value the property. Properties are valued using the German income capitalisation approach in accordance with the provisions of the German Regulation on the Valuation of Property (Immobilienwertermittlungsverordnung, "ImmoWertV").

For the leasehold property in Unterföhring ("Sky" real estate) the so-called "Munich valuation approach" (Münchner Verfahren) is used, a generally accepted valuation method in practice and in the respected technical literature. For valuation purposes, this approach initially assumes that a property that shall be valued is owned in full, enabling the ImmoWertV to be applied. In a first step the value of the land and its significant components is determined as if it was a freehold and not a leasehold property. In a second step the limitations on ownership arising under the leasehold property arrangement are taken into account, e.g. the limited period of use available to the owner under the lease compared to the enjoyment rights accruing to a freehold owner. Once this effect has been discounted from the full ownership value of the property, the resulting amount represents the leasehold property value without allowance for the leasehold property rentals (rent-free leasehold property). The present values of the leasehold property rentals are determined separately and deducted from the amount calculated in order to determine the value of the leasehold property.

The property in Essen ("Theodor-Althoff-Straße 2"), which is currently significantly modified for the Essen Police and has been partially expanded, was valued using the residual value method. The starting point for the valuation is the fictional market value of the property at the end of the project, after completing the construction works. This value was determined by a third-party expert using the German income capitalisation approach in accordance with the ImmoWertV requirements. From this resulting market value deductions are made for the remaining costs of completing the construction of the investment, for a typical market project development profit margin as well as the interim financing costs required up to the completion date.

Significant valuation inputs used for valuation purposes in the German income capitalisation approach include the market rent, operating costs, the appropriate property discount rate as well as the remaining useful life of the building. These inputs are determined individually based on the location and on the specific characteristics of the land. The following overview shows – both for the Group as a whole and for the "PREOS old" and "publity Investor" sub-groups – the significant assumptions used in determining the fair values of the investment properties using the German income capitalisation approach:

a) Group as a whole Range	**31.12.19**	**31.12.18***
Market rent in EUR/sqm	2.42–17.14	6.05–7.50
Property yields in %	2.25–5.50	3.50–5.50
Remaining useful life in years	35–51	25–50
Operating costs in %	9.85–20.91	10.00– 20.05

* The amounts reported for the previous year have been adjusted reflecting the figures for the "PREOS old" sub-group.

b) Sub-group "PREOS old" Range	**31.12.19**	**31.12.18***
Market rent in EUR/sqm	2.42–17.14	5.00–16.00
Property yields in %	3.20–5.25	3.50–5.50
Remaining useful life in years	35–50	37–50
Operating costs in %	9.85–20.91	10.00–20.05

* The disclosures for the "PREOS old" sub-group include the PREOS property portfolio with smaller investment volumes acquired in 2019.

c) Sub-group "publity Investor" Range	**31.12.19**	**31.12.18***
Market rent in EUR/sqm	2.70–16.35	6.05–7.50
Property yields in %	2.25–5.50	4.00–5.50
Remaining useful life in years	40–51	25–40
Operating costs in %	11.83–18.43	13.07–18.43

* The disclosures for the "publity Investor" sub-group compromises the property portfolio with larger investment volumes of publity Investor GmbH and its subsidiary company.

The following overview shows the effect on the fair value of the properties which are categorised as level 3 valuations that would result from a simple change in one of the individual valuation inputs.

a) Group as a whole 31.12.19		**Changes in value** in EUR	**Changes in value** in %
Market rent	-10%	-66,850,000	-12
	+10%	67,040,000	12
Property yields	-0.5% points	70,760,000	12
	+0.5% points	-57,250,000	-10
Remaining useful life	-5 years	-29,170,000	4
	+5 years	25,330,000	-2
Operating costs of real estate	-10%	-10,100,000	-2
	+10%	10,210,000	2

b) Sub-group "PREOS old" 31.12.19		**Changes in value** in EUR	**Changes in value** in %
Market rent	-10%	-11,450,000	-10
	+10%	11,540,000	11
Property yields	-0.5% points	10,360,000	9
	+0.5% points	-9,050,000	-8
Remaining useful life	-5 years	-3,870,000	-4
	+5 years	3,130,000	3
Operating costs of real estate	-10%	-2,100,000	-2
	+10%	2,010,000	2

c) Sub-group "publity Investor" 31.12.19		**Changes in value** in EUR	**Changes in value** in %
Market rent	-10%	-55,400,000	-12
	+10%	55,500,000	12
Property yields	-0.5% points	60,400,000	13
	+0.5% points	-48,200,000	-10
Remaining useful life	-5 years	25,300,000	-5
	+5 years	22,200,000	5
Operating costs of real estate	-10%	-8,000,000	-2
	+10%	8,200,000	2

In accordance with the requirements of IFRS 13, the highest and best use of investment properties must be assumed if the reporting entity can obtain such use when realising the property. The Group works, among other things, to revitalise existing real estate concepts and to develop new, previously undeveloped properties and spaces. If these are valued using fair value measurement, properties are valued by:

- determining the profitability of the project by comparing income and expenses, and
- adjusting this by taking into account appropriate risk discounts, depending in each case on the specific status of project completion (status of efforts to obtain construction permits, entry into agreement with general contractor, degree of completion).

The Group's management is involved in and oversees the process for valuing investment property. It performs plausibility checks on the results and verifies them against its own estimates.

Investment property is derecognised either upon disposal or when it can no longer be used and no future economic benefit is expected to arise upon disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised through profit or loss in the period in which they are derecognised.

The fair values of investment property developed as follows during the reporting period:

in EUR	31.12.19	31.12.18
Carrying amount at 01.01.	**17,000,000**	**0**
Acquisitions (+)	340,648,326	23,660,143
Acquisition through business combination (+)	243,492,027	0
Right-of-use asset additions (+)	36,131,000	0
Fair value increases (+)	123,229,647	8,939,857
Fair value decreases (-)	-1,000,000	0
Disposals (-)	-163,000,000	0
Reclassifications (+/-)	15,600,000	-15,600,000
Carrying amount at 31.12.	**612,101,000**	**17,000,000**

The additions of TEUR 340,648 primarily result from the acquisitions of the "The-odor-Althoff-Straße 2", "Access Tower", "Eschborn" and "Sky" properties. As these properties were acquired in the course of the financial year 2019, the Group only generated earnings from rental income for them for part of the financial year.

The additions resulting from changes to the companies included in the consolidation to-tal-ling TEUR 243,492 include the properties in the PREOS sub-group as well as the "Sankt Martin Tower" property.

The additions for right-of-use assets relate to leasehold property acquired in connection with the "Sky" property accounted for in accordance with IFRS 16.

The gain from remeasurements of TEUR 123,230 is in connection with the properties that remain in the Group's ownership at the balance sheet date as well as the "Sankt Martin Tower" property that was disposed of, together with the sale of the shareholding in publity Sankt Martin Tower GmbH, and is shown as a separate item in the statement of profit or loss.

In addition, there were disposals of TEUR 163,000 in the reporting period. The properties sold are the "Sankt Martin Tower" and the "Großmarkt Leipzig" properties.

It is now no longer assessed that the sale of the "Mülheim" property within twelve months f the balance sheet date can be considered "highly probable". Accordingly, at 31 December 2019, the property is now again presented within investment properties at its carrying amount of TEUR 15,600.

Assets and liabilities measured at fair value in EUR	Measurement date	Total	Quoted prices in active markets (level1)	Significant observable measurement inputs (level 2)	Significant unobservable measurement inputs (level 3)
Investment properties	31.12.19	612,101,000			612,101,000
	31.12.18	17,000,000			17,000,000

The valuation of the investment properties at fair value are classified as "level 3" valuations within the IFRS 13 fair value hierarchy (valuations using non-observable inputs), as signi-fi-cant inputs used in the valuation appraisals are not observable inputs. At 31 December 2019 there are contractual obligations to purchase real estate companies for a total amount of TEUR 49,100. The share purchase agreements and the transfer of rights and obligations are expected to be completed in the second quarter of 2020. In addition, there are contractual obligations at the balance sheet date to make addi-tional expansion investments in existing investment properties in the Group's portfolio for a total amount of TEUR 39,215.

4 PAYMENTS ON ACCOUNT

Payments on account presented in the consolidated balance sheet totalling TEUR 3,578 relate to payments on account in connection with the acquisition of the "Westend Carree" in Frankfurt/Main and "Centurion", also in Frankfurt/Main, for which the transfer of rights and assets has either already taken place in the financial year 2020 or for which the transfer is expected in 2020.

5 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

An associate is an entity over which the Group can exert a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control of those policies.

If a shareholder holds, directly or indirectly, 20 % or more of the voting power in the investee, it is presumed that the entity has significant influence. Whether or not an entity it is actually able to exercise a significant influence in practice is a decisive criterion for deciding whether a shareholder to has significant influence. In accordance with IAS 28.6, it can be concluded that an entity has significant influence, particularly when it has a shareholding of less than 20 %, when one or more of the following applies:

- the investor has representation on a management committee or supervisory board of the investee;
- the investor participates in policy-making processes, including participation in decisions about dividends;
- there is a possibility of interchange of managerial personnel between the entity and the associate;
- there are material transactions and/or a significant scale of business relationships between the entity and the associate;
- the entity provides important technical information to the associate.

The considerations given to the presumption that an investee is an associate are comparable to the considerations when assessing whether one entity controls another.

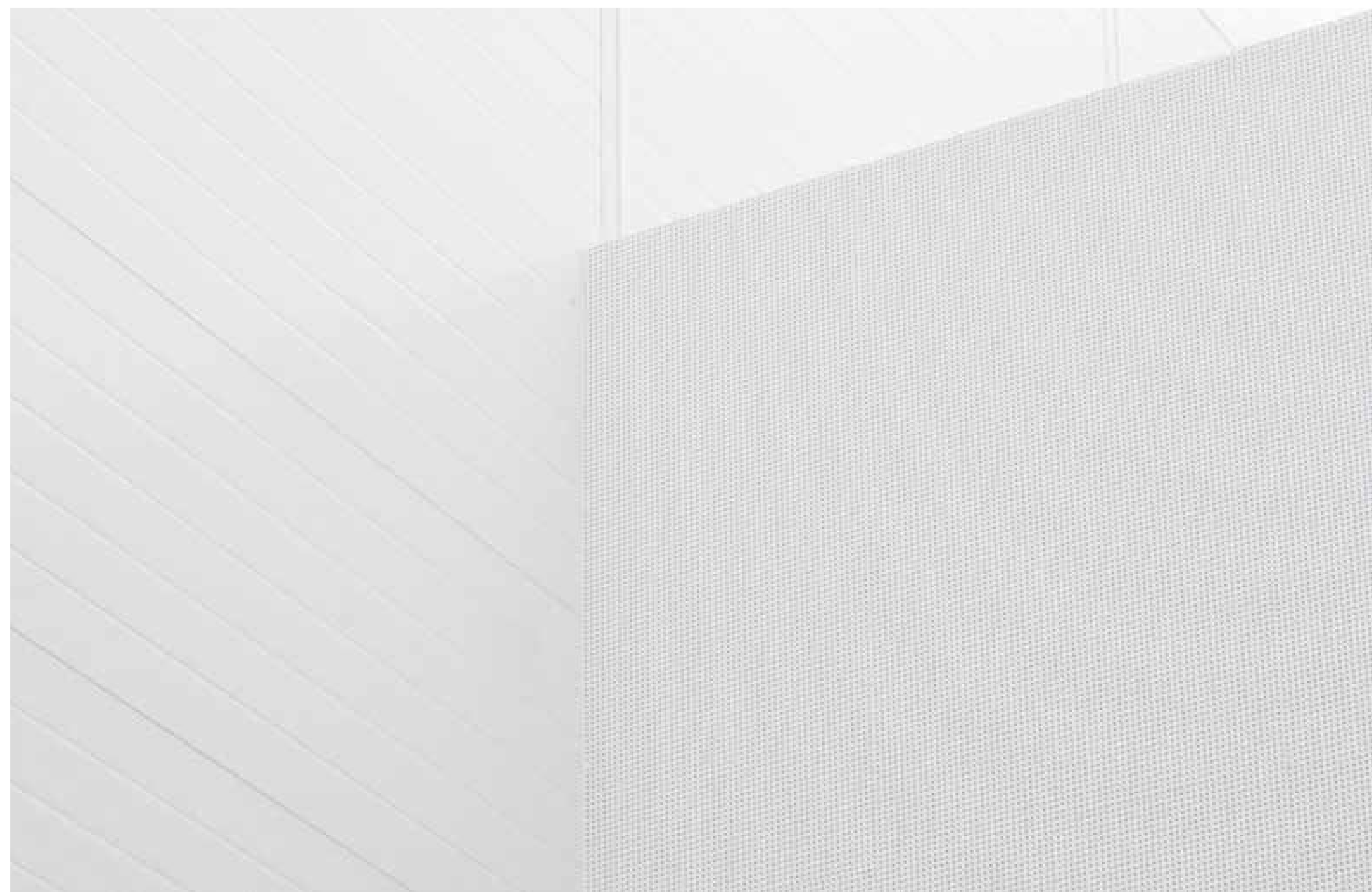
The Group's shares in an associate are accounted for in accordance with the equity method. Shares in associates are initially recognised at cost and reported within financial assets. In subsequent periods, changes in the Group's share of net assets are recognised. The presentation in the income statement is shown as the share of result of associates, within finance income. In addition, the Group reviews at each reporting date whether there are objective indications that an investment may be impaired.

At 31 December 2019, the Group held a 39.75 % interest in NPL Portfolio Nr. 3 GmbH & Co. KG, Leipzig (31 December 2018: 39.75 %). NPL Portfolio Nr. 3 GmbH & Co. KG is a closed-end fund. The object of the fund is the acquisition of securitised bank receivables from real estate financing and other collateralised receivables from German banks, foreign financial investors and/or other servicers in individual tranches based on separate and individual agreements negotiated with the respective sellers, and the generation of income through the realisation of the individual receivables.

The Group accounted for its interest in NPL Portfolio Nr. 3 GmbH & Co. KG in the consolidated financial statements as at 31 December 2019 in accordance with the equity method.

The table below presents summarised financial information on the Group's interest in NPL Portfolio Nr. 3 GmbH & Co. KG:

in EUR	31.12.19	31.12.18
Current assets	2,844,392	3,362,154
Thereof: liquid assets	159,287	376,813
Current liabilities	102,732	275,315
Equity	**2,741,661**	**3,086,840**
Group share of equity: 39.75 %	1,103,306	1,240,515
Goodwill	0	449,542
Carrying amount of group share	**1,103,306**	**1,690,057**
Revenue	149,636	519,733
Loss for the year	345,179	74,409
Group share of result	**-137,209**	**-16,082**



6 NON-CURRENT FINANCIAL ASSETS

At initial recognition, financial assets are classified as subsequently measured at amortised cost, at fair value through other comprehensive income without effect on profit or loss, or at fair value through profit or loss.

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

publity classifies financial assets at amortised cost if the objective of the business model for the group of assets to which the respective asset belongs is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset meets neither or only one of these criteria, it must be accounted for at fair value.

Financial assets measured at amortised cost are measured in subsequent periods using the effective interest method and must be reviewed for impairment. Gains and losses are recognised through profit or loss if the asset is derecognised, modified or impaired.

Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value, with changes in fair value presented net in the income statement.

The expected loss model is used to recognise impairment losses. Under that model, financial instruments, credit commitments and financial guarantees are classified into three stages depending on changes in their credit quality since the date of their initial recognition. Expected credit losses are calculated depending on how the respective financial instrument is classified under the model. In stage 1, the expected credit losses are calculated as the amount of the expected loss over the next 12 months. In stages 2 and 3, the expected credit losses are calculated over the term of the financial instrument (lifetime expected loss). Alternative rules apply to trade receivables and lease receivables. From the date of initial recognition, all expected losses must be taken into account for trade receivables that do not contain any significant financing component, and they may be taken into account for lease receivables and for trade receivables that do contain a significant financing component. In addition, there are special rules for purchased or originated credit impaired (POCI) financial assets.

The carrying amounts of the non-current financial assets at 31 December 2019 are as follows:

In EUR	31.12.2019	31.12.2018
Credit-impaired loan receivables	54,953,947	73,416,415
Loans	3,209,160	8,260,501
Receivables from non-controlling shareholders	893,511	0
Lease receivables	348.661	0
Investments	48,960	48,960
Total	**59,454,238**	**81,725,876**

6.1. **Credit-impaired loan receivables**

The Group measures purchased or originated credit-impaired assets ("POCI") on original recognition at fair value in accordance with IFRS 9.5.1.1. A financial asset is deemed to be purchased or originated credit-impaired if there are objective indications that the asset is impaired at the date of initial recognition.

Purchased or originated credit-impaired (POCI) assets for which there are objective indications of impairment at the date of initial recognition are automatically classified as level 3. The credit default risks for POCI assets are managed at the respective sub-portfolio level. The impairment of POCI assets measured at amortised cost is determined based on the discounted expected future cash flows, using a credit-rating adjusted effective interest rate for the respective sub-portfolios. The Group reduces or increases the carrying amount of POCI assets using impairment allowances and recognises the loss or gain in the consolidated income statement as a component of impairment losses or reversals of impairment losses.

Management makes the assumption that the consideration paid to acquire the portfolios (the transaction price) is the best representative of their fair value. The significant sub-portfolios were acquired at the end of the financial year 2016. For the purposes of the first-time adoption of IFRS, all POCI assets were measured on a uniform basis as at 1 January 2017 (the date of initial adoption).

For subsequent measurement purposes the Group classifies POCI assets in accordance with IFRS 9.4.1.2 as at amortised cost based on the respective business model used to manage financial assets and the characteristics of the contractual cash flows in the portfolios. One business objective of the Group is the collective management of the credit-impaired loan receivables by holding the assets in portfolios with the objective of collecting the contractual cash flows.

If a financial asset is allocated to the "Hold" business model, for classification purposes it is then necessary to make an assessment of whether, at that date, the contractual cash flows solely consist of payments of principal and interest on the outstanding capital amount. Such cash flows are generally consistent with the original loan agreements on which the POCI are based. At the same time these criteria are also fulfilled for acquired contractual arrangements with credit-impaired debtors, to the extent that these relationships are actively managed in order to realise the claims of the acquirer as creditor for repayments and interest on the capital amounts (although their market values are impaired) through to maturity or to a modified maturity date.

The Group divides POCI assets into three sub-portfolios (private insolvency debtors, commercial insolvency debtors, and non-insolvency debtors). In doing so the Group makes efforts to realise the assets in the respective portfolios using various techniques, for example by entering into a contract with a debtor to agree instalment plans or to arrange a settlement, by obtaining collateral security or by registering claims in insolvency proceedings. The assets in the respective sub-portfolios are homogeneous in nature, and accordingly they are only managed and valued on a sub-portfolio basis. Subsequent to initial recognition the Group measures the respective sub-portfolios at amortised cost (IFRS 9.5.2.1 (a)) taking into account the specific additional requirements applicable to POCI assets. An impairment allowance is not recognised at the date of initial recognition as the measurement of the POCI assets on initial recognition reflects the expected credit losses over the lifetime of the assets.

As POCI assets are, as a rule, non-current financial assets, the income generated on the assets is recognised over time, i.e. over the expected lifetime of the respective contracts. This interest income is calculated using a credit-rating adjusted effective interest rate (the interest rate which, on initial recognition, exactly matches the estimated cash in- and outflows of the POCI asset over the expected lifetime) which is applied to the amortised cost of the respective sub-portfolios. The initial expected credit losses in the expected cash flows are reflected in the calculation of the credit-rating adjusted effective interest rate. Interest rates of between 8.4% and 16.4% are used for the sub-portfolios held by the Group. The interest rates calculated are significantly dependent on management's estimates of the expected cash flows. The estimates concerning both the amounts and timing are dependent on the judgements made.

Management's estimates are described below:

in %	Commercial insolvency	Private insolvency	Not insolvent
Purchase price as percentage of the nominal value of the receivables	2.5	0.6	1.6
(Undiscounted) cash inflow as percentage of 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 on the above measurement inputs	9.47	16.42	8.39

The following table shows the effect on the implicit rate of interest of a +/- 0.5% change in the expected income, measured as a percentage of the nominal amount of the receivables.

in %	Commercial insolvency	Private insolvency	Not insolvent
Increase in expected income	6.80	-5.29	4.12
Decrease in expected income	11.91	50.00	12.09

A decrease (or increase) in the interest rate would arise if the payments were to be received later (or earlier) than expected.

At each subsequent balance sheet date, the Group recognises interest income based on the implicit interest rate described above, applied to the balance of the POCI assets on hand. This ensures that interest is recognised in accordance with the effective interest method (at amortised cost).

In addition, impairment allowances are recognised on the sub-portfolios to reflect the amount of the expected credit losses over the remaining expected lifetime of the assets and the accumulated change in lifetime expected credit losses (or expected impairment reversals) since initial recognition as impairment losses or reversals in profit or loss. At the end of the financial year 2019 the Group has made an adjustment to the expected amount and timing of the cash flows. The expected cash inflows were examined by comparing the amounts received in the financial years 2017 to 2019 for settled loan receivables with the original expected amounts at the date the receivables were acquired. Separate adjustments were made for receivables which remain outstanding in each of the sub-portfolios, adjusting the original expected income in proportion to the respective historical realisation rates. For the "Private insolvency debtors" sub-portfolio there was no change to the original estimates made by management of the timescale for the insolvency proceedings. This resulted in a change in the percentage spread of the expected income over future periods. Management's amended estimates are shown below:

in %	Commercial insolvency	Private insolvency	Not insolvent
(Undiscounted) cash inflow as percentage of the nominal value	2.57	0.80	2.28
Cash inflow year 1	50.0	33.0	0
Cash inflow year 2	10.0	33.0	20.0
Cash inflow year 3	10.0	34.0	0
Cash inflow year 4	10.0	0	30.0
Cash inflow year 5	10.0	0	0
Cash inflow year 6	10.0	0	50.0

The resulting impairment expense was recognised in profit or loss.

The following table shows the effect on the present value of the POCI assets that would result from a +/-10 % change in the expected income:

in EUR	Commercial insolvency	Private insolvency	Not insolvent
Increase in expected income	-1,289,853	-642,844	-3,293,571
Decrease in expected income	-1,289,853	642,844	-3,293,571

POCI assets remain classified as level 3 (credit impaired financial assets) over the entire lifetime of the assets. For this purpose, the expected distribution and the expected cash in-flows are significant measurement inputs.

6.2. **Loans**

The Group measures non-current loans on original recognition in accordance with IFRS 9.5.1.1. at fair value plus, if applicable, transaction costs. As the loans are not held with the intention of realising them in a sale transaction and the objective is to hold them to collect the contractually agreed fixed amounts of cash flows, the loans are subsequently measured at amortised cost.

At the balance sheet date, the loans amounted to TEUR 3,209 (31 December 2018: TEUR 8,261) and represent co-investments for real estate properties in which, in commercial terms, the nature of the investment is primarily the provision of capital.

7 TRADE RECEIVABLES

The table below presents an analysis of trade receivables as at 31 December 2019:

In EUR	31.12.2019	31.12.2018
Trade receivables	13,814,488	30,725,369
Receivables from the sale of credit-impaired loan receivables	0	4,000,000
Impairment allowances	-1,760,845	-870,474
Total	**12,053,643**	**33,854,895**

Trade receivables arose in connection with the Group's ordinary activities. Of the total gross amount of TEUR 13,814, TEUR 1,328 resulted from property rentals (31 December 2018: TEUR 104). At 31 December 2019, impairment allowances on trade receivables amounted to TEUR 1,761.

All trade receivables are current and none bear interest.

Valuation allowances on trade receivables were calculated in accordance with the provisions of IFRS 9 relating to valuation allowances. The Group opted to use the simplified model, recording allowances to provide for the risk of the expected lifetime credit losses. The amount of the valuation allowance needed is analysed at each reporting date based on an impairment matrix used to determine the expected credit losses. The expected default rates are calculated based on payment profiles for the past three years prior to the reporting date, taking into account the current situation and expectations. A valuation allowance is recognised for the first time upon initial recognition of a receivable. The expected credit loss at 31 December 2019 amounted to TEUR 309 (31 December 2018: TEUR 868).

8 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets break down as follows as at the reporting date:

In EUR	31.12.2019	31.12.2018
Receivables from shareholders	30,383,333	0
Prepaired expenses	892,124	0
Security deposits	405,284	423,863
Receivables from "old" shareholders	398,267	0
Creditors with debit balance	139,661	501,437
Expenses	78,084	0
Other	37,574	203,154
Total	**32,334,326**	**1,128,454**

The other current financial assets in the reporting period primarily consist of a receivable from TO-Holding GmbH for a loan granted in the financial year 2019 for an amount of TEUR 30,000 plus capitalised interest of TEUR 383, as well as prepaid expenses of TEUR 892 (primarily for prepaid expenses for insurance, advanced payments of interest as well as prepaid expenses for property operating costs) and security deposits of TEUR 405.

The increase compared to the previous year was primarily due to the loan receivables from TO-Holding GmbH (+TEUR 30,383), prepaid expenses (+TEUR 892), and the receivables from previous shareholders (+TEUR 398). The loan to TO-Holding GmbH was made in exchange for the provision of collateral security amounting to EUR 120m for the Group's financial borrowings.

9 OTHER CURRENT ASSETS

Other current financial assets at 31 December 2019 comprise the following:

In EUR	31.12.2019	31.12.2018
Tax receivables (value added taxes)	4,449,379	245,468
Liabilities for social security costs	7,196	0
Prepaid expenses	0	35,643
Other	0	15,109
Total	**4,456,575**	**296,219**

The significant increase in value added tax receivables compared to the previous year was primarily due to the acquisition of properties in the financial year 2019.

10 CURRENT TAX ASSETS

Current tax receivables are recognised in the amount of the expected payments from the respective taxation authorities. The amounts are calculated based on the tax rates and tax laws in force or soon to be in force at the reporting date in the countries in which the Group operates and generates taxable income.

The current tax assets of TEUR 1,525 include corporation tax receivables of TEUR 1,181 (31 December 2018: TEUR 0) as well as trade tax receivables of TEUR 344 (31 December 2018: TEUR 0).

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank overdrafts on the business accounts of the companies included in the consolidation, which were recognised in their nominal amounts. Changes in cash and cash equivalents are shown in the consolidated cash flow statement.

12 NON-CURRENT ASSETS HELD FOR SALE

If the Group intends to dispose of non-current assets, it assesses whether those assets can be sold in their present condition and whether the sale can be classified as highly probable. If this is the case, the assets held for disposal are reported and measured in accordance with IFRS 5. On the date of classification, the non-current assets classified as held for sale are recognised at the lower of their carrying amount and fair value less costs to sell. In accordance with the exception provided under IFRS 5.5d, properties that are accounted for in accordance with the fair value model in IAS 40 continue to be measured at fair value. If the fair value less costs to sell is less than the carrying amount when the assets are first classified as held for sale or subsequently, an impairment charge is recognised in profit or loss. Any subsequent increase in the net fair value less costs to sell is recognised as a gain. Any write-ups are, however, only recognised to the extent that an impairment write-down had been recognised in earlier periods.

The Group had no non-current assets which were classified as held for sale at the balance sheet date (31 December 2018: TEUR 15,600).

13 EQUITY

The Company's subscribed capital at 31 December 2019 totals TEUR 14,874 (31 December 2018: TEUR 9,831) and is divided into 14,874,487 ordinary registered shares.

An optional dividend was approved by a resolution of the Annual General Meeting on 16 May 2019. Shareholders were granted an option to acquire new publity shares instead of receiving dividends in cash. A total of 426,818 new ordinary registered shares were issued, which resulted in a capital increase from TEUR 9,831 to TEUR 10,258. The capital increase was registered with the commercial register of the parent Company on 25 June 2019.

By means of a capital increase resolution publity AG increased its subscribed capital by a further TEUR 4,502 to TEUR 14,760 on 13 September 2019. The capital increase took the form of a contribution in kind in the form of 19,031,529 ordinary registered shares in PREOS Real Estate AG. This capital increase in exchange for contributions in kind was registered at the commercial register on 1 October 2019.

In 2019 holders of 4,304 convertible bonds 2015/2020 exercised their conversion rights, exchanging their bond notes for shares. With the conversion price of EUR 37.56/bond, 114,580 new ordinary registered shares were issued from Conditional Capital (2019/II). This capital increase was registered at the commercial register on 18 February 2020. Following the issue of the shares the remaining outstanding Conditional Capital 2019/II amounts to TEUR 825.

In connection with the exercise of share rights under the optional dividend dated 16 May 2019 the premium on the issue of the 426,818 shares totalling TEUR 7,794 was recognised in the capital reserve. The premium was determined by reference to the nominal value of the dividend rights transferred to equity.

A share premium of TEUR 147,750 was recorded in the capital reserve as a result of the issue of 4,501,839 shares issued in the capital increase in exchange for contributions in kind dated 13 September 2019 in exchange for 19,031,529 ordinary registered shares in PREOS Real Estate AG. The premium was determined by reference to the share price for the shares noted on the Frankfurt/Main stock market over three months.

The premium of TEUR 4,156 arising on the shares issued as a result of the exercise of the conversion rights was also recognised in the Group's capital reserve. The premium was calculated as the difference between the derecognised liability and the increase in the share capital.

The share capital was increased by a resolution of the Annual General Meeting on 14 March 2016 by up to TEUR 2,500 (Conditional Capital 2016/I). The conditional capital enabled the issue of shares to satisfy rights arising on conversion by holders of convertible bonds. By resolution of the Annual General Meeting on 14 March 2016, the Executive Board was authorised, subject to the Supervisory Board's consent, to increase the share capital on one or several occasions by up to a total of TEUR 2,750 in exchange for cash contributions and/or contributions in kind until 13 March 2021, whereby the shareholders' subscription rights could be excluded. By resolution of the Annual General Meeting on 16 May 2019 the Conditional Capital 2016/I was cancelled and replaced by the creation of new conditional capital amounting to TEUR 4,916 (Conditional Capital 2019/I). The Conditional Capital 2019/I was cancelled by resolution of the Extraordinary Annual General Meeting on 23 October 2019. The Extraordinary General Meeting on 23 October 2019 created conditional capital of TEUR 5,129 (Conditional Capital 2019/II) and of TEUR 2,251 (Conditional Capital 2019/III). Following partial utilisation, the authorised capital pursuant to the resolution dated 14 March 2016 (Authorised Capital 2016/I) amounted to TEUR 2,200. The Authorised Capital 2016/I was cancelled by a resolution of the Annual General Meeting on 16 May 2019. The same Annual General Meeting authorised the Executive Board to effect capital increases on one or more occasions until 15 May 2024 of up to a total of TEUR 4,916 by issuing up to a total of 4,915,625 new, ordinary registered shares in exchange for cash contributions or contributions in kind (Authorised Capital 2019/I). By resolution of the Extraordinary General Meeting on 23 October 2019 the Authorised Capital 2019/I was cancelled and replaced by the creation of new authorised capital amounting to TEUR 7,380 (Authorised Capital 2019/II).

The non-controlling interests relate to third-party interests in the capital and earnings of the fully consolidated corporations in which publity AG and its subsidiaries do not hold a 100% interest.

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

No significant transaction costs were incurred in the financial year 2019 in connection with the sale or issue of own shares.

.

14 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognised in accordance with IAS 12 using the liability method to account for temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the tax accounts at the reporting date, or for tax losses carried forward that have not yet been utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except for:

- deferred tax liabilities arising in connection with the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit in the period; and
- deferred tax liabilities arising in connection with taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements 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 future taxable profit will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilised, with the exception of:

- deferred tax assets arising in connection with deductible temporary differences in connection with the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit in the period; and
- deferred tax assets arising in connection with deductible temporary differences in connection with investments in subsidiaries, associates, and interests in joint arrangements if it is probable that the temporary differences will not reverse in the foreseeable future or that no sufficient taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of the deferred tax assets is reviewed at each reporting date and reduced by the amount for which 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 reporting date and are recognised to the extent to which it has become probable that future taxable profit will render it possible to realise the deferred tax asset.

Deferred taxes are measured using the local tax rates which are expected to be applicable at the time the assets are realised or the liability is settled. This is done based on the tax rates applicable at the reporting date.

The effects of changes in tax law are recognised through profit or loss in the year in which the changes enter into force.

Deferred taxes related to items recorded directly in equity are not recorded in the consolidated income statement, but rather directly in equity. Allowances are recognised in relation to deferred tax assets if it becomes improbable that the future tax benefits will be realised. Deferred tax assets and deferred tax liabilities are offset if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied either by the same taxation authority on the same taxable entity, or by different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The deferred taxes calculated by Group companies were measured using a tax rate of 31.93 % (31 December 2018: 31.93 %). However, the deferred taxes of domestic (German) companies that hold investment properties or which only have a function as an interim holding company for companies that hold portfolios of properties were calculated using a tax rate of 15.83 % at 31 December 2019. These companies generate their results from the management of the properties that they own. Due to the fact that the trade tax income can be reduced for tax purposes by an amount equal to the result from the management of owned properties – known as the “extended trade tax reduction” (erweiterte gewerbesteuerliche Kürzung) – the tax calculation for these companies is based on the corporation tax only (plus solidarity surcharge).

The deferred tax assets and liabilities arising from temporary differences at 31 December 2019 are attributable to the following balance sheet items:

Deferred taxes in EUR	**31.12.2019**	**31.12.2018**
Investment properties	1,747,646	215,494
Payments on account	1,511,153	0
Other non-current financial assets	924,926	0
Investments accounted for using the equity method	95,398	2,545
Trade receivables	98,670	277,133
Borrowings	83,640	0
Other non-current financial liabilities	7,438,595	3,187,469
Financing costs	11,533	0
Tax losses carried forward	196,956	776,880
Deffered tax assets before offsetting	**12,108,516**	**4,459,521**
Offsetting	-11,704,937	-3,615,130
Deffered tax assets after offsetting	**403,579**	**844,391**
Property, plant and equipment	0	-2,385,930
Investment properties	-27,766,454	-2,854,049
Other non-current financial assets	-1,099,847	-774,500
Borrowings	-633,582	0
Other non-current financial liabilities	-884,737	-234,282
Provisions	0	-44,695
Deffered tax liabilities before offsetting	**-30,384,620**	**-6,293,456**
Offsetting	11,704,937	3,615,130
Deffered tax liabilities after offsetting	**-18,679,682**	**-2,678,326**

Changes to deferred taxes during the reporting and previous period are presented in the table below:

In EUR	01.01.2019	Statement of profit or loss	Deferred taxes acquired in business combinations	Deferred taxes disposed of on sale of subsidiaries	31.12.2019
Property, plant and equipment	0	25,554	0	-25,554	0
Investment properties	-2,638,555	-19,818,249	-3,562,004	0	-26,018,808
Payments on account	0	1,511,153	0	0	1,511,153
Other non-current financial assets	-774,500	787,919	-188,340	0	-174,921
Investments accounted for using the equity method	2,545	92,853	0	0	95,398
Trade receivables	277,133	-178,463	0	0	98,670
Borrowings	0	-649,393	99,451	0	-549,942
Other non-current financial liabilities	567,258	5,792,966	193,634	0	6,553,858
Provisions	-44,695	44,695	0	0	0
Financial costs	0	0	11,533	0	11,533
Tax losses carried forward	776,880	-579,924	0	0	196,956
Total	**-1,833,936**	**-12,970,888**	**-3,445,726**	**-25,554**	**-18,276,103**

In EUR	01.01.2018	Statement of profit or loss	Deferred taxes acquired in business combinations	31.12.2018
Investment properties	0	-2,638,555	0	-2,638,555
Other non-current financial assets	-460,590	-313,910	0	-774,500
Investments 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 losses carried forward	0	776,880	0	776,880
Total	**194,369**	**-1,983,610**	**-44,695**	**-1,833,936**

15 **BORROWINGS**

Borrowings are measured on initial recognition at fair value less directly attributable transaction costs. For this purpose, the fair value at the date of initial recognition is the present value of the future payment obligations, discounted using a market rate of interest appropriate for liabilities with similar maturities and risk profiles. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method. Amortised costs are calculated taking into account premium or debt issue discounts on acquisition as well as costs and charges which represent an integral part of the effective interest rate. The amortisation under the effective interest method is presented in the consolidated statement of profit or loss within financial costs. If the conditions relating to the amount and / or timing of interest and principal repayments are modified, the carrying amount is remeasured so as to reflect the actual and modified estimated cash flows. Any differences to the carrying amount of the borrowings previously recognised are recognised through profit or loss.

Borrowings at 31 December 2019 consist of the following:

Current and non-current financial liabilities in EUR	**31.12.2019**	**31.12.2018**
Non-current financial liabilities		
variable rate liabilities to banks	277,514,915	0
fixed rate liabilities to banks	22,400,600	0
Total non-current liabilities	**299,915,515**	**0**
Current financial liabilities		
variable rate liabilities to banks	0	0
fixed rate liabilities to banks	126,789,111	0
Total current liabilities	**126,789,111**	**0**

The variable interest-bearing loans carry interest based on the three-month EURIBOR rate plus an appropriate margin.

The changes in current and non-current financial liabilities compared to the previous year is presented in the following table:

In EUR	31.12.2018	Proceeds / amortisation	Additions / initial consolidation	Disposals / deconsolidation	Proceeds / amortisation	Repayment	31.12.2019
		Non-cash transactions			Cash transactions		
Non-current financial liabilities	0	64,170,898	170,882,095	-98,222,806	163,817,600	-732,272	299,915,515
Current financial liabilities	0	41,389,937	0	0	85,399,174	0	126,789,111
Total financial liabilities	**0**	**105,560,835**	**170,882,095**	**-98,222,806**	**249,216,774**	**-732,272**	**426,704,626**

The non-cash increases in borrowings primarily relate to the purchase price of properties acquired in cases where the purchase price was paid directly by the lender to the seller of the respective property.

The additions arising on initial consolidation concern the loan liabilities acquired as part of the PREOS sub-group acquisition of TEUR 67,278, the loan liabilities accepted as part of the acquisition of the publity Sankt Martin Tower GmbH of TEUR 99,532, as well as the real estate financing acquired together with the acquisition of the shareholding in Projekta Lüdenscheid 1 GmbH amounting to TEUR 4,072.

The disposals in connection with the deconsolidation of subsidiaries relate to the disposal of the loan liability of publity Sankt Martin Tower GmbH.

Mortgage charges of TEUR 370,950 and guarantees of TEUR 221,800 have been provided as security for borrowings at the balance sheet date. In addition, further security for borrowings is provided in the form of the assignment of rental income and charges over bank accounts and shareholdings.

In connection with borrowings entered into in the financial year 2019 the Group has entered into partial obligations to provide various information to the lenders (for example, copies of annual financial statements, lists of tenants or project reports) and to adhere to certain financial ratios (financial covenants). These covenants include obligations typical for the sector – for example, ratios which are based on the relationships between the loan amounts and the value of the properties (Loan-to-Value Ratio, LTV), interest and debt ratios (Interest Coverage Ratio, ICR or Debt Service Coverage Ratio, DSCR), the relationship between the loan amounts and rental income (Debt-to-Rent Ratio), or the weighted average unexpired lease term (WAULT). Depending on the respective specific contractual agreement, the information and a confirmation of the adherence to the covenants must be provided to the lender monthly, quarterly, half-yearly or annually. Should publity not adhere to these financial ratios at the respective examination dates, a series of possible measures may be initiated to restore the agreed position. These measures may include, for example, the partial repayment of loan balances or the provision of additional collateral security. The lender has an extraordinary termination right if the borrower is not able to restore the agreed position over time.

All of the agreed covenants were complied with at the balance sheet date.

16 OTHER FINANCIAL LIABILITIES (NON-CURRENT)

Non-current financial liabilities are measured at fair value less directly attributable transaction costs and discounts at initial recognition. They are subsequently measured at amortised cost in accordance with the effective interest method.

The acquisition cost of new liabilities on initial recognition is derived from the amount paid less directly attributable transaction costs. The acquisition cost of the liabilities of subsidiaries when recognised by the Group for the first time on initial consolidation corresponds to the market value of those liabilities at the date of first-time consolidation. The effective interest rate is determined when the financial liabilities are initially recognised. Any difference between the cost and the settlement amount is amortised over the fixed-interest term of the liability, with the carrying amount being adjusted through profit or loss on a pro rata basis.

If the conditions relating to the amount or timing of interest and principal repayments are modified, the carrying amount is remeasured so as to reflect the actual and newly estimated cash flows. Any differences to the previously recognised carrying amount of the liabilities are recognised through profit or loss.

The non-current financial liabilities at 31 December 2019 consist of the following:

in EUR	31.12.19	31.12.18
Convertible bond 2019/2024	30,638,185	0
Lease liabilities	38,531,905	9,230,206
Liabilities to non-controlling shareholders	94,583	0
Convertible bond 2015/2020	0	35,784,580
Total	**69,264,674**	**45,014,787**

The other non-current financial liabilities include the Convertible Bond 2019/2024 issued by PREOS Real Estate AG and lease liabilities, as well as liabilities to non-controlling share-holders. The decrease in the Convertible Bond 2015/2020 issued by publity AG compared to the previous year is due to the fact that the bond has been reclassified to current financial liabilities as it is due for repayment in the financial year 2020.

The lease liabilities are in connection with the lease for the office space in the OpernTurm building in Frankfurt/Main (31 December 2019: TEUR 2,604; 31 December 2018: TEUR 2,873) as well as the leasehold property on the land "Medienallee 26" in Unterföhring (31 December 2019: TEUR 36,131; 31 December 2018: TEUR 0).

The change in non-current lease liabilities compared to the previous year is, for one thing, due to the initial recognition of the lease liability for the leasehold property described. The leasehold property rights were acquired as part of the acquisition of the "Sky" property in the financial year 2019. On the other hand, the non-current lease liabilities fell by TEUR 6,357 compared to the previous year. This reduction was due to the fact that the lease liability for the "publity Center" in Leipzig has been reclassified to current financial liabilities following a modification to the current lease contract. In the previous year the amounts disclosed for non-current financial liabilities for the "publity Center" amounted to TEUR 6,357.

Convertible bond 2019/2024

By resolution of the Annual General Meeting of PREOS Real Estate AG on 28 August 2019, PREOS Real Estate AG was authorised to issue convertible and/or or debt option obligations, profit-participation rights and/or profit-participation bonds (or a combination of such instruments). Under this authorisation, the Executive Board of PREOS Real Estate AG is authorised, subject to the consent of the Supervisory Board, until 27 August 2024 on one or more occasions to issue or emit bearer or registered convertible and/or debt option obligations, profit-participation rights and/or profit-participation bonds (or a combination of such instruments) (collectively "bonds") with a fixed maturity date or as perpetual instruments for a total principal amount of EUR 500,000,000.00, and to grant to and/or impose upon the holders of the bonds conversion and/or option rights and conversion and /or option obligations to convert the bonds into up to 40,000,000 ordinary registered shares in the Company with a share in the share capital of up to EUR 40,000,000.00, subject to the detailed terms and conditions of the bonds.

Based on the above authorisation approved at the Annual General Meeting held on 28 August 2019, on 8 November 2019 the Executive Board of PREOS Real Estate AG, with the consent of the Supervisory Board on the same date, resolved the issue of the Convertible Bond 2019/2024 with a total of up to 300,000 registered convertible bond notes carrying equal rights with a nominal amount of EUR 1,000.00 each, with a maturity date of 9 December 2024.

In accordance with the terms of the Convertible Bond 2019/2024 each holder has the right on specific dates (two dates each year) to convert his/her bonds into shares. In addition, the terms of the bond permit the issuer to redeem the bond prior to the maturity date. The bond is unsecured. Annual interest is payable at 7.5%. The bond is repayable at 105%.

In accordance with IAS 32.28, the convertible bond was separated into an equity component and a liability component at the date of initial measurement. The separation into an equity and liability component was performed in accordance with the requirements of IAS 32.31 et seq. The value of the financial liability was determined by discounting the future payments of principal and interest with the risk-adjusted interest rate which would be paid on a similar financial liability without any equity component in line with market conditions and the company's creditworthiness. In performing this valuation, it was found that the risk-adjusted interest rate for bonds with no conversion rights was lower than the 7.5% nominal rate of interest on the bonds issued. The issue was at the respective fair values, so that the conversion right as a whole was not attributed with a significant economic value, with the result that no additional equity component was recognised. In subsequent periods, the liability component will be measured at amortised cost in accordance with the effective interest method.

In addition to the holder's option, consideration was also given to the issuer's termination option, to determine whether there was a requirement to recognise a separate embedded derivative for the issuer's termination option in accordance with the requirements of IFRS 9.B.4.3.5 (e), specifically on the basis of the exercise price. However, in view of the stated 8.5%

annual yield (on the nominal value) of the convertible bond 2019/2024 through to maturity, the Company assumes that the economic characteristics and risks of this embedded derivative are closely related to the host contract, i.e. the convertible bond. There is no compensation for the loss of interest; however, the exercise price of the option at each exercise/termination date will be very close to the amortised cost of the host instrument.

Bond notes with a total nominal amount of TEUR 139,616 were placed on 31 December 2019. However, of these, only TEUR 31,798 were issued to third parties. Accordingly, the liability component at 31 December 2019 totals TEUR 30,351 (31 December 2018: TEUR 0).

Convertible Bond 2015/2020

By resolution of the Annual General Meeting on 30 March 2015 the Executive Board was authorised, subject to the consent of the Supervisory Board, to issue on one or more occasions prior to 29 March 2020 bearer or registered convertible bonds with a total principal amount of up to EUR 50,000,000 with a fixed maturity date or as perpetual instruments, and to grant to and/or impose upon the holders or creditors of convertible bonds the right and/or the obligation to convert the bonds into ordinary registered shares in the Company with a share in the share capital of up to EUR 2,500,000, subject to the terms and conditions of the bonds.

The bonds are divided into notes with smaller denominations. The noteholders receive the right to convert their bond notes into ordinary registered shares in the Company, subject to the Terms and Conditions stipulated by the Executive Board.

The Executive Board resolved on 9 November 2015 and 11 December 2015 to exercise this authorisation and issue a convertible bond with a total principal amount of EUR 30,000,000 with the consent of the Supervisory Board. By virtue of the resolution dated 2 May 2017, the Executive Board approved the issue of a further EUR 20,000,000. The total volume then amounted to EUR 50,000,000. The statutory pre-emptive subscription rights of the existing shareholders were excluded. The convertible bond may be converted into up to 1,119,069 new shares. The conversion right may be exercised beginning on 1 October 2016 at any time until the third business day before the redemption date on 17 November 2020. Conversion rights totalling EUR 4,304,000.00 were exercised by 31 December 2019. In exchange, 114,580 ordinary registered shares were issued to the holders. The conversion price was originally EUR 47.00 per share. The conversion price was adjusted on several occasions in accordance with the terms and conditions of the bond to protect the bondholders against dilution in case of capital increases or dividends by the issuer. The conversion price at 31 December 2019 was EUR 37.5569.

In accordance with the terms and conditions, the convertible bond carries a 3.5% annual coupon. The bond principal plus accrued interest will be redeemed on 17 November 2020 unless the bonds were redeemed, converted or repurchased and cancelled prior to that date.

With respect to the dividend distribution for 2017, certain holders of the 2015/2020 convertible bond issued by the Company expressed the view that the distribution of a dividend breached a negative pledge set out in the terms and conditions of the convertible bond. The Company was able to satisfy the bondholder creditors in the financial year 2019 and settle the issue by repurchasing convertible bonds. All of the convertible bonds repurchased were subsequently re-sold during the financial year 2019, so that the Company no longer holds any of its own convertible bonds at 31 December 2019.

In accordance with IAS 32.28, the convertible bond was divided into an equity component and a liability component. The separation into equity and liability components was recognised in accordance with the residual interest method in accordance with IAS 32.31 et seq. The value of the financial liability was determined by discounting the future payments of principal and interest with the risk-adjusted interest rate which would be paid on a similar financial liability without any equity component in line with market conditions and the company's creditworthiness. The equity component was then determined by subtracting the financial liability from the value of the total compound instrument. On the issue of the further convertible bond for EUR 20,000,000, in May 2017 it was found that the risk-adjusted interest rate for bonds without conversion rights was below the nominal rate of interest. The issue was at the respective fair values, so that the conversion right as a whole was not attributed with a significant economic value, with the result that no additional equity component was recognised. The liability component was measured in subsequent periods at amortised cost in accordance with the effective interest method. A separation into equity and liability components was also performed for the bond notes repurchased and re-issued in the financial year 2019. In determining the value of the equity component as an additional value element, reference was made to a comparable debt instrument without conversion rights entered into by the Group in the financial year 2019. The equity component was subsequently determined by calculating the difference between the bond without conversion right and the actual payments.

At 31 December 2019, the value of the liability component was TEUR 44,373 (31 December 2018: TEUR 46,216). As the convertible bond notes are repayable on 17 November 2020 the liability component is presented in full within current financial liabilities at 31 December 2019. At 31 December 2018 TEUR 35,785 were reported within non-current financial liabilities. The value of the equity component at 31 December 2019 amounted to TEUR 542 (31 December 2018: TEUR 118) and was recognised in the capital reserve. The increase in the equity component compared to the previous year relates to the repurchase and re-issue of convertible bonds notes in the financial year 2019.

17 CURRENT TAX LIABILITIES

Current tax liabilities are recognised in the amount of the expected payment to the taxation authority. That amount is calculated based on the tax rates and tax laws in force or soon to be in force at the reporting date in the countries in which the Group operates and generates taxable income.

The income tax liability amounting to TEUR 49 includes tax provisions for current corporate and trade tax obligations.

18 PROVISIONS

Provisions are recognised in respect of legal or constructive obligations to third parties arising from past events and whose timing and amount are uncertain, if it is probable that the settlement of the obligation will result in an outflow of Group resources, the amount of which can be reliably estimated. The Group recognises provisions for loss-incurring transactions if the expected benefit from the contractual claim is less than the unavoidable costs to settle the contractual obligation. Provisions are measured using the best estimate of the present obligation at the reporting date. Non-current provisions are recognised at the settlement amount, discounted to the reporting date.

The provisions of TEUR 400 at 31 December 2019 (31 December 2018: TEUR 400) include a provision for a current legal dispute. The movements in the period were as follows:

In EUR	01.01.2019	Utilisation	Release	Additions	31.12.2019
Warranty provosions	400,000	0	0	0	400,000
Gesamt	**400,000**	**0**	**0**	**0**	**400,000**

In EUR	01.01.2018	Utilisation	Release	Additions	31.12.2018
Warranty provosions	400,000	0	0	0	400,000
Gesamt	**400,000**	**0**	**0**	**0**	**400,000**

The provision was made based on management's best estimates of the expected settlement amounts. The provision concerns the expected cash outflows arising in connection with ongoing legal court proceedings concerning risks in the asset-management business.

At the balance sheet date, it is not possible to make a reliable estimation of the date on which payments will be made. It is possible, however, that the provision may be utilised in the short term.

19 TRADE PAYABLES

Trade payables comprise the following:

in EUR	31.12.19	31.12.18
Operating costs of real estate	3,092,507	0
Legal and consulting costs	1,060,478	0
Liabilities arising in connection with placing the convertible bond 2019/2024	807,870	0
Interest liabilities	120,781	0
Improvements to leasehold properties	75,206	0
Costs of financial statements and audit costs	38,515	42,403
Internal audit/compliance	10,385	38,080
Brokers' commissions	0	1,842,120
Other	919,744	381,065
Total	**6,125,485**	**2,303,668**

The TEUR 3,822 increase in trade payables in the financial year 2019 primarily resulted from liabilities incurred in connection with properties acquired during the course of the year. In contrast, the liabilities for brokers' commissions fell by TEUR 1,842.

20 OTHER CURRENT FINANCIAL LIABILITIES

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

in EUR	31.12.19	31.12.18
Convertible bond (current portion)	44,373,113	10,431,570
Lease liabilities (current portion)	2,930,908	754,035
Liabilities to non-controlling shareholders	878,174	0
Liabilities arising in connection with the acquisition of subsidiaries	718,302	0
Costs of financial statements and audit costs	511,500	247,500
Interest liability	534,036	214,535
Security deposits received	219,065	213,823
Debtors with a credit balance	17,183	16,412
Liabilities for maintenance work	97,409	0
Deffered income	47,751	0
Other liabilities	633,893	491,202
Total	**50,961,335**	**12,369,077**

The TEUR 38,592 change in other current financial liabilities compared to the previous year was primarily due to the reclassification of the convertible bond 2015/2020 from non-current to current financial liabilities (31 December 2019: TEUR 44,373; 31 December 2018: TEUR 10,432), the increase in the current portion of lease liabilities (31 December 2019: TEUR 2,931; 31 December 2018: TEUR 754), as well as liabilities to non-controlling shareholders (31 December 2019: TEUR 878; 31 December 2018: TEUR 0) and liabilities in connection with the sale of subsidiaries (31 December 2019: TEUR 718; 31 December 2018: TEUR 0). The reclassification of the Convertible Bond 2015/2020 was due to the fact that this bond is due for repayment in the financial year 2020. The increase in the current lease liabilities is in connection with the modification of the lease contract for the "publity-Center" in Leipzig in the financial year 2019 (further details are provided in note 20 "Lease liabilities") as well as in connection with the fact that the short-term component of the lease liability for the leasehold arrangement for the land at "Medienallee 26" in Unterföhring were included in the balance sheet for the first time in the financial year 2019. The liabilities to non-controlling shareholders and the liabilities in connection with the sale of subsidiaries resulted from the sale of the shareholding in Sankt Martin Tower GmbH in December 2019.

21 OTHER CURRENT LIABILITIES

Other current liabilities are accounted for at amortised cost and comprise the following at 31 December 2019:

in EUR	31.12.19	31.12.18
Liabilities for property transfer tax	4,037,540	1,106,213
Contributions for personnel	174,662	4,875
Liabilities for value added tax	47,421	1,372,379
Total	**4,259,623**	**2,483,467**

The increase of TEUR 1,776 in other current liabilities compared to the previous year is due to an increase in liabilities for property transfer tax (31 December 2019: TEUR 4,038; 31 December 2018: TEUR 1,106). The liabilities for property transfer tax at the balance sheet date of TEUR 4,038 were in connection with the acquisition of the "Sky" property. In contrast, the liabilities for value added taxes decreased in the financial year 2019 by TEUR 1,325 (31 December 2019: TEUR 47; 31 December 2018: TEUR 1,372).

22 LEASING ARRANGEMENTS

22.1 The Group as lessee

In accordance with IFRS 16, the lessee accounts for all existing leases by recognising a right-of-use asset and a lease liability at the inception of the lease.

The right-of-use asset is initially recognised at acquisition cost. In accordance with IFRS 16.24, the acquisition cost comprises the amount of the initial measurement of the lease liability, any lease payments made by the lessee at or before the commencement date which are therefore not included in the lease liability, any incremental costs of entering into the lease, and any costs to be incurred by the lessee in dismantling and removing the underlying asset, less any incentives received by the lessee at or before the commencement date. The right-of-use asset is usually subsequently measured at amortised cost. The right-of-use asset is amortised on a straight-line basis over the shorter of the lease term or useful life of the leased asset.

The lease liability is recognised in accordance with the requirements for financial instruments set out in IFRS 9. The lease liability is recognised at the inception of the lease at the present value of the payments by the lessee over the term of the lease. All fixed payments by the lessee are included. The discount rate used to calculate the present value of the lease payments is determined as follows: the first preference is to use the implicit interest rate, i.e. the interest rate from the perspective of the lessor, that reflects the expected return on the lessor's investment in the lease. If the implicit interest rate cannot be reliably determined, the lessee uses its own incremental borrowing rate. In subsequent periods, the lease liability is amortised depending on the agreed repayment. A constant periodic rate of interest on the remaining balance of the lease liability is determined by applying the effective interest method. Interest is added to the remaining balance of the lease liability outstanding at the reporting date using the interest rate applied when calculating the present value, and the balance is reduced by the amount of principal repayments made.

Payments for short-term leases (<1 year) and low value leases (<TEUR 5) are recognised as expenses over the period of the lease contract.

A sale and leaseback transaction involves the disposal of an asset and the subsequent leasing of that same asset. If such a transaction results in a finance lease, any excess of disposal proceeds over the carrying amount must not be recognised directly as income by the lessee. Rather, it is amortised over the term of the lease. Pursuant to a notarised agreement dated 14 December 2015, publity AG sold the "publity Center" property in Leipzig to Pola Property (2015) GmbH for TEUR 6,800. At the same time, a "triple net" rental agreement was signed with respect to the property, with a 15-year term commencing on 1 January 2016. The monthly net rental is TEUR 40. On completion of the contract the tenant was the sole tenant of the property and was required to meet all of the operating costs of the property.

Together, the relevant agreements are classified as a sale and leaseback finance lease. The disposal gain generated upon the sale of the property is amortised on a straight-line basis over the term of the lease.

On 2 December 2019 publity AG entered into a sublease contract with a third party covering the entire office floorspace of section B of the "publity Center". The contract is for a period of 13 months. The sub-lessee has committed itself to enter into the lease contract in place of publity AG once the 13-month period is complete, so that publity will thereafter no longer be a party to the property lease with Pola Property GmbH. The probability that this will be realised by 31 December 2020 is very high. This change will also affect the primary rental agreement.

The right-of-use asset for the "publity Center" and the corresponding lease liability have been adjusted to reflect this contract modification.

In addition, there is a lease contract with Opernplatz Property Holdings Sàrl & Co. KG for 10 years for office space in Frankfurt/Main. The monthly rental is TEUR 31.

The following amounts are presented in the consolidated balance sheet at 31 December 2019 for leasing arrangements:

Right-of-use assets in EUR	**31.12.2019**	**31.12.2018**
Right-of-use over investment properties		
Leasehold property rights	36,131,000	0
Right-of-use over property, plant, equipment		
Offices (own use)	3,037,815	7,473,547
Total	**39,168,815**	**7,473,547**

Lease liabilities in EUR	**31.12.2019**	**31.12.2018**
Non-current lease liabilities	38,531,905	9,230,207
Current lease liabilities	2,930,908	754,035
Total	**41,462,814**	**9,984,242**

The asset balances recorded for right-of-use leased assets amounted to TEUR 39,169 in the financial year 2019 (financial year 2018: TEUR 7,474), which comprised a right-of-use asset for the leasehold land at "Medienallee 26" in Unterföhring (31 December 2019: TEUR 36,131; 31 December 2018: TEUR 0) as well as right-of-use assets for office space for own use (31 December 2019: TEUR 3,038; 31 December 2018: TEUR 7,474). The right-of-use asset for the leasehold property was acquired and recognised in the balance sheet for the first time as part of the acquisition of the "Sky" property in the financial year 2019. The reduction of TEUR 4,436 compared to the previous year in the right-of-use asset for office space for own use is due to the fact that the lease period for the rental of the "publity Center" has been shortened significantly. The right-of-use asset for the leasehold property which is in connection with the "Sky" investment property is also reported within investment properties in the balance sheet. The right-of-use assets for properties used exclusively as office buildings are presented within property, plant and equipment.

The non-current lease liabilities have increased by TEUR 29,302 compared to the previous year. This is a result of the lease liability of TEUR 35,928 included for the leasehold property already described, included for the first time. On the other hand, the lease liability for the rental agreement for the "publity Center" fell significantly as a result of the change in the lease period.

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

Amortisation of the right-of-use assets in EUR	**2019**	**2018**
Investment property	-592,794	-556,993
Total	**-592,794**	**-556,993**

Other expenses in connection with leasing arrangements in EUR	**2019**	**2018**
Interest expense	-276,774	-252,664
Finance income on the net investment in the lease	31,458	0
Expense for short-term leases	0	0
Expense for lease arrangement for low-value items	-53,747	-41,090
Expense from amendments to leasing arrangements	-323,422	0
Expense for variable lease payments not included on the lease liability	0	0
Total	**-622,485**	**-293,754**

The total cash outflows for leases amounted to TEUR 919 in the financial year 2019 (financial year 2018: TEUR 739).

The maturities of lease liabilities as at the reporting date are presented in the table below:

Maturity analysis of the lease liabilities in EUR	2019	2018
Within one year	2,930,908	765,685
After one year and within five years	1,776,868	3,308,343
After five years	36,755,037	5,921,863
Total	**41,462,814**	**9,995,891**

22.2 **The Group as lessor**

In contrast, the rules under the new accounting standard for lessors are similar to the previous rules under IAS 17. As the lessor, the Group classifies its identified leases as either finance or operating leases at the inception of the lease. A lease is classified as a finance lease if essentially all risks and rewards of ownership of 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 recognised. The lease receivable is carried at the net investment value. For the purposes of subsequent measurement, the lease instalments are separated into an interest portion and a principal portion. Interest income is allocated across the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

If the identified lease is classified as an operating lease, the Group as the lessor recognises current income from lease instalments. The leased asset is carried in accordance with IAS 16 and IAS 38 less depreciation and amortisation, as well as impairments and write-downs in accordance with the provisions of IAS 36.

Sub-leasing arrangements

Under the sale and leaseback arrangement with Pola Property (2015) GmbH publity AG acts as an interim tenant, as it sublets the leased property to two other parties. As lessee it recognises a lease liability and a right-of-use asset ("right-of-use concept"). Vis-à-vis the sub-tenant it acts as lessor, and in accordance with the "risk and reward" concept it is required to classify the lease as either a finance lease or an operating lease. In accordance with IFRS 16.B58(b), the criteria used to classify a lease as a finance lease or as an operating lease are not applied at the level of the lease asset, but at the level of the interim tenant's right-of-use. In a financing lease arrangement, the lessor recognises a receivable from the lessee instead of recognising a right-of-use asset; the amount recognised is based on the net investment in the lease.

publity AG has entered into a sub-lease arrangement for the office space in section A of the publity Center building in Leipzig with PREOS Real Estate AG. The contract began on 1 September 2018 and ends on 31 December 2030.

The contract does not contain a termination option; however, the sub-lease ends should the primary lessee no longer be a party to the primary lease contract. The monthly lease payments (net) amount to TEUR 10. In addition, the contract does not include any variable payments or any residual value guarantees, limitations or covenants. As publity AG is highly likely to cease to be a party to the property lease with Pola Property (2015) GmbH from 31 December 2020, PREOS Real Estate AG will also cease to be a party to the contract from that date. This has been reflected in the lease receivables recognised.

PREOS Real Estate AG and its subsidiaries have been members of the publity-Group since 1 September 2019; accordingly, transactions between the companies are eliminated on consolidation. Accordingly, the lease receivables from PREOS Real Estate AG at 31 December 2019 recognised by publity AG, together with the corresponding lease liability recognised by PREOS Real Estate AG are eliminated on consolidation. Expenses and income arising on this arrangement are also eliminated in the same way.

In addition, publity AG has a sub-letting arrangement over the entire office floorspace in section B of the building. The contract commenced on 2 December 2019 and is for a period of 13 months. The sub-lessee has committed itself to enter into the lease contract in place of publity AG once the 13-month period is complete, so that publity will thereafter no longer be a party to the property lease with Pola Property (2015) GmbH. The monthly lease payments (net) amount to TEUR 25, plus a value added tax burden of TEUR 7. The contract does not include any additional variable payments and there are no residual value guarantees. The sub-lessee arrangement for section B of the "publity Center" is classified as a finance lease arrangement at the balance sheet date. The minimum lease payments under these lease arrangements are presented in the table below: The reported minimum lease payments include the net rents to be collected until the agreed end of the lease or until the earliest possible date on which the lessee can terminate the lease.

Minimum lease payments in EUR	**2019**	**2018**
Within one year	361,136	0
After one year and within five years	0	0
After five years	0	0
Total future rental income	**361,136**	**0**

At 31 December 2019 publity AG recognises lease receivables for sub-lease arrangements at the net investment in the lease with an amount of TEUR 349, and generated income of TEUR 87 from subleasing right-of-use arrangements.

Future rental income (operating leases) in EUR	**2019**	**2018**
Within one year	21,306,022	120,000
After one year and within five years	63,900,994	480,000
After five years	58,009,425	840,000
Total future rental income	**143,216,441**	**1,440,000**

With the exception of the above, the Group only recognised leases which had been classified as operating leases. These leases related to the rental of properties. The minimum lease payments under these leases are presented in the table below. The reported minimum lease payments include the net rents to be collected until the agreed end of the lease or until the earliest possible date on which the lessee can terminate the lease.

E Notes to the consolidated income statement

1 GROSS PROFIT

Revenue is recorded when it is probable that the economic benefits will flow to the Group and the amount of the income can be reliably determined, irrespective of the date of payment. Income is measured at the fair value of the consideration received or receivable, taking into account contractually determined payment terms but excluding taxes or other levies.

In the course of their ordinary activities, the individual Group companies provide the following services in connection with the procurement, management and realisation of real estate and property-related financing arrangements.

Income from servicing: services provided to third parties (asset-management)
publity generates revenue from third-party asset-management services in the form of finders' fees for acquired real properties, lump-sum payments for ongoing management of the properties, and performance-based fees (exit fees/promotional fees) when the managed properties are sold. The finders' fee and exit fee relate to date-specific services which are realised when all requirements for receiving the fee have been met. This is usually the closing of a purchase agreement or another point in time defined in the agreement. At that date the customer receives the benefit of the service (successful brokerage or agency sale). Agreements concerning ongoing asset-management services are usually signed for a longer term. This income represents contractually agreed monthly fees (income over time) which simultaneously provide a benefit (profitable management of the property) to the owner. As a rule, the Company agrees payment terms of approximately three months. The Group has no specific obligations other than its statutory warranty obligations.

Income from own loan portfolios (asset portfolios)
The income from own loan portfolios primarily includes the realisation of own loan portfolios and non-performing loans as well as, in individual cases, the sale of receivables.

The income from the receivables is recognised over time, representing an appropriate interest yield earned on the receivables purchased. The interest rate used is the effective interest rate over the estimated lifetime of the receivables that was calculated at the date the receivables were acquired. As in this case, in contrast to servicing arrangements, the realisations are made on the Company's own account, the Company generates revenue on the individual sales of receivables at specific points in time. Revenue is recognised when the conditions set out in the sales contracts for the receivables are fulfilled. For this purpose, payment terms of approximately three months are typically agreed.

Income from servicing of non-performing loans for third parties (asset-management)
When servicing third-party loan portfolios, publity primarily realises fees amounting to 22 % of the income generated upon realisation or collection of loan receivables. In addition, the Group receives lump-sum fees for the administration of debtor files (file administration fees). To that end, publity engages attorneys who manage the current receivables accounts for each debtor and the notary accounts in trust on the Company's behalf. The servicing income is only recognised if the receivables are successfully collected. At that date the customer receives the significant benefits arising from the service (cash inflow from non-performing loan). The publity-Group acts vis-à-vis third parties as the sole service provider and assumes liability, as well as accepting responsibility for all coordination arrangements. Accordingly, the income is recognised under the gross method (Company as principal). The Group has no specific obligations other than its statutory warranty obligations. Payment terms of approximately three months are typically agreed.

Income from own properties (asset portfolios)
Income from own properties primarily includes rental income which, in accordance with the requirements of IFRS 16, is accounted for as revenue recognised over time. The total income over the entire non-cancellable period of the lease contract is spread over the life-time of the contract on a straight-line basis. The property overhead costs charged to the lessee are presented using the gross method on a uniform basis. In the financial year 2018 this segment was still insignificant.

The table below presents an analysis of revenue and of the costs of sales for the publity-Group:

In EUR	2019	2018
Income from services to third-parties (asset-management)	3,483,214	28,348,285
Income from own loan portfolios (asset portfolios)	512,299	4,257,318
Income from servicing of non-performing loans for third parties (asset-management)	2,265,026	3,042,121
Income from own properties (asset portfolios)	13,953,914	0
Other income (asset-management)	108,805	1,569,338
Revenue	**20,323,259**	**37,217,061**
Cost of sales (asset-management)	-2,952,714	-5,716,488
Cost of sales (asset portfolios)	-7,650,251	-1,076,621
Cost of sales	**-10,602,965**	**-6,793,109**
Gross profit	**9,720,294**	**30,423,953**

Revenue fell year on year by TEUR 16,894 to TEUR 20,323, primarily as a result of the decrease in income generated servicing for third parties (asset-management). Offsetting this, significant amounts of revenue were generated in the financial year 2019 for the first time from own properties (asset portfolios), comprising rental income as well as income from rental overhead charges from asset portfolio rentals.

The decline in asset-management revenue is primarily due to the fact that publity AG performed substantial work for group companies in the financial year 2019. Group-internal revenue with other segments in the financial year 2019 amounted to TEUR 30,232. This is eliminated in the consolidated financial statements on the elimination of group internal expenses and income.

The cost of sales for the financial year 2019 totalled TEUR 10,603, of which TEUR 2,953 (financial year 2018: TEUR 5,716) were incurred in the asset-management segment and TEUR 7,650 in the portfolio-management segment. The costs in the asset-management segment are primarily brokers' commissions, the cost of bought-in asset-management services and expenses for servicing costs. The costs of the portfolio-management segment are primarily expenses incurred to operate the portfolio properties.

2 OTHER OPERATING INCOME

Other operating income for the financial year 2019 comprise the following:

In EUR	2019	2018
Deconsolidation result	4,926,492	626,698
Gain resulting from the modification of lease contracts	654,854	0
Gain from the reduction of impairment allowances against receivables	561,406	0
Income from rental subsidies	215,000	0
Out of period income	198,923	206,595
Income from the release of provisions	71,257	485
Income from operating cost accounts	40,023	0
Expenditure compensation	24,993	23,901
Benefits in kind	2,711	31,692
Gains resulting from sale and leaseback transactions	0	186,894
Gain on initial consolidation	0	161,729
Other	52,808	55,880
Total	**6,748,466**	**1,293,874**

The other operating income increased by TEUR 5,455 compared to the previous year. The increase is primarily due to the recognition of income of TEUR 4,926 arising on the deconsolidation of publity Sankt Martin Tower GmbH and publity Sankt Martin Tower Verwaltung GmbH, as well as income of TEUR 655 arising from the modification of the lease contract for the "publity Center".

Out of period income of TEUR 199 includes income in connection with receivables from previous owners from overhead charges (TEUR 161) and income from overpayments (TEUR 38).

3 PERSONNEL EXPENSES

Personnel expenses in the reporting period comprise the following:

In EUR	2019	2018
Salaries	-2,245,929	-1,783,637
Social security costs	-301,470	-240,185
Gesamt	**-2,547,399**	**-2,023,822**

The personnel expenses increased by TEUR 524 compared to the previous year. This increase is primarily due to the fact that personnel expenses of Großmarkt Leipzig GmbH, acquired at the end of 2018, were included in the financial year 2019 for the first time. In addition, the personnel expenses of publity Sankt Martin Tower Verwaltung GmbH and PREOS Real Estate AG were included for the respective periods that these companies were members of the Group during the financial year. The average number of per-sons employed by the Group during the financial year 2019 was 37, of which 4 were members of the Executive Board (financial year 2018: 27 employees, of which 2 were members of the Executive Board).

4 OTHER OPERATING EXPENSES

Other operating expenses for the financial year 2019 comprise the following:

In EUR	2019	2018
Derecognition of receivables	-4,810,841	-1,985,935
Legal and consulting costs	-3,475,383	-1,869,764
Advertising and travel expenses	-1,850,145	-1,062,166
Impairment allowances against receivables	-1,451,777	0
Expenses in connection with initial consolidation	-1,154,671	0
Costs of financial statements and audit costs	-1,125,941	-329,402
Depreciation of property, plant and equipment	-734,608	-722,962
Work and services performed by third parties	-507,318	-170,261
Cost of improvements to leasehold properties	-497,819	0
Financing costs	-476,943	-124,271
Cost of repairs and maintenance	-449,910	-173,956
Non-deductible value added taxes	-367,070	0
Out of period expenses	-300,735	-84,293
Costs incurred in connection with placing the convertible bond	-289,516	0
Premises costs	-285,571	-33,887
Sales commissions	-280,000	-294,155
IT costs	-217,442	-105,390
Office consumables and operating costs	-207,070	-102,445
Supervisory Board remuneration	-198,077	-78,000
Insurance	-180,312	-49,688
Incidental costs of monetary transactions	-127,074	-40,800
Rental and leasing costs	-105,755	-54,611
Costs of shareholders' meetings	-104,679	0
Vehicle costs	-94,185	-102,556
Administrative expenses	-11,017	0
Other	-548,135	-290,530
Total	**-19,851,993**	**-7,675,072**

The other operating expenses in the financial year 2019 increased by TEUR 12,177 (financial year 2019: TEUR 19,852; financial year 2018: TEUR 7,675). Of this increase, TEUR 5,735 concerns other operating expenses of the companies formed or acquired during the financial year 2019 and accordingly included in the consolidated statement of profit or loss for the first time during the financial year 2019. In terms of the specific expenses included in the total, the increase in other operating expenses is primarily due to the increase in receivables derecognised (financial year 2019: TEUR 4,811; financial year 2018: TEUR 1,986), an increase in legal and consulting costs (financial year 2019: TEUR 3,475; financial year 2018: TEUR 1,870) as well as impairment allowances recorded against receivables (financial year 2019: TEUR 1,452; financial year 2018: TEUR 0) and a TEUR 1,155 one-off effect in connection with the acquisition of the shareholdings in publity Sankt Martin Tower GmbH and publity Sankt Martin Tower Verwaltung GmbH.

The increase in legal and consulting costs is primarily due to expenses incurred in connection with the capital increases as well as to the expenses incurred in connection with the acquisition of properties and property holding companies.

5 RESULT OF REMEASUREMENT OF INVESTMENT PROPERTIES

The gain on the remeasurement of investment properties of TEUR 122,230 (financial year 2018: TEUR 8,940) was a result of the revaluation of the "Theodor-Althoff-Straße 2", "Eschborn", "Sky", Access Tower", "Sankt Martin Tower", "Lüdenscheid" and "Oberhausen" properties, less the offsetting effect of losses of TEUR 1,000 on the revaluation of investment properties for the "Großmarkt Leipzig" property which was sold in the financial year 2019 (financial year 2018: TEUR 0).

6 FINANCIAL INCOME

Financial income in the financial year 2019 consists of the following:

In EUR	2019	2018
Interest income from non-performing loans	5,571,263	6,832,909
Interest income from shareholder loans	383,333	0
Interest income from receivables from non-controlling shareholders	131,038	0
Interest income from leasing arrangements	31,458	0
Interest income from loans	0	915,775
Gains on disposal of financial assets	0	376,048
Gains on the re-purchase of convertible bond notes	0	223,732
Other financial income	10,380	105,751
Total	**6,127,473**	**8,454,216**

Financial income fell in the financial year 2019 by TEUR 2,327, amounting to TEUR 6,127 (financial year 2018: TEUR 8,454). The decline compared to the previous year is primarily due to the lower income from interest income from loans to PREOS I. In addition, interest income from non-performing loans was also lower. This is due to the fact that interest income in the financial year 2018 also included income from companies that were sold during the year and which had been fully consolidated until then.

7 FINANCIAL COSTS

Financial expenses in the financial year 2019 comprise the following:

In EUR	2019	2018
Interest on borrowings	-10,981,072	0
Interest on convertible bond	-2,938,994	-2,283,175
Interest on lease liabilities	-276,774	-252,664
Other interest costs	-163,607	-314,690
Total	**-14,360,448**	**-2,850,528**

Financial expenses increased in the financial year 2019 compared to the financial year 2018 by TEUR 11,510, primarily as a result of the TEUR 10,981 interest expenses for borrowings. The borrowings were entered into in the financial year 2019 in order to finance the property acquisitions. The increase in the interest costs of convertible bonds (financial year 2019: TEUR 2,939; financial year 2018: TEUR 2,283) is due to the issue of the Convertible Bond 2019/2024 by PREOS Real Estate AG in the financial year 2019.

8 IMPAIRMENT OF NON-CURRENT FINANCIAL ASSETS

The impairment of non-current financial assets of TEUR 27,703 (financial year 2018: TEUR 2,962) includes the impairment charges recognised against non-performing loan portfolios. Impairment charges against the sub-portfolios are recognised in accordance with the requirements of IFRS 9.5.3 in the amounts of the expected (remaining) lifetime credit losses. The increase in the impairment allowances compared to the previous year is primarily due to the adjustments made in the financial year 2019 to the amounts and the timing of the expected cash inflows from the sub-portfolios.

9 INCOME TAXES

In EUR	2019	2018
Current taxes	-2,644,724	-6,842,232
Deferred taxes	-12,970,887	-1,983,610
Total taxes	**-15,615,611**	**-8,825,842**

The current tax expense of TEUR 2,645 (financial year 2018: TEUR 6,842) includes corporation tax and trade tax expenses and arose in Germany only.

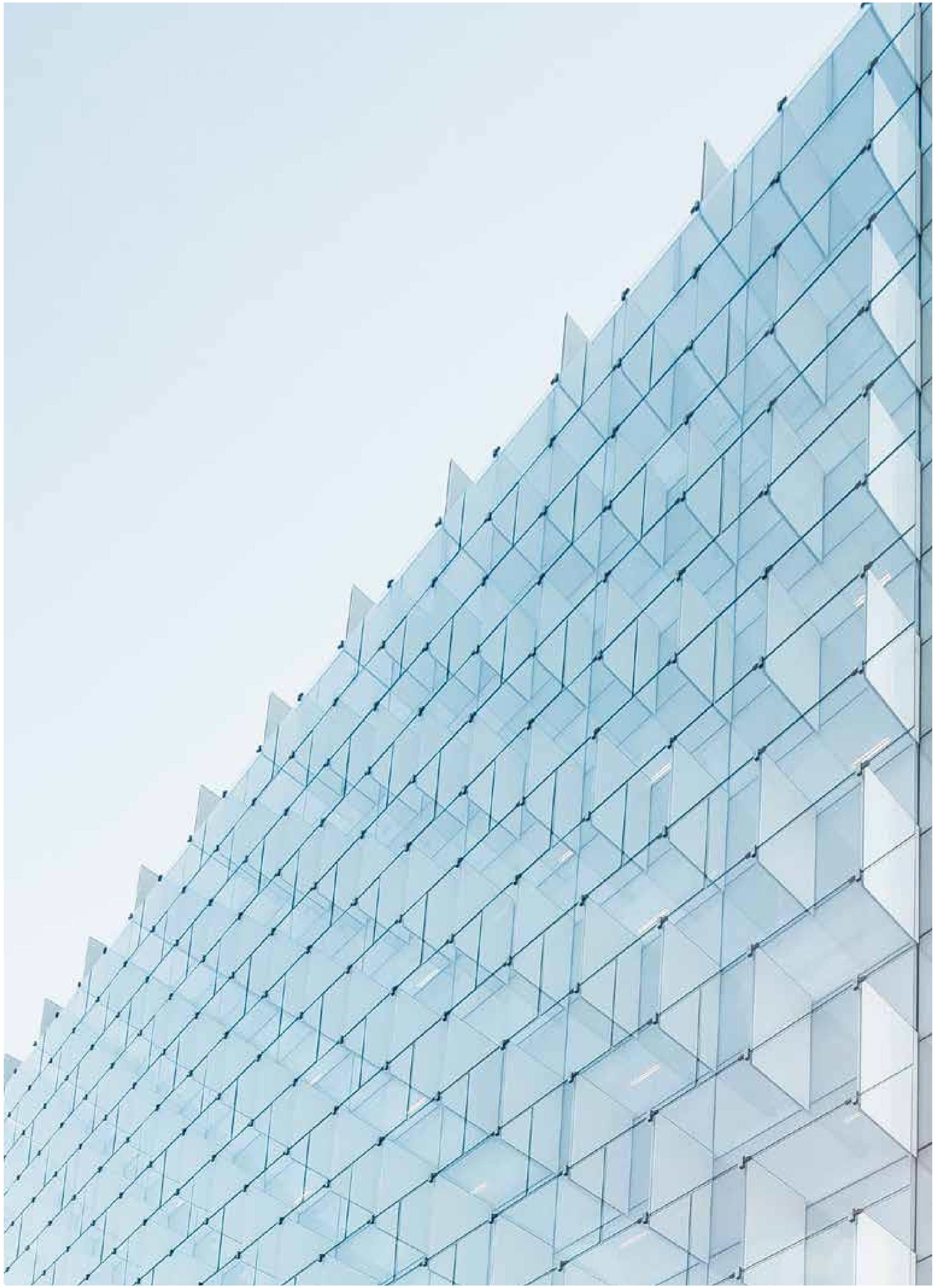
The deferred tax expense of TEUR 12,971 (financial year 2018: TEUR 1,984) consists of deferred tax income of TEUR 8,255 (financial year 2018: TEUR 969) and deferred tax expenses of TEUR 21,226 (financial year 2018: TEUR 2,952). The deferred tax expenses primarily arose as a result of temporary differences in connection with the fair value measurement of investment properties.

The companies included in the consolidated financial statements have unused corporation tax losses carried forward of TEUR 22,668 (31 December 2018: TEUR 0) as well as unused trade tax losses carried forward of TEUR 23,120 (31 December 2018: TEUR 0). The disclosures of unused tax losses carried forward at the balance sheet date include the amounts attributable to PREOS Real Estate AG and its subsidiaries, which were included in the consolidation for the first time in the financial year 2019, to the extent that these were generated since the date they were included in the consolidation for the first time.

Tax reconciliation

The reconciliation between the expected and current tax expenses for the financial year is presented on the basis of a Group tax rate of 31.93 % (financial year 2018: 31.93 %). The 31.93 % Group tax rate includes the currently applicable corporation tax rate of 15 %, the solidarity surcharge of 5.5 % and a trade tax rate of 16.1 %.

In EUR	2019	2018
Result before tax	**79,776,340**	**33,441,055**
Group tax rate	**31,93 %**	**31,93 %**
Expected tax result	**25,468,597**	**10,676,057**
Reconciling items:		
Trade tax effects	-18,867,135	0
Tax effect of non-deductible business expenses	405,616	12,683
Tax effect of tax-free investment income and gains on disposal	-986,042	-376,048
Tax effect of other tax-free income	0	-84,479
Current taxes attributable to previous periods	18,583	-275,144
Tax effect of the recognition of deferred tax assets on tax losses carried forward	-196,956	-776,880
Tax effect of derecoginition of deferred tax assets on tax losses carried forward	776,880	-776,880
Tax effect of losses not utilised	7,195,691	-275,144
Other effects	1,800,377	-350,346
Total	**15,615,611**	**8,825,842**



10 EARNINGS PER SHARE

Basic earnings per share is calculated as follows:

In EUR	2019	2018
Earnings after taxes (in EUR)	64,160,729	24,615,213
Earnings after taxes after non-controlling interests	58,822,351	24,530,458
Interest costs of convertible bond	1,105,634	1,154,914
Earnings after taxes adjusted for effects of dilution	59,927,985	25,685,372
Number of shares		
Number of share outstanding at the balance sheet date	14,874,487	9,831,250
Weighted average number of shares outstanding	11,202,324	7,516,009
Effect of conversion of the convertible bond notes	1,235,563	1,202,502
Weighted average number of shares outstanding (diluted)	12,437,887	8,718,511
Earnings per share (in EUR)		
Basic earnings per share	5.25	3.26
Diluted earnings per share	4.82	2.95

Basic earnings per share is calculated by dividing the earnings attributable to the holders of shares in the parent by the weighted average number of shares outstanding during the re-porting period. The diluted earnings per share is calculated based on adjusted earnings for the period and the number of shares in issue, under the assumption that all of the convertible instruments will be converted.

F Group segment reporting

The consolidated financial statements are reported by segment in accordance with the requirements set out in IFRS 8, based on the internal alignment by strategic divisions.

For management purposes, the Group reports two segments:

- The "asset-management" segment includes the ongoing management of properties and non-performing loans for third parties as well as the provision of services in connection with the acquisition or sale of properties and the generation of cash inflows from the non-performing loans.
- The "portfolio-management" segment holds and manages commercial properties and manages and realises portfolios of non-performing loans.

No business segments were combined for the purposes of creating the above reporting segments.

The performance of the segments is monitored by the Executive Board.

Transactions between the segments are settled at arm's length.

The accounting and measurement methods used in preparing the Group's segment reporting are the same as the recognition and measurement bases used in preparing the consolidated balance sheet and the consolidated statement of profit or loss, and are consistent with IFRSs as used in the EU.

Financial year 2019 in EUR	Asset-Management	Portfolio Management	Elimination of inter-segment revenues	Group
Revenue with third parties	5,857,045	14,466,213	0	20,323,259
Intersegment revenue	30,232,096	0	-30,232,096	0
Cost of sales	-2,952,714	-7,650,251	0	-10,602,965
Gross profit	**33,136,428**	**6,815,962**	**-30,232,096**	**9,720,294**
Result of remeasurement of the fair value of investment properties	0	91,997,551	30,232,096	122,229,647
Other operating income	1,489,863	5,258,604	0	6,748,466
Employee benefits expense	-1,838,799	-708,600	0	-2,547,399
Other operating expenses	-17,355,181	-2,496,812	0	-19,851,993
Operating result (EBIT)	**15,432,310**	**100,866,704**	**0**	**116,299,014**
Financial costs				-14,360,448
Financial income				6,127,473
Impairment of non-current financial assets				-27,702,948
Share of results of associates				-586,751
Results before tax				**79,776,340**
Current taxes				-15,615,611
Earnings after taxes				**64,160,729**
Investment properties	0	612,101,000	0	612,101,000
Payments on account	0	3,578,490	0	3,578,490
Borrowings	0	426,704,626	0	426,704,626

Financial year 2018 in EUR	Asset-Management	Portfolio Management	Elimination of inter-segment revenues	Group
Revenue with third parties	30,387,409	6,829,653	0	37,217,061
Inter-segment revenue	1,497,686	0	-1,497,686	0
Cost of sales	-5,716,488	-1,076,621	0	-6,793,109
Gross profit	**26,168,607**	**5,753,032**	**-1,497,686**	**30,423,953**
Result of remeasurement of the fair value of investment properties	0	8,939,857	0	8,939,857
Impairment losses of financial assets	-142,842	0	0	-142,842
Other operating income	480,526	813,348	0	1,293,874
Employee benefits expense	-1,549,915	-473,907	0	-2,023,822
Other operating expenses	-5,363,080	-2,311,992	0	-7,675,072
Operating result (EBIT)	**19,593,296**	**12,720,338**	**-1,497,686**	**30,815,948**
Financial costs				-2,850,528
Financial income				8,454,217
Impairment of non-current financial assets				-2,962,499
Share of results of associates				-16,082
Results before tax				**33,441,055**
Current taxes				-8,825,842
Earnings after taxes				**24,615,213**
Investment properties	0	17,000,000	0	17,000,000
Payments on account	0	0	0	0
Borrowings	0	0	0	0

36.7 % of the income in the "asset-management" segment was generated with one significant customer and its related companies. A further 10.1 % was generated with one further customer and its related companies. In the financial year 2018 60.1 % of revenue in the "asset-management" segment was generated with one significant customer and its related persons. In the financial year 2018 approximately 13 % of revenue in the "asset-management" segment was generated with one further customer. In the "portfolio-management" segment 11.1 % (financial year 2018: 53 %) was attributable to one significant customer.

G Other disclosures

1 FINANCIAL INSTRUMENTS

1.1 Objectives and methods of risk management in connection with financial instruments

The Group's significant financial liabilities comprise borrowings, the convertible bonds and trade and other payables. The primary purpose for holding these financial liabilities is to finance the Group's business activities. The Group's most significant financial assets are purchased or originated credit impaired (POCI) assets, trade receivables and cash balances resulting directly from its business activities.

In the ordinary course of its business the Group is exposed to a number of financial risks, including market, default and liquidity risk. The Group's management is responsible for managing these risks. As part of its risk management approach, the Group regularly monitors the concentration of individual risks.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is divided into three types of risk: the risk of changes to interest rates, currency exchange risks, and other price risks. Financial instruments which are exposed to market risk include loan receivables as well as the convertible bonds and variable interest-bearing borrowing obligations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market rates of interest.

The Group holds call deposits, which earn interest which is dependent on the relevant market interest rate. For the first time in the financial year 2019 the Group has used variable interest-bearing borrowings to finance property acquisitions. Accordingly, the Group is exposed to interest rate risks as an increase in interest rates would increase the Group's financial costs.

The following table assumes a change in interest rates of +/- 1%. Assuming that all other factors remain unchanged, the effect on the Group's interest cost would be as follows:

Sensitivity of variable rate loans

in TEUR	2019
Interest cost of variable interest-bearing loans	2,623
Increase in interest cost based on 1% increase in the variable rate of interest	1,020
Decrease in interest cost based on 1% decrease in the variable rate of interest	-1,020

Fixed-rate financial liabilities are exposed to the risk that the fair value of the instrument will increase. This risk affects neither the statement of financial position nor the income statement, as the financial liabilities are not carried at fair value but rather are measured at amortised cost.

Currency exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates. Given that the Group settles all transactions in Euros, it is not exposed to any currency risks in the course of its business.

Other market risks

The group summarises all other risks arising in connection with price volatility, for example of prices quoted on stock markets in "other market risks". The Group does not consider itself exposed to other market risks.

Default risk

Default risk is the risk that a business partner will fail to satisfy its obligations in relation to a financial instrument, leading to a financial loss. In the course of its business operations, the Group is exposed to default risks (particularly in connection with purchased or originated credit impaired assets and trade receivables) as well as risks in the course of its financing activities, including those in relation to deposits with banks and financial institutions, and other financial instruments.

The maximum default risk exposure at the reporting date is equal to the carrying amount for each reported category of financial asset.

Default risk from purchased or originated credit impaired assets

In connection with its acquisition of purchased or originated credit impaired asset (POCI) portfolios, the Company has devised a strategy that is subject to regular review. The general objective for such portfolios is to generate income by realising the assets in the portfolio over their (remaining) maturities through various means, such as instalment payments, through settlement, insolvency or the realisation of collateral. In individual instances, the Group does not rule out the option of selling selected sub-portfolios (to third parties). For the purpose of actively managing counterparty default risk in particular, the portfolios are first broken down into the following sub-portfolios with similar features:

- insolvent private persons
- insolvent self-employed / business people and companies ("firms")
- non-insolvent debtors

The following assumptions are made with respect to the relevant sub-portfolios; these assumptions are reviewed at each reporting date and reconciled against actual events experienced at the Company level (e.g., default rates), as well as against historical and current macroeconomic developments:

a) For sub-portfolios containing loan receivables from insolvent private persons, the average duration of private insolvency proceedings is assumed to be 6 years in total. Additionally, in light of the experience obtained from servicing comparable sub-portfolios, management assumes an average realisation rate of at least 0.8% (financial year 2018: 1%) of the original principal amount of the loan. For simplification purposes, the cash flows are assumed to be distributed equally over the following three years.

b) For sub-portfolios containing loan receivables from insolvent firms, the average (remaining) duration of company insolvency proceedings is assumed to be 9 years in total. Additionally, in light of the experience obtained from servicing comparable sub-portfolios, management assumes an average realisation rate of at least 2.57 % (financial year 2018: 4.1 %) of the original principal amount of the loan. For the corresponding cash flows, it is assumed that 50 % of the outstanding amounts will be realised in the next year, with a further 10 % per annum being realised in each of the subsequent years.

c) For sub-portfolios containing loan receivables from non-insolvent debtors, the term is assumed to be 6 years from the balance sheet date based on comparable servicing experience. Management assumes a minimum average realisation ratio of 2.28 % (financial year 2018: 2.6 %) of the original principal amount of the loan. For the corresponding cash flows, it is assumed that 20 % of the outstanding amounts will be realised after one year, with a further 30 % being realised after two further years and the remaining 50 % after another two years.

The Company's model for calculating the credit-rating adjusted effective interest rate for the purpose of estimating the expected cash flows from POCI portfolios takes into consideration the contractual terms imposed upon the debtor as well as the expected credit losses based on the parameters listed above and the inputs for the respective sub-portfolios. The expected credit losses represent the probability-weighted estimate of credit losses (present value of all payment defaults) over the expected remaining term of the respective sub-portfolios.

The Group calculates the risk provision for purchased or originated credit impaired assets in accordance with IFRS 9 as follows. POCI assets for which there are objective indications of impairment at initial recognition are automatically classified at level 3 of the impairment model. The credit default risks for POCI assets are managed at the respective sub-portfolio level. The impairment of POCI assets measured at amortised cost is determined based on the discounted expected future cash flows, using a credit-rating adjusted effective interest rate for the respective sub-portfolios. The Group reduces or increases the carrying amount of POCI assets using valuation adjustments and recognises the loss or gain in the consolidated income statement as a component of impairment losses or reversals of impairment losses.

Default risk arising from trade receivables

The default risk resulting from trade receivables is managed in accordance with Group guidelines for default risk management. In order to avoid exposure to defaults, credit quality checks are conducted, particularly for new customers and new tenants. Security deposits or guarantees are obtained from tenants to hedge against the risks associated with property letting. All outstanding receivables are subject to regular monitoring.

The valuation allowance is analysed at each reporting date based on an impairment matrix used to determine the expected credit losses. Expected default rates are determined based on payment profiles over the previous three years prior to the reporting date, taking into account appropriate, reliable information as to past events, current circumstances and future expected economic conditions available as at the reporting date. Based on that information, the management expects approximately 2.5 % of receivables to be in default as at the reporting date; valuation allowances are recognised to account for this. The maximum default risk exposure from trade receivables at the reporting date corresponds to the carrying amounts as at 31 December 2019.

The Group assesses the risk concentration to be low for trade receivables. Overall, the Group does not have a large number of receivable accounts in the asset-management segment. However, the default risk associated with these receivables is considered to be very low due to the fact that the Group has had business relationships with the respective entities for many years. The risk of default is considered to be higher for newly concluded asset-management agreements, particularly those solely entered into for the purpose of brokering a property transaction. In such instances the Group does not have an established business relationship with the counterparty. The default risk in these cases is mitigated through the use of standardised processes, comprehensive due diligence and letters of intent. Increased default risks can arise in the portfolio-management segment for individual commercial properties as a result of the profile of the tenants.

The overview below presents the maturities of the Group's trade receivables:

In EUR	Not overdue	3 months overdue	6 months overdue	9 months overdue	12 months overdue
31. December 2019					
Trade receivables	3,676,235	217,479	501,801	551,322	8,867,651
Individual impairment allowances	-38,950	0	0	-321,916	-1,090,911
Expected credit losses	-90,932	-5,437	-12,545	-5,735	-194,419
31. December 2018					
Trade receivables	29,905,665	71,400	329,878	0	4,416,027
Individual impairment allowances	-2,400	0	0	0	0
Expected credit losses	-747,642	-1,785	-8,247	0	-110,401

Of the receivables which are more than twelve months overdue, an amount of TEUR 4,784 relates to an account for which a Group company has made a litigation claim to collect the receivable. Based on the results of the first hearing and external legal advice received, it is highly likely that the claim will be successful. A further amount of TEUR 1,209 included in receivables which are more than twelve months overdue relates to related parties, and TEUR 692 relates to non-controlling shareholders. The Group is currently engaged in out-of-court negotiations concerning the remaining TEUR 2,182. An impairment allowance of 50 % of the outstanding

Changes in gross amounts in the financial year 2019 in EUR	Trade receivables	Purchased or originated credit impaired (POCI) assets
Carrying amount at the beginning of the year	**34,722,969**	**80,464,117**
Additions	4,946,838	4,000,000
Changes in financial assets (incl. interest income)	0	5,755,489
Transfer due to deterioration in credit quality	0	0
Changes resulting from modifictions (excluding derecognitions)	0	0
Changes in model	0	0
Disposals (incl. impairment)	-25,855,318	0
Receipts from receivables written-off or impaired receivables	0	-515,010
Foreign currency translation and other adjustments	0	0
Carrying amount at the end of the year	**13,814,489**	**89,704,597**

Changes in impairment allowances in the financial year 2019 in EUR	Trade receivables	Purchased or originated credit impaired (POCI) assets
Carrying amount at the beginning of the year	**-870,474**	**-7,047,702**
Recognition of additional impairment allowances, incl. changes to expected default losses	-890,372	-27,702,948
Transfer due to deterioration in credit quality	0	0
Changes resulting from modifications (excluding derecognitions)	0	0
Changes in model	0	0
Disposals (incl. impairment)	-1,088,562	0
Receipts from receivables written-off or impaired receivables	1,088,562	0
Foreign currency translation and other adjustments	0	0
Carrying amount at the end of the year	**-1,760,845**	**-34,750,650**

gross amount has been recorded against this balance. The tables below provide an overview of the gross carrying amounts and impairments for credit defaults, broken down by financial assets and categorised in accordance with the requirements of IFRS 9:

Changes in gross amounts in the financial year 2018 in EUR	Trade receivables	Purchased or originated credit impaired (POCI) assets
Carrying amount at the beginning of the year	**30,959,306**	**76,811,553**
Additions	30,306,942	0
Changes in financial assets (incl. interest income)	0	5,607,096
Transfer due to deterioration in credit quality	0	0
Changes resulting from modifictions (excluding derecognitions)	0	0
Changes in model	0	0
Disposals (incl. impairment)	-26,543,279	-884,490
Receipts from receivables written-off or impaired receivables	0	-1,062,602
Foreign currency translation and other adjustments	0	-7,440
Carrying amount at the end of the year	**34,722,969**	**80,464,117**

Changes in impairment allowances in the financial year 2018 in EUR	Trade receivables	Purchased or originated credit impaired (POCI) assets
Carrying amount at the beginning of the year	**-2,675,233**	**-4,085,202**
Recognition of additional impairment allowances, incl. changes to expected default losses	-145,242	-2,962,499
Transfer due to deterioration in credit quality	0	0
Changes resulting from modifications (excluding derecognitions)	0	0
Changes in model	0	0
Disposals (incl. impairment)	0	0
Receipts from receivables written-off or impaired receivables	1,950,000	0
Foreign currency translation and other adjustments	0	0
Carrying amount at the end of the year	**-870,474**	**-7,047,702**

Liquidity risk

The Group uses a liquidity planning tool to monitor any risks of a liquidity bottleneck for significant properties. The liquidity position is monitored by the Executive Board. The Group's objective is to balance continuous coverage of funding requirements with the ability to ensure flexibility through the use of bank overdrafts, bank loans, bonds and finance leases.

The movements on financial liabilities in the reporting period were as follows:

In EUR	At the beginning of the period 01.01.2019	Change*	Effective interest methode	Other	At the end of the period 31.12.2019
		Cash transactions	Non-cash transactions		
Borrowings	0	248,484,502	-1,476,469	179,696,594	426,704,626
Convertible bond	46,216,150	33,054,383	696,112	-4,955,347	75,011,298
Lease liabilities	9,984,241	-864,987	0	32,343,559	41,462,813
Trade payables	2,303,668	3,821,818	0	0	6,125,486
Other financial liabilities	1,183,473	2,568,424	0	0	3,751,897
Total	**59,687,532**	**287,064,139**	**-780,357**	**207,084,806**	**553,056,120**

In EUR	At the beginning of the period 01.01.2019	Change*	Effective interest methode	Other	At the end of the period 31.12.2019
		Cash transactions	Non-cash transactions		
Borrowings	0	0	0	0	0
Convertible bond	48,740,229	-2,826,268	525,921	-223,732	46,216,150
Lease liabilities	7,349,177	-698,161	0	3,333,225	9,984,241
Trade payables	1,929,633	374,035	0	0	2,303,668
Other financial liabilities	630,662	552,811	0	0	1,183,473
Total	**58,649,701**	**-2,597,583**	**525,921**	**3,109,493**	**59,687,532**

*including payments for transaction costs of financing arrangements

The maturities of the Group's financial liabilities at the balance sheet date are presented below. The disclosures are derived on the basis of contractual, undiscounted payments.

In EUR	2020	2021	2022	2023	2024	After 31.12.2024
Borrowings	128,099,000	246,147,500	52,099,000	999,000	99,000	2,682,854
Convertible bond	45,696,000	0	0	0	31,798,000	0
Lease liabilities	1,019,254	411,255	432,605	454,883	478,126	36,754,994
Trade payables	6,125,485	0	0	0	0	0
Other financial liabilities	3,751,897	0	0	0	0	0
Gesamt	**184,691,636**	**246,558,755**	**52,531,605**	**535,883**	**32,375,126**	**39,437,848**

The maturities of the Group's financial liabilities at 31 December 2018 are presented below.

In EUR	2020	2021	2022	2023	2023	After 31.12.2023
Borrowings	10,571,000	36,379,000	0	0	0	0
Convertible bond	765,685	782,041	811,237	841,671	873,394	5,921,863
Lease liabilities	2,303,668	0	0	0	0	0
Trade payables	1,032,393	0	0	0	0	0
Other financial liabilities	**14,672,745**	**37,161,041**	**811,237**	**841,671**	**873,394**	**5,921,863**

The Group has entered into loan agreements under which the lender requires that certain covenants are complied with. Non-compliance with the agreed financial ratios set out in the covenants could lead to consequences such as the requirement to provide additional collateral security up to an extraordinary termination by the lender, which would lead to an unplanned cash outflow. The loan agreements are monitored and managed on an ongoing basis in order to ensure that the risk of not complying with covenants is recognised on a timely basis and that appropriate measures are taken to avoid non-compliance.

1.2 **Additional disclosures in relation to financial instruments**

Financial assets and financial liabilities are classified and accounted for upon initial recognition in accordance with the categories set out in IFRS 9.

In accordance with IFRS 9, financial instruments are categorised as carried either at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. Financial assets and financial liabilities are initially recognised in the consolidated statement of financial position if one of the Group companies becomes a party to a corresponding agreement. A financial instrument is initially recognised at fair value, including any transaction costs.

The classification of the carrying amounts for the financial instruments by measurement category in accordance with IFRS 7.8, as well as their fair values, are presented below:

31. December 2019 in EUR	**Measurement categories**	**Carrying amount in accordance with IFRS 9**	**Fair Value**
Financial assets			
Other non-current financial assets	At amortised cost	59,454,237	59,454,237
Trade receivables	At amortised cost	12,053,643	12,053,643
Other current financial assets	At amortised cost	32,334,326	32,334,326
Cash and cash equivalents	At amortised cost	67,438,205	67,438,205
Financial liabilities			
Non-current borrowings	At amortised cost	299,915,515	299,915,515
Other non-current financial liabilities	At amortised cost	69,264,674	70,346,583
Trade payables	At amortised cost	6,125,485	6,125,485
Current financial liabilities	At amortised cost	126,789,111	126,789,111
Other current financial liabilities	At amortised cost	51,294,167	51,918,654

31. December 2018 in EUR	**Measurement categories**	**Carrying amount in accordance with IFRS 9**	**Fair Value**
Financial assets			
Other non-current financial assets	At amortised cost	81,725,876	81,725,876
Trade receivables	At amortised cost	33,854,895	33,854,895
Other current financial assets	At amortised cost	1,128,454	1,128,454
Cash and cash equivalents	At amortised cost	27,952,918	27,952,918
Financial liabilities			
Other non-current financial liabilities	At amortised cost	45,014,787	27,550,758
Trade payables	At amortised cost	2,303,668	2,303,668
Other current financial liabilities	At amortised cost	12,369,077	7,261,088

With the exception of the convertible bonds, which are quoted on stock exchanges, the fair values of the financial instruments are measured at their respective carrying values as this represents the best estimate of the fair value of non-marketable financial instruments. The fair values of the convertible bonds are classified as level 1 measurements in the fair value hierarchy. Input factors used in determining the fair values of these financial instruments are price quotations on an active market at the measurement date.

The management has determined that the fair values of liquid assets, trade receivables, other current financial assets, trade payables, current financial liabilities and other current financial liabilities are virtually identical to their carrying amounts, mainly due to the short maturities of these financial instruments.

The following table shows the net gains and losses on financial instruments in the financial year 2019 and in the previous year. These amounts were determined by reference to the sum total of all relevant entries in the statement of profit or loss (with the exception of taxes).

Net gains and losses on financial instruments in the financial year 2019	Total	Thereof interest	Thereof impairment	Thereof from disposal
Financial assets				
At amortised cost	-26,198,506	6,117,093	-32,315,599	0
Financial liabilities				
At amortised cost	-13,767,791	-14,123,697	355,906	0

Net gains and losses on financial instruments in the financial year 2018	Total	Thereof interest	Thereof impairment	Thereof from disposal
Financial assets				
At amortised cost	7,197,766	5,237,598	-3,105,341	3,115,510
Financial liabilities				
At amortised cost	-2,827,669	-2,416,481	0	0

The income from the disposals in the financial year 2018 represent sales of POCI assets.

2 DISCLOSURE OF TRANSACTIONS WITH RELATED PARTIES

Related parties are companies and persons which have the ability to control publity AG and its subsidiaries or exert a significant influence over their financial and business policies. When determining the extent of the significant influence which related parties have over the financial and business policies, the existing control relationships are taken into account.

a) Transactions with the controlling shareholder and related persons

TO-Holding GmbH, Frankfurt/Main and TO Holding 2 GmbH, Frankfurt/Main subscribed for 85.66 % of the shares in publity AG; accordingly, Mr Thomas Olek, Chairman of the Executive Board of publity AG and sole shareholder in both companies, holds a majority shareholding at the balance sheet date.

The group of related companies includes the fully consolidated subsidiaries of publity AG, as well as the associates, which are accounted for in accordance with the equity method, and companies in which the Group companies serve as the general partner. In addition, PREOS Real Estate AG and its subsidiaries were classified as related companies until the date of acquisition due to the fact that TO-Holding GmbH had a significant influence over these companies. In addition, MIC AG and its subsidiaries are classified as related parties of publity AG because Mr Thomas Olek, Chairman of the Executive Board of publity AG, holds a majority shareholding and a majority of the voting rights of that company.

In addition, the following key management personnel of the legal parent are classified as related parties because they can exercise a significant influence in accordance with IAS 24:

- members of the Executive Board of publity AG and their immediate relatives, and
- members of the Supervisory Board of publity AG and their immediate relatives

The tables below present the total amount of transactions with related parties in each financial year:

Transactions with related companies and persons in EUR	Year	Services provided to related companies and persons	Sales to related companies and persons	Purchases from related companies and persons	Receivables from related companies and persons[*]
Associated companies:					
NPL Portfolio Nr. 3 GmbH & Co. KG					
	2019	113,000	0		33,618
	2018	227,367	0		248,179
Companies in which a Group company is a general partner and does not have an equity share:					
publity Performance Fonds Nr. 6 GmbH & Co. geschlossene Investment KG					
publity Performance Fonds Nr. 7 GmbH & Co. geschlossene Investment KG					
publity Performance Fonds Nr. 8 GmbH & Co. geschlossene Investment KG					
	2019	2,204,583	0	0	1,466,959
	2018	2,151,980	0	0	1,702,985
Parties related to the ultimate parent company of publity AG:					
PREOS Real Estate AG and related companies[**]					
	2019	1,081,484[***]	0	0	0
	2018	1,245,241	60,000	0	1,254,535
MIC AG and related companies					
	2019	592,161	0	0	1,441,781
	2018	296,391	0	0	341,434

[*] These amounts are classified as trade receivables.

[**] At 31 August 2019 PREOS Real Estate AG was included in the consolidated financial statements on a full consolidation basis as an affiliated company. Until 31 August 2019 PREOS Real Estate AG and its affiliated companies were regarded as related parties of publity AG.

[***] Services provided to PREOS Real Estate AG and its affiliated companies in the period from 1 January to 31 August 2019.

In EUR		**Interest received**	**Receivables from related companies and persons**	**Interest paid**	**Liabilities to related companies and persons**
Loans to/from key management persons of the Group	2019	0	30,383.333	0	0
	2018	0	0	0	0

On 27 June 2019 TO-Holding GmbH, whose sole shareholder is Thomas Olek, Chairman of the Executive Board of publity AG, provided a loan with a nominal amount of EUR 7m to publity AG. The loan had a maturity date of 31 December 2019 and carried interest at 1%, whereby the interest is accrued and added to the loan balance. The loan was repaid early, on 26 September 2019. The interest for the period described was not paid.

In addition, the Group entered into borrowings for EUR 60m in the financial year 2019. The majority shareholder of publity AG provided collateral security for this loan by pledging publity AG shares to a value of EUR 120m. Further, the amounts of EUR 30m not utilised by the Group were provided on a short-term basis to the majority shareholder.

b) Transactions with the Executive Board

The following persons were appointed as members of the Executive Board of publity AG during the financial year:

- Mr Thomas Olek, CEO, Strategy
- Mr Frank Schneider, CFO, Legal

The remuneration of the Executive Board for the financial year 2019 consisted of the following:

In EUR	2019	2018
Current benefits	613,000	658,000
Post-employment benefits	0	0
Other non-current benefits	0	0
Termination benefits	0	0
Share-based remuneration	0	0
Total	**613,000**	**658,000**

No members of the Executive Board were granted loans or advances by the Company; nor were any contingent liabilities accepted in favour of the members of the Executive Board.

c) Transactions with the Supervisory Board

The members of publity AG's Supervisory Board and the Supervisory Board remuneration received for the financial year ended are presented in the table below:

Name Function	2019	2018
Günther Paul Löw Chairman (until 14.01.2019) Lawyer in own practice	0	30,000
Hans-Jürgen Klumpp Chairman (from 14.01.2019) prev. Member of the Board; Executive Board member of a State Bank (Landesbank), retired	60,000	15,000
Norbert Kistermann Vice Chairman (until 30.08.2019) Member of the Executive Board, Bankhaus Bauer AG	20,000	15,000
Prof. Dr. Holger Till Vice Chairman (from 30.08.2019) Universiy Professor	11,096	0
Frank Vennemann Member of the Executive Board (from 14.01.2019) Lawyer	28,932	0
Gesamt	**120,027**	**60,000**

No members of the Supervisory Board were granted loans or advances by the Company; nor were any contingent liabilities accepted in favour of the members of the Supervisory Board.

3 CAPITAL MANAGEMENT

The objective of the Group's capital management is to provide the Group with a strong equity base in order to ensure that investors and business partners have confidence in the Group's sustainability.

For this purpose, the particular focus is on continued development of the business, and al-so on increasing the value of the business. In order to ensure this, the equity ratio and the factors that affect the equity ratio – such as, for example, the EBIT as a management ratio – are observed and assessed on a regular basis. Management aims for an appropriate balance between the debt capital ratio and generating increasing returns. The equity ratio fell from 63 % at 31 December 2018 to 36 % at 31 December 2019.

To ensure the Group's financial flexibility and to ensure that it is able to meet its financial obligations at all times, the publity-Group aims to maintain a certain amount of liquidity reserve at all times and manages the Group's liquidity accordingly. A centralised financial management approach is used to manage liquidity, performed by the Executive Board. The Group's cash and cash equivalents are combined, managed and invested using uniform principles.

As an internal capital management company (Kapitalverwaltungsgesellschaft), publity Performance GmbH is subject to KAGB minimum capital requirements and required to maintain capital of at least TEUR 242. The Group is not subject to any other minimum capital requirements.

4 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

By share purchase and transfer agreement dated 9 January 2020, publity Real Estate 4 GmbH acquired 94.9 % of the share capital of GDC Westendcarree S.à.r.l., Luxembourg. GDC Westendcarree S.à.r.l. is the owner of the "Westend Carree" property in Frankfurt / Main. The preliminary purchase price for 100 % of the shares in GDC Westendcarree S.à.r.l., amounted to TEUR 114,064 and was financed by borrowing drawdowns.

By share purchase and transfer agreement certified by public notary dated 21 January 2020, publity Investor GmbH sold 100 % of the share capital of Großmarkt Leipzig GmbH to TO-Holding GmbH, a company which is wholly owned by Thomas Olek, Chairman of the Executive Board of publity AG. The purchase price was TEUR 25.

Mr Christoph Blacha ceased to be a member of the Supervisory Board of PREOS Real Estate AG with effect from 29 February 2020. On 1 March 2020 Mr Christian Jäger, entrepreneur and real estate investor, was appointed as a member of the Supervisory Board of PREOS Real Estate AG by court resolution.

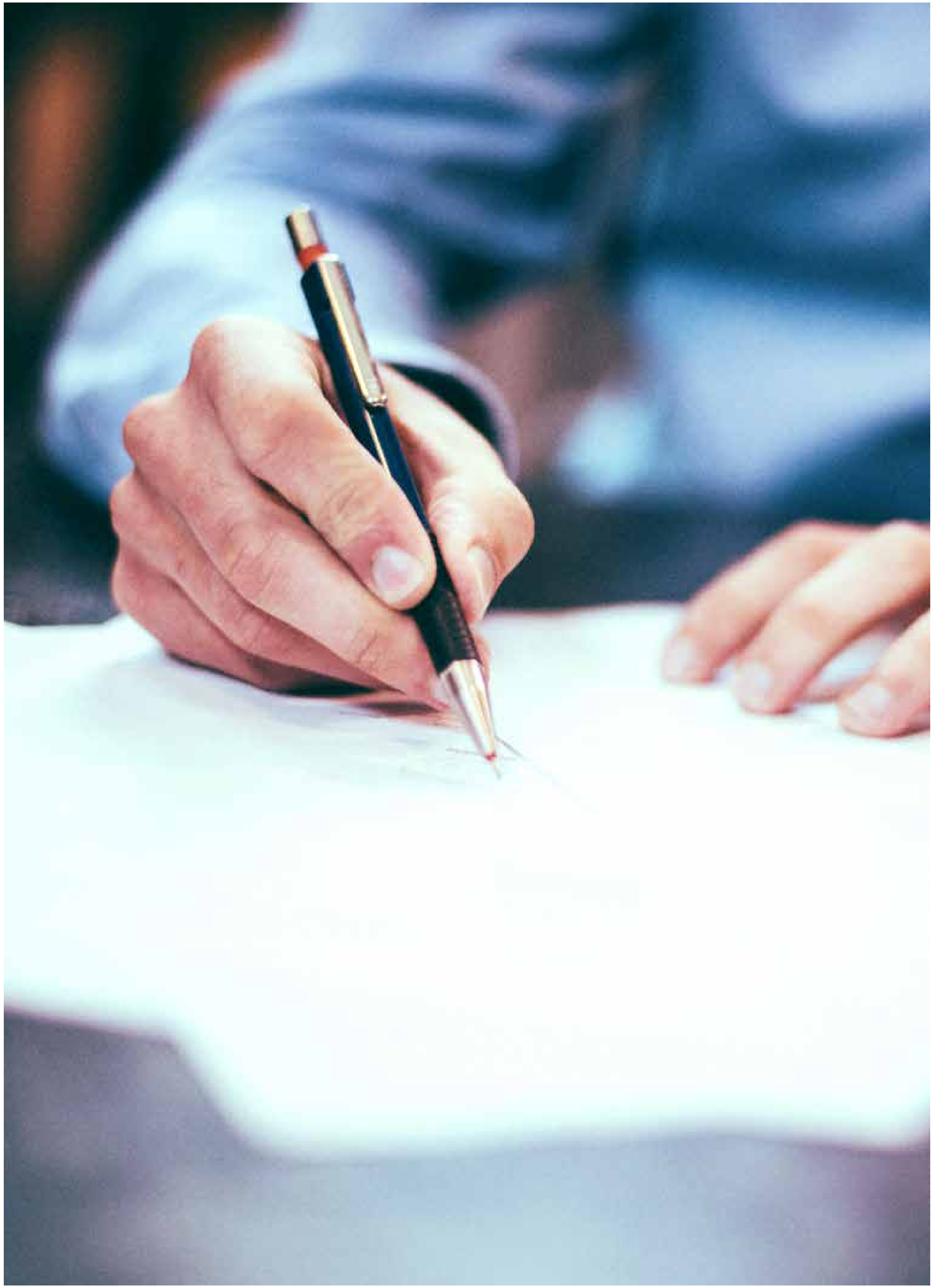
With effect from 4 March 2020 the CFO of PREOS Real Estate AG, Mr Libor Vincent, re-signed from his employment service arrangement and ceased to be a member of the Company's Executive Board.

It is not currently possible to make an assessment of the scale of the financial consequences for publity-Group of the worldwide spread of the coronavirus. However, the Executive Board of publity AG expects that there will not be any risk to the ability of the Group to continue as a going concern.

Frankfurt / Main, 24. April 2020
publity AG

Thomas Olek
Chairman of the Executive Board

Frank Schneider
Executive Board



09 **Report**

of the independent auditor

TO PUBLITY AG, FRANKFURT / 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 2019, 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 2019 to 31 December 2019, 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 2019 and of its financial performance for the financial year from 1 January 2019 to 31 December 2019.

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 esponsible 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 formonitoring 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, including 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, 29 April 2020

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 2019. 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.

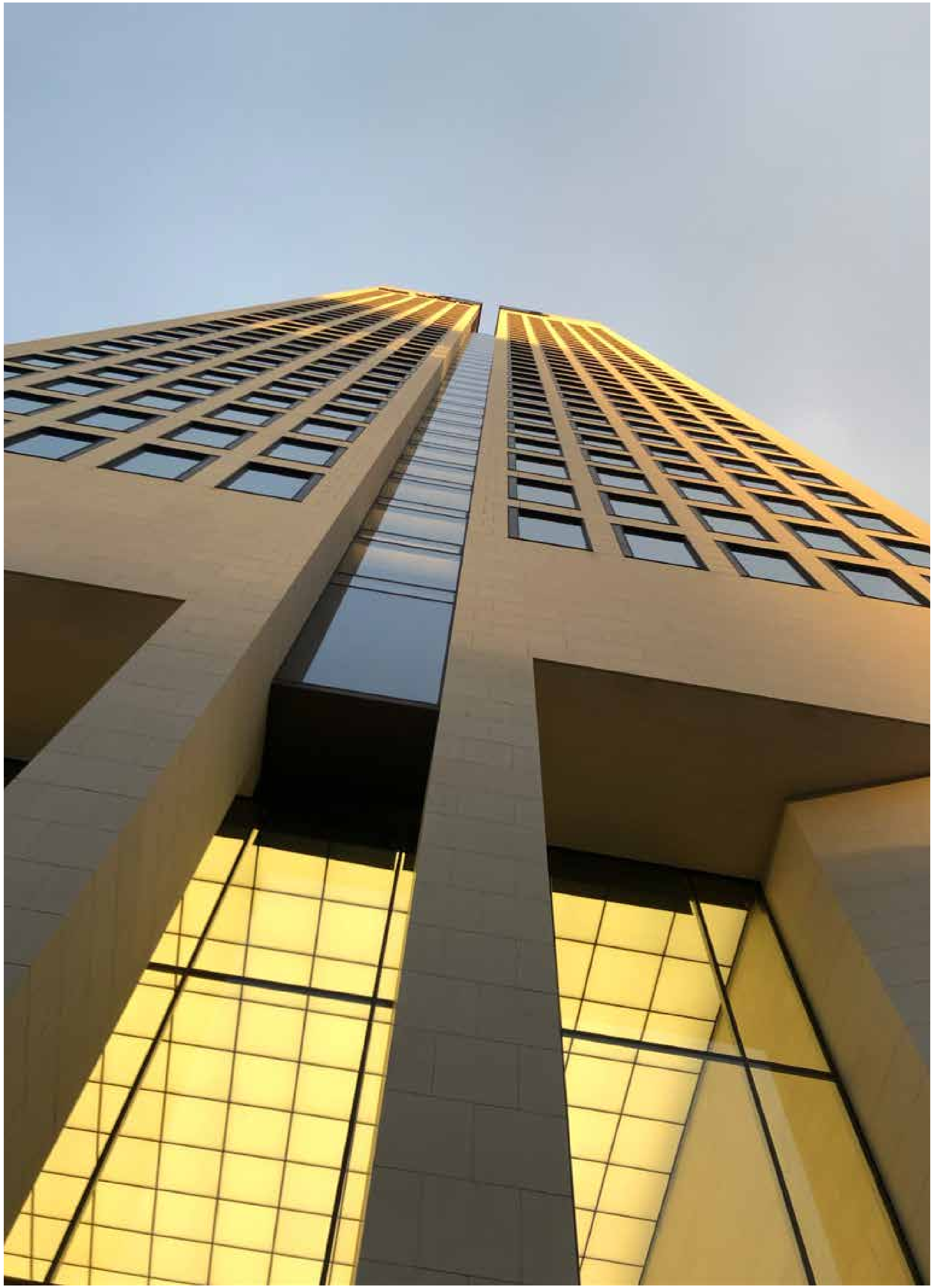
This Annual Report may contain forward-looking statements. Forward-looking statements are all statements that do not relate to historical facts or events. This applies in particular to statements about the intentions, beliefs or current expectations of the company with respect to its future financial 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**

26 MAY 2020
Annual General Meeting of publity AG

SEPTEMBER 2020
Semi-annual Report 2020

16–18 NOVEMBER 2020
Participation in Deutsches Eigenkapitalforum



12 Location and contact persons

FRANKFURT / MAIN

publity AG – OpernTurm
Bockenheimer Landstraße 2–4
60306 Frankfurt / Main
Germany

Telephone: +49 (0) 69 69 59 73 500
Fax: +49 (0) 69 69 59 73 555

E-mail: info@publity.de

LEIPZIG

publity AG
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
OpernTurm
Bockenheimer Landstraße 2–4
60306 Frankfurt / Main
Germany
Telephone: +49 (0) 69 69 59 73 500
Fax: +49 (0) 69 69 59 73 555

E-mail: info@publity.de
Website: www.publity.de

Management Board: Thomas Olek (Chairman)
Frank Schneider
Supervisory Board: Hans Jürgen Klumpp (Chairman)
Prof. Dr. Holger Till (Deputy Chairman)
Frank Vennemann

Publisher: publity AG, Frankfurt / Main
Layout: Prime Objects GmbH

publity