

OFFER IS FINISHED

SECURITIES PROSPECTUS

for the public offering of
partial bearer debentures issued by
IMMOVATION Immobilien Handels AG, Kassel

ISIN DE000A2NBY55 / WKN A2NBY5

with a total nominal amount of 20,000,000 Euros
divided into 20,000 partial bearer debentures
with a nominal amount of 1000 Euros each and a term
until 30th September 2024

Kassel, 12th September 2018

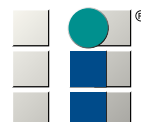




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1. Summary of the securities prospectus

The summaries consist of publication obligations which are labelled as “information”. This information is marked with numbers in paragraphs A-E (A.1-E.7). This summary contains all the information which must be included in a summary for this type of securities and issuer. As some information does not have to be cited, there may be gaps in the sequence of figures.

It is possible that details regarding a piece of information may not be given, even if the information must be included in the summary due to the type of securities or issuer. In this case, a short description of the information will be given in the summary and recorded as “omitted”.

Section A - Introduction and warning notes

A.1	This summary intends to provide an introduction to the prospectus. The investor should base every decision regarding the investment in each of the debenture bonds offered here on the careful inspection of the entire prospectus. In the event that a claim is asserted before a court due to information included in this prospectus, the investor acting as plaintiff may need to bear the costs for the translation of the prospectus prior to the commencement of proceedings, in accordance with the national legislation of the countries in the European Economic Area. Any persons who have assumed responsibility for the summary, including any translations of this summary, or any persons who commissioned this summary or any translations may be held liable. However, only in the event that the summary is misleading, incorrect or contradictory if it is read in conjunction with other parts of the prospectus or if not all of the required key information is conveyed if it is read in conjunction with other parts of the prospectus.
A.2	The issuer grants its express permission for the use of this prospectus by finance intermediaries and for the later resale or final placement of securities by finance intermediaries from the publication of the prospectus until the end of the offer period, i.e., until the end of the twelfth month period following approval of the prospectus in the Federal Republic of Germany. The permission is not subject to any other conditions but may be revoked or restricted at any time. In the event that a finance intermediary makes an offer, it must inform the investors of the offer conditions at the time of the presentation of the offer.

Section B - Issuer

B.1	Legal and commercial name of the issuer	The issuing company's name is IMMOVATION Immobilien Handels AG (Section 1 para. 1 of the Articles of Incorporation). The commercial name of the issuer is IMMOVATION AG.
B.2	Headquarters and legal form of the issuer	The issuer is a stock company founded in accordance with German law. The issuer is registered in the commercial register of the Kassel District Court under the no. HRB 3062. The issuer's headquarters are in Kassel. The issuer is subject to the German legal system.
B.4b	Trends	Omitted; the issuer currently has no knowledge of information on known trends, uncertainties, demand, obligations or incidents which could be predicted to significantly influence the business planning of the issuer for the current financial year at any rate.
B.5	Description of the group and position of the issuer within the group	Mr Lars Bergmann, Kassel, is the sole shareholder in the issuer with 100% of the ordinary shares in the share capital. The issuer itself holds shares in several businesses, for the majority of which a profit and loss transfer agreement applies. As the parent company, the issuer assumes the management function within the group.
B.9	Profit forecasts or estimates	Omitted; the issuer has not included profit forecasts or profit estimates in this securities prospectus.

B.10	Limitations of the auditor's report regarding the historical financial information	Omitted; the auditor's reports for the consolidated financial statement for the 2016 financial year and 2017 financial year and the annual accounts of the issuer (individual financial statement) for the 2017 financial year have each been issued without limitations.
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B.12	Selected historical financial information	Selected financial information in TEuro*		
		Consolidated balance sheet		
		Record date	31/12/2017	31/12/2016
		Capital assets	187,119	180,602
		of which intangible assets	72	52
		of which tangible assets	182,641	176,760
		of which financial assets	4,406	3,790
		Current assets	81,487	96,102
		of which properties held for sale and other reserves	51,006	49,655
		of which receivables and other assets	11,120	10,814
		Cash, credit at credit institutes	19,362	35,633
		Equity		
		of which subscribed capital	500	500
		of which capital reserve	55	55
		of which retained earnings	11,501	8,001
		of which consolidated retained earnings	188	115
		of which shares of other shareholders	17,360	18,164
		Profit participation rights capital	34,645	41,361
		Liabilities	202,535	203,240
		of which bonds	110,000	110,000
		of which liabilities towards credit institutes	76,430	75,820
		Balance sheet total	268,890	277,516
		Consolidated profit and loss statement		
		Period	2017	2016
		Turnover	52,386	81,136
		Increase/reduction in the stock of the properties intended for sale with completed build-ings and work in progress	+1,659	-21,159
		Cost of goods and services	34,813	24,702
		Personnel costs	3,427	3,044
		Other interest and similar income	6	8
		Interest and similar costs	8,399	7,810
		Consolidated annual result	+4,199	+8,480
		Consolidated net earnings	188	115
Consolidated cash flow**				
Period	2017	2016		
From current business activity	11	53		
From investment activity	-11	-54		
From financing activity	-16	12		
* The financial information comes directly from the historical financial information and has been rounded to the nearest whole number. Rounding may cause arithmetical deviations.				
** The cash flow is the difference between incoming payments and outgoing payments and, therefore, represents the actual net inflow or outflow during the respective financial year.				

	Prospects of the issuer and the description of any significant changes in financial situation or trading position	<p>The issuer declares that the prospects of the issuer have not significantly diminished since the date of the last published audited annual accounts of the issuer (individual financial statement) for the 2017 financial year (31st December 2017).</p> <p>There were no significant changes in the financial situation or the trading position of the issuer after the period covered by the historical financial information (up until 31st December 2017).</p>
B.13	Recent events in the issuer's business activity which are highly relevant for the assessment of its solvency	Omitted; there were no recent events in the issuer's business activity that are greatly relevant to the assessment of its solvency.
B.14	Dependency on other companies in the group	As the sole shareholder (100% of the voting and capital shares), in the issuer's shareholders' meeting, Mr Bergmann may make all decisions which fall under the responsibility of the shareholders' meeting. Therefore, he is able to exercise controlling influence over the issuer.
B.15	Description of the core activities of the issuer	<p>The business model of the IMMOVATION company group consists of a widely diversified range of services in the property sector. A team of around 90 employees from the individual companies of the issuer deal with the entire value chain in the property business. The issuer's business activity is built upon the four pillars of the core activities:</p> <ol style="list-style-type: none"> 1. Project management of classical revitalisation properties and urban development sites with a focus on residential property. Retail sale and global sale of owner-occupied flats. 2. Sale and purchase of properties and portfolios in Germany; if applicable, with a subsequent valuation through construction-based optimisation and the sale of these properties to turn a profit (value-adding). 3. Development and management of property portfolios comprising residential and commercial properties with income generated by renting out these properties. 4. Conception and issue of investments for private and institutional investors.
B.16	Control relationships	The sole shareholder of the issuer is Mr Lars Bergmann with a 100% share in the share capital of the issuer.
B.17	Rating	Omitted; the issuer has not been independently rated to assess its current ability to pay, and no issue rating in relation to the debenture bond offered has been carried out.

Section C - Securities

C.1	Description of the type and class of securities offered, including each securities code	<p>Fixed-rate debenture bond (ISIN: DE000A2NBT55/WKN: A2NBY5) due for repayment on the first banking day after 30th September 2024.</p> <p>The issue volume is 20,000,000 Euros. The interest rate is 5.00% p.a. The debenture bond is issued to the bearers in denominations of 1000 Euros. The fixed-rate debenture bond is securitised by virtue of a global certificate without interest coupons which is deposited at Clearstream Banking AG, Frankfurt am Main.</p>
C.2	Currency of the security issue	Euros

C.5	Description of the restrictions on the free transferability of securities	Omitted; there are no restrictions on the free transferability of partial debenture bonds.
C.8	Description of the rights associated with the securities	The partial debenture bonds constitute immediate, unconditional and non-materially collateralised liabilities of the bond debtor and are not subordinate to all other current and future liabilities of the bond debtor unless they have precedence by law.
C.9	Nominal interest rate, interest maturity dates, repayment maturity date, information on the rate of return, name of the representative of the debt security holders	<p>The fixed-rate debenture bond is interest-bearing from 1st October 2018 (inclusive) until 30th September 2024 (inclusive) at a rate of 5.00% p.a. Interest payments shall be made retrospectively on an annual basis on the first banking day after the expiration of each interest period.</p> <p>The term of the debenture bond shall end on 30th September 2024 and the repayment maturity date is the first banking day after 30th September 2024. Reasons for termination for the debenture bonds include the non-payment of capital or interest for 90 days, the breach of other liabilities arising from the debenture bonds (if this breach is not resolved within 90 days) as well as certain events in connection with insolvency or liquidation of the issuer, amongst others.</p> <p>The rate of return of the debenture bonds may be determined using the so-called ICMA (International Capital Markets Association) method. Any accrued interest paid and transaction costs (e. g., deposit fees) are also to be taken into account in the calculation of individual rates of return of a bond creditor.</p> <p>Omitted; a common representative of the bond creditors has not been appointed.</p>
C.10	Derivative components in the payment of interest	Omitted; the debenture bonds do not have any derivative components in the payment of interest.
C.11	Application for admission to trading in a regulated market or another market of the same value	Omitted; admission of the debenture bond to a regulated market has not taken place on the date of publication of the prospectus. Nevertheless, the issuer plans for the debenture bonds to be included in the open market of the Börse Frankfurt am Main (Frankfurt stock exchange) in the Quotation Board segment. In this respect, the issuer reserves the right to submit corresponding applications during the placement or after the full placement of the issue of the debenture bond or its closure.

Section D – Risks

D.2	Key information on the main risks pertaining to the issuer	<p>The materialisation of individual risks or the cumulative effect of various risks may have significant negative effects on the asset, financial and profit situation of the issuer, with the result that the issuer is unable or is limited in its ability to respect the contractually agreed interest and/or repayment obligations towards the investors arising from the debenture bond.</p> <p>In the worst case scenario, this may lead to the insolvency of the issuer and thereby to the total loss of funds invested by the investor.</p> <p>Issuer risk</p> <p>The repayment of the debenture bond and interest payments is directly dependent on the economic success and the liquidity of the issuer and indirectly dependent on the economic success and liquidity of its affiliated companies. The affiliated companies include several companies related to the issuer, including subsidiaries and their project enterprises.</p>
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The issuer and its affiliated companies form the IMMOVATION Group. The economic success and liquidity of the IMMOVATION Group is, in turn, dependent on the economic success of the business activities of the individual companies. The business activity of the companies within the IMMOVATION Group consists primarily of the entire value chain in the property business: from property research and purchase, the conception, realisation and management of property projects, to property management and the sale of properties.

If the economic success of one or several of these areas fails to materialise, this may have significant negative effects on the issuer and other companies in the group, and therefore also on the claims for interest payment and/or repayment by the investors. Negative economic developments can also, in particular, result in the insolvency of the issuer and thereby the entire or partial failure of interest and/or repayment claims by the investor (issuer risk). Furthermore, in the event of the opening of insolvency proceedings on the assets of the issuer, it cannot be excluded that the insolvency administrator will reclaim interest payments and, in particular circumstances, also repayments which have been made by the issuer, from the investors.

The economic success of the issuer and its affiliated companies may be negatively influenced, in particular, by the market risks, operational risks, financing risks, personnel risks, legal and tax risks, investment and participation risks and liquidity risks described in the below.

Portfolio management

The companies in the IMMOVATION Group mainly hold properties for residential use in their own portfolio, whereby properties may also be used for commercial purposes at the same time or in the future in individual cases. In this respect, there is a risk that the costs linked with the management of the portfolio property, in particular, the costs for personnel and/or material and safeguarding and enhancement measures may increase and/or the earnings from the management of the portfolio property may not correspond with the plans. In the event that the planned funds are not entirely sufficient due to high unplanned costs, the additional costs shall be at the expense of the earnings and shall diminish the asset, financial and profit situation of the affiliated company and, indirectly, the issuer. The same applies if the earnings planned are not actually achieved.

If one or several portfolio management risks materialise, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Project risks

The companies in the IMMOVATION Group currently primarily operate in property project development. The companies in the group also operate in the project development of properties. Project development comprises the planning of permissions and the receipt of the required planning permissions as well as the negotiation and conclusion of purchase contracts. Sometimes properties may be sold prior to the commencement of construction. Investments in property project developments differ from other investments in property. Unlike investments in portfolio properties, the project enterprise bears the entire development risk for project developments. Project developments are future-oriented in nature and depend on unforeseeable influencing factors, such as the scope and duration of the permission process, the successful conclusion of usage and/or purchase agreements, and, potentially, on sufficient sales proceeds at the planned time of sale. For project developments, there is a risk that the original plan may transpire to be infeasible, that the planning period may be extended, that the planning costs may increase significantly or that unforeseen costs may arise and that these cost increases and delays may not be offset by the corresponding proceeds of sale.

Reasons for this may be flawed project planning, an incorrect cost calculation, the lack or untimely granting of the necessary public authority permissions and/or retrospective permissions requirements, the opposition of third parties (e.g., neighbours, citizens' initiatives), insolvency and/or the poor performance of the companies participating in the planning (e.g., architects, engineers) or undetected inherited liabilities in the property. Higher costs and/or planning delays may arise, in particular, due to the companies participating in the construction planning not working carefully.

Even if the project enterprise were, in principle, entitled to claims for reimbursement and damages against these companies due to poor performance, these claims may not be enforceable for legal or factual reasons, meaning that the project enterprise would have to bear the costs of remedying the situation and the resulting delays in the further planning of the property itself. Furthermore, secondary costs may be caused by poor performance of services (prosecution costs, expert costs), which could further increase the costs.

Amendments to project plans may be required to obtain the necessary planning permissions. Such amendments may lead to added costs and delays which may, in turn, have an effect on the price expectations and the time of the sale of the property. Cost increases and/or delays in the project development of property may result in the project enterprise no longer being able to make payments on the claims. If one or several market risks materialise, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Risks of lack of urban development planning and official permits

There is a risk that the necessary urban development plans may not be concluded and/or permissions from the authorities for planned projects may not be granted at all or not on time, or may only be granted subject to additional conditions. There is also a risk that planning permissions or approvals that have been granted may be revoked or taken back or may be made subject to further requirements or conditions. Conflicts with neighbours and residents may significantly delay the granting of permissions by the authorities or even prevent this in certain situations. These risks may lead to the property not being sold, not being sold with the expected sale proceeds or not being sold in the planned time, or they may lead to the property being unable to be used as portfolio property.

In the aforementioned cases, and due to lacking returns on investments, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Market and competition risks

Property investments are faced with fluctuations in value and run through various market cycles. The value of property and real estate is defined by various external factors which neither the issuer nor the other companies in the IMMOVATION Group can influence. These include the deterioration of the economy, increasing numbers of competitor properties on offer, a lower demand from potential buyers, the deterioration of financing conditions, a lower demand for rental properties or falling rental prices. A negative market development may have a negative influence on the value development of a property and/or on the sale proceeds or rental prices achievable for the property.

The development of the market for commercial and/or privately used properties and for specialist properties is subject to technological changes. The development of new technologies (technological competition, e.g., in the energy saving contracting and intelligent home control sectors) and the influence of new findings/developments (e.g., related to construction technologies, requirements relating to the security and/or sustainability of properties or the suitability/demand for construction materials) may have a negative impact on existing and new projects and/or services on which the business success of the IMMOVATION Group is based. Therefore, the possibility cannot be excluded that general changes in the respective sectors or also a decreasing acceptance by the public of the technology/systems used/applied by the issuer and/or its affiliated companies may have a negative influence on the business activity of the IMMOVATION Group. This may lead to an impairment of the economic results of the issuer and its affiliated companies.

The same applies if the behaviour of the market participants changes disadvantageously in the long term due to unforeseen or public, portfolio-threatening developments/events occurring for competitors, in particular, in relation to common financing instruments, purchase price payment models and/or payments according to project progress. If one or several market and/or competition risks materialise, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Location risks

The location of the property may perform negatively due to various circumstances, e.g., deteriorating transport connections or social structures, environmental pollution or noise/odour emissions by third parties which, in turn, could have a negative effect on the attractiveness and recoverability of the value of the property and thereby the sale and/or letting of the property. In addition, negative consequences for the property could also be caused by disadvantageous changes in the local market situation in the long term through the activities or failures of competitors. These risks may have a negative influence on the value development of a property and on the sale proceeds or rental prices achievable for the property.

If the location risk materialises, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Inherited liabilities

Risks from inherited liabilities (e.g., harmful substances, soil contamination) on the site of a property cannot be excluded at the outset. There is a risk that the respective project enterprise may need to resolve existing and/or future environmental pollution due to inherited liabilities, which can cause significant costs. If inherited liabilities cannot be resolved, this could have large negative consequences for the value development of a property and the sales proceeds or long-term rental proceeds achievable for a property. If the inherited liability risk materialises, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Risks of disposal and use and operator risks

The sales proceeds achievable in the sale of a property or the income achievable within the framework of the use or operation of the property depend on many factors, e.g., the quality of the location, the demand from investors or users or operators, market and property-specific developments and the macroeconomic or sector-specific circumstances. This applies, in particular, if the property is a specialist property with a limited user group. If one or several of the disposal/use and operator risks materialise, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Government regulations in the property sector and tenant protection

The markets in which the issuer and its affiliated companies operate are subject to constant economic and political changes. Amendments to existing regulations and a deterioration of the framework conditions for domestic property projects may lead to a significant impairment of the business activity and the profit situation of the companies in the IMMOVATION Group. Such changes in existing legal regulations may affect existing investments (e.g., new specifications for properties used for residential purposes). In particular, legal requirements for consumer protection (e.g., so-called brakes on rental prices or conditions for the external financing of property acquisition) and/or government support could significantly compromise the basis of business activity of the issuer or the companies in the group. If one or several of the regulatory risks materialise, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Investment costs and operational costs

The project management, construction, portfolio management and potential sale of residential/commercial and/or specialist property is linked with significant investment costs. If the investment costs for the development and acquisition of properties, the security of the locations or the attainment of the necessary permissions increase, this reduces the profitability of the property project. Equally, the achievable proceeds from sale or usage can decrease. Thus, increasing investment costs in the project development and construction/conversion of property can negatively influence the asset, financial and profit situation of the issuer and/or affiliated companies.

Along with increasing investment costs, there is also a risk that the operational costs in individual and/or several business areas may increase. The most probable is an increase in personnel and/or material costs as well as unplanned safeguarding or enhancement measures. In the event that the planned funds are not entirely sufficient due to high unplanned costs, the additional costs shall be at the expense of the earnings situation and shall diminish the asset, financial and profit situation of the affiliated company and, indirectly, the issuer.

If the investment costs or the operational costs increase, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Risks of renting and vacancy

Within the scope of usage and/or exploitation of property, there is a risk that rentable areas (for the first use or following uses) cannot be rented or can only be rented in part due to a lack of potential tenants/demand. Low demand could cause the issuer and/or the companies in the group to lease/sell properties at less economically advantageous conditions, or to lease/sell these to less solvent contracting partners. In this respect, there is a risk of diminished income or loss of earnings. If the rental and/or vacancy risk materialises, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Risks from the maintenance and modernisation of property

For sustainable investments in property, maintenance and modernisation measures for the properties in the portfolio must be carried out. These measures may be extensive and, therefore, time and cost intensive. Risks can thereby arise, that higher costs than planned or unforeseen additional costs may arise in the maintenance or modernisation, which cannot be passed on to the user/tenant. Furthermore, such measures may cause delays, e.g., during periods of bad weather or if the contracting partner commissioned with the work performs poor services or if unforeseen construction defects arise. This can have direct negative effects on the result of the issuer and/or the affiliated companies and lead to the issuer being unable to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Insurance cover

There is a risk that the issuer and/or other companies in the IMMOVATION Group may be required to pay for any alleged or actual damage, which may be uninsured or not be insurable, in the course of their business activity or as the owner of the property. In the event of insured damages, the agreed excesses and the higher contribution payments, if applicable, after the insured event shall be borne directly and/or indirectly by the issuer. There is also the risk that the insurer rejects a warranty obligation and a legal dispute must be commenced against the insurer. After damage has occurred, the insurance cover may be cancelled due to termination by the insurer, the result of which is that certain risks are not or not completely insured. Further damages would then be borne by the issuer itself and/or the affiliated companies as a result. This can have direct negative effects on the result of the issuer and/or the affiliated companies and lead to the issuer being unable to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Force majeure

It cannot be excluded that extraordinary risks such as earthquakes, environmental catastrophes, terror attacks, plane crashes or other events of force majeure may occur and affect the property. Each of these events may reduce the profit situation of the issuer and/or affiliated companies, or even lead to the insolvency of the issuer and/or affiliated companies, meaning that the issuer would be unable to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Partnerships, restructuring and outsourcing

If the issuer or affiliated companies outsource or put into effect individual or several fields of activity using partner companies, it cannot be excluded that the goals pursued by the partnership may not be achieved and this may result in adverse consequences for the asset, financial and profit situation of the issuer and/or affiliated companies.

The same applies if restructuring is carried out within the group. Risks to which the issuer has been exposed indirectly in the past may also materialise for the issuer directly as a result of restructuring and have adverse effects on its asset, financial and profit situation.

In addition, for partnerships, there is also a risk that the respective partners may use knowledge that has been made accessible to them in a manner that is contrary to contract and the competitive position of the issuer and/or its affiliated companies may be compromised.

Therefore, in the aforementioned cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Financing business activity

The IMMOVATION Group shall require further financial resources for the further development and expansion of business activity. However, it is not guaranteed that the issuer and/or its affiliated companies shall receive further financial resources from its shareholders or other third parties (e.g., banks, institutional investors). Institutional investors may withdraw from the market due to changes to framework conditions, for example, and no longer fund or buy projects or only do so with significant deductions. If the issuer and/or its affiliated companies do not generate financial resources for the further financing of business activity themselves or from their shareholders or other third parties, this can have significant adverse effects on their asset, financial and profit situation. In the worst case scenario, this can lead to insolvency of the issuer and the companies in the group.

Furthermore, the financing of business activity of companies in the IMMOVATION Group is also dependent on the demand of investors for their capital investment products. Declining demand may impair the capital procurement of the companies in the group.

Therefore, in the aforementioned cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Financing of projects

The project management and realisation of property projects are linked with high up-front and investment costs and also, as a result, with a significant need for financing. Expert opinions, permissions procedures, legal counsel and location security require liquid funds. If a large number of projects are developed at the same time without further liquid funds being provided by follow-up financing, this can lead to an additional need for financing for the respective project, which may negatively influence the asset, financial and profit situation of the issuer and/or its affiliated companies. The same applies if the issuer and/or its affiliated companies are not able to guarantee the follow-up financing - in any manner - in a timely manner and/or in a sufficient amount or if the financing banks do not pay out the follow-up financing as planned. In these cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

External financing risk and interest-change risk

Projects and companies in the property sector are often financed externally to a large extent. This also applies for the issuer and many of its affiliated companies. For this reason, they are more vulnerable to adverse changes in interest rates and increasing business expenses than projects and companies which are not financed with loans, or are only financed with loans to a small extent. The same applies for any future raising of external funding.

This may increasingly lead to properties that are held in the portfolio no longer having the earning power to finance their future management and the need for capital. As a result, this can in turn lead to restrictive financial and operating conditions stipulated by the financing bank. This may negatively affect the payments of interest and/or amortisation and/or the project enterprises to the issuer and/or other companies in the group. The value of the respective project enterprise and, therefore, also the value of the investments made by the issuer and/or affiliated companies may also be considerably reduced or completely destroyed.

Changes in interest rates may also possibly affect the respective discount rate used to value projects and companies. Therefore, this evaluation may be affected by fluctuations. This can have a negative effect on the prices which may be achieved in the sale of projects/properties that have been developed. Overall, there is a risk that the issuer may not generate the returns calculated to secure the interest and repayment claims by the bond creditors.

Current external financing (e.g., loan agreements or debenture bonds/bonds) includes several termination rights, such as in the event that the creditworthiness of the company in question diminishes. If the respective credit institute asserts these rights and no other external financing can be obtained, this may have significant negative effects on the asset, financial and profit situation of the issuer and/or affiliated companies. The same may apply for future loan agreements. Therefore, in the aforementioned cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Equity base

If the issuer requires more equity for the expansion of its business activity and/or its maintenance, there is no contractual obligation for the shareholder of the issuer to provide the equity. Therefore, it is not guaranteed that an increase of share capital will take place for the issuer in this case. This can have negative effects on the issuer's equity base and/or the affiliated companies and there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Congruency of maturities

There is no regular congruency of maturities between the investments of the issuer and the debenture bond described in this prospectus as well as the debenture bonds of the companies in the group already issued. The issuer may, therefore, be instructed to avail itself of follow-up financing and/or to prematurely sell shares in project enterprises or other claims from its investments in individual cases. Therefore, in principle, there is a risk that the issuer may not manage to obtain follow-up financing. There is also a risk that the issuer may not be able to sell its shares or other claims from its investments, or not in a timely manner, and the sales proceeds required to cover its interest and/or repayment obligations may not be achieved, may not be achieved in a timely manner or may not be achieved in the sufficient amount on the market. The same applies for affiliated companies which have issued capital investment products. In this respect, the lack of congruency of maturities may negatively influence the asset, financial and profit situation of the issuer and/or its affiliated companies. This can have direct/indirect negative effects on the result of the issuer and/or the affiliated companies and lead to the issuer being unable to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Issuing activity

The financing and refinancing of the issuer's business activity and that of affiliated companies is largely dependent on the investors' demand for their capital investments in the property sector. A general declining demand may impair the capital procurement of the issuer and affiliated companies. Likewise, the raising of further financial resources, such as the issuing of the debenture bond described in the prospectus, may limit future financing possibilities. The successful placement of further capital investment products is also dependent on the fulfilment of the issuer's obligations arising from the bond described in the prospectus as well as other debenture bonds already placed, and also, potentially, on the fulfilment of the obligations of affiliated companies from their capital investment products, as this may have a direct impact on the issuer's reputation.

Furthermore, the issuer and its affiliated companies face the risk that they may be held responsible by the purchasers of the capital investments due to alleged or actual issues with the prospectus and/or errors in brokerage. In this respect, it cannot be excluded that unforeseeable and unavoidable risks or risks that were not identified in the past may arise, so a claim against the issuer and/or affiliated companies by the purchaser of the respective capital investments cannot be excluded.

If the public authority permissions required for the sale or management of certain classes of investment or for capital investment products issued in the past are not granted at present or in the future for the issuer and/or its affiliated companies or if permissions that have already been are revoked, there is a risk that the sale of individual classes of investment may need to be fully or partially adjusted, or that in the acquisition or maintenance of permissions which may be required in the future, individual classes of investments may only be offered to certain investors or only under unattractive conditions.

The aforementioned risks may lead to a deterioration of the asset, financial and profit situation of the issuer and/or its affiliated companies. The negative asset, financial and profit situation of the affiliated companies may also negatively affect the asset, financial and profit situation of the issuer. Therefore, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Credit policy of the financing banks

Several companies in the IMMOVATION Group, including the issuer, are reliant to a substantial extent on external financing within the scope of their business activity. In the event that the financing banks change their credit policy to become more restrictive in the future, e.g., due to increasing risks in the financial markets or changes to legal conditions, there is a risk of insufficient capital procurement for the affected company. The same applies, correspondingly, if and insofar as the current financing may only be continued under unfavourable conditions or may not be financed in a comparable manner and/or existing financing relationships are ended prematurely. Furthermore, the use of certain financing instruments is dependent in individual cases on the prior written consent of certain debt investors of the issuer. Due to the associated adverse effects on the asset, financial and profit situation of the issuer and/or affiliated companies, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Organisation and personnel risks

The continuous and dynamic changes in the property market require constant adaptation of structure by the issuer and other companies in the group - in the personnel segment as well as in terms of infrastructure. This entails a risk of mistakes in the decisions regarding the development of the organisation and in personnel. This also results in a strong dependence on the personnel available and their level of training. Due a current partial lack of skilled workers, there is sometimes intense competition on the personnel market, which may lead to higher costs. Furthermore, aggressive attempts by competitors can lead to the poaching of managers or other expert personnel.

This development can result in new projects being unable to be realised or only realised with a delay as well as orders not being accepted or existing orders not being processed in the required time and/or quality or new technologies/methods only being further developed with a delay. This may in turn lead to significant claims for damages on the part of the contracting party. The risks described above may negatively affect the asset, financial and profit situation of the issuer and/or affiliated companies and there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Management and key person risks

Errors made by the respective management of the issuer and of the affiliated companies cannot be completely excluded. This may lead to unforeseen costs which adversely influence the results of the issuer and/or affiliated companies and, in the worst case scenario, may lead to the insolvency of the issuer and/or affiliated companies. The economic success of the issuer and the IMMOVATION Group, therefore, depends on the skills of management to a large extent. Through the loss of experts in the field with the corresponding key qualifications, there is a risk (for the issuer as well as for the affiliated companies) that expert knowledge may no longer be available. If these experts in the field cannot be replaced in the long term by qualified employees, this can have negative effects on the economic development of the issuer and/or the affiliated companies. Therefore, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Conflicts of interest

Due to the existing personal identity of the sole director and sole shareholder of the issuer, there is the possibility of a conflict of interests in relation to his role as the board of directors and the assumption of management functions in other companies in the group. Therefore, in principle, it cannot be excluded that, when weighing up the various, sometimes contrary interests, he may not reach the decisions that he would make if there were no interrelation or if decisions were the subject of legal disputes. To the same extent, the earnings of the issuer - and therefore that of the investors - may also be affected by this. The same applies in relation to the activity of the authorised officer of the issuer, who also operates in management positions in other companies in the group. In addition, the issuer maintains service relationships with another company whose shareholder is also the sole shareholder and sole director of the issuer.

Contingent liabilities towards other companies

The issuer has entered into several liability obligations and warranties towards domestic credit institutions for the benefit of fully consolidated and not fully consolidated companies in the group. In this respect, it cannot be excluded that they will be claimed against for services and payments due to such contingent liabilities and a claim may lead to negative effects on their asset, financial and profit situation. An increased and/or large volume of claims will reinforce the risk accordingly. In these cases and due to lacking returns on investments, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

Investment and participation risks

On the date of publication of the prospectus, there is no set definition of the future investment projects in which the bond capital is to be invested. Therefore, the investors cannot inspect these. The asset, financial and profit situation of the issuer also depends on the economic developments of the individual future investment projects and, therefore, also on the selection of the respective projects in which the investment should be made. Here, there is a risk that, despite observing the relevant selection criteria and market strategies or analyses, unfavourable investments and/or projects may have been and/or may be selected and/or the selected investments and/or projects may develop negatively, meaning that the issuer would generate less profit than planned or even losses.

Furthermore, the issuer invests in portfolio properties from various property sectors or projects. If applicable, it will invest in further projects and in projects in other fields of activity. In the event of unplanned development, the investments include the risk that investment income from interest rates, profit participations, the increase in value of shares and capital gains may not be able to be realised in the amount planned, for the long term, in a timely manner or at all. Development that does not correspond with plans is possible in the event of materialisation of market risks, operational risks, financing risks, personnel risks, legal and tax risks, research and development risks and investment and participation risks (individual or cumulative). Furthermore, there is a risk that the invested funds may need to be partially or fully value-adjusted as a result of negative business developments and/or insolvency of the affiliated companies. This can negatively influence the asset, financial and profit situation of the issuer.

		<p>The issuer has also concluded a profit and loss transfer agreement with each of the affiliated companies respectively, so it must bear any losses of these companies. In addition, there is a risk that there may not be any sufficiently suitable investment possibilities available in which the issuer can invest. Therefore, in the aforementioned cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.</p> <p>Liquidity</p> <p>The payment of interest and the repayment of bond capital requires the procurement and maintenance of a sufficient level of liquidity by the issuer. Liquidity risks exist in principle as a consequence of market risks, operational risks, financing risks, personnel risks, legal and tax risks and investment and participation risks.</p> <p>In particular, there are potential liquidity risks in the postponement of project financing, completion and sale. As the time and extent of these events always depend on the course of negotiations and on the current market environment, this can lead to unforeseeable delays and loss of earnings.</p> <p>Further possible liquidity risks exist, for example, in the event of loans due for payment or the lack of congruency of maturities or in the protection of project rights for which large payments may be required.</p> <p>Therefore, there is a risk that the liquidity situation of the issuer may not allow the payment of interest and/or repayment of the bond capital to the investors at all, in full, or on time.</p>
D.3	Main information on the main risks particular to the securities	<p>Partial debenture bonds may not be a suitable capital investment for every investor. The decision of each potential investor to subscribe to partial debenture bonds should be based on their living conditions and income levels, as well as their investment expectations.</p> <p>Rights arising from the debenture bond</p> <p>A debenture bond exclusively constitutes debt claims against the bond debtor and does not grant any participation, co-determination and voting rights in the shareholders' meeting. In this respect, investors may not exercise any influence over the business activity of the bond debtor. Resolutions may be made in the shareholders' meeting which may, for example, seem detrimental to the individual investor.</p> <p>No deposit protection and no government checks</p> <p>Debenture bonds are not subject to deposit protection. In the event of an unexpected negative business development and/or insolvency of the issuer, there is no guarantee that the contractually agreed interest and/or repayment claims by the investor from the debenture bond will be served. Debenture bonds are not subject to any ongoing government checks. In this respect, no government authorities monitor the business activity and use of funds by the issuer. In this respect, there is a risk that the business activity of the issuer and/or the use of funds that it chooses may have adverse effects on the asset, financial or profit situation of the issuer. There is therefore no guarantee that the contractually agreed interest and/or repayment claims by the investor from the debenture bond can be served.</p> <p>Rating</p> <p>An evaluation of the credit rating of the issuer is only possible using this prospectus. Before the date of publication of the prospectus, the issuer has not been independently rated to assess its current ability to pay and no issue rating in relation to the debenture bond offered has been carried out.</p> <p>Credit risk</p> <p>The repayment of the debenture bond in the nominal amount and the payment of interest are dependent on the solvency of the issuer. The solvency of the issuer depends on many factors, for example, macroeconomic development, the sector-related environment or the future earnings and profitability development of the issuer. A negative development of one or several of these factors may lead to delays in payments to the investors or even result in failure to repay.</p>

Distribution risk

The issuer intends to commission iCapital Consulting- & Vertriebsgesellschaft mbH, which belongs to the company group, with the distribution of the debenture bond offered in this prospectus. There are no placement guarantees. In this respect, there is a placement risk for the debenture bond which may lead to the debenture bond not being subscribed to or deposited in full or only to a lesser extent as well as, in the event of insufficient issue proceeds, insufficient investable capital being available due to the cost burden. If the issuer only receives limited capital from this issue, there is a risk that only insufficient bond capital may be available for investments and the issuer may not be able to make the planned investments and realise its economic objectives. In such an event, the costs already incurred, e.g., for the project creation, would be lost irrecoverably.

Commitment period/saleability/exchange risk

The capital used for the acquisition of the offered partial debenture bonds are subject to a commitment period until the 30th September 2024. Premature sale of the partial debenture bonds is possible in principle. However, this is severely restricted as the bond is not listed in a regulated market. Such a listing is also not planned. For bond investors who would like to sell partial debenture bonds during the term of the bond, there is a risk that the partial debenture bonds may not be sold or may only be sold at a market price which the investor believes to be low. Furthermore, the market price for private sale may also be dependent on the general capital market level. As a result, the investor may receive a lower market price than the nominal value or the expected repayment amount.

Premature repayment

In the bond terms of the debenture bond, the issuer is granted the right to terminate the debenture bond before the expiry of the term at the end of an interest period (right to ordinary termination). Such a right to ordinary termination is not granted to the investors. If the issuer exercises its right to termination and premature repayment of the debenture bond, the risk arises for the investor that the partial debenture bonds account for a lower rate of return than was expected at the end of the term. In this regard, in the event of termination after their effectiveness, no further interest payments shall be made and the sum of interest payments over the term will be less than it would be at the end of the respective original term. Furthermore, in the event of premature termination by the issuer, a lower repayment amount may be realised than in a private resale of the partial debenture bonds at more than the nominal amount.

Majority resolution of the bond creditors

The bond creditors are entitled to amend the respective applicable bond terms by means of a majority resolution. To that extent, it is not excluded that individual bearers of partial debenture bonds may be outvoted and resolutions may be made that are not in their interests. The same also applies if investors do not participate in such votes or are not represented. For amendments to the bond terms, the consent of the issuer is required.

Costs for foreign investors

There are no paying agents outside of Germany. In this respect, for investors based outside of Germany and/or with a bank account outside of Germany, there is a risk that the purchase of partial debenture bonds and the processing of interest and repayments can only be made through an international bank and, before the purchase, opening a bank account at an international bank in Germany or outside of Germany may be required. Subsequently, further costs may be linked with the purchase of the partial debenture bonds and the processing of payments, and the rate of return may be lower than expected. Furthermore, investors who are based outside of the Federal Republic of Germany may be obliged to commission a legal advisor familiar with German law in order to assert their rights resulting from the partial debenture bonds. This is due to the fact that all of the rights and obligations linked with the partial debenture bonds are exclusively subject to German law with the exception of the conflict-of-law rules in international private law. Further costs may be incurred for the investors as a result.

Non-participation in the subscription

In principle, it is not intended that investors be able to withdraw from their subscription orders. To that extent, the issuer reserves the right, in the event of the non-fulfilment and/or the untimely fulfilment of the investor's obligation to make a deposit, to claim for compensation for the resulting damages.

Section E - Offering

E.2b	Grounds for the offer and intended purpose of earnings	<p>The entire issue proceeds from the placement of the partial debenture bonds which are subject of this prospectus less the issue costs should be principally and primarily used to finance the further company growth of the issuer, including the development of a property portfolio with a focus on residential properties in Germany. The use of earnings for the aforementioned purpose shall take place in proportion to the cash inflow from partial debenture bonds, whereby a separation and therefore a restriction of the use of the issue proceeds for defined purposes is not intended. There are also no priorities with regard to the intended purposes.</p> <p>The investments and, therefore, the specific application of the net issue proceeds from the placement of partial debenture bonds have not yet been decided upon by the administrative bodies of the issuer on the date of publication of the prospectus.</p>
E.3	Description of the offer conditions	<p>The issuer offers a fixed-rate debenture bond with a total nominal amount of 20,000,000 Euros.</p> <p>The debenture bond may be sold in the Federal Republic of Germany - and after the respective notification, also in Hungary, Austria and Luxembourg - in the form of a public offer and may be purchased by anyone.</p> <p>The debenture bonds are subject to German law.</p> <p>The debenture bonds have not been and are not registered in accordance with the US Securities Act and may not, subject to exceptions, be offered, sold, gifted, inherited or resold within the United States.</p> <p>The offer period is expected to run from 1st October 2018 to 30th September 2019; the offer period may be shortened at any time.</p>
E.4	Description of all significant (possible) conflicts of interest and interests for the issues	<p>Omitted; there are no significant (possible) conflicts of interest for the issue. There are also no (possible) interests of natural and/or legal persons which are of significance to the offer of the debenture bond by the issuer.</p>
E.7	Estimate of expenses charged by the issuer to the investor	<p>The investor shall not be charged any costs by the issuer for the issuing of the partial debenture bonds. Custodian fees may be incurred for the safekeeping of the partial debenture bonds.</p>

2. Risk factors

2.1 General information

In the following, the risk factors which may be decisive in the evaluation of the risk of the debenture bond and may impair the ability of the issuer to fulfil its obligations arising from the debenture bond towards the investors are presented.

The presentation of the risk factors does not replace advice from a suitable expert, which may be required. An investment decision should not be made solely on the basis of these risk factors, as the information contained herein is not intended to replace advice and information tailored to the needs, objectives, experiences and/or knowledge and circumstances of the investor. It is recommended to obtain assessments from suitable advisers if applicable.

The following presents the factual and legal risks which are significant from the perspective of the issuer, which in principle, may result from its business activity and the purchase of the debenture bond offered.

The order in which the risks are listed does not imply any conclusions as to the possibility of occurrence or the extent of potential disadvantages. It cannot be excluded that additional risks arising from the individual situation of the investor, or risks that are as yet unknown or deemed insignificant may materialise.

The materialisation of individual risks or the cumulative effect of various risks may have significant negative effects on the asset, financial and profit situation of the issuer, with the result that the issuer is unable or is limited in its ability to respect the contractually agreed interest and/or repayment obligations towards the investors arising from the debenture bond.

In the worst case scenario, this may lead to the insolvency of the issuer and thereby to the total loss of funds invested by the investor.

2.2 Company-related risks of the issuer

2.2.1 Issuer risk

The repayment of the debenture bond and interest payments is directly dependent on the economic success and the liquidity of the issuer and indirectly dependent on the economic success and liquidity of its affiliated companies. The affiliated companies include several companies related to the issuer, including subsidiaries and their project enterprises. The issuer and its affiliated companies form the IMMOVATION Group. The economic success and liquidity of the IMMOVATION Group is, in turn, dependent on the economic success of the business activities of the individual companies. The business activity of the companies within the IMMOVATION Group consists primarily of the entire value chain in the property business: from property research and purchase, the conception, realisation and management of property projects, to property management and the sale of properties.

If the economic success of one or several of these areas fails to materialise, this may have significant negative effects on the issuer and other companies in the group, and therefore also on the claims for interest payment and/or repayment by the investors. Negative economic developments can also, in particular, result in the insolvency of the issuer and thereby the entire or partial failure of interest and/or repayment claims by the investor (**issuer risk**). Furthermore, in the event of the opening of insolvency proceedings on the assets of the issuer, it cannot be excluded that the insolvency administrator will reclaim interest payments and, in particular circumstances, also repayments which have been made by the issuer, from the investors.

The economic success of the issuer and its affiliated companies may be negatively influenced, in particular, by the market risks, operational risks, financing risks, personnel risks, legal and tax risks, investment and participation risks and liquidity risks described in the below.

2.2.2 Operational risks

2.2.2.1 Portfolio management

The companies in the IMMOVATION Group mainly hold properties for residential use in their own portfolio, whereby properties may also be used for commercial purposes at the same time or in the future in individual cases. In this respect, there is a risk that the costs linked with the management of the portfolio property, in particular, the costs for personnel and/or material and safeguarding and enhancement measures may increase and/or the earnings from the management of the portfolio property may not correspond with the plans. In the event that the planned funds are not entirely sufficient due to high unplanned costs, the additional costs shall be at the expense of the earnings situation and shall diminish the asset, financial and profit situation of the affiliated company and, indirectly, the issuer. The same applies if the earnings planned are not actually achieved.

If one or several portfolio management risks materialise, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.2 Project risks

The companies in the group also operate in the project development of properties. Project development comprises the planning of permissions and the receipt of the necessary planning permissions as well as the negotiation and conclusion of rental and/or purchase contracts. Sometimes properties may be sold prior to the commencement of construction. Investments in property project developments differ from other investments in property. Unlike investments in portfolio properties, the project enterprise bears the entire development risk for project developments. Project developments are future-oriented in nature and depend on unforeseeable influencing factors, such as the scope and duration of the permission process, the successful conclusion of usage and/or purchase agreements, and, potentially, on sufficient sales proceeds at the planned time of sale.

For project developments, there is a risk that the original plan may transpire to be infeasible, that the planning period may be extended, that the planning costs may increase significantly or that unforeseen costs may arise and that these cost increases and delays may not be offset by the corresponding proceeds of sale.

Reasons for this may be flawed project planning, an incorrect cost calculation, the lack or untimely granting of the necessary public authority permissions and/or retrospective permissions requirements, the opposition of third parties (e.g., neighbours, citizens' initiatives), insolvency and/or the poor performance of the companies participating in the planning (e.g., architects, engineers) or undetected inherited liabilities in the property. Higher costs and/or planning delays may arise, in particular, due to the companies participating in the construction planning not working carefully. Even if the project enterprise were, in principle, entitled to claims for reimbursement and damages against these companies due to poor performance, these claims may not be enforceable for legal or factual reasons, meaning that the project enterprise would have to bear the costs of remedying the situation and the resulting delays in the further planning of the property itself. Furthermore, secondary costs may be caused by poor performance of services (prosecution costs, expert costs), which could further increase the costs.

Amendments to project plans may be required to obtain the necessary planning permissions. Such amendments may lead to added costs and delays which may, in turn, have an effect on the price expectations and the time of the sale of the property. Cost increases and/or delays in the project development of property may result in the project enterprise no longer being able to make payments on the claims.

If one or several market risks materialise, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.3 Risks of lack of urban development planning and official permits

There is a risk that the necessary urban development plans may not be concluded and/or permissions from the authorities for planned projects may not be granted at all or not on time, or may only be granted subject to additional conditions. There is also a risk that planning permissions or approvals that have been granted may be revoked or taken back or may be made subject to further requirements or conditions. Conflicts with neighbours and residents may significantly delay the granting of permissions by the authorities or even prevent this in certain situations. These risks may lead to the property not being sold, not being sold with the expected sale proceeds or not being sold in the planned time, or they may lead to the property being unable to be used as portfolio property.

In the aforementioned cases and due to lacking returns on investments, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.4 Market and competition risks

Property investments are faced with fluctuations in value and run through various market cycles. The value of property and real estate is defined by various external factors which neither the issuer nor the other companies in the IMMOVATION Group can influence. These include the deterioration of the economy, increasing numbers of competitor properties on offer, a lower demand from potential buyers, the deterioration of financing conditions, a lower demand for rental properties or falling rental prices. A negative market development may have a negative influence on the value development of a property and/or on the sale proceeds or rental prices achievable for the property.

The development of the market for commercial and/or privately used properties and for specialist properties is subject to technological changes. The development of new technologies (technological competition, e.g., in the energy saving contracting and intelligent home control sectors) and the influence of new findings/developments (e.g., related to construction technologies, requirements relating to the security and/or sustainability of properties or the suitability/demand for construction materials) may have a negative

impact on existing and new projects and/or services on which the business success of the IMMOVATION Group is based.

Therefore, the possibility cannot be excluded that general changes in the respective sectors or also a decreasing acceptance by the public of the technology/systems used/applied by the issuer and/or its affiliated companies may have a negative influence on the business activity of the IMMOVATION Group. This may lead to an impairment of the economic results of the issuer and its affiliated companies.

The same applies if the behaviour of the market participants changes disadvantageously in the long term due to unforeseen or public, portfolio-threatening developments/events occurring for competitors, in particular, in relation to common financing instruments, purchase price payment models and/or payments according to project progress.

If one or several market and/competition risks materialise, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.5 Location risks

The location of the property may perform negatively due to various circumstances, e.g., deteriorating transport connections or social structures, environmental pollution or noise/odour emissions by third parties which, in turn, could have a negative effect on the attractiveness and recoverability of the value of the property and thereby the sale and/or letting of the property. In addition, negative consequences for the property could also be caused by disadvantageous changes in the local market situation in the long term through the activities or failures of competitors. These risks may have a negative influence on the value development of a property and on the sale proceeds or rental prices achievable for the property.

If the location risk materialises, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.6 Inherited liabilities

Risks from inherited liabilities (e.g., harmful substances, soil contamination) on the site of a property cannot be excluded at the outset. There is a risk that the respective project enterprise may need to resolve existing and/or future environmental pollution due to inherited liabilities, which can cause significant costs. If inherited liabilities cannot be resolved, this could have large negative consequences for the value development of a property and the sales proceeds or long-term rental proceeds achievable for a property. If the inherited liability risk materialises, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.7 Risks of disposal and use and operator risks

The sales proceeds achievable in the sale of a property or the income achievable within the framework of the use or operation of the property depend on many factors, e.g., the quality of the location, the demand from investors or users or operators, market and property-specific developments and the macroeconomic or sector-specific circumstances. This applies, in particular, if the property is a specialist property with a limited user group. If one or several of the disposal/use and operator risks materialise, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.8 Government regulations in the property sector and tenant protection

The markets in which the issuer and its affiliated companies operate are subject to constant economic and political changes. Amendments to existing regulations and a deterioration of the framework conditions for domestic property projects may lead to a significant impairment of the business activity and the profit situation of the companies in the IMMOVATION Group. Such changes in existing legal regulations may affect existing investments (e.g., new specifications for properties used for residential purposes).

In particular, legal requirements for consumer protection (e.g., so-called brakes on rental prices or conditions for the external financing of property acquisition) and/or government support could significantly compromise the basis of business activity of the issuer or the companies in the group.

If one or several regulatory risks materialise, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.9 Investment costs and operational costs

The project management, construction, portfolio management and potential sale of residential/commercial and/or specialist property is linked with significant investment costs. If the investment costs for the development and acquisition of properties, the security of the locations or the attainment of the necessary permissions increase, this reduces the profitability of the property project. Equally, the achievable proceeds from sale or usage can decrease. Thus, increasing investment costs in the project development and construction/conversion of property can negatively influence the asset, financial and profit situation of the issuer and/or affiliated companies.

Along with increasing investment costs, there is also a risk that the operational costs in individual and/or several business areas may increase. The most probable is an increase in personnel and/or material costs as well as unplanned safeguarding or enhancement measures. In the event that the planned funds are not entirely sufficient due to high unplanned costs, the additional costs shall be at the expense of the earnings situation and shall diminish the asset, financial and profit situation of the affiliated company and, indirectly, the issuer.

If the investment costs or the operational costs increase, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.10 Risks of renting and vacancy

Within the scope of usage and/or exploitation of property, there is a risk that rentable areas (for the first use or following uses) cannot be rented or can only be rented in part due to a lack of potential tenants/demand. Low demand could cause the issuer and/or the companies in the group to lease/sell properties at less economically advantageous conditions, or to lease/sell these to less solvent contracting partners. In this respect, there is a risk of diminished income or loss of earnings.

If the rental and/or vacancy risk materialises, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.11 Risks from the maintenance and modernisation of property

For sustainable investments in property, maintenance and modernisation measures for the properties in the portfolio must be carried out. These measures may be extensive and, therefore, time and cost intensive. Risks can thereby arise, that higher costs than planned or unforeseen additional costs may arise in the maintenance or modernisation, which cannot be passed on to the user/tenant. Furthermore, such measures may cause delays, e.g., during periods of bad weather or if the contracting partner commissioned with the work performs poor services or if unforeseen construction defects arise. This can have direct negative effects on the result of the issuer and/or the affiliated companies and lead to the issuer being unable to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.12 Insurance cover

There is a risk that the issuer and/or other companies in the IMMOVATION Group may be required to pay for any alleged or actual damage, which may be uninsured or not be insurable, in the course of their business activity or as the owner of the property. In the event of insured damages, the agreed excesses and the higher contribution payments, if applicable, after the insured event shall be borne directly and/or indirectly by the issuer.

There is also the risk that the insurer rejects a warranty obligation and a legal dispute must be commenced against the insurer. After damage has occurred, the insurance cover may be cancelled due to termination by the insurer, the result of which is that certain risks are not or not completely insured. Further damages would then be borne by the issuer itself and/or the affiliated companies as a result. This can have direct negative effects on the result of the issuer and/or the affiliated companies and lead to the issuer being unable to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.13 Force majeure

It cannot be excluded that extraordinary risks such as earthquakes, environmental catastrophes, terror attacks, plane crashes or other events of force majeure may occur and affect the property. Each of these events may reduce the profit situation of the issuer and/or affiliated companies, or even lead to the insolvency of the issuer and/or affiliated companies, meaning that the issuer would be unable to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.2.14 Partnerships, restructuring and outsourcing

If the issuer or affiliated companies outsource or put into effect individual or several fields of activity using partner companies, it cannot be excluded that the goals pursued by the partnership may not be achieved and this may result in adverse consequences for the asset, financial and profit situation of the issuer and/or affiliated companies.

The same applies if restructuring is carried out within the group. Risks to which the issuer has been exposed indirectly in the past may also materialise for the issuer directly as a result of restructuring and have adverse effects on its asset, financial and profit situation.

In addition, for partnerships, there is also a risk that the respective partners may use knowledge that has been made accessible to them in a manner that is contrary to contract and the competitive position of the issuer and/or its affiliated companies may be compromised.

Therefore, in the aforementioned cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.3 Financing risks

2.2.3.1 Financing business activity

The IMMOVATION Group shall require further financial resources for the further development and expansion of business activity. However, it is not guaranteed that the issuer and/or its affiliated companies shall receive further financial resources from its shareholders or other third parties (e.g., banks, institutional investors). Institutional investors may withdraw from the market due to changes to framework conditions, for example, and no longer fund or buy projects or only do so with significant deductions.

If the issuer and/or its affiliated companies do not generate financial resources for the further financing of business activity themselves or from their shareholders or other third parties, this can have significant adverse effects on their asset, financial and profit situation. In the worst case scenario, this can lead to insolvency of the issuer and the companies in the group.

Furthermore, the financing of business activity of companies in the IMMOVATION Group is also dependent on the demand of investors for their capital investment products. Declining demand may impair the capital procurement of the companies in the group.

Therefore, in the aforementioned cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.3.2 Financing projects

The project management and realisation of property projects are linked with high up-front and investment costs and also, as a result, with a significant need for financing. Expert opinions, permissions procedures, legal counsel and location security require liquid funds.

If a large number of projects are developed at the same time without further liquid funds being provided by follow-up financing, this can lead to an additional need for financing for the respective project, which may negatively influence the asset, financial and profit situation of the issuer and/or its affiliated companies. The same applies if the issuer and/or its affiliated companies are not able to guarantee the follow-up financing - in any manner - in a timely manner and/or in a sufficient amount or if the financing banks do not pay out the follow-up financing as planned. In these cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.3.3 External financing risk and interest-change risk

Projects and companies in the property sector are often financed externally to a large extent. This also applies for the issuer and many of its affiliated companies. For this reason, they are more vulnerable to adverse changes in interest rates and increasing business expenses than projects and companies which are not financed with loans, or are only financed with loans to a small extent. The same applies for any future raising of external funding. This may increasingly lead to properties that are held in the portfolio no longer having the earning power to finance their future management and the need for capital. As a result, this can in turn lead to restrictive financial and operating conditions stipulated by the financing bank. This may negatively affect the payments of interest and/or amortisation and/or the project enterprises to the issuer and/or other companies in the group. The value of the respective project enterprise and, therefore, also the value of the investments made by the issuer and/or affiliated companies may also be considerably reduced or completely destroyed.

Changes in interest rates may also possibly affect the respective discount rate used to value projects and companies. Therefore, this evaluation may be affected by fluctuations. This can have a negative effect on the prices which may be achieved in the sale of projects/properties that have been developed. Overall, there is a risk that the issuer may not generate the returns calculated to secure the interest and repayment claims by the bond creditors.

Current external financing (e.g., loan agreements or debenture bonds/bonds) includes several termination rights, such as in the event that the creditworthiness of the company in question diminishes. If the respective credit institute asserts these rights and no other external financing can be obtained, this may have significant negative effects on the asset, financial and profit situation of the issuer and/or affiliated companies. The same may apply for future loan agreements.

Therefore, in the aforementioned cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.3.4 Equity base

If the issuer requires more equity for the expansion of its business activity and/or its maintenance, there is no contractual obligation for the shareholder of the issuer to provide the equity. Therefore, it is not guaranteed that an increase of share capital will take place for the issuer in this case. This can have negative effects on the issuer's equity base and/or the affiliated companies and there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.3.5 Congruency of maturities

There is no regular congruency of maturities between the investments of the issuer and the debenture bond described in this prospectus as well as the debenture bonds of the companies in the group already issued. The issuer may, therefore, be instructed to avail itself of follow-up financing and/or to prematurely sell shares in project enterprises or other claims from its investments in individual cases. Therefore, in principle, there is a risk that the issuer may not manage to obtain follow-up financing. There is also a risk that the issuer may not be able to sell its shares or other claims from its investments, or not in a timely manner, and the sales proceeds required to cover its interest and/or repayment obligations may not be achieved, may not be achieved in a timely manner or may not be achieved in the sufficient amount on the market.

The same applies for affiliated companies which have issued capital investment products. In this respect, the lack of congruency of maturities may negatively influence the asset, financial and profit situation of the issuer and/or its affiliated companies. This can have direct/indirect negative effects on the result of the issuer and/or the affiliated companies and lead to the issuer being unable to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.3.6 Issue activity

The financing and refinancing of the issuer's business activity and that of affiliated companies is largely dependent on the investors' demand for their capital investments in the property sector. A general declining demand may impair the capital procurement of the issuer and affiliated companies. Likewise, the raising of further financial resources, such as the issuing of the debenture bond described in the prospectus, may limit future financing possibilities. The successful placement of further capital investment products is also dependent on the fulfilment of the issuer's obligations arising from the bond described in the prospectus as well as other debenture bonds already placed, and also, potentially, on the fulfilment of the obligations of affiliated companies from their capital investment products, as this may have a direct impact on the issuer's reputation.

Furthermore, the issuer and its affiliated companies face the risk that they may be held responsible by the purchasers of the capital investments due to alleged or actual issues with the prospectus and/or errors in brokerage. In this respect, it cannot be excluded that unforeseeable and unavoidable risks or risks that were not identified in the past may arise, so a claim against the issuer and/or affiliated companies by the purchaser of the respective capital investments cannot be excluded.

If the public authority permissions required for the sale or management of certain classes of investment or for capital investment products issued in the past are not granted at present or in the future for the issuer and/or its affiliated companies or if permissions that have already been are revoked, there is a risk that the sale of individual classes of investment may need to be fully or partially adjusted, or that in the acquisition or maintenance of permissions which may be required in the future, individual classes of investments may only be offered to certain investors or only under unattractive conditions.

The aforementioned risks may lead to a deterioration of the asset, financial and profit situation of the issuer and/or its affiliated companies. The negative asset, financial and profit situation of the affiliated companies may also negatively affect the asset, financial and profit situation of the issuer. Therefore, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.3.7 Credit policy of the financing banks

Several companies in the IMMOVATION Group, including the issuer, are reliant to a substantial extent on external financing within the scope of their business activity. In the event that the financing banks change their credit policy to become more restrictive in the future, e.g., due to increasing risks in the financial markets or changes to legal conditions, there is a risk of insufficient capital procurement for the affected company. The same applies, correspondingly, if and insofar as the current financing may only be continued under unfavourable conditions or may not be financed in a comparable manner and/or existing financing relationships are ended prematurely. Furthermore, the use of certain financing instruments is dependent in individual cases on the prior written consent of certain debt investors of the issuer. Due to the associated adverse effects on the asset, financial and profit situation of the issuer and/or affiliated companies, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.4 Personnel risks

2.2.4.1 Organisation and personnel risks

The continuous and dynamic changes in the property market require constant adaptation of structure by the issuer and other companies in the group - in the personnel segment as well as in terms of infrastructure. This entails a risk of mistakes in the decisions regarding the development of the organisation and in personnel. This also results in a strong dependence on the personnel available and their level of training. Due a current partial lack of skilled workers, there is sometimes intense competition on the personnel market, which may lead to higher costs. Furthermore, aggressive attempts by competitors can lead to the poaching of managers or other expert personnel. This development can result in new projects being unable to be realised or only realised with a delay as well as orders not being accepted or existing orders not being processed in the required time and/or quality or new technologies/methods only being further developed with a delay. This may in turn lead to significant claims for damages on the part of the contracting party. The risks described above may negatively affect the asset, financial and profit situation of the issuer and/or affiliated companies and there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.4.2 Management and key person risk

Errors made by the respective management of the issuer and of the affiliated companies cannot be completely excluded. This may lead to unforeseen costs which adversely influence the results of the issuer and/or affiliated companies and, in the worst case scenario, may lead to the insolvency of the issuer and/or affiliated companies. The economic success of the issuer and the IMMOVATION Group, therefore, depends on the skills of management to a large extent.

Through the loss of experts in the field with the corresponding key qualifications, there is a risk (for the issuer as well as for the affiliated companies) that expert knowledge may no longer be available. If these experts in the field cannot be replaced in the long term by qualified employees, this can have negative effects on the economic development of the issuer and/or the affiliated companies. Therefore, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.4.3 Information and statements from third parties

In connection with the business activity of the issuer and other companies in the group, external advisers are commissioned if applicable. These advisers include financial, legal and tax consultants as well as technical consultants and environmental experts, among others. In this respect, it must be taken into consideration that the estimations and valuations of these external advisers (e.g., valuation reports) may deviate from the actual state of future development.

The issuer and/or affiliated companies may not be able to verify whether these sources are correct and comprehensive and not reproduced in a way that reduces the meaning. In this respect, it must also be taken into consideration that these may be exclusively subjective estimations and conclusions. If the actual circumstances deviate from the subjective estimates and conclusions made by third parties, this can have direct and/or indirect negative effects on the asset, financial and profit situation of the issuer and/or affiliated companies. This can lead directly to the issuer being unable to make payments of interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.4.4 Conflicts of interest

Due to the existing personal identity of the sole director and sole shareholder of the issuer, there is the possibility of a conflict of interests in relation to his role as the board of directors and the assumption of management functions in other companies in the group.

Therefore, in principle, it cannot be excluded that, when weighing up the various, sometimes contrary interests, he may not reach the decisions that he would make if there were no interrelation or if decisions were the subject of legal disputes. To the same extent, the earnings of the issuer - and therefore that of the investors - may also be affected by this. The same applies in relation to the activity of the authorised officer of the issuer, who also operates in management positions in other companies in the group.

In addition, the issuer maintains service relationships with another company whose shareholder is also the sole shareholder and sole director of the issuer.

2.2.5 Legal and tax risks

2.2.5.1 General legislation

Future amendments of the national and foreign laws, regulations and directives applicable on the date of publication of the prospectus as well as their interpretation cannot be excluded. Amendments may influence the market and competitive circumstances and negatively affect the economic situation of the issuer and other companies in the group.

In principle, there is the possibility that the issuer and/or affiliated companies may be obligated to adjust, reduce or cease individual business activities on the basis of legislative and/or public authority measures.

2.2.5.2 Contingent liabilities towards other companies

The issuer has entered into several liability obligations and warranties towards domestic credit institutions for the benefit of fully consolidated and not fully consolidated companies. In this respect, it cannot be excluded that they will be claimed against for services and payments due to such contingent liabilities and a claim may lead to negative effects on their asset, financial and profit situation. An increased and/or large volume of claims will reinforce the risk accordingly. In these cases and due to lacking returns on investments, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.5.3 Tax risks

Future amendments to tax law and deviating interpretations of the law by tax authorities and courts cannot be excluded. In this respect, unfavourable amendments to tax law can have negative effects on the business activity and/or profit situation of the issuer and affiliated companies. It also cannot be excluded that the issuer and/or the affiliated companies may have to make retrospective tax payments due to an audit on the basis of deviating assessment of the factual and legal situation by the tax authorities, in particular, regarding fiscal relationships.

In these cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.6 Investment and participation risks

On the date of publication of the prospectus, there is no set definition of the future investment projects in which the bond capital is to be invested. Therefore, the investors cannot inspect these. The asset, financial and profit situation of the issuer also depends on the economic developments of the individual future investment projects and, therefore, also on the selection of the respective projects in which the investment should be made. Here, there is a risk that, despite observing the relevant selection criteria and market strategies or analyses, unfavourable investments and/or projects may have been and/or may be selected and/or the selected investments and/or projects may develop negatively, meaning that the issuer would generate less profit than planned or even losses.

Furthermore, the issuer invests in portfolio properties or projects in various property sectors. If applicable, it will invest in further projects and in projects in other fields of activity. In the event of unplanned development, the investments include the risk that investment income from interest rates, profit participations, the increase in value of shares and capital gains may not be able to be realised in the amount planned, for the long term, in a timely manner or at all. Development that does not correspond with plans is possible in the event of materialisation of market risks, operational risks, financing risks, personnel risks, legal and tax risks, research and development risks and investment and participation risks (individual or cumulative). Furthermore, there is a risk that the invested funds may need to be partially or fully value-adjusted as a result of negative business developments and/or insolvency of the affiliated companies. This can negatively influence the asset, financial and profit situation of the issuer.

The issuer has also concluded a profit and loss transfer agreement with each of the affiliated companies respectively, so it must bear any losses of these companies.

In addition, there is a risk that there may not be any sufficiently suitable investment possibilities available in which the issuer can invest.

Therefore, in the aforementioned cases, there is a risk that the issuer may not be able to make payments for interest and/or repayment claims to its investors at all, neither in due time nor in the amount planned.

2.2.7 Liquidity

The payment of interest and the repayment of bond capital requires the procurement and maintenance of a sufficient level of liquidity by the issuer. Liquidity risks exist in principle as a consequence of market risks, operational risks, financing risks, personnel risks, legal and tax risks and investment and participation risks.

In particular, there are potential liquidity risks in the postponement of project financing, completion and sale. As the time and extent of these events always depend on the course of negotiations and on the current market environment, this can lead to unforeseeable delays and loss of earnings.

Further possible liquidity risks exist, for example, in the event of loans due for payment or the lack of congruency of maturities or in the protection of project rights for which large payments may be required.

Therefore, there is a risk that the liquidity situation of the issuer may not allow the payment of interest and/or repayment of the bond capital to the investors at all, in full, or on time.

2.3 Securities-related risks

2.3.1 Rights arising from the debenture bond

A debenture bond exclusively constitutes debt claims against the bond debtor and does not grant any participation, co-determination and voting rights in the shareholders' meeting. In this respect, investors may not exercise any influence over the business activity of the bond debtor. Resolutions may be made in the shareholders' meeting which may, for example, seem detrimental to the individual investor.

2.3.2 No deposit protection and no government checks

Debenture bonds are not subject to deposit protection. In the event of an unexpected negative business development and/or insolvency of the issuer, there is no guarantee that the contractually agreed interest and/or repayment claims by the investor from the debenture bond will be served. Debenture bonds are not subject to any ongoing government checks. In this respect, no government authorities monitor the business activity and use of funds by the issuer. In this respect, there is a risk that the business activity of the issuer and/or the use of funds that it chooses may have adverse effects on the asset, financial or profit situation of the issuer. There is therefore no guarantee that the contractually agreed interest and/or repayment claims by the investor from the debenture bond can be served.

2.3.3 Rating

An evaluation of the credit rating of the issuer is only possible using this prospectus. Before the date of publication of the prospectus, the issuer has not been independently rated to assess its current ability to pay and no issue rating in relation to the debenture bond offered has been carried out.

2.3.4 Possibility of curtailment and closure

The issuer is entitled to prematurely close the offer for the debenture bond and/or curtail subscriptions for the partial debenture bonds at any time, in particular, in the event of oversubscription. In this respect, there is a risk that the investors may not be assigned the subscribed number of partial debenture bonds.

If the issuer discontinues the placement of the debenture bond before the subscription of the entire issue amount, it will not have the capital for investments based on the calculations. This can lead to the issuer not being able to produce the interest payments planned and the amounts required for the repayment of the bond capital and the partial debenture bonds experiencing a rate of return that is less than expected at the time of subscription.

2.3.5 Credit risk

The repayment of the debenture bond in the nominal amount and the payment of interest are dependent on the solvency of the issuer. The solvency of the issuer depends on many factors, for example, macroeconomic development, the sector-related environment or the future earnings and profitability development of the issuer. A negative development of one or several of these factors may lead to delays in payments to the investors or even result in failure to repay.

2.3.6 Issue costs

The bond capital deposited is also used to offset the costs linked with the offer described in the prospectus and is, therefore, not available in full for investment. In the event of any necessary intensification of sales activities, the issuer may be obligated to agree sales provisions which are higher than calculated, through which the ancillary costs that are dependent on placement would increase, and this situation could have a negative impact on the asset, financial and profit situation of the issuer.

The ratio of issue costs to issue proceeds would also change in the long term, if the issue is closed prematurely and less was placed than planned on the date that the prospectus was published. This situation may negatively impact the asset, financial and profit situation of the issuer.

2.3.7 Distribution risk

The issuer intends to commission iCapital Consulting- & Vertriebsgesellschaft mbH, which belongs to the company group, with the distribution of the debenture bond offered in this prospectus. There are no placement guarantees.

In this respect, there is a placement risk for the debenture bond which may lead to the debenture bond not being subscribed to or deposited in full or only to a lesser extent as well as, in the event of insufficient issue proceeds, insufficient investable capital being available due to the cost burden. If the issuer only receives limited capital from this issue, there is a risk that only insufficient bond capital may be available for investments and the issuer may not be able to make the planned investments and realise its economic objectives. In such an event, the costs already incurred, e.g., for the project creation, would be lost irrecoverably.

2.3.8 Commitment period/saleability/exchange risk

The capital used for the acquisition of the offered partial debenture bonds are subject to a commitment period until the 30th September 2024. Premature sale of the partial debenture bonds is possible in principle. However, this is severely restricted as the bond is not listed in a regulated market. Such a listing is also not planned. For bond investors who would like to sell partial debenture bonds during the term of the bond, there is a risk that the partial debenture bonds may not be sold or may only be sold at a market price which the investor believes to be low. Furthermore, the market price for private sale may also be dependent on the general capital market level. As a result, the investor may receive a lower market price than the nominal value or the expected repayment amount.

2.3.9 Raising of further capital

The issuer is entitled to raise further capital which has the same ranking as the debenture bond described in this prospectus or is in the ranking above. There is a risk that by raising further capital, e.g., through issuing another bond and the associated increase in number of investors in the event of liquidity shortages on the part of the issuer, the issuer may not be able to honour the interest and/or repayment claims of individual investors at all, in the amount planned or on time.

2.3.10 Premature repayment

In the bond terms of the debenture bond, the issuer is granted the right to terminate the debenture bond before the expiry of the term at the end of an interest period (right to ordinary termination). Such a right to ordinary termination is not granted to the investors. If the issuer exercises its right to termination and premature repayment of the debenture bond, the risk arises for the investor that the partial debenture bonds account for a lower rate of return than was expected at the end of the term. In this regard, in the event of termination after their effectiveness, no further interest payments shall be made and the sum of interest payments over the term will be less than it would be at the end of the respective original term. Furthermore, in the event of premature termination by the issuer, a lower repayment amount may be realised than in a private resale of the partial debenture bonds at more than the nominal amount.

2.3.11 Majority resolution of the bond creditors

The bond creditors are entitled to amend the respective applicable bond terms by means of majority resolution. To that extent, it is not excluded that individual bearers of partial debenture bonds may be outvoted and resolutions may be made that are not in their interests. The same also applies if investors do not participate in such votes or are not represented. For amendments to the bond terms, the consent of the issuer is required.

2.3.12 External financing

The investors are free to finance the acquisition of partial debenture bonds through borrowed funds, in part or in full. However, they are informed that the risk structure of the partial debenture bonds shall increase by doing so. The repayment of borrowed funds and the interest payments linked with such financing are to be paid by the investor, regardless of the repayment of partial debenture bonds in the nominal amount as well as any interest payments by the issuer.

2.3.13 Tax risks

The tax information presented in this securities prospectus reflects the current legal situation, the current case law, and the annotation by the tax-related specialist literature on the date of publication of the prospectus. Future amendments to the law and deviating interpretations of the law by tax authorities and courts cannot be excluded. Such amendments may have adverse effects on the post-tax return of the investor.

2.3.14 Costs for foreign investors

There are no paying agents outside of Germany. In this respect, for investors based outside of Germany and/or with a bank account outside of Germany, there is a risk that the purchase of partial debenture bonds and the processing of interest and repayments can only be made through an international bank and, before the purchase, opening a bank account at an international bank in Germany or outside of Germany may be required. Subsequently, further costs may be linked with the purchase of the partial debenture bonds and the processing of payments, and the rate of return may be lower than expected. Furthermore, investors who are based outside of the Federal Republic of Germany may be obliged to commission a legal advisor familiar with German law in order to assert their rights resulting from the partial debenture bonds. This is due to the fact that all of the rights and obligations linked with the partial debenture bonds are exclusively subject to German law with the exception of the conflict-of-law rules in international private law. Further costs may be incurred for the investors as a result.

2.3.15 Non-participation in the subscription

In principle, it is not intended that investors be able to withdraw from their subscription orders. To that extent, the issuer reserves the right, in the event of the non-fulfilment and/or the untimely fulfilment of the investor's obligation to make a deposit, to claim for compensation for the resulting damages.

2.3.16 Inflation risk

There is a risk of inflation for the investor. In the case of a fixed-rate debenture bond, the inflation-adjusted rate of return on the interest payments decreases with increasing inflation.

2.3.17 Expert advice

The statements in this prospectus do not replace expert advice from a specialist, which may be required. An investment decision should not be made solely on the basis of the statements in this section or prospectus, as the information contained herein is not intended to replace advice and information tailored to the needs, objectives, experiences and/or knowledge and circumstances of the individual investor.

If an investor does not seek the corresponding expert advice, there is a risk that their own expertise in the estimation of the partial debenture bonds offered may be insufficient to be able to make an individual investment decision tailored to their personal objectives.

2.4 Final notes

In practice, there may be other risks, the materialisation of which is difficult to predict in advance. It is conceivable that further or other risks may arise, whose single occurrence or cumulative effect may have significant negative effects on the asset, financial and profit situation of the issuer with the effect that the issuer may not be able to honour its contractually agreed interest and/or repayment obligations towards investors, or may be limited in doing so.

3. Description of issuer

3.1 Company history

The founder and director of IMMOVATION Immobilien Handels AG, Lars Bergmann, Dipl. Kfm. (qualified entrepreneur), has worked in the German property market for 30 years. When he founded his first company in 1988, he was continuing the family tradition as the fourth generation working in the finance services sector with a focus on property. By starting to broker property and capital investments, he laid the foundations for the development and expansion of the IMMOVATION company group of today.

The predecessor company of IMMOVATION Immobilien Handels AG was founded on the 1st April 1996 by Lars Bergmann, Dipl. Kfm., as IMMOVATION Kapitalanlagenvertriebs GmbH. As per the resolutions made at the shareholders' meetings on 21st December 2001 and 29th May 2002, the company was converted into IMMOVATION Immobilien Handels AG (hereinafter referred to in short as "IMMOVATION AG") by way of a change in legal form.

Since the foundation of IMMOVATION AG, the company has grown continuously. Under the umbrella of IMMOVATION AG, there is now a group of 21 companies with around 90 employees in 2018. Today, a team of property, finance, construction and facility management experts now work at the company headquarters in Kassel.

The history of the IMMOVATION group is essentially as follows:

1988 – The beginning

Beginning of Lars Bergmann's independence, Brokerage of property and capital investments

1996 – Foundation of IMMOVATION

Lars Bergmann founds IMMOVATION Kapitalanlagen-Vertriebs GmbH, the predecessor to IMMOVATION Immobilien Handels AG

2001 – Foundation of IMMOVATION AG

Shareholder resolution on the conversion to IMMOVATION Immobilien Handels AG

Purpose: Project planning and sale of property and capital investments

From 2004 – Issuing

2004: Profit participation rights 1st tranche – Placement ended

2008: Profit participation rights 2nd tranche – Placement ended

2014: Profit participation rights 3rd tranche – Placement ended

Placement total of the participation rights: approx. 94 m EUR by 31/12/2017: Total capital return and interest payments for the 1st, 2nd and 3rd profit participation rights tranche - approx. 89.0 m EUR.

2006: Property funds 1st limited partnership: 25 m EUR investment volume

2009: Property funds 2nd limited partnership: 45 m EUR investment volume

2010: Property funds 3rd limited partnership: 70 m EUR investment volume

before 31/12/2017: Total capital reflux through withdrawals in accordance with the prospectus from the property funds of the 1st, 2nd and 3rd limited partnership approx. 25.0 m EUR.

2009 – Foundation of the property project enterprise, Immobilien-Projektgesellschaft Salamander-Areal Kornwestheim mbH (IPSAK)

2009: Purchase of the Salamander-Areal

2012: Foundation of the property project, Immobilien-Projekt Zanger Berg Heidenheim GmbH ¹

2013: Foundation of property project, Immobilien-Projekt Höfe am Kaffeeberg Ludwigsburg GmbH ¹

2013: Foundation of IPSAK Energie GmbH ¹

2013: Foundation of property project, Immobilien-Projekt Park Schönfeld Carree Kassel GmbH ¹

From 2012 – Bonds

2012: Bond IPSAK mbH: 30 m EUR placed

2015: 1st Bond Immokles AG: 35 m EUR placed

2016: 2nd Bond Immokles AG: 45 m EUR placed

2014 – Foundation of Immokles AG

12/2014: Foundation of property project, Immobilien-Projekt Lingner Altstadtgarten Dresden GmbH ²

12/2014: Foundation of property project, Immobilien-Projekt Hohe Geest GmbH ²

09/2016: Foundation of property project, Immobilien-Projekt Seeviertel GmbH ²

(1) Subsidiary of IPSAK GmbH

(2) Subsidiary of Immokles AG

3.2 Business overview

3.2.1 Core activities of the issuer

The business model of the IMMOVATION company group consists of a widely diversified range of services in the property sector. A team of around 90 employees from the individual companies of the issuer deal with the entire value chain in the property business.

The issuer's business activity is built upon the four pillars of the core activities:

1. Project management of classical revitalisation properties and urban development sites with a focus on residential property. Retail sale and global sale of owner-occupied flats.
2. Sale and purchase of properties and portfolios in Germany; if applicable, with a subsequent valuation through construction-based optimisation and the sale of these properties to turn a profit (value-adding).
3. Development and management of property portfolios comprising residential and commercial properties with income generated by renting out these properties.
4. Conception and issue of investments for private and institutional investors.

The issuer either operates on its own account or through its affiliated companies. Apart from IMMOVATION AG (holding function), the individual companies complete their own respective specific service-related or project-related tasks. The diverse fields of activity of the group are under continuous development.

The subsidiaries, GLOBAL CONZEPT GmbH and the ex ante GmbH play particularly important roles in value creation for the company group. GLOBAL CONZEPT is responsible for the architecture, project management and realisation of all construction projects and the ex ante is the administrator and facility manager for the group's entire property portfolio. Immokles AG, founded in 2014, fulfils significant functions in the purchase, project management, realisation, renovation, administration and the structured sale of real estate.

The issuer's headquarters are in Kassel, Hesse. Two office buildings are maintained there. Furthermore, the IMMOVATION company group has (dependent) branches in Kornwestheim (near Stuttgart), Dresden and Salzgitter.

Essential elements of value creation by the issuer:

BUYING

- Analysis of the German property market with a focus on residential properties, revitalisation projects, development sites.
- Identification of promising investment potential in cities and regions with strong structures.
- Management of the entire purchase process including due diligence.
- Preparation of investment decisions with potential for appreciation.

BUILDING

- Project development and management: Renovation, conversion, new builds including all architecture, planning, management and construction services.
- Value creation through portfolio development, additional surface area due to expansion and addition of storeys amongst other things.
- Modernisation and repair of portfolio properties.

HOLDING

- Portfolio management with medium term retention periods as well as long term retention periods for individual premium properties.
- Letting management - Regulation of all rental matters in terms of business, technical issues and legal issues, vacancy management, exploiting the potential for increasing rent.
- Technical building management - Maintenance, coordination and checks on services, optimisation of operating costs.

SELLING

- Monitoring of property markets in Germany, regional price development, trends.
- Acquisition and contact maintenance with buyers (for own use) and investors.
- Property sale incl. marketing coordination as well as preparation and management of contractual issues, development of exit strategies for portfolio properties.

SERVICES

- General services - Conception, planning, coordination and monitoring of all architecture and construction services.
- Building services - Letting, commercial and technical support.

3.2.1.1 Focus on property projects

The project planning, construction and sale of property are core elements of the company's activities. For this purpose, the individual companies in the group are used according to their special skills, so that these projects can be realised to their fullest potential in all planning, construction and marketing phases using the company's own resources. The focus here is on the optimisation of residential, or residential and commercial, properties as well as classic revitalisation projects and the new building of rental and owner-occupied flats in urban development sites.

Complex properties, e.g., listed former production buildings or former army barracks can offer great economic potential. The issuer, along with its companies, has become a specialist in the realisation of such complex construction projects, in particular, the renovation of listed properties.

The issuer also intends to research and buy suitable properties in the future and to found further project enterprises. To reach this goal, the research department analyses sites and properties on offer on a daily basis, as well as the potential of the locations. The low-interest phase should be used to tap into these special opportunities in the German property market.

The management of the company assumes that project planning for complex developments, the real estate development business and the particular expertise of the company in the renovation and marketing of listed properties offers extremely favourable conditions for expansion.

3.2.1.2 Focus on property letting and trading

The sale, development and cost-efficient management of rented portfolio properties is a significant financial basis for the development of the company. The issuer intends to continue expanding the portfolio of the group. Within the safety-oriented investment strategy, it is preferable to purchase rented residential complexes, some with a commercial section, in various locations throughout Germany. The geographical focus of previous investments in property for the portfolio is the metropolitan region of Stuttgart and large towns in secondary locations, e.g., Kassel, Salzgitter, Delmenhorst and Cuxhaven.

With property investments in various federal states and regions in Germany, unexpected risks due to unforeseeable regional market developments should be largely diversified. With regular rental income from these properties in diverse locations, the issuer is pursuing the goal of combining returns with security.

3.2.1.3 Property investment strategy

In the centre of the purchase strategy lies ensuring the highest level of security possible for the investor capital through a wide diversification of investments in several properties in diverse locations. Investments are made exclusively in Germany. In terms of location, the search and selection process focuses primarily on residential properties or sites in medium-sized towns as well as in the areas surrounding conurbations.

A significant criterion for the purchase is a positive forecast regarding the economic and demographic development of the location. Therefore, when searching for new properties, sites in the South and West of Germany are favoured.

A significant factor in the selection of properties is the goal of ensuring the long-term continuous inflow of income from letting. The issuer's property specialists research and choose properties for the property portfolio for which they have enquired about the local customary rental rates and the surface area desired by the majority of those looking for somewhere to live.

Properties in requiring maintenance/renovation as well as with interim usage potential and vacant properties are tested for their suitability as investment property. On a case-by-case basis, investments are also made in specialist buildings for offices, administration and the hotel industry or in properties with major issues. The issuer's research identifies properties, in particular, which may be sold for a profit due to their affordable purchase price and after the execution of value-creating measures.

The issuer prefers to invest in residential and/or commercial properties in the average to good areas of large German towns. For the research and selection of suitable property and project locations, the following criteria must be met:

- Locations for residential properties: over 20,000 inhabitants in towns in regions with strong structures
- Locations for commercial properties: over 50,000 inhabitants in towns in regions with strong structures

The issuer pursues a dual strategy for the purchase of property:

- ABC strategy: A properties in B and C locations
- BA strategy: B properties in A locations

The properties and sites sought should be under full ownership; the issuer does not favour portfolios with owner-occupied flats or part-ownership, or leasehold properties or operator-run properties. The potential of the microlocation of the property or site in the respective location is the deciding factor for the purchase in individual cases. Here, the conditions for a positive prospectus must be met, e.g., diverse employment, good infrastructure and high recreational value.

With regard to the lot sizes, the volume per property investment should amount to at least approx. 5 m. Euros and the volume per building site should amount to approx. 1 m. Euros.

3.2.1.4 Conception and issue of investments

IMMOVATION Immobilien Handels AG has conceived and issued capital investments to finance the diverse property activities since 2004.

Profit participation rights 1st | 2nd | 3rd tranche

The 1st tranche with profit participation rights from IMMOVATION Immobilien Handels AG was issued in 2004 and placed in 2008. Then, in 2008, a 2nd tranche of profit participation rights was issued and then placed on 31st December 2012. The 3rd tranche of profit participation rights was offered from January 2014 until 30/06/2016.

In total, the profit participation right investors of the 1st, 2nd and 3rd tranche were repaid approx. 89.0 million Euros total capital by 31/12/2017 and interest was distributed.

Property funds 1st | 2nd | 3rd limited partnership

From 2006 to the end of 2013, three closed-end property funds in the legal form of a GmbH & Co. KG have been issued and placed to finance property projects. The funds have acquired residential and commercial properties in Germany. The property portfolio of the funds is developed and managed throughout a minimum term of ten years.

The property fund of the 1st limited partnership has a total investment volume of approx. 25 million Euros with an equity share of 10.1 million Euros. The property fund of the 2nd limited partnership has a total investment volume of approx. 45 million Euros with a placed equity share of approx. 21 million Euros.

The total investment volume of the property fund of the 3rd limited partnership comprises approx. 70 million Euros. It was placed on 31/12/2013 with an equity share of over 30 million Euros.

IPSAK - Property bonds, Börse Stuttgart (Stuttgart stock exchange)

The property project enterprise, Immobilien-Projektgesellschaft Salamander-Areal Kornwestheim mbH (IPSAK), a subsidiary of IMMOVATION AG, issued an SME bond (bearer bond) on 06/12/2012 which is included in the open market at the Börse Stuttgart. The volume of the bond amounts to 30 million Euros. Using the capital from the bond, IPSAK has founded five subsidiaries thus far. They develop property projects in Germany outside the Salamander-Areal, among other things.

Immokles AG – 1st property bond, Börse Frankfurt (Frankfurt stock exchange)

Immokles AG, a subsidiary of IMMOVATION AG, placed a bond in collective safe custody (bearer bond) with a volume of 35 million Euros on 08/12/2015. The bond was fully subscribed to as a private placement. The non-publicly offered bond with a term running to 08/12/2020 offers interest of 4.0% p.a.. The bond is collateralised to 100% by a mortgage on a plot in the property project, Immobilien-Projekt Lingner Altstadtgarten Dresden GmbH. Immokles AG is planning the residential project “Linger Altstadtgarten” on around 98,000 square metres in this area of Dresden city centre.

Immokles AG – 2nd property bond, Börse Frankfurt (Frankfurt stock exchange)

Immokles AG placed another bond in collective safe custody (bearer bond) with a volume of 45 million Euros on 27/12/2016. The bond was fully subscribed to as a private placement. The non-publicly offered bond with a term running to 27/12/2026 offers interest of 3.0% p.a.. The bond is collateralised to 100% by a mortgage on a residential and commercial portfolio in Salzgitter pertaining to the property project, Immobilien-Projekt Seeviertel GmbH. The residential and commercial portfolio comprises 920 residential units and 19 commercial units with a total living and usable area of approx. 58,500 square metres.

3.2.2 Portfolio properties

The IMMOVATION Group manages a portfolio of residential and commercial properties with an area of 328,500 square metres and a letting rate of approx. 95% (as at June 2018). Along with individual properties and residential complexes in various towns in Germany, this comprises the following portfolios in particular:

3.2.2.1 Salamander-Areal, Kornwestheim

The Salamander-Areal is the former headquarters and production site of the Salamander shoe brand in Kornwestheim, near Stuttgart (Baden-Württemberg). At the end of 2009, the Areal, with a floor area of approx. 90,000 m² and a total site area of approx. 41,000 m², was bought by Immobilien-Projektgesellschaft Salamander-Areal mbH (IPSAK), a company in the IMMOVATION Group. Since purchasing the Areal, apart from a few small areas, IPSAK has carried out conversion work across all of the rentable commercial areas, sometimes quite laboriously, and rented these to service providers and commercial enterprises. All profits/earnings go to IMMOVATION AG (profit-and-loss transfer agreement).

The main tenant is the state of Baden-Württemberg. Over 30,000 square metres of the industrial monument has been converted by IPSAK into the new central archive for the state land register. The conversion was completed at the end of 2017. The minimum tenancy is 20 years. The archive has been operating since 2012. A large part of the commercial area that was unrented when the Areal was sold was promised long-term usage with this contract.

Apart from a few small areas, all commercial spaces have been leased (as at 08/2018). Examples of the tenants: ADP Employer Services, Alcatel-Lucent Enterprise, Foxboro Eckardt GmbH, Krankenkasse mhplus (health insurance fund), REWE, Roche PVT GmbH. Other parts of the Areal have been rented to retailers and service providers, among others. This also includes a new children's daycare centre for over 100 children, which was set up by IPSAK and has been leased out with a minimum tenancy of 15 years since autumn 2013.

In one of the listed building parts, 70 new loft apartments have been created for rental. The apartments have been leased out within the normal turnover.

Overview of rented areas

2009: Sale of Salamander-Areal, site: approx. 41,000 square metres, GFA approx. 90,000 square metres

Commercial spaces, rented (as at 08/2018)

- Rented: approx. 62,000 square metres (of approx. 78,900 square metres)
- Remaining rentable area: approx. 1,905 square metres
- Remaining non-rentable area: approx. 14,995 square metres

Children's daycare centre, rented

- approx. 1,315 square metres, operating since autumn 2013
- Status: Completed at the start of 2014
- Minimum tenancy: 15 years

New building, REWE supermarket, rented

- approx. 2,000 square metres, first occupied: November 2017
- Minimum tenancy: 17 years

Converted listed building, loft apartments, rented

- 70 residential units, first occupied: December 2012

3.2.2.2 Portfolio Hohe Geest, Delmenhorst and Cuxhaven

The IMMOVATION Group founded another subsidiary in December 2014, the property project Immobilien-Projekt Hohe Geest GmbH. The remit of the company is to purchase, project manage, renovate and manage properties in Delmenhorst (Lower Saxony) and Cuxhaven (Schleswig-Holstein). The group's property portfolio has been further developed with the property package of 879 residential units and 6 commercial units. The rental area of the "Hohe Geest" portfolio comprises a total of approx. 55,850 square metres and approx. 93 percent is rented (as at 06/2018). All profits/earnings go to IMMOVATION AG (profit-and-loss transfer agreement).

The residential complexes purchased are located in a neighbourhood deemed popular by the issuer. Businesses in the town centre and places of employment are easily accessible and not far away. The independent town of Delmenhorst is a medium sized town with more than 75,000 inhabitants, located between Bremen and Oldenburg. Cuxhaven is the economic centre and seat of the district of the same name with approx. 52,000 inhabitants. According to the issuer's estimations, the town has excellent infrastructure and has developed into a leading offshore base port. Cuxhaven is also, according to the issuer's research, the most important fishing location alongside Bremerhaven.

Overview of rented areas

2014: Purchase of the Hohe Geest portfolio, Constructed between 1950 – 1970

- 879 residential and 6 commercial units
- Area of the residential complex: approx. 55,100 square metres
- Residential occupancy rate (purchase): approx. 93%
- Commercial occupancy rate (purchase): approx. 96%

3.2.2.3 Portfolio Seeviertel, Salzgitter

With the purchase of the “Seeviertel” residential property portfolio in Salzgitter-Lebenstedt (Lower Saxony) in August 2016, the property portfolio of the IMMOVATION Group grew to approx. 3,150 residential units and approx. 400 commercial units. The portfolio of 920 residential units and 19 commercial units was acquired by the newly founded Immobilien-Projekt Seeviertel GmbH. The area of the residential complex totals approx. 58,500 square metres. The quality of the portfolio is high according to the issuer: 82 percent of the flats are in a good technical condition. Larger investments will not be necessary in the next few years. All profits/earnings go to IMMOVATION AG (profit-and-loss transfer agreement).

Currently, approx. 90 percent of the portfolio is rented (as at 06/2018). Also included in these calculations are two residential buildings with 64 flats which are yet to be renovated and temporarily, are not being leased out during the on-going building work. Both blocks of flats are located in a particularly attractive residential area due to their proximity to Salzgittersee, according to the issuer’s estimations. At the time of purchase, these buildings were, however, in a less favourable technical condition than the rest of the portfolio.

To achieve the full occupancy desired, the quality of these buildings will be upgraded to a contemporary level. The middle of 2017 marked the start of the restoration and modernisation of both blocks to reach this goal. Work on the façade and the roofs has been completed. In 2018, all of the sanitary facilities, risers and the electrical system were completely renovated and a new heating system was installed. The completion of the renovation measures is planned for the first quarter of 2019. The renovation and modernisation of these two blocks of flats opens up additional potential for earnings through the subsequent rental of the two residential buildings.

The so-called Seeviertel, the namesake of the portfolio, is distinguished from the other parts of the town by its location in the town, between the recreational area of Salzgittersee and the town centre, which is a 10 minute walk away. The comparably acute increase in rental prices in the neighbouring town of Brunswick may have a positive effect on the demand for housing in Salzgitter, according to the issuer’s projections. For commuters, this makes the location an inexpensive alternative. What’s more, the quality of life in the portfolio is far above the level of that of competitors in Salzgitter, according to the issuer.

Overview of rented areas

2016: Purchase of the Seeviertel portfolio, constructed between 1950 and 1960, renovated / fundamentally modernised

- 920 residential and 19 commercial units
- Rentable area: approx. 58,500 square metres
- Occupancy rate of the flats: approx. 90 %* (06/2018)

* Renovation of 2 blocks of flats with 64 flats, temporarily not rented, renovation work has started, completion planned for the end of the 1st quarter of 2019, potential for rent increase after the renovation of both blocks of flats

- Occupancy rate of commercial units: 100%

3.2.3 Completed projects

Examples of property projects of the IMMOVATION Group that have been completed and sold:

3.2.3.1 Salamander-Areal, Kornwestheim

In addition to the conversion and leasing of areas (see also paragraph “3.2.2.1 Portfolio properties”), eight urban villas with 64 owner-occupied flats have been built and sold in the Areal.

In the subsequent revitalisation phase, a further 121 residential units have been built since 2016, among other things. All owner-occupied flats were sold by the end of 2016. The first owner-occupied flats were built and ready for occupancy as planned on the 30th September 2017. At the end of the first quarter of 2018, the final owner-occupied flats were ready for occupancy.

According to the issuer, the sale of all newly built flats before they were completed was a sign of the development of the Salamander-Areal from a formerly commercial location to a highly sought-after residential district outside the town of Stuttgart.

Overview of completed projects (sale)

2012: New building of 8 urban villas with 64 owner-occupied flats (OOF), sold

- 2 urban villas with 16 OOF, ready for occupancy 2014
- 6 urban villas with 48 OOF, ready for occupancy 2015

2016: New building on Salamanderplatz, start of the final revitalisation phase

4 buildings with 121 owner-occupied flats and approx. 206 underground parking spaces, sold

- Building 1 + 2, ready for occupancy September 2017
- Building 3, ready for occupancy December 2017
- Building 4, ready for occupancy March 2018

Building 4, ground floor, 5 new commercial units (offices, service providers), in process of sale

- Total approx. 800 square metres, ready for occupancy: 03/2018

3.2.3.2 Conversion of Jägerkaserne, Kassel

At the end of July 2009, IMMOVATION AG bought a part of the site and two listed buildings in the former Jägerkaserne in Kassel (Hesse). The location in the town centre, its proximity to a park near the Schönfeld castle and the existing infrastructure in one of the oldest parts of the town of Kassel make the area a particularly popular residential area, according to the issuer.

In the initial stage of construction, four urban villas with 28 owner-occupied flats were built in the area. By converting two listed buildings, a further 12 owner-occupied flats and 17 rental flats were created. In a second stage of construction, 3 more urban villas with 24 owner-occupied flats were completed. All 64 owner-occupied flats have been sold and 17 rental flats have been leased out.

Overview of completed projects (sale)

2009: Purchase of the part of the former Jägerkaserne site, including 2 listed buildings

New building of urban villas, owner-occupied flats (OOF), sold

- Construction stage 1: 4 urban villas with 28 OOF
- Construction stage 2: 3 urban villas with 24 OOF

Listed building, converted, sold

- König Jerome house, 12 OOF
- Kurfürst Wilhelm house, 17 rental flats

3.2.3.3 Portfolio Zanger Berg, Heidenheim

The “Zanger Berg” portfolio in Heidenheim an der Brenz (Baden-Württemberg) was purchased in December 2012 by a subsidiary of the IMMOVATION Group as a development project. It was sold to an investor in July 2016.

The residential portfolio had a total area of almost 38,300 sq. m. and comprised 577 residential units and 2 commercial units. At the time of the purchase, approx. 30% of the buildings, constructed between 1959 and 1962, were vacant. For the desired full occupancy and subsequent sale, around 40% of the flats were renovated by the project enterprise (230 residential units). Furthermore, the windows and roofs as well as the façades of all the buildings, staircases and outer layers were renovated by the end of 2014.

Overview of the development project, value-adding (sale)

2012: Purchase of the portfolio with 577 residential units (RU), 2 commercial units, constructed between 1959–1962, Site area approx. 80,000 sq. m.

- Vacancy rate at purchase: approx. 30%
- approx. 40% of flats were renovated (230 RU)
- Full occupancy after renovation
- Exploitation of the potential to increase rental price
- Sale in July 2016

3.3 Market conditions and competition

3.3.1 Economic conditions

The issuer only invests in and realises property projects in the German property market. The economic development of Germany as a basis for the demand for property has been positive for years, according to the issuer, and the employment rate is continuing to rise.

According to an estimate by the German Federal Ministry for Economic Affairs, the continuing boom of the German economy in the second quarter has lost some of its drive, but it also predicts that the boom will indeed continue: “The German economy is, however, still in good shape. The order books are full, capacities are stretched beyond normal, employment and income are increasing and construction activity is going full blast (1) “The employment market is also developing positively (2) (Federal Ministry for Economic Affairs, monthly report, Schlaglichter der Wirtschaftspolitik, July 2018 (1) P.12, (2) P.13).

3.3.1.1 Property market

According to a study conducted by the Cologne Institute for Economic Research, 385,000 new flats will be required per year until 2020 to cover the demand (IW Köln, [Migration to large towns and the resulting demand for housing], 02/02/2017, P. 4). The demand for housing in large towns still exceeds the completion figures, so further rental price increases are predicted for 2018. An end to this trend is not in sight, according to the evaluation of current market data by the working group for land valuation agents (Property market report Germany 2017, P. 3).

The German residential property market develops very heterogeneously as a whole, according to analysis conducted by the F+B-Wohn-Index Deutschland VI-2017 (German housing index). Subsequently, B, C and D locations become more attractive for investors, private households with average incomes are also increasingly unable to afford the expensive A locations (F+B Housing Index Germany VI-2017, press release dated 29/01/2018 - published at: f-und-b.de/beitrag/fb-wohn-index-deutschland-vi-2017.html).

The price increase for residential property also continued in the first half of 2018: In April 2018, property prices increased again for the first time since November 2017 in all three of the partial segments investigated (owner-occupied flats, newly built houses, portfolio flats) at the same time, according to the results of the Europace Home Price Index (EPX)

([Strongest increase in cost of portfolio properties for almost eight years], Europace press information dated 17/05/2018, P.1 - published at www.europace.de/newsroom/). According to Europace, the signals that the gap between supply and demand is getting wider in many places are becoming more frequent. “Obviously, this leads to prices increasing further.” (Europace, press information dated 17/05/2018). The EPX for June 2018 - published at www.europace.de/newsroom/ - also displays an increase in the average prices of private residential properties in Germany in all segments ([Price increase for new and existing houses in lockstep], Europace, press information dated 17/07/2018, P.1 - published at: www.europace.de/newsroom/).

“The prices of residential property will also rise in 2018; an assessment by the working group of the valuation committee does anticipate this trend ending” ([Prices of residential property will also rise in 2018], Tagesspiegel, 03/01/2018 - published at: www.tagesspiegel.de/wirtschaft/immobilien/deutscher-immobilienmarkt-preise-fuer-wohnmobilien-steigen-auch-2018/20797978.html).

“According to the 2017 property market report, which is created from data from the federal states and based on the purchase contracts actually realised, the cash flow for the purchase of property in the reporting period increased, while the number of transaction figures remained almost constant” (ibid.). In the largest German towns, the prices have increased significantly. “The pressure on the property market remains high and the lack of supply is driving the prices up even further. It can be assumed, and the valuator working groups agree, that this development will continue” ([Working groups for the valuating agents], Property market report Germany 2017, P.3).

Experts from the Hamburg World Economics Institute (HWWI) have examined the property market closely for the Postbank Living Atlas 2018. The Postbank indicates that there are good investment conditions in around one in every ten German districts. In 36 of 401 districts and independent towns, there are properties at moderate prices and with good prospects for appreciation. In another 186 districts, the recoverability forecast is also positive, but the current price level is nevertheless quite high in comparison. (Postbank, press release dated 26/04/2018 – published at: www.postbank.de/postbank/pr_presseinformation_2018_04_26_wo_die_bedingungen_fuer_ein_investment_guenstig_sind.html).

With the continuing increase in property prices, experts are continuing to discuss the controversial question as to whether the property market in Germany is forming a speculative bubble. According to many experts, the threat of a price bubble is growing - however, this still only affects certain towns or individual parts of towns. The “bubble index” of the development of property prices published by the empirica institute each quarter presented the result for the 2nd quarter of 2018: Rent and purchase prices in 265 of 402 districts/independent towns are no longer rising in unison (previous quarter 259, three years ago 173) (www.haufe.de, 02/08/2018 - published at: www.haufe.de/immobilien/entwicklung-vermarktung/marktanalysen/immobilien-eher-hohe-blasengefahr-in-potsdam-dresden-und-jena_84324_462572.html). In comparison with the previous quarter, there was no change in the threat of a bubble in large towns: for 9 of 12, a “rather high” risk of bubble was indicated (previous quarter 9, three years ago 7). The overall result shows that for 211 districts, there was a moderate to high risk of a bubble (previous quarter 204, three years ago 83) (ibid.).

“Despite increased flat prices, a property bubble in Germany is not to be feared for the time being”, the Handelsblatt extracts a summary from a study published in July 2018 on the development of property prices in 20 countries ([National property bubble in Germany unlikely], 25/07/2018 - published at: www.handelsblatt.com/finanzen/immobilien/-wohnungspreise-diw-haelt-immobilienblase-fuer-unwahrscheinlich/22842118.html). The German Institute for Economic Research (DIW) analysed data from the Organisation for Economic Cooperation and Development (OECD). Although there are speculative booms in large German towns, “this does not mean it is inevitable that the development is alarming on a national level.” According to DIW, “the relatively low debt of households and solid financing” opposes a wide-ranging price bubble in Germany (Handelsblatt, ebenda).

3.3.1.2 Prediction of market development

The European Central Bank (ECB) announced in its meeting on 26/07/2018 that key interest rates will remain at a record low of 0.0 percent at least until autumn 2019. Conversely, the bond purchasing programme should expire at the end of 2018 if the economic situation allows. The ECB is sticking to its cautious approach to interest rates. ([Zero rates shall remain until autumn 2019], Handelsblatt, 27/07/2018 - published at: handelsblatt.com/finanzen/geldpolitik/ratssitzung-draghi-stellt-klar-nullzinsen-bleiben-bis-herbst-2019/22846814.html).

However, until the base rate is actually raised, the issuer estimates that the positive effects of low interest rates on the property market will continue until further notice. Furthermore, company management assumes that the raising of the base rate will be done in small steps meaning that investments in property will remain attractive for the foreseeable future. This is because private buyers will also continue to be privileged in purchasing residential property for their own use or as capital assets due to increasing incomes and a good financing environment. The growing population at the same time as not enough construction activity will further increase demand for home ownership.

Based on its own market analyses, company management expects that the prices of owner-occupied flats will increase further in 2018 and 2019. The increases will be greatest in regions with increasing population numbers and in economically strong towns.

On the date of publication of the prospectus, the issuer does not see any risk of a price bubble as a price increase in the carefully selected locations of the projects and property portfolio, strongly consisting of residential property, complies with demand and, therefore, positively stimulates the market. As long as there is a significant excess demand, company management does not expect conditions for the development of a price bubble in these locations to arise in the medium term.

The most recent purchases of residential property packages for the IMMOVATION Group in Salzgitter, Delmenhorst and Cuxhaven are examples that attractive return options can be exploited with the purchase of properties in regions in which the opportunities are only visible with a precise location and property analysis. The foreseeable development of the company is, therefore, evaluated to be positive. With the foundation of further subsidiaries, opportunities for value creation which may arise in the property market and in the project management segment can also be exploited in the future. Increasing rent prices and an increasing demand for residential and commercial properties which will continue in the next few years offer good conditions for the successful realisation of future property projects by the IMMOVATION company group, according to management’s estimations.

3.3.2 Competitive advantages

3.3.2.1 Value creation within the company group

According to company management, the advantages and strengths of the IMMOVATION company group are that the entire value added chain of the property sector is packaged in subsidiaries under the umbrella of the group. Easy access to the in-house knowledge of an experienced team with all the necessary skills required by the property sector also offers significant economic advantages. The common management of all companies facilitates the optimal coordination and control of individual areas of responsibility. In the opinion of the issuer, the companies in the group work as an efficient network with which the costs can be reduced to a minimum; the company therefore has a unique selling point in comparison with other project developers, which can be an advantage in competition.

3.3.2.2 Owner-managed company with a flat hierarchy

The dynamic property market requires flexible and quick reactions to be able to make the most of market situations to the advantage of the company and its capital providers. According to the company management, it has become apparent that the structure of the owner-operated company management is another advantage in the competition. The significant feature of the company management is a flat hierarchy which enables short decision pathways. The group of companies is led by the owner in close collaboration with a management body consisting of four property specialists. This flat hierarchy is the basis for optimal coordination and management of the individual areas of responsibility of the subsidiaries. This includes, in particular, the management of complex processes for buying and selling properties as well as for the conception, development and realisation of property projects and the efficient management of the property portfolio.

3.3.2.3 Strong local market position

Many of the issuer's development projects are highly visible due to their significance to the local housing market. According to its own market surveys, this ensures a strong local market position and offers far above average conditions for high rates of sales. Examples of this are the sale of 185 flats during the revitalisation of the Salamander-Areal in Kornwestheim.

According to an analysis of the local markets, the issuer expects that the dimension of the housing projects planned in Dresden (3000 residential units) and Kassel (450 residential units) will also ensure the presence of these projects, which will encourage sales.

3.4 Investments

3.4.1 General

In the future, the core activities of the issuer will also comprise the project management (development), realisation, management and sale of residential and commercial properties in Germany. The timescale for the development, realisation and turnkey handover or sale of projects in the property sector is between two and five years. Within the framework of project development, significant investments (e.g., location safeguarding measures) are made at the start of the investment phase. Along with the acquisition of sites/property, these primarily comprise the necessary assessments and planning permissions.

According to the issuer's business model, investments are made with the objective of complete or partial divestment of property or with the objective of adding the property to its own portfolio. The decision on the intended use is made on a case-by-case basis by the issuer.

3.4.2 Ongoing investments

3.4.2.1 Project Höfe am Kaffeeberg, Ludwigsburg

Directly opposite the baroque castle in Ludwigsburg, along Schlossstraße, the IMMOVATION Group is developing a neighbourhood with 40 owner-occupied flats in seven new residential buildings on a plot of land spanning approx. 4000 square metres. Furthermore, two listed buildings are being renovated and a new building is under construction. The plan is to rent these buildings to service providers (offices).

After comprehensive excavation work, which started in July 2017, the construction of the homes began in October 2017 as planned. At the same time, the sale of the owner-occupied flats began. By July 2018, 40% of the flats had been sold or reserved. The flats will be ready for occupancy by 31/08/2019. Furthermore, the two listed buildings are being renovated and converted in close collaboration with the office for protection of historical monuments. The building is predicted to be ready for use at the end of the 2nd quarter of 2019.

Total of planned investments: approx. 15.0 m EUR

3.4.2.2 Portfolio Hohe Geest, Cuxhaven

Since the 1st January 2018, significant investments have been made in the residential portfolio in Cuxhaven. All risers and water pipes in the respective buildings and flats were replaced. The affected bathrooms underwent maintenance work, and some were also renovated. Otherwise, the main focus was the management of existing properties.

Total of planned investments: approx. 1.5 m EUR

3.4.2.3 Portfolio Seeviertel, Salzgitter

In the middle of 2017, the company group started to repair, modernise and rent out two blocks of flats in the portfolio with a total of 64 flats. Work on the façade and the roofs has been completed. Starting in 2018, all of the sanitary facilities, risers and the electrical system will be completely renovated and a new heating system will be installed. The completion of the renovation work is planned for the first quarter of 2019.

Total of planned investments: approx. 5.0 m EUR

3.4.3 Future investments

On the date of the prospectus, the administrative bodies of the issuer have planned future investments amounting to a total of approx. 91.5 m. Euro for the 2018 and 2019 financial years.

The investments in Kassel and Dresden described in the following should be financed by the equity of the issuer as well as issue proceeds from debenture bonds already issued by subsidiaries of the issuer in the past, possibly also by issue proceeds from the debenture bond described in this prospectus or, if applicable, by global sales (forward deals).

At the date of the prospectus, there are no further investments by the issuer to which its administrative bodies have already committed.

Furthermore, the issuer shall verify the possibilities of purchasing further property holdings/portfolios designed for residential use and/or property development sites.

3.4.3.1 Property project, Immobilienprojekt Park Schönfeld Carree, Kassel

The site for the planned housing project, "Park Schönfeld-Carree" is characterised by its central location in the town centre of the North-Hessian city in a nature park.

Around 450 flats will be built on a total area of approx. 43,500 square metres. A part of the existing building was demolished in preparation for the 1st stage of construction before the end of 2017. The start of the structural engineering measures is planned for the end of 2018 after the planning permissions are granted (estimated in Q3/2018). The first flats are predicted to be ready for occupancy in 2020.

3.4.3.2 Property project, Immobilienprojekt Lingner Altstadtgarten, Dresden

The objective of the "Lingner Altstadtgarten" project in Dresden is the development of a new urban district with up to 3,000 flats. The area of approx. 98,000 square metres, purchased by one of the issuer's companies in November 2014, is in the centre of Dresden, right in the middle of the old town with its world-renowned attractions. The site purchased is the site of the former Robotron-Werks Dresden, the former largest computer producer in the GDR. The Atrium II, an administration building in the former Robotron plant, is currently leased out.

The construction of the new Lingner Altstadtgarten residential district in Dresden is planned in three stages. In the first construction stage, which comprises four construction fields, a total of around 1,000 flats will be built. The area for the first construction stage has already been completely cleared.

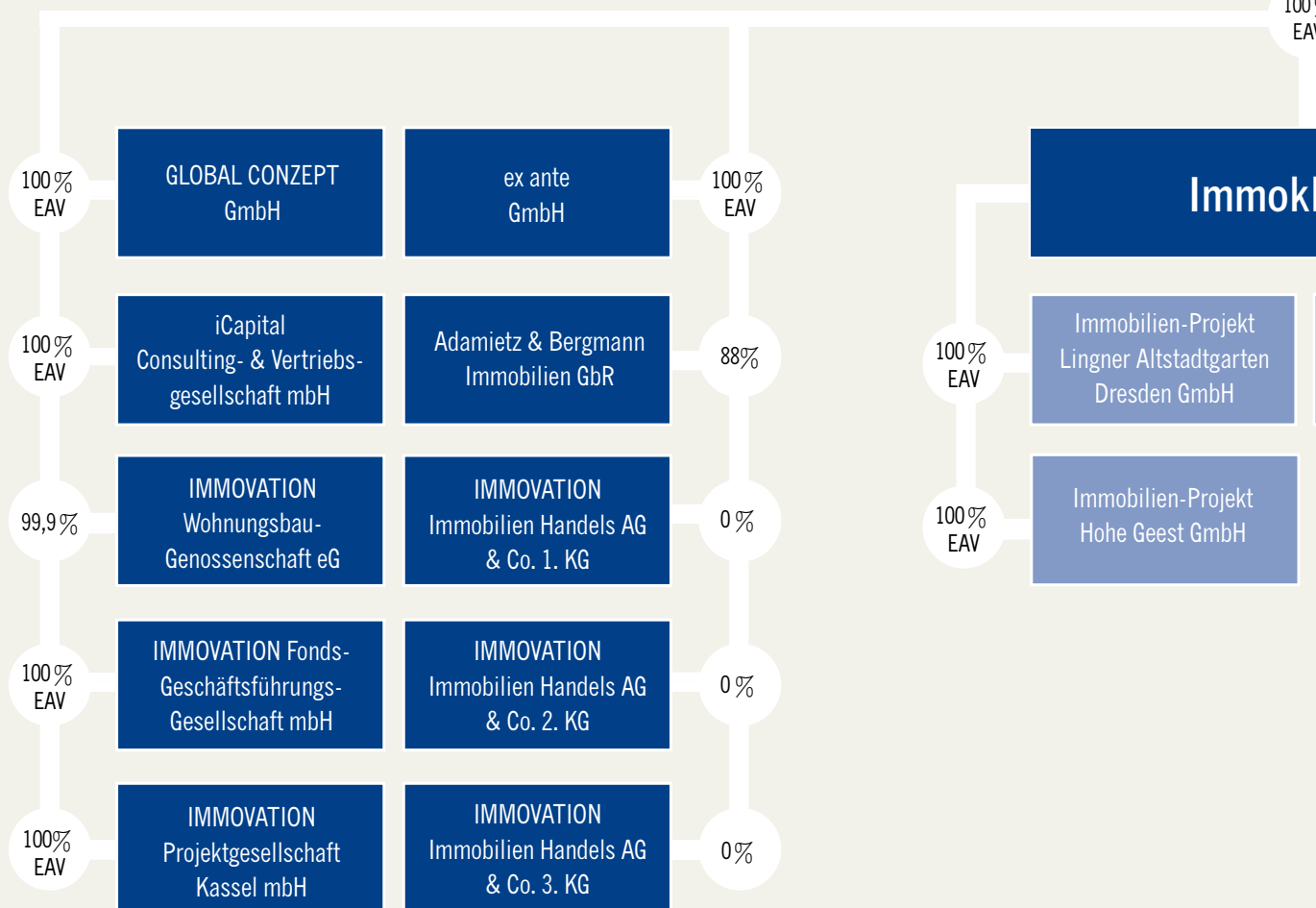
The second stage of construction mainly affects the site of the Atrium II building complex. The start of the work for the second phase of construction is dependent on the end of the existing rental agreements for the Atrium II building complex. Due to the contractual regulations with the numerous tenants in Atrium II, the start of the construction work for the second stage of construction cannot yet be confirmed. The start of the third construction stage will also be determined in the next few years.

The development plan was resolved by the city council on the 28th June 2018. As the next step, excavation work for the first stage of construction is in preparation. Upon completion of the current planning and cost calculation stage, applications shall be made for the planning permissions required for the first construction field in the 2nd half of 2018. Approx. 250 residential units will be built there.

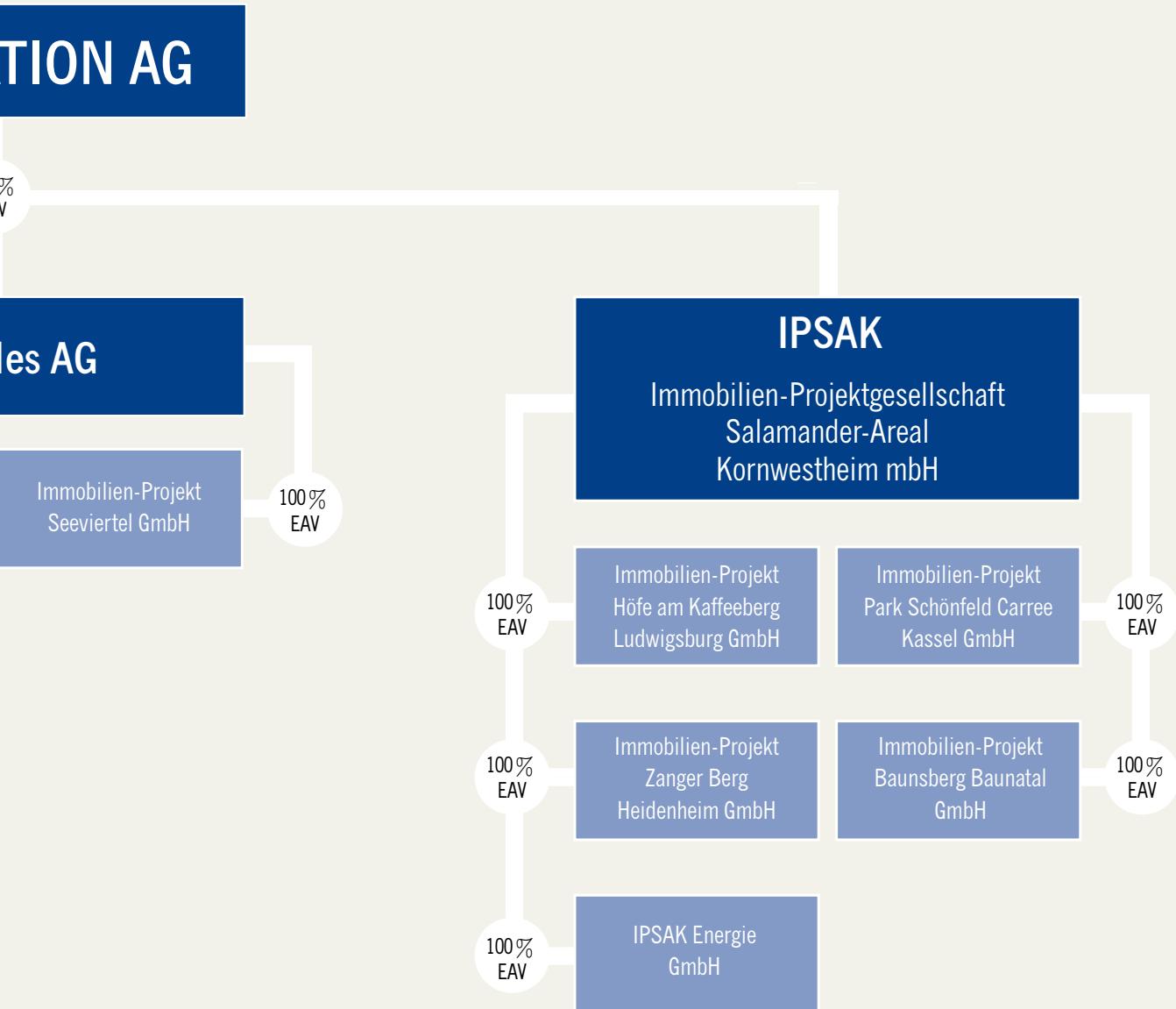
3.5 Organisation structure

3.5.1 Group and position of the issuer within the group

Mr Lars Bergmann, Kassel, is the sole shareholder in the issuer with 100% of the ordinary shares in the share capital. The issuer itself holds shares in several businesses, for each of which a profit and loss transfer agreement applies, with the exception of the three limited partnerships presented in the following structure. The significant direct and indirect issuer investments are illustrated in the following.



EAV: Profit and loss transfer agreement



3.5.2 Dependency of the issuer on other units within the group

As the sole shareholder (100% of the voting and capital shares), in the issuer's shareholders' meeting, Mr Bergmann may make all decisions which fall under the responsibility of the shareholders' meeting. Therefore, he is able to exercise significant influence over the issuer.

In the 2017 financial year, the issuer achieved an overall performance of approx. 528 TEuro, whereby the overall performance of the companies included in the scope of consolidation (after consolidation) accounted for approx. 59 m. Euro. The positive return of the issuer from profit and loss transfer agreements in the 2017 financial year amounted to approx. 6.6 m. Euro. In this respect, the profit situation of the issuer is dependent on the earnings of the companies included within the scope of consolidation.

3.6 Auditor of the annual accounts

The annual auditor for the period covered by the historical financial information (consolidated financial statement of IMMOVATION Immobilien Handels AG for the 2016 and 2017 financial years including the related cash flow statements - consolidated financial statements and the annual accounts of the issuer (individual financial statement) for the 2017 financial year) is Jakob Wirtschaftsprüfung AG, Auditing firm, Wilhelmshöher Str. 1, 34225 Baunatal. The annual auditor is a member of the Chamber of Auditors (WPK) based in Berlin and a member of the Institute of Public Auditors in Germany (IDW) based in Düsseldorf.

3.7 Profit forecasts or estimates

The issuer has not included profit forecasts or profit estimates in this securities prospectus.

3.8 Administrative, management and supervisory bodies

3.8.1 Board of directors

3.8.1.1 Tasks and members of the board of directors

The board of directors assumes the role of company management under its own responsibility and taking into consideration the legal provisions, the Articles of Incorporation of the

company and the rules of procedure agreed by the supervisory board and has sole responsibility for leading the stock company and must represent it in and out of court. In particular, the board of directors makes decisions on all issues concerning the ongoing business operations, general issues regarding refinancing and the determination of conditions for active, passive and service business as well as the purchase and sale of property.

In accordance with the Articles of Incorporation, the board of directors consists of one or several members. The exact number of members of the board of directors is decided by the supervisory board. The appointment of deputy chairpersons is admissible.

If the board of directors comprises one person, this person is the sole representative of the company. If several members are appointed, the company is represented by a board director along with another board director, or by a board director along with an authorised officer. The supervisory board may grant sole representation to all or individual members of the board of directors. Decisions of the board of directors are made with a simple majority vote.

Mr Lars Bergmann is appointed as the current member of the board of directors with effect from 01 January 2018 for a term of five years (until 31 December 2022).

The business address of the member of the board of directors is: IMMOVATION Immobilien Handels AG, Druseltalstraße 31, 34131 Kassel.

3.8.1.2 Management skills and experience of the board of directors

Mr Lars Bergmann is the founder and sole director of the issuer. He studied law and business management and graduated from business studies in 1993. Since 1988, he has dealt with the brokerage of capital investments and property and, in 1996, he founded IMMOVATION Kapitalanlagevertriebs GmbH. Since the conversion to IMMOVATION Immobilien Handels AG in 2002, he has been the director of the company. Since 2003, he has been an honorary commercial judge at the Kassel district court.

3.8.2 Supervisory board

3.8.2.1 Tasks and members of the supervisory board

The supervisory board is selected by the shareholders' meeting and has the primary task of monitoring the board of directors within the scope of its skills, but also to provide advice and support at the same time.

Other than in the cases indicated in the Articles of Incorporation and in the law, it makes decisions on the following in particular:

- the appointment and dismissal of the board directors as well as the terms of employment;
- rules of procedure for the board of directors;
- proposal for the selection of the annual auditor.

In accordance with the Articles of Incorporation, the supervisory board consists of three members.

On the 6 July 2018, Dr Heidemarie Krüger (chairwoman) and Mr York Hilgenberg (dept. chairman) were reelected and Mr Volker Wehrmann (dept. chairman) was selected as a new member of the current supervisory board at the shareholders' meeting. The vote took place with effect from the end of this shareholders' meeting and applies to the entire term of office.

The members of the supervisory board are selected for the period until the end of the shareholders' meeting which makes a decision on their discharge for the fourth financial year after the beginning of their term of office, insofar as this is not otherwise reflected in the resolution of the shareholders' meeting. The financial year in which the term of office begins is not included in this. The term of office for all members of the supervisory board ends during the shareholders' meeting which decides on their discharge for the 2022 financial year. The selection of the successor of one of any members who retire before the expiry of their term of office will apply for the rest of the term of office of the retired members, insofar as the shareholders' meeting does not decide on a different term of office for the successor.

3.8.2.2 Business address of the members of the supervisory board

The business address of the members of the supervisory board is: IMMOVATION Immobilien Handels AG, Druseltalstraße 31, 34131 Kassel.

3.8.3 Shareholders' meeting

The partners, or the shareholders, are represented by a right to vote corresponding with their participation in the share capital of the issuer in the shareholders' meeting. The shareholders' meeting makes decisions with regard to the corporate law foundations and other foundations of the stock company, in particular, they make decisions on amendments to the Articles of Incorporation, measures for capital procurement or capital reduction and on the use of the net profit.

The shareholders' meeting is convened by the board of directors. It takes place in a location in Germany named in the invitation to the shareholders' meeting.

The shareholders' meeting is to be held within the first eight months of each financial year.

3.8.4 Potential conflicts of interest relating to the administrative, management and supervisory bodies and senior management

With regard to existing potential conflicts of interest of the sole director and sole shareholder, Mr Lars Bergmann, please see "Section 2.2.4.4 Conflicts of interest".

For the members of the supervisory board, Dr Krüger, Mr Hilgenberg and Mr Wehrmann, there are no potential conflicts of interest between their duties towards the issuer and their private interests or other obligations.

3.9 Practices of the management

3.9.1 Detailed information on the audit committee of the issuer

An audit committee has not been established. The issuer is not legally obligated to do so.

3.9.2 Corporate governance regulation

The recommendations of the "Government Commission of the German Corporate Governance Codex" are principally aimed towards listed companies. As the instruments issued by the issuer are not listed on any regulated market, they are not subject to this codex.

3.10 Sole shareholder

As the sole shareholder (100%), in the issuer's shareholders' meeting, Mr Lars Bergmann may make all decisions which fall under the responsibility of the shareholders' meeting. Therefore, he is able to exercise controlling influence over the issuer. With regard to any management (leadership) measures and decisions, the possibility of abuse of the controlling influence is limited by the right to reserve approval by the supervisory board in accordance with the rules of procedure for the board of directors and stock corporation provisions, in particular, the monitoring of the board of directors by the supervisory board.

3.11 Financial information on the asset, finance and profit situation of the issuer

3.11.1 Audited consolidated financial statements of the issuer for the 2016 financial year

The audited consolidated financial statement of the issuer for the 2016 financial year including the audit certificate dated 30th June 2017 is published in Section “5.1 Consolidated financial statement at 31 December 2016”. The audit certificate has been issued without restriction.

3.11.2 Audited consolidated financial statement of the issuer for the 2017 financial year

The audited consolidated financial statement of the issuer for the 2017 financial year including the audit certificate dated 26th June 2018 is published in Section “5.2 Consolidated financial statement at 31 December 2017”. The auditor’s report has been issued without restriction.

3.11.3 Audited annual accounts of the issuer (individual financial statement) for the 2017 financial year

The audited annual accounts of the issuer (individual financial statement) for the 2017 financial year including the audit certificate dated 15th June 2018 is published in Section “5.3 Annual accounts of the issuer (individual financial statement) for the 2017 financial year”. The auditor’s report has been issued without restriction.

3.11.4 Significant changes in the financial situation or the trading position

Since the record date of the last audited annual accounts of the issuer (individual financial statement) for the 2017 financial year and the last audited consolidated financial statement of the issuer (dated 31 December 2017), there has not been any significant changes in the financial situation or the trading position of the issuer and the IMMOVATION group of companies.

3.11.5 Prospects and trend information

Since the record date of the last audited annual accounts of the issuer for the 2017 financial year (31 December 2017), there has not been any significant long-term changes in the prospects of the issuer. There is no information on known trends, uncertainties, demand, obligations or incidents which could significantly influence the business planning of the issuer, at least in the current financial year.

3.12 Important events in the business activity of the issuer

3.12.1 2016 financial year

In the 2016 financial year, the IMMOVATION company group invested approx. 53,541 TEuro in capital assets. These investments include, in particular, investments in the “Seeviertel” project in Salzgitter through the purchase of a portfolio of 920 residential units and 19 commercial units in the centre of Salzgitter-Lebenstedt. Taking into consideration deposits from the disposal of fixed assets and the received interest of approx. 7.6 TEuro, there is a cash flow from investment activities of approx. - 53,524 TEuro.

Due to the issuing of a bearer debenture bond by a company in the group, a cash inflow of 45,000 TEuro could be generated. This was counteracted by the outflow of funds for the purchase of a portfolio of 920 residential units and 19 commercial units in the centre of Salzgitter-Lebenstedt, so the cash flow for financing activity in the 2016 financial year amounted to approx. 12,463 TEuro. On the record date of 31/12/2016, the IMMOVATION company group had a financial resources fund of over 35,393 TEuro, of which approx. 35,632 TEuro is liquid funds and approx. 238 TEuro is short-term liabilities towards credit institutes.

3.12.2 2017 financial year

In the 2017 financial year, the final revitalisation phase of the Salamander-Areal was finished on schedule with the ready-for-occupancy completion of 79 of the 121 owner-occupied flats bought in 2016. The cash flow of the ongoing business activity of the group in the 2017 financial year, amounting to 10,666.2 TEuro, is largely made up of tax arrears.

In the financial year, the company group invested in 11,046.6 TEuro of fixed assets, resulting in a cash flow from investments of -11,040.9 TEuro, taking into account the interest received of 5.7 TEuro.

The cash flow from the financing activities of the group amounted to -15,657.3 TEuro in the 2017 financial year and can essentially be traced back to the interest paid in the amount of 8,399.55 TEuro and the repayment of participation rights in the amount of 6,675.9 TEuro.

Furthermore, Ms Lilia Nacke retired from the board of directors at the end of 2017.

3.12.3 2018 current financial year

The subsidiary iCapital Consulting-& Vertriebsgesellschaft GmbH was granted permission for investment and acquisition brokerage in accordance with Section 32 of the German Banking Act (KWG) in the first quarter of 2018.

On 28/06/2018, the city council of the city of Dresden made a resolution regarding B-Plan 389 A-1 for the “Linger Altstadtgarten” housing project by Immobilien-Projekt Linger Altstadtgarten Dresden GmbH, a subsidiary of Immokles AG.

There were no recent events in the issuer’s business activity which are greatly relevant to the assessment of its solvency.

3.12.4 Selected financial information

The selected financial information listed in the following has been taken from the consolidated financial statements of the issuer for the 2016 and 2017 financial years. As of the 2016 financial year, the issuer generated consolidated financial statements, as it was obligated by the law to generate a consolidated financial statement from this date. The information from the record dates of 31st December 2016 and 31st December 2017 is information which has been audited by an auditor of annual accounts.

The issuer generates its consolidated financial statement in accordance with the provisions of the German Commercial Code.

Selected financial information in TEuro *		
Consolidated balance sheet		
Record date	31/12/2017	31/12/2016
Capital assets	187,119	180,602
of which intangible assets	72	52
of which tangible assets	182,641	176,760
of which financial assets	4,406	3,790
Current assets	81,487	96,102
of which properties held for sale and other reserves	51,006	49,655
of which receivables and other assets	11,120	10,814
Cash, credit at credit institutes	19,362	35,633
Equity		
of which subscribed capital	500	500
of which capital reserve	55	55
of which retained earnings	11,501	8,001
of which consolidated retained earnings	188	115
of which shares of other shareholders	17,360	18,164
Profit participation rights capital	34,645	41,361
Liabilities	202,535	203,240
of which bonds	110,000	110,000
of which liabilities towards credit institutes	76,430	75,820
Balance sheet total	268,890	277,516
Consolidated profit and loss statement		
Period	2017	2016
Turnover	52,386	81,136
Increase/reduction in the portfolio of the properties intended for sale with completed buildings and work in progress	+1,659	-21,159
Cost of goods and services	34,813	24,702
Personnel costs	3,427	3,044
Other interest and similar income	6	8
Interest and similar costs	8,399	7,810
Consolidated annual result	+4,199	+8,480
Consolidated net earnings	188	115
Consolidated cash flow**		
Period	2017	2016
From current business activity	11	53
From investment activity	-11	-54
From financing activity	-16	12

* The financial information comes directly from the historical financial information and has been rounded to the nearest whole number. Rounding may cause arithmetical deviations.

** The cash flow is the difference between incoming payments and outgoing payments and, therefore, represents the actual net inflow or outflow during the respective financial year.

3.13 Legal and arbitration-proceedings

There are no government interventions, legal or arbitration proceedings (including proceedings which the issuer knows are still pending or may be initiated) that have happened or been concluded during the period of the last twelve months at least and which are having or have recently had a significant effect on the financial situation or the profitability of the issuer and/or the group of companies.

3.14 Significant contracts

3.14.1 Financing contracts/capital market liabilities

The capital structure of the issuer primarily comprises profit participation rights capital from various tranches and amounts to approx. 34,685 TEuro in total on the record date of 31st December 2017. The term of the profit participation rights is fundamentally indefinite and shall end by means of termination. The termination may be carried out by the respective holder of the profit participation rights or the issuer, with a notice period of a year. The terms of the profit participation rights are partly designed with a loss participation and otherwise with a (qualified) subordination agreement.

3.14.2 Significant contingent liabilities

The issuer has provided guarantees to domestic credit institutes for the liabilities of associated companies. On the record date of 31st December 2017, there were contingent liabilities on the part of the issuer amounting to approx. 74.7 m from such guarantees and other financial commitments from the issuer in favour of the fully consolidated companies and a non-consolidated company.

In addition, the issuer bears liability towards affiliated companies from the respective profit and loss transfer agreements concluded.

3.15 Additional information

3.15.1 Capital shares

The share capital of the issuer amounted to 500,000.00 Euros on the date of publication of the prospectus. The share capital is divided into 250,000 shares with a nominal amount of 2.00 Euros each, which are registered. Each registered share grants one vote in the shareholders' meeting.

The share capital has been deposited in full.

3.15.2 Articles of Incorporation and statutes of the company

3.15.2.1 Legal and commercial name of the issuer

The issuing company's name is IMMOVATION Immobilien Handels AG (Section 1 para. 1 of the Articles of Incorporation). The commercial name of the issuer is IMMOVATION AG.

3.15.2.2 Date of foundation and duration of existence of the issuer, financial year

On the 21 December 2001, IMMOVATION Immobilien Handels AG was established by means of a change of form through the conversion of a limited liability company into a stock company. The issuer was founded on this date for an indefinite period. The financial year starts on the 1st January and end on the 31st December of the same calendar year.

3.15.2.3 Headquarters and legal form of the issuer

The issuer is a stock company founded in accordance with German law. The issuer's headquarters are in Kassel. The issuer operates in the Federal Republic of Germany and is subject to the German legal system. It can be reached at the business address IMMOVATION Immobilien Handels AG, Druseltalstraße 31, 34131 Kassel and at the telephone number 49 561 / 81 61 94- 0 or by fax to +49 561 / 81 61 94-9.

3.15.2.4 Commercial register and corporate purpose

The issuer is registered in the commercial register of the Kassel District Court under the no. HRB 3062. The Articles of Incorporation of the issuer in their current version dated 12/06/2018 can be viewed in the commercial register of the Kassel District Court.

The objectives of the issuer are established in Section 2 (Subject of the company). The subject of the company is the

a) management and holding of shares in companies which operate, in particular, in the sectors of construction management and property development as well as the performance of activities within the meaning of 34 c of the German Industrial Code, the establishment, renovation, project management, purchase, sale and management of properties, supplying these properties with energy and the assumption of personal liability and company management of trading companies, as well as the assumption of company operation and management tasks for the affiliated companies

b) project management and sale of capital shares, in particular, in owner-occupied flats or residential complexes and property funds, as well as the sale and purchase of property and the brokering of financing. The company may operate in the areas of activity of their affiliated companies themselves, in particular, by carrying out individual transactions and acquiring and holding property rights in the Federal Republic of Germany and abroad.

The company is entitled to carry out all transactions which appear directly or indirectly suitable or useful for the achievement of the corporate purpose. For this purpose, they may establish branches and found, acquire, sell or participate in other companies.

Notices from the issuer, which affect the issuer themselves, shall be published exclusively in the Federal Gazette.

3.15.3 Information from third parties

Information from third parties which can be applied in this prospectus have been reproduced correctly and in full. The inclusion of the auditor's notes and the auditor's report for the audit of the consolidated financial statement for 2016 (01/01/2016 to 31/12/2016) and for the 2017 financial year (01/01/2017 to 31/12/2017) in the present securities prospectus has been approved by the auditor.

Information from third parties which has been included in this prospectus has been, as far as known and deducible, correctly reproduced; no facts have been misappropriated which would make the information reproduced misleading or incorrect. The sources of information have been checked by the issuer.

3.15.4 Accessible documents

During the period of validity of this prospectus, copies of the Articles of Incorporation of the issuer and the historical financial information, i.e., the audited consolidated financial statements for the 2016 and 2017 financial years as well as the annual accounts of the issuer (individual financial statement) for the 2017 financial year incl. the respective audit certificates can be accessed during the normal business hours at the business address of the issuer, Druseltalstraße 31, 34131 Kassel. The prospectus is published on the issuer's website at www.immovation-ag.de/download-center/.

4. Description of securities

4.1 Important information

4.1.1 Grounds for the offer and use of the proceeds

The entire issue proceeds from the placement of the partial debenture bonds which are the subject of this prospectus, less the issue costs (see Section “4.1.1.1 Costs independent of placement” and Section “4.1.1.2 Costs dependent on placement”), also known as “net issue proceeds”, should essentially and primarily be used to finance the further company growth of the issuer, including the development of a property portfolio with a focus on residential properties in Germany (hereinafter referred to as the “investment purpose”). The use of earnings for the aforementioned purpose shall take place in proportion to the cash inflow from partial debenture bonds, whereby a separation and therefore a restriction of the use of the issue proceeds for defined purposes is not intended. There are also no priorities with regard to the intended purposes.

The investments and, therefore, the specific application of the net issue proceeds from the placement of partial debenture bonds have not yet been decided upon by the administrative bodies of the issuer on the date of publication of the prospectus. However, it is not excluded that the issue proceeds or parts thereof are or will be used to finance the projects described in Section “3.4.3 Future investments”. The total net issue proceeds from the issuance of partial debenture bonds is predicted to amount to approx. 18,900,000.- Euro.

For the better control of liquidity and the optimisation of company growth of the issuer, the total net issue proceeds from partial debenture bonds may also be used for other investments, short-term investments for example. If the funds from the debenture bonds are not required for investment purposes, the issuer reserves the right to repayment of other capital borrowed for financing purposes.

The current and future investments of the issuer as well as the investment criteria are presented in Section “3.4. Investments”. Through the public offer of the partial debenture bonds, the issuer incurs the costs presented in the below.

4.1.1.1 Costs independent of placement

One-off costs shall arise in connection with the creation of the prospectus for the partial debenture bonds, regardless of whether the placement is successful. These costs include advice (legal and tax advice), the submission of the prospectus for the purposes of the approval of its publication, submission of the application for inclusion in the open market at the Frankfurt am Main stock exchange if applicable, stock exchange fees and the one-off fees in connection with the transfer of securities to the collective deposit of securities. The costs independent of placement are estimated to amount to approx. 30,000 Euros and are borne by the issuer.

4.1.1.2 Costs dependent on placement

The costs dependent on the success of placement amount to up to approx. 5.35% of the deposited debenture capital of the partial debenture bonds for the brokerage of capital (intermediation commission), marketing, including printing documents, and the registration (delivery) of partial debenture bonds to the depositary. In the event of full placement, this is a total amount of up to 1,070,000 Euros.

4.1.2 Interests of natural and legal persons

There are no interests of natural and/or legal persons which are of significance to the offer of the partial debenture bonds by the issuer.

4.1.3 Issue date

The placement of partial debenture bonds shall begin one working day after the publication of the prospectus. The predicted issue date (submission of the global certificate at the depositary) is the 1st October 2018. Incidentally, the issue date is not the same as the date of delivery of the securities.

4.2 General basis for debenture bonds

4.2.1 Legal basis

Debenture bonds, also known as “bonds”, are fixed-interest securities. Unlike shares, debenture bonds do not grant rights to profit-based dividends, but rather to fixed interest payments for the payment and transfer of debenture capital. The bond creditor has the right to return the debenture bond in full at the end of the period in return for repayment of the nominal amount. The extent of the repayment amount owed is not subject to any stock exchange price fluctuations. Before the expiry of the term, partial debenture bonds may be transferred, purchased by a prospective buyer, assigned to third parties or pledged at any time.

A partial debenture bond is a fixed partial amount into which the issue of a debenture bond (bond) is divided. With the purchase of a partial debenture bond, the buyer (investor) acquires the right to a part of the debenture bond which is proportional to the nominal amount. This proportionate right is granted through a co-ownership share in the global certificate. The form and contents of the partial debenture bonds, the bond terms and all rights and obligations of the bond creditor, the issuer and the paying agent are determined by German law. These are debenture bonds within the meaning of Section 793 of the German Civil Code (BGB).

4.2.2 Basis of the securities

The disbursement of partial debenture bonds is based on the resolution made by the board of directors of the issuer on 04/07/2018.

4.2.3 Transferability of the securities

The partial bearer debentures are freely transferable in accordance with the General Business Terms of Clearstream Banking AG, Frankfurt am Main. The co-ownership shares in the global certificate are thereby transferred to the purchaser in each instance. On the date of publication of the prospectus, the partial debenture bonds described in this prospectus have not yet been included in the open market of the Frankfurter Wertpapierbörse in the “Quotation Board” segment, but this is intended for a later date. The final decision on the inclusion of the partial debenture bonds in trading and listing on the stock exchange is, however, to be made exclusively by the management of the stock exchange.

4.2.4 Resolution of the bond creditor / representation of the debt security holder

In accordance with the provisions of the German Act on Bonds, majority resolutions of the bond creditor to change the bond terms and/or to appoint a common representative of the bond creditor may be made. The passing of the resolution is permissible when made at a meeting in which the participants are present or without a meeting (circulation procedure). The significant legal regulations on the passing of resolutions by bond creditors are as follows:

The bond creditors with a right to vote that is proportional to the nominal amount of the partial debenture bonds they purchased in relation to the total nominal amount of the partial debenture bonds (20 m. Euros) may participate in the passing of a resolution accordingly. The creditor meeting passes resolutions, in particular, with regard to the amendment of bond terms, e.g., amendment of the maturity, the reduction or exclusion of interest, the amendment of maturity of the principal claim, the reduction of the principal claim, the subordination of claims from the partial debenture bonds in the debtor’s insolvency proceedings, the conversion or exchange of debenture bonds into company shares, other securities or other value propositions, the exchange and release of guarantees, the amendment of the currency of the partial debenture bonds, the waiver of the right to termination of the creditor or its restriction and/or the replacement of the debtor. In these cases, a majority of at least 75% of the participating voting rights is required to pass the resolution (hereinafter referred to as the “qualified majority”). Otherwise, resolutions require a simple majority to become effective, insofar as the significant contents of the bond terms are not changed. For amendments to the bond terms, the consent of the issuer is required.

The bond creditors may also appoint a common representative of the bond creditors by virtue of resolution.

Participation in the resolution requires evidence of the right to participate in the passing of resolutions. In the event of a creditors’ meeting being held, the right to participate must also be proven.

4.3 Information on the partial debentures

4.3.1 Type / WKN and ISIN

The debenture bond of IMMOVATION Immobilien Handels AG, in the total nominal amount of 20,000,000 Euros (20 million Euros) is issued in the form of a public offer. An issue name has not been given.

The debenture bond is issued to the bearer and divided into 20,000 equal partial debenture bonds with a nominal amount of 1000 Euros each (in words: one thousand Euros). The debenture bond is not subordinate, not materially collateralised and endowed with an interest rate which is fixed in amount, whereby the interest becomes due for payment annually - for the first time in October 2019.

The debenture bond and the claims from the debenture bond are guaranteed in a global certificate with a total nominal amount of up to 20,000,000 Euros (in words: 20 million Euros). The total nominal amount refers to the total amount of money in Euros deposited for the issue of the partial debenture bonds and not yet repaid. The global certificate is deposited at Clearstream Banking AG, Frankfurt am Main (business address: Mergenthalerallee 61, 65760 Eschborn) in a collective deposit of securities. There are no other depositories - in particular, abroad. The bearers of the partial debenture bonds have the co-ownership rights to the global certificate, which may be transferred in accordance with the General Business Terms of Clearstream Banking AG, Frankfurt am Main. Effective individual certificates and/or collective certificates for one and/or several partial debenture bonds are not issued, with the exception of the global certificate.

The WKN for the debenture bond is: A2NBY5

The ISIN for the debenture bond is: DE000A2NBY55

4.3.2 Currency of the security issues

The securities are issued in Euros.

4.3.3 Ranking of the securities

Claims arising from the partial debenture bonds establish direct, unconditional, non-subordinated and non-materially collateralised liabilities on the part of the issuer, which are not subordinated to one another and rank equally with all other non-subordinated and non-materially collateralised liabilities, insofar as these liabilities are not given precedence by mandatory legal provisions.

An amendment to the ranking of the partial debenture bonds may only be made with an identical contract with all bond creditors or by means of majority resolution of the bond creditors.

4.3.4 Rights of the bond creditor

The rights of the bond creditor include the right to interest payment and to the payment of the repayment amount (proportionate to the nominal amount) by the issuer, the right to extraordinary termination and to the convocation of a creditor meeting and the request to vote without meeting.

4.3.4.1 Interest rate and interest calculation method

The interest rate is 5.00% p.a. based on the total nominal amount of the debenture bond. Insofar as interest must be paid for more or less than one year, the calculation is made using the act/act method. The interest is calculated based on the number of days for the interest period and the number of days of a year which are real (calendar) days, so that the days of a year amount to 365 or 366 days (leap year).

The rate of return of the partial debenture bonds may be determined using the so-called ICMA (International Capital Markets Association) method. For the calculation of individual rates of return over the total term, the investor should take into consideration the difference between the repayment amount, which corresponds to the nominal amount subject to conditions, including the interest paid, and the nominal amount paid originally plus any accrued interest, as well as the term and its transaction costs (e. g., custody fees at the bank commissioned by the investor; any costs for participation in the passing of resolutions by the bond creditor). The respective net rate of returns of the partial debenture bonds may only be calculated at the end of the term, as it is dependent on any transaction costs which may need to be paid.

4.3.4.2 Interest periods

The first interest periods of the partial debenture bonds shall begin on the 1st October 2018 (included) and end on the 30th September 2019. Thereafter, the interest period shall begin on the 1st October of each calendar year and end on the 30th September of the following calendar year (included). The final interest period shall begin on the 1st October 2023 and end on the 30th September 2024.

4.3.4.3 Maturity

The interest becomes due for payment retrospectively on the first banking day after the expiry of an interest period (hereinafter referred to as the “interest payment date”), beginning on the 1st October 2019. For the final interest period, the payment of interest is due on the first banking day after 30th September 2024.

4.3.4.4 Default

If the bond debtor does not pay interest on a partial debenture for an interest period on the interest payment date despite it being due, the outstanding amount must bear interest. The rate of default interest shall be five percentage points above the basic interest rate for the year and the default interest shall be calculated using the act/act method.

4.3.4.5 Repayment

The term of the debenture bond begins on the 1st October 2018 and ends with the expiry of 30th September 2024 insofar as the term has not ended by virtue of termination (see Section “4.3.4.7 Termination rights of the bond creditor for cause” and “4.3.4.8 Termination by the bond debtor”). The partial debenture bonds must be repaid on the first banking day after the end of the term (1st October 2024) (hereinafter referred to as the “repayment day”) in the amount of the repayment amount, insofar as the term has not ended before by virtue of termination. The repayment amount corresponds to the nominal amount of the partial debenture bonds.

If the bond debtor does not pay for the partial debenture bonds on the repayment date at all or in full despite payment being due, the outstanding amount must bear interest. The rate of default interest shall be five percentage points above the basic interest rate for the year and the default interest shall be calculated using the act/act method.

4.3.4.6 Period of limitation of interest receivables and repayment claim

Claims for the payment of interest shall lapse after three years, claims for the repayment of partial debenture bonds shall lapse after 30 years from maturity if the global certificate is not presented to the bond debtor for payment before the expiry of the 30 years. If it is presented, the claims shall lapse two years from the end of the presentation period. The presentation period of the debenture bond shall end on 30th September 2026, so the claim from the debenture bond shall lapse on the 30th September 2028 if the certificate is presented. The presentation is equivalent to the judicial assertion of the claim from the certificate.

4.3.4.7 Termination rights of the bond creditor for good cause

Each bond creditor is entitled to terminate their partial debenture bonds immediately and to request their repayment at the nominal amount plus any interest accrued up to the day of repayment (exclusive) for good cause. Good cause includes, in particular, if:

1. the issuer does not pay interest within 90 days of the respective interest payment date, or
2. the issuer ceases its payments in general or declares insolvency, or
3. the issuer does not fulfil or observe a significant obligation, condition or agreement with regard to the partial debenture bonds and the breach of duty continues for longer than 90 days, after which the issuer receives a notification from the bond creditor affected by the breach of duty in which the bond debtor is prompted by the bond creditor to fulfil or observe the obligation, condition or agreement, or
4. the issuer goes into liquidation, unless this happens in connection with measures in company law (e. g., a merger or another form of incorporation with another legal entity), insofar as this other legal entity assumes all obligations into which the bond debtor has entered in connection with these partial debenture bonds.

The right to termination shall expire if the reason for termination ceases to apply before the right is exercised.

Termination by the bond creditor must be performed in writing. The bond creditor is obligated to inform the bond debtor of their entitlement to terminate (bond creditor position) at the time of delivering the termination notice in writing. For this purpose, a notice in writing from the custodian institute shall suffice.

Termination which is requested either on the basis of the termination reasons no. 1 or no. 3 stated previously shall only become effective if termination notices have been received by the bond debtor with regard to the partial debenture bonds which correspond to at least 24% of the denominated total nominal value.

This does not apply if one or several other termination reasons apply in addition to these reasons for termination at the same time. The effectiveness of such a termination shall also cease if the bond creditor (see Section “4.2.4 Resolutions passed by the bond creditor/representation of the debt security holder”) resolves this within three months and in any case, more bond creditors vote than have terminated.

4.3.4.8 Premature termination by the bond debtor

The bond debtor is entitled to terminate the outstanding debenture bond in full or all outstanding partial debenture bonds proportionately, subject to an annual notice period of at least 90 days before the end of an interest period. The repayment amount shall increase by 1.0% of the terminated nominal amount for each interest payment date which no longer exists due to premature termination by the bond debtor. I.e., if the termination takes place on 30/09/2021, the premature repayment amount is 103.00% of the terminated nominal amount, for a termination on 30/09/2022, this is 102.00% of the terminated nominal amount and for a termination on 30/09/2023, the premature repayment amount is 101.00% of the terminated nominal amount.

The termination by the bond debtor shall take place by means of notice in the German Federal Gazette and on the website of the issuer (e.g., www.immovation-ag.de).

4.4 Taxation

4.4.1 Tax conditions in Germany

A comprehensive presentation of all tax considerations which may be significant for the purchase, holding, sale or other disposal of the partial debenture bonds is not the subject of this overview.

The following presentation should give an overview of the legal situation applicable in Germany at the date of publication of this securities prospectus, as well as the relevant administrative practices of the German financial administration. No liability can be assumed for possible deviations due to future amendments of laws or case law, or the interpretation by the financial administration in Germany.

It is recommended that each investor carefully check the legal and fiscal aspects in connection with the purchase, holding, sale and payment of partial debenture bond bonds with a suitably qualified advisor, taking into account their individual tax status.

4.4.2 Income from capital assets

Interest from the partial debenture bonds is subject to income tax for a natural person with unlimited tax liability as income from capital assets in accordance with Section 20 para. 1 no. 7 of the German Income Tax Act (EStG). The tax liability is due to the inflow of interest.

Since the 1st January 2009, income from capital assets and thus also the interest from the partial debenture bonds has been subject to the so-called settlement tax (Section 32d of the EStG), a separate tax rate. In principle, this amounts to 25% of capital income. Along with income tax, a solidarity tax is levied. Earnings from capital assets are also taken into consideration when calculating the church tax. In the event of church tax liability, income tax for capital assets is reduced by 25% of the church tax for the capital gains.

Taxpayers with a lower personal income tax rate than the withholding tax rate of 25% have the possibility of claiming an assessment option (most favourable tax treatment) (Section 32d para. 6 of the EStG). Upon request by the investor, the earnings from interest may also be taxed with the personal tax rate if the personal tax rate is under 25%.

The investor must make this choice within the framework of their assessment. The tax office shall check whether the use of the general rule shall lead to a lower tax assessment using the tax assessment carried out by the tax office.

4.4.3 Payment of the capital gains tax

In principle, a tax deduction (capital gains tax/interest rebate) is made on the interest payments by the custodian bank and paid to the tax authorities. With the tax deduction, the income tax of the investor is compensated in principle, so that they no longer need to state their earnings from capital assets in their income tax return (Section 43, para. 5 of the EStG). The issuer does not assume responsibility for the withholding of the capital gains tax.

The capital gains tax is 25% of income. Along with this, the solidarity surcharge (5.5% of the capital gains tax) and the church tax is also levied, if applicable. Insofar as the custodian bank is granted a sufficient exemption order or a non-assessment certificate, the tax deduction in the corresponding amount shall not be made.

A non-assessment certificate may be sought from the tax office responsible. They are granted to persons who are not expected to be eligible for the income tax assessment, e.g., because their earnings are below the limit for tax liability. Both the exemption order and the non-assessment certificate must be submitted to the custodian bank.

4.4.4 Saver's exemption

Capital earnings shall remain tax-exempt, insofar as they do not exceed the flat-rate saver's allowance overall, along with other capital earnings. Single persons and spouses who are assessed separately may currently receive up to 801 Euros (flat-rate saver's allowance) in capital earnings tax-free; spouses assessed together may receive up to 1602 Euros.

4.4.5 Accrued interest

In principle, the investor must pay accrued interest in the purchase of partial debenture bonds. In the context of the investor's personal tax liability, the investor may claim the accrued interest as negative income and offset it with received interest (capital income).

4.4.6 Gains on disposal

Profits from the sale of partial debenture bonds are also subject to the capital gains tax, just like interest income.

4.4.7 Inheritance tax and gift tax

The receipt of partial debenture bonds due to inheritance or by way of a gift between living persons is subject to inheritance and gift tax. The amount of the inheritance and gift tax due depends primarily on the amount of the asset transfer, the degree of relationship to the testator or benefactor and the amount of the tax-free allowance to be applied for the beneficiary.

4.5 Conditions and requirements for the offer

4.5.1 Conditions to which the offer is subject

The distribution of this securities prospectus and the offer of the partial debenture bonds described in this prospectus may be limited under certain legal systems. Persons which are in possession of this prospectus must take these restrictions into consideration. Upon publication of this securities prospectus, IMMOVATION Immobilien Handels AG will not have taken any measures which would make a public offer of the bonds permissible in countries in which the public offer of partial debenture bonds is subject to legal restrictions.

In particular, the partial debenture bonds have not been and are not registered under the United States Securities Act of 1933 as amended. Trading with partial debenture bonds by the issuer has not been and is not approved by the United States Commodity Futures Trading Commissions under the United States Commodity Exchange Act. Therefore, the partial debenture bonds may not be offered, sold, gifted, bequeathed or resold, either directly or indirectly, in the United States of America or to citizens of the United States of America. The same applies for citizens of Australia, Japan, Canada and the United Kingdom of Great Britain and Northern Ireland.

The prerequisite for the purchase of partial debenture bonds is the availability of a securities deposit in which the partial debenture bonds can be booked. If such a deposit is not available, it can be opened at a bank. The investor should seek information regarding any possible fees incurred by the bank of their choice.

4.5.2 Total amount of the issue

The total nominal amount of the partial debenture bonds issued in the issue is 20,000,000 Euros (in words: twenty million Euros).

The issuer reserves the right to issue further partial debenture bonds with the same respective features, at any time and without the consent of the partial debenture bond holders, whereby these are cumulated with the partial debenture bonds which are the subject of this prospectus, thus forming a unified debenture bond and increasing its total nominal amount.

The issuer is entitled to issue further debenture bonds (bonds) which do not form a unit with the debenture bond which is the subject of this prospectus and which have other features (e.g., in relation to interest rate or denomination), whereby such an offer - if it is public - may be subject to the publication of a prospectus. The same applies for the issue of other debt and/or financial instruments.

4.5.3 Acquisition price

The issue of partial debenture bonds shall take place at 100% of the nominal amount of 1000 Euros per partial debenture bond. In addition, fundamentally, the investor must also provide accrued interest if the acquisition of partial debenture bonds takes place after the start of the interest period (1st October 2018). No issue surcharge is levied. The accrued interest serves as compensation for the investor's advantage of being paid the interest for a full interest period on the next interest payment date, despite only having acquired the partial debenture bonds during this (the first) interest period, meaning that they would only be entitled to proportional interest for this interest period. I.e., if the investor subscribes to the partial debenture bonds, e.g., on the 1st December 2018, they shall receive interest for the entire first interest period (1st October 2018 to 30th September 2019) on the 1st October, although they would only actually be entitled to interest for the period between the 1st December 2018 and the 30th September 2019. Furthermore, a subscriber must also bear the costs charged to them by their custodian bank.

4.5.4 Minimum and/or maximum amount of the subscription

The minimum amount of the subscription of partial debenture bonds is ten parts (10,000 Euro). A maximum amount of subscriptions is not designated, however, it is limited by the amount of the total nominal amount of the debenture bond still available for subscription. The planned trading in the open market of the Frankfurter Wertpapierbörse in the "Quotation Board" segment, which is not yet taking place, shall take place according to the nominal amount per partial debenture bond in increments of 1000 Euros each; no minimum quantity is intended in this respect.

4.5.5 Offer procedures and delivery of securities

The partial debenture bonds will be offered publicly for subscription from the first working day after the publication of the prospectus, most likely the 1st October 2018, until the end of the twelfth month after approval of the prospectus. The issuer is entitled to shorten the subscription period (in particular, in the event of full placement).

The partial debenture bonds may be subscribed to in the subscription period by means of transmission of a purchase request (hereinafter referred to as a "subscription certificate") to the issuer. The issuer is free to also employ brokers which accept the subscription certificates to be forwarded to the issuer.

After the transmission of the subscription certificate and the payment of the acquisition price (nominal amount plus the accrued interest multiplied by the number of related partial debenture bonds) on the date agreed in the subscription certificate, the investor shall be informed immediately of the acceptance of their subscription (however, please see Section "4.5.6 Subscription reduction and the reimbursement of amounts paid in excess") and a confirmation shall be sent to them.

The respective partial debenture bonds subscribed to in the public offer shall be delivered to the purchaser by means of a custody credit note for the partial debenture bonds in collective safe custody after payment of the acquisition price.

The deposit registration (i.e., the delivery) of the acquired partial debenture bonds is processed by Clearstream Banking AG and shall take place within 45 days of payment of the acquisition price at the latest.

4.5.6 Subscription reduction and the reimbursement of amounts paid in excess

The issuer reserves the right to refuse and also shorten individual subscriptions without giving any reason. Reductions may take place in the event of oversubscription in particular. In the event of reductions or the refusal of subscriptions, the amount paid in excess shall be paid immediately to the account indicated by the investor by means of transfer.

The issuer shall produce the notice regarding partial debenture bonds immediately in writing. Any costs arising in connection with this shall be borne by the issuer.

4.5.7 Potential investors, acceptance commitments and preferential rights

The offer to acquire partial debenture bonds shall not be restricted to certain groups of investors. A public offer shall be made exclusively in Germany and also, subject to notification, in Hungary, Austria and Luxembourg.

There is no privileged preferential right for partial debenture bonds.

No acceptance commitments have been undertaken by the issuer.

4.5.8 Paying agent and depositary

The paying agent for the debenture bonds is Quirin Privatbank AG, Kurfürstendamm 119, 10711 Berlin.

The issuer transfers the interest to the paying agent before the expiry of the respective interest period, as well as the nominal amount of the partial debenture bonds pending repayment at the end of the period.

The paying agent will transfer the amounts to Clearstream Banking AG for payment to the custodian bank of the bond creditors. All payments to Clearstream Banking AG or its order shall release the issuer from its liabilities toward the bond creditors arising from the partial debenture bond in the amount of the payments made.

The depositary for the partial debenture bonds in collective safe custody is Clearstream Banking AG, Frankfurt am Main (business address: Mergenthalerallee 61, 65760 Eschborn).

4.5.9 Coordinator of the offer

The issuer acts as the coordinator of the offer.

4.5.10 Issue transfer agreement

No issue transfer agreement has been concluded.

4.5.11 Publication of the offer

The result of the public offer of partial debenture bonds shall be published by the issuer after the end of the subscription period, however, on the 30th September 2019 at the latest, on the website www.immovation-eg.de.

4.5.12 Further information on the use of the prospectus by finance intermediaries

The issuer grants its express permission for the use of this securities prospectus by finance intermediaries from the publication of the securities prospectus until the end of the offer period, i.e., until the end of the twelfth month after approval of the securities prospectus, in the Federal Republic of Germany and, after notification, in Hungary, Austria and Luxembourg and, in this respect, declares that it assumes liability for the content of the securities prospectus including with regard to later resale or final placement of the partial debenture bonds. The permission is not subject to any other conditions but may be revoked or restricted at any time.

In the event that a finance intermediary makes an offer, it must inform the investors of the offer conditions at the time of the presentation of the offer.

Each of the finance intermediaries using this securities prospectus must indicate on their website that they are using the securities prospectus with the permission of the issuer and in accordance with the conditions to which the permission is subject.

4.6 Admission to trading and trade regulations

Admission of the partial debenture bonds to a regulated market has not taken place on the date of publication of the prospectus. Nevertheless, the issuer plans for the debenture bonds to be included in the open market of the Börse Frankfurt am Main (Frankfurt stock exchange) in the Quotation Board segment. In this respect, the issuer reserves the right to submit a corresponding application during the placement or after the full placement of the issue of partial debenture bonds or their premature closure.

As yet, the issuer has not issued any securities which have been admitted to trading in a regulated market. Depending on the business development and success of this issue, the issuer shall publicly offer further capital assets for acquisition. No applications for admission to trading in a regulated market have been submitted yet.

There are no binding commitments to an intermediary for secondary trade.

4.7 Additional information

No information in this securities prospectus has been checked by the auditor of the issuer, with the exception of the consolidated financial statements for the 2016 financial year and 2017 financial year and the annual accounts of the issuer (individual statement) for the 2017 financial year.

No declaration or report from a person that acts as an expert is included in the securities prospectus.

No public rating was created for the issuer or for the debenture bond.

5 Financial section

5.1 Consolidated financial statements at 31st December 2016

5.1.1 Consolidated balance sheet as at 31st December 2016

ASSETS	31.12.2016	
	EUR	EUR
A. ASSETS HELD		
I. Intangible Assets		
1. Concessions, industrial property rights and similar rights acquired for valuable consideration Rights and assets and licenses in such rights and assets		52,448.50
II. Tangible Assets		
1. Property and comparable property rights with residential buildings	117,166,464.71	
2. Property and comparable property rights with business premises and other structures	51,161,439.71	
3. Technical plant, systems and machinery	7,103,918.00	
4. Other plant, systems, operative and business facilities or equipment	843,680.02	
5. Remitted payments and plants, systems under construction	484,083.00	
		176,759,585.44
III. Financial Assets		
1. Shareholdings	3,790,097.00	
		3,790,097.00
		180,602,130.94
B. CIRCULATING ASSETS		
I. For selling certain property and other stocks		
1. For construction projects currently underway	21,042,517.27	
2. Property and comparable property rights with completed structures	34,294,519.34	
3. Incomplete services for not yet calculated operating costs	4,980,896.95	
4. Remitted payments	0.00	
5. Received payments from operating costs	-10,662,608.96	
		49,655,324.60
II. Receivables and miscellaneous tangible assets		
1. Receivables from rentals	364,218.55	
2. Receivables from land and property sales	1,687,265.47	
3. Receivables from other supplies and services	1,647,026.20	
4. Receivables vis-à-vis companies in which a shareholding relationship exists	3,094,390.41	
5. Miscellaneous tangible assets	4,021,553.68	
		10,814,454.31
III. Cash in hand, bank balances with credit institutions		
		35,632,599.85
		96,102,378.76
C. ACCRUALS AND DEFERRALS ITEMS		
		811,896.21
		277,516,405.91

LIABILITIES	31.12.2016	
	EUR	EUR
A. OWN CAPITAL		
I. Designated capital		500,000.00
II. Capital provisions		55,000.00
III. Provisions from profits		
1. Legally applicable provisions	1,421.00	
2. Other provisions from profits	<u>8,000,000.00</u>	
		8,001,421.00
IV. Concern balance profit		115,269.01
V. Shares of other shareholders		18,163,787.60
B. RIGHTS OF UTILISATION CAPITAL		41,361,249.00
C. PROVISIONS		-----
1. Provisions for tax	3,418,689.17	
2. Miscellaneous provisions	<u>1,849,512.35</u>	
		5,268,201.52
D. BINDING COMMITMENTS		
1. Loans and bonds	110,000,000.00	
2. Binding commitments vis-à-vis credit institutes	75,820,407.69	
3. Received payments from orders	8,828,260.15	
4. Binding commitments from supplies and services	3,176,553.49	
5. Binding commitments vis-à-vis other companies in which a shareholding relationship exists	305,195.17	
6. Miscellaneous binding commitments	<u>5,109,842.79</u>	
Including € 461,381.15 from tax		
		<u>203,240,259.29</u>
E. PASSIVE INVOICE ACCRUALS AND DEFERRALS ITEMS		-----
		314,180.97
F. PASSIVE LATENT TAXES		-----
		497,037.52

		<u>277,516,405.91</u>

5.1.2 Consolidated profit and loss statement for the 2016 financial year

	2016
	<u>EUR</u>
1. Sales revenues	
From house management	21,285,512.25
From sale of land or property	58,893,293.44
From other supplies and services	<u>957,105.01</u>
	81,135,910.70
2. Inventory reduction for land or property allocated for sale with completed or uncompleted structures as well as uncompleted services	-21,159,384.64
3. Miscellaneous business revenues	<u>365,245.81</u>
4. Overall performance	60,341,771.87
5. Expenses for received supplies and services	
a) Expenses for house management	9,503,638.22
b) Expenses for land or property for sale	14,597,935.57
c) Expenses for other supplies and services	<u>600,574.84</u>
	24,702,148.63
6. Raw result	35,639,623.24
7. Personnel expenses	
a) Wages and salaries	2,538,223.80
b) Social levies and expenses for old age pensions and support	<u>506,048.95</u>
	3,044,272.75
8. Depreciation	
a) on intangible inventory assets for the fixed assets and tangible assets	3,593,578.89
9. Miscellaneous operating expenses	
a) Official operating expenses	
aa) Room costs	42,375.54
ab) Insurances, contributions and levies	187,639.50
ac) Repairs and maintenance	125,675.01
ad) Vehicle costs	119,255.98
ae) Advertising costs and travel costs	135,873.27
af) Costs for goods out	1,014,017.06
ag) Various operating costs	2,798,363.64
b) Losses resulting from reductions or from the loss of inventory from the circulating assets and transfers in the value calculation for receivables	1,502,965.28
c) Miscellaneous expenses in the context of customary business activities	<u>2,968,503.44</u>
	8,894,668.72
10. Miscellaneous interest and similar revenues	7,631.13
11. Interest and similar expenses	7,810,812.20
12. Taxes on income and from revenue	3,821,603.64
13. Results after taxes	8,482,318.17
14. Miscellaneous taxes	<u>2,615.96</u>
15. Concern annual net income	8,479,702.21
16. Profit brought forward from previous year	112,129.38
17. Profit attributable to third party interests/other shareholders	476,562.58
18. Transfer to retained profit provisions	8,000,000.00
19. Retained profit	115,269.01

5.1.3 Consolidated notes for the 2016 financial year

General details regarding the concern consolidated financial statement

The concern consolidated financial statement of IMMOVATION Immobilien Handels AG as of 31 December 2016 was initially prepared by the Executive Board. IMMOVATION Immobilien Handels AG has its registered office in Kassel and is entered in the commercial register of the Kassel Local Court under HRB 6062.

The concern consolidated financial statement of IMMOVATION Immobilien Handels AG was prepared according to Articles 290 to 315 HGB (German Civil Code). The concern consolidated financial statement was prepared as of the reporting date of the parent company.

The concern consolidated financial statement complies with the legal requirements and generally accepted accounting principles and provides a true and fair view of the net assets, financial position and results of operations of the concern.

The concern consolidated financial statement consists of the consolidated balance sheet, the consolidated revenue statement, the appendix to the consolidated financial statements, the cash flow statement and the statement of amendments in equity.

Information and details which may appear either in the concern's balance sheet, the profit and loss account or in the appendices are all shown in the consolidated appendix.

The total cost method was selected for the concern consolidated profit and loss statement.

Scope of consolidation

In addition to IMMOVATION Immobilien Handels AG as the parent company, 17 domestic companies over which IMMOVATION Immobilien Handels AG can exert a direct or indirect controlling influence were included in the consolidated financial statements within the scope of full consolidation.

The following companies were not included in the consolidated financial statements as IMMOVATION Immobilien Handels AG cannot exercise a controlling influence either directly or indirectly:

- IMMOVATION Immobilien Handels AG & Co. 1. KG, Kassel
- IMMOVATION Immobilien Handels AG & Co. 2. KG, Kassel
- IMMOVATION Projektgesellschaft Kassel mbH & Co. 4. KG, Kassel

Furthermore:

- Adamietz & Bergmann Immobilien GbR, Kassel

was not included in the consolidated financial statements because IMMOVATION Immobilien Handels AG has no rights to retain profits and no controlling influence.

The non-consolidated subsidiaries have no essential, material influence on the net assets, financial position and results of operations of the concern, as both the absolute as well as the relative contributions - also in their entirety - are of minor significance within the concern. The insight into the net assets, financial position and results of operations will not be therefore impaired by this.

The following table indicates the required details according to Article 313 (2) HGB:

Company and registered office	Designated capital	Equity	Results for 2016
	%	Euro	Euro
Sister companies, fully consolidated (Article 313 (2) No. 1 HGB (German Commercial Code))			
Ex ante Beratungsgesellschaft in Liegenschaften mbH, Kassel	100.00	530,564.59	①
GLOBAL CONZEPT GmbH, Kassel	100.00	4,345,564.59	①
iCapital Consulting- & Vertriebsgesellschaft mbH, Kassel	100.00	230,000.00	①
IMMOVATION Fonds-Geschäftsführungs GmbH, Kassel	100.00	27,000.00	①
IMMOVATION Wohnungsbaugenossenschaft e.G., Kassel	99.90	1,522,726.14	-67,834.61
IMMOVATION Immobilien Handels AG & Co. 3. KG, Kassel	0.00		②476,562.58
IMMOVATION Projektgesellschaft Kassel mbH, Kassel	100.00	2,025,000.00	①
Immobilien-Projektgesellschaft Salamander-Areal Kornwestheim mbH, Kassel	100.00	13,958,000.00	①
IPSAK Energie GmbH, Kassel	100.00	7,175,000.00	①
Immobilien-Projekt Zanger Berg Heidenheim GmbH, Kassel	100.00	340,000.00	①
Immobilien-Projekt Höfe am Kaffeeberg, Kassel	100.00	645,000.00	①
Immobilien-Projekt Park Schönfeld Carree GmbH, Kassel	100.00	2,217,000.00	①
Immobilien-Projekt Baunsberg Baunatal GmbH, Kassel	100.00	25,000.00	①
IMMOKLES AG, Kassel	100.00	14,286,000.00	①
Immobilien-Projekt Lingner Altstadtgarten Dresden GmbH, Kassel	100.00	18,710,000.00	①
Immobilien-Projekt Hohe Geest GmbH, Kassel	100.00	8,355,000.00	①
Immobilien-Projekt Seeviertel GmbH, Kassel	100.00	2,555,000.00	①

①= There is a profit and loss transfer agreement with the capital companies

②= Third party outstanding profit

Unlimited liability shareholders (Article 313 (2) No. 6 HGB)
IMMOVATION Immobilien Handels AG & Co. 1. KG, Kassel
IMMOVATION Immobilien Handels AG & Co. 2. KG, Kassel
IMMOVATION Immobilien Handels AG & Co. 3. KG, Kassel
IMMOVATION Projektgesellschaft Kassel mbH & Co. 4. KG, Kassel
Adamietz & Bergmann Immobilien GbR, Kassel

Consolidation principle

The financial statements of the subsidiaries and joint ventures have been included in the consolidation and have been prepared in accordance with the statutory provisions using uniform accounting and valuation methods at IMMOVATION Immobilien Handels AG.

The concern consolidated financial statement was prepared as of the financial statement reporting date of the parent company.

The **capital consolidation** was executed according to Article 301 Paragraph 2 Sentence 1 in conjunction with Sentence 5 HGB according to the new evaluation method at the point in time in which the company became a sister company. A new evaluation was wavered as reliable historical values were at the time available with regard to the initial consolidation in accordance with Article 301 Paragraph 2 Sentence 3 HGB. All sister companies were founded by the parent company. The shareholding values correspond to the ordinary share capital of the sister company. Profit and loss transfer agreements exist for almost all sister companies.

The equity shares of consolidated sister companies attributable to minority shareholders, as well as the share of the annual result of the respective sister companies attributable to these minority shareholders, are shown within the equity under the adjustment item for minority interests.

Mutual debt obligations between the consolidated companies were consolidated as part of **debt consolidation**. The debt consolidation was executed according to Article 303 HGB. The valuation approach for assets from intra-group deliveries and supplies was adjusted for unrealised intermediate profits. Inter-company incomes and other inter company revenues have been offset against the corresponding expenses.

The positions relating to consolidated companies are eliminated in the compulsory disclosures on contingent liabilities pursuant to Article 251 HGB and other financial obligations pursuant to Article 285 No. 3 HGB.

Due to the initial obligation to prepare consolidated financial statements, no prior-year figures were disclosed in the consolidated financial statements and no interim results from transactions were eliminated prior to the date of initial consolidation in accordance with IDW RS HFA 44.

Elimination of "interim results" from transactions prior to the date of initial consolidation has been omitted (IDW RS HFA 44).

Accounting and evaluation methods

The provisions of Article 298 HGB as applicable to the consolidated financial statements were hereby observed. In addition to these provisions, the provisions and regulations of the shareholder act were observed.

The companies included in the consolidated financial statement generally apply uniform accounting and evaluation principles.

Purchased and acquired **intangible fixed assets** were implemented at procurement cost and, insofar as subject to wear and tear, reduced by scheduled depreciation.

Financial assets were evaluated to amortised procurement costs. Depreciations were assumed on a scheduled basis over the expected useful life. Fixed assets for financial assets procured during the fiscal year were depreciated in accordance with using the linear method. Economical assets with a lower value were written off in full in the year of acquisition.

Financial assets were valued at procurement cost. Depreciations to the lower fair value were assumed when the value reduction is permanent.

Property and land which was determined for sale and other inventories were valued at procurement and/or manufacturing costs.

Advance payments received for payment in advance for operating costs were openly deducted from inventories.

The **receivables and miscellaneous assets** were valued at their nominal value. Value adjustments were assumed for default and general credit risks.

Cash in hand and bank balances at credit institutes were valued at their nominal value.

Expenses prior to the balance sheet date were indicated as **active accruals and deferrals items** to the extent that they relate to expenses for a specific period after the balance sheet date. Discounts and one-off processing fees charged by lenders for the issue of loans, which jointly with the current interest rate represent an economically uniform fee for the provision of loans, were deferred on the basis of Article 250 (3) HGB and recorded as expenses over the term of the loans.

The **tax provisions** include taxes relating to the financial year and the previous year which have not yet been assessed.

The **miscellaneous provisions** will be created for all additional, unknown binding commitments. All identifiable risks will be considered accordingly. They are evaluated at their settlement amount, which is necessary according to reasonable commercial judgement.

Binding commitments are carried over at the settlement amount.

Revenues prior to the balance sheet date were indicated as **active accruals and deferrals items** insofar as they relate to expenses for a specific period after the balance sheet date.

Active and passive latent taxes are measured at the tax rates which are expected to apply in the reporting period in which the asset is realised or the respective debt is settled. These are executed on the basis of the tax rates or tax laws in force, or to be enacted at an upcoming date, with regard to the balance sheet date. The latent taxes will not be subjected to interest.

Active and passive latent taxes are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities are income taxes levied by the same taxation authority on the same taxable entity or tax group.

In order to prevent future fluctuations in value, the real estate portfolio of the current assets of the parent company in Hamm was written down to the lower future value. The write off value is Euro 1,100,000.00. Also included are expenses of exceptional significance for the reversal of broker commissions for the properties of Immobilien-Projekt Lingner Altstadtgarten Dresden GmbH and Immobilien-Projekt Hohe Geest GmbH amounting to Euro 2,934,250.00 in the previous year. Consolidation was waived due to the reversal.

Explanation of concern balance

Fixed assets

The breakdown and development of fixed assets is shown in the statement of changes in fixed assets. The fiscal year write off for every position in the concern balance is the concern statement of changes in fixed assets.

Receivables and miscellaneous tangible assets

The total amount of receivables with a residual maturity of more than one year are Euro 3,361,984.17.

Active accruals and deferrals items

The active accruals and deferrals items include a discount to the value of Euro 203,553.02. In addition, essential accruals and deferrals for insurance policies and commissions are reported.

The balance sheet equity of the concern comprises the share capital of IMMOVATION Immobilien Handels AG of Euro 500,000.00, the capital reserve of Euro 55,000.00, as well as the statutory reserve of Euro 1,421.00 and the other revenue reserves of Euro 8,000,000.00 as well as the consolidated balance sheet profit of Euro 115,269.01. This contains a concern consolidated profit to the value of Euro 112,129.38 carried over from the fiscal year 2015. There were no alterations in the capital reserves of the IMMOVATION Group in 2016. Euro 8,000,000.00 was entered in the other profit provisions. The development of concern consolidated equity is also shown in the consolidated statement of changes in equity.

The initial founding capital is divided into 250,000 owner shares with a nominal respective value of EUR 2.00 each.

The **profit participation capital** of the parent company is shown as a separate item in the balance sheet. The profit participation capital comprises three branches: The right to profit participation is entered in the right to participation register of the company. Investors and shareholders participate directly in the economic success of IMMOVATION Immobilien Handels AG by subscribing to profit participation rights. The duration of the right to participation in profit participation is generally indefinite. The termination of the participation in profit participation rights is executed by official termination. An ordinary official termination of the participation in profit participation rights may be both executed by the investor or by the issuer for the first time at the end of the minimum term. The termination notice will be up to one year. In the event of the issuing party's insolvency, the profit participation capital is liable for unsatisfied claims of the issuing party's creditors under the terms and conditions of the profit participation certificates. The participator in profit participation rights.

The following rights according to Article 160 Paragraph 1 No. 6 AktG were present in the fiscal year 2016:

Type of rights	Number of rights
Profit participation rights	4,136,125

The profit participation capital paid in as of the balance sheet date has the following minimum residual durations:

Residual duration	Amount in Euro
1 year	11,108,600.00
2 years	13,707,489.00
3 years	5,468,830.00
4 years	5,072,700.00
5 years	5,036,630.00
6 years	814,000.00
7 years	153,000.00
	<u>41,361,249.00</u>

Provisions

Tax provisions relate to the revenue taxes for the assessment years 2015 and 2016.

Miscellaneous provisions essentially include provisions for litigation costs, provisions for outstanding invoices, provisions for auditing and auditing costs and for personnel costs.

Binding commitments

Consolidate binding commitments level

The following representation indicates the residual duration and security rights of the binding commitments listed in the consolidated balance sheet.

Accounting position	Balance	Residual duration		
	31.12.2016	Up to 1 year	Between 1 and 5 years	Over 5 years
	Euro	Euro	Euro	Euro
Loans and bonds	110,000,000.00	0.00	65,000,000.00	45,000,000.00
Binding commitments vis-à-vis credit institutes	75,820,407.69	7,074,632.31	29,208,198.84	39,537,576.54
Received payments from orders	8,828,260.15	8,828,260.15	0.00	0.00
Binding commitments from supplies and services	3,176,553.49	3,176,553.49	0.00	0.00
Binding commitments vis-à-vis companies in which a shareholding relationship exists.	305,195.17	305,195.17	0.00	0.00
Miscellaneous binding commitments	5,109,842.79	5,109,842.79	0.00	0.00
Total	203,240,259.29	24,494,483.91	94,208,198.84	84,537,576.54

The total amount of binding commitments recognised in the balance sheet which are secured by liens or similar rights amounts to Euro 75,820,407.69. These are thereby binding commitments vis-à-vis credit institutes. Land charges are liable on the properties in accordance with the declaration of suretyship.

Furthermore, the binding commitments from the bonds and loans are fully secured by land charges on the following properties:

- in Kornwestheim, Stammheimer Straße
- in Salzgitter – Lebenstedt, security portfolio
- in Dresden, Lingnerallee, Pirnaische Straße and Zinzendorfstraße

Binding commitments for interest payments on the bonds or loans, which are deferred in the miscellaneous binding commitments, are fully secured by a fiduciary time deposit account.

Furthermore, the miscellaneous binding commitments also include the basic distribution attributable to the profit-sharing rights issued and the prospective profit participation.

Latent taxes

Latent or deferred taxes relate to temporary and quasi-permanent differences between the amounts of assets, liabilities and deferred revenue under commercial law and their tax base or value approaches.

The decisive revenue tax rate used to calculate deferred tax assets and liabilities consists of corporate income tax, the solidarity surcharge and trade tax. The corporate income tax rate, including the solidarity surcharge, is 15.83% and the trade tax rate is 15.40%. The decisive and applicable revenue tax rate is therefore 31.23 %. Latent and deferred tax liabilities in the amount of Euro 497,037.52 are therefore verified and reported on a net basis and include, among others, differences between the commercial law and tax law for value approaches of the subsidiaries.

The active latent taxes are made up as follows:

	Active latent taxes Euro	Passive latent taxes Euro	Balance in Euro
From the parent company; IMMOVATION Immobilien Handels AG			
Financial assets	97,924.13	0.00	97,924.13
From the subsidiary company: Immobilien- Projektgesellschaft Salamander-Areal Kornwestheim mbH			
Tangible assets	0.00	- 567,284.24	- 567,284.24
Financial assets	62.25	0.00	62.25
From the subsidiary company: IMMOVATION Projektgesellschaft Kassel mbH			
Tangible assets	0.00	- 9,605.12	- 9,605.12
Financial assets	0.00	- 18,161.63	- 18,161.63
From the subsidiary company: Immokles AG			
Financial assets	27.09	0.00	27.09
Total:	98,013.47	- 595,050.99	- 497,037.52
Accounting for passive surplus:			- 497,037.52

There were no existing asset value or liabilities in foreign currencies in the fiscal year.

Statement regarding the concern consolidated profit and loss accounting

Sales revenues

Sales revenues were recorded in accordance with the redefinition of Article 277 Paragraph 1 HGB in the version of BILRUG.

The sales revenues were divided as follows according to Article 285 4 HGB.

Area of activity	<u>Revenue TEuro</u>
From house management	21,285.5
From sale of property	58,893.3
From other supplies and services	957.1
	81,135.9

Miscellaneous operating expenses and expenses of exceptional significance

Miscellaneous operating expenses include unscheduled write-off to the value of TEuro 1,100.00 on the furniture and fixtures portfolio in Hamm. Also included are expenses of exceptional significance for the reversal of broker commissions for the properties of Immobilien-Projekt Lingner Altstadtgarten Dresden GmbH and Immobilien-Projekt Hohe Geest GmbH amounting to TEuro 2,934.00 in the previous year.

Taxes on income and from revenue

Taxes on income and revenue break down as follows:

	<u>2016 TEuro</u>
Current tax expenses/revenue (-):	3,324.5
Deferred tax expenses/revenue (-):	497.1
Total income tax expenses/revenue (-):	3,821.6

The reconciliation between actual and expected tax expenses is as follows:

	2016
	TEuro
Expected tax expenses/revenue (-) at an income tax rate of 31.23%	3,840.5
Non-deductible expenses	7.6
Non-deductible expenses for trade tax	199.1
effects for reduction value of fixed assets	-595.0
from non-concern effects	-127.6
Deferred tax expenses/revenue (-)	497.0
miscellaneous effects	0.0
Total revenue tax expense/revenue (-):	3,821.6

Contingent liabilities

The parent company and, where applicable, its subsidiaries have contractually agreed to co-liability vis-à-vis banks. The contingent liabilities exist in full vis-à-vis the parent company. The risk of recourse to the concern or its consolidated subsidiaries is classified as insignificant due to the creditworthiness and payment behaviour of the debtor. The presentation of liability within the fully consolidated companies was waived.

The following contingent liabilities exist in accordance with Article 251 HGB for companies not fully consolidated:

- Directly enforceable bank guarantees or bonds in the amount of Euro 700,000.00 in favour of Sparkasse Mecklenburg-Schwerin.

Miscellaneous financial obligations

There are no disclosures regarding miscellaneous financial obligations according to Article 285 No. 3a HGB.

Explanation regarding the cash flow statement

Cash and cash equivalents of TEuro 35,393.9 comprise cash and cash equivalents as of the balance sheet date as well as short-term bank liabilities.

Explanation regarding the company consolidated statement of changes in equity

The company consolidated equity generated does not include any amounts blocked from distribution.

Miscellaneous information

Name of the members of the Board of Directors and the Supervisory Board

The management of the parent company was executed by IMMOVATION Immobilien Handels AG. The following people belonged to the Management Board and/or Executive Board of this company:

Mr. Dipl.-Kfm. Lars Bergmann	Practised profession: Property merchant
Ms Lilia Nacke	Practised profession: Property merchant

In accordance with Article 314 Paragraph 3 Sentence 2 in conjunction with Article 286 Paragraph 4 HGB, the remuneration of the Management Board was not disclosed.

The following people were members of the Supervisory Board:

Ms Dr. Heidemarie Krüger	Chair Person	Personnel adviser
Mr Dipl.-Kfm. York Hilgenberg	Deputy Chair Person	Tax Consultant
Mr Stefan Griesel	Deputy Chair Person	Solicitor

The total remuneration of the Supervisory Board in the concern amounted to Euro 47,600.00 gross.

Auditor's fee

The total fee paid to the auditors amounted to TEuro 67 and relates to audit services for the annual financial statements as well as the consolidated financial statements.

Average number of employees employed during the fiscal year

The concern employed an average of 72 people during the fiscal year 2016. These are exclusively salaried employees.

Publication

The company final accounts for the fiscal year from 1 January 2016 to 31 December 2016 will be published in the Federal Gazette with exemption effect for the companies which are included in the concern consolidated final accounts. The sister companies and subsidiaries, with the exception of Immobilien-Projektgesellschaft Salamander-Areal Kornwestheim mbH, will take advantage of the exemption option from Article 264 Paragraph 3 HGB.

Appropriation of earnings

The Management Board of the parent company proposes to the Annual General Meeting that the result and earnings be carried forward to the new balance account.

Derivative for financial instruments

During the fiscal reporting year, derivative financial instruments (interest rate swaps, OTC interest rate derivatives) were utilised to hedge future payment flows from variable interest-related (Euribor) loans at IMMOVATION Immobilien Handels AG & Co. 3. KG Kassel.

Supplementary report

No events occurred after the finalisation of the accounts and the preparation of the financial statements which essentially influenced company's revenue, earnings, financial or fixed asset position.

Signature of Management Board

Kassel, dated 29 June 2017



Dipl.-Kim. Lars Bergmann



Lilia Nacke

IMMOVATION Immobilien Handels AG
development of the concern consolidated assets 2016

	Acquisition and manufacturing costs				
	Status 01.01.2016	Inputs from consolidation	Inputs	Outputs from consolidation	Outputs
	EURO	EURO	EURO	EURO	EURO
Intangible Assets					
1. Acquired concessions, industrial and commercial concessions	156,053.18	0.00	26,717.71	0.00	0.00
Total of intangible Assets	156,053.18	0.00	26,717.71	0.00	0.00
II. Tangible Assets					
1. Property and comparable property rights with residential structures	35,312,594.46	0.00	49,806,509.35	0.00	0.00
2. Property and comparable property rights business-	1,315,010.66	0.00	0.00	0.00	0.00
3. -technical plant, systems and machinery	8,738,391.90	0.00	0.00	0.00	0.00
4. Other plant, systems, operative and business facilities or equipment	1,453,691.49	0.00	94,916.80	0.00	9,069.32
5. Remitted payments and plants, systems under construction	484,000.00	0.00	83.00	0.00	0.00
Total of tangible assets	47,303,688.51	0.00	49,901,509.15	0.00	9,069.32
1. Shareholdings	177,197.00	0.00	3,612,900.00	0.00	0.00
Total of financial assets	177,197.00	0.00	3,612,900.00	0.00	0.00
Total of assets	47,636,938.69	0.00	53,541,126.86	0.00	9,069.32

Reposting Inputs	Status 31.12.2016	Accumulated Depreciations				Book value	
		Status 01.01.2016	Inputs	Outputs	Status 31.12.2016	Status 31.12.2016	Status 01.01.2016
			EURO	EURO			
0.00	182,770.89	104,390.68	25,931.71	0.00	130,322.39	52,448.50	51,662.50
0.00	182,770.89	104,390.68	25,931.71	0.00	130,322.39	52,448.50	51,662.50
35,113,332.58	120,232,436.39	1,895,844.45	1,170,127.23	0.00	3,065,971.68	117,166,464.71	33,416,750.01
51,691,168.13	53,006,178.79	50,923.43	1,793,815.65	0.00	1,844,739.08	51,161,439.71	1,264,087.23
0.00	8,738,391.90	1,195,894.90	438,579.00	0.00	1,634,473.90	7,103,918.00	7,542,497.00
0.00	1,539,538.97	532,859.97	165,125.30	2,126.32	695,858.95	843,680.02	920,831.52
0.00	484,083.00	0.00	0.00	0.00	0.00	484,083.00	484,000.00
86,804,500.71	184,000,629.05	3,675,522.75	3,567,647.18	2,126.32	7,241,043.61	176,759,585.44	43,628,165.76
0.00	3,790,097.00	0.00	0.00	0.00	0.00	3,790,097.00	177,197.00
0.00	3,790,097.00	0.00	0.00	0.00	0.00	3,790,097.00	177,197.00
86,804,500.71	187,973,496.94	3,779,913.43	3,593,578.89	2,126.32	7,371,366.00	180,602,130.94	43,857,025.26

5.1.4 Consolidated cash flow statement for the 2016 financial year

**Concern consolidated capital flow statement in
accordance with the principles of German Accounting
Standard No. 21 (DRS) (indirect method)**

	<u>2016</u> TEuro
Net profit for the period (including profit share from other shareholdings)	8,479.7
+ Depreciation for inventory assets from the fixed assets	3,593.6
+/- Increase / decrease in provisions (excluding revenue taxes)	868.9
+/- Decrease / increase in inventories (without reclassification into fixed assets)	18,402.2
+/- Decrease / increase in receivables	-873.8
+/- Decrease / increase in other active assets which cannot be assigned to investing or financing activities	514.9
+/- Increase / decrease in binding commitments from deliveries and services and received advance payments for orders	9,209.5
+/- Increase / decrease in other passive assets which cannot be assigned to investing or financing activities	442.3
- Profit from the disposal of objects from the fixed assets	-0.5
+ Interest expenses	7,810.8
- Income from interest	-7.6
+ Expenses / revenue of exceptional magnitude or exceptional importance	1,100.0
- Payments in conjunction with expenses with exceptional magnitude or exceptional importance	0.0
+ Revenue tax expenses	3,821.6
+/- Revenue tax payments	-73.7
= Cash flow from ongoing business activities	<u>53,288.0</u>
- Payments for investments in intangible assets	-26.7
+ Revenues from the disposal of objects from the fixed assets	9.1
- Payments for investments in fixed assets	-49,901.5
+ Received interest	7.6
- Payments for investments in financial fixed assets	-3,612.9
= Cash flow from investment activities	<u>-53,524.4</u>
+/- Revenues / payments from profit participation rights	-1,753.6
- Payments from equity reductions relating to non-controlling interests	-1,068.5
+ Revenues from the deletion of bonds and loans	45,000.0
+/- Revenues / payments from the repayment of (financial) loans or credits	-21,644.0
- Paid Interest	-7,810.8
- Dividends paid to limited partners	-476.6
= Cash flow from financing activities	<u>12,246.5</u>
Effective net amendment in cash and cash equivalents (total cash flows)	12,010.2
+ Cash and cash equivalents at the beginning of the period	<u>23,383.7</u>
= Cash and cash equivalents at the end of the period	<u>35,393.9</u>

5.1.5 Report by the auditor of the annual accounts

Based on the results of our audit, we have audited the concern consolidated financial statements of IMMOVATION Immobilien Handels AG, Kassel, for the year ended 31 December 2016, attached as Appendices I to V, and the concern management report for the year ended 31 December 2016, attached as Appendix VI, on 30 June 2017. We have issued the following unqualified auditor's opinion as of December 31, 2016, which is reproduced here:

"Independent Auditors' Report

We have audited the company consolidated financial statements prepared by IMMOVATION Immobilien Handels AG, Kassel, comprising the balance sheet, appendix, the income statement, the notes regarding the concern consolidated financial statements, the cash flow statement and the statement of amendments in equity, together with the concern management report for the fiscal year from 1 January to 31 December 2016. The preparation of the concern consolidated financial statements and the concern management report in accordance with German commercial law and supplementary provisions of the articles of incorporation is the responsibility of the parent company's management. Our responsibility is to express an opinion relating to the company consolidated financial statements and the concern management report based on our audit.

We conducted our audit of the concern consolidated financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and execute the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the concern consolidated financial statements in accordance with German principles of proper accounting and in the concern management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the concern and evaluations of possible misstatements are taken into account in the determination of audit procedures.

The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the concern consolidated financial statements and the concern management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in concern consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the concern consolidated financial statements and the concern management report. We are of the opinion that our audit provides a reasonable basis for our assessment.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the concern consolidated financial statements comply with the legal requirements and supplementary provisions of the shareholder agreement and provide a true and fair view of the net assets, financial position and results of operations of the concern in accordance with German principles of proper accounting. The concern management report is consistent with the concern consolidated financial statements, complies with the legal requirements and, as a whole, provides a suitable view of the concern's position and suitably presents the opportunities and risks of future development."

The above audit report has been prepared by us in accordance with legal requirements and generally accepted standards for the audit of financial statements (IDW PS 450).

The use of the above issued audit report for purposes outside this audit report is subject to the issuing of our prior approval.

The publication or dissemination of the concern annual financial statements and/ or concern management report in any other form differing from the certified version (including translation into other languages) requires our renewed approval and consent, insofar as our audit opinion is quoted or reference is made to our audit. We hereby refer to Article 328 HGB in this regard.

Baunatal, dated 30 June 2017


Jakob Wirtschaftsprüfung AG
Hans-Günter Jakob
Wirtschaftsprüfer



5.2 Consolidated financial statements at 31st December 2017

5.2.1 Consolidated balance sheet as at 31st December 2017

ASSETS	31.12.2017	31.12.2016
	EUR	EUR
A. ASSETS HELD		
I. Intangible Assets		
1. Concessions, industrial property rights and similar rights acquired for valuable consideration Rights and assets and licenses in such rights and assets	72,143.00	52,448.50
II. Tangible Assets		
1. Property and comparable property rights with residential buildings	120,476,796.47	117,166,464.71
2. Property and comparable property rights with business premises and other structures	54,688,409.71	51,161,439.71
3. Technical plant, systems and machinery	6,653,402.00	7,103,918.00
4. Other plant, systems, operative and business facilities or equipment	762,203.50	843,680.02
5. Remitted payments and plants, systems under construction	59,994.22	484,083.00
	<u>182,640,805.90</u>	<u>176,759,585.44</u>
III. Financial Assets		
1. Shareholdings	4,406,097.00	3,790,097.00
	<u>187,119,045.90</u>	<u>180,602,130.94</u>
B. CIRCULATING ASSETS		
I. For selling certain property and other stocks		
1. For construction projects currently underway	22,880,421.32	21,042,517.27
2. Property and comparable property rights with completed structures	34,115,439.94	34,294,519.34
3. Incomplete services for not yet calculated operating costs	6,665,389.17	4,980,896.95
4. Received payments from operating costs	<u>-12,655,447.23</u>	<u>-10,662,608.96</u>
	<u>51,005,803.20</u>	<u>49,655,324.60</u>
II. Receivables and miscellaneous tangible assets		
1. Receivables from rentals	774,306.29	364,218.55
2. Receivables from land and property sales	2,437,026.16	1,687,265.47
3. Receivables from other supplies and services	392,882.22	1,647,026.20
4. Receivables vis-à-vis companies in which a shareholding relationship exists	2,934,427.99	3,094,390.41
5. Miscellaneous tangible assets	4,581,283.94	4,021,553.68
	<u>11,119,926.60</u>	<u>10,814,454.31</u>
III. Cash in hand, bank balances with credit institutions	<u>19,361,721.32</u>	<u>35,632,599.85</u>
	<u>81,487,451.12</u>	<u>96,102,378.76</u>
C. ACCRUALS AND DEFERRALS ITEMS	<u>283,211.65</u>	<u>811,896.21</u>
	<u>268,889,708.67</u>	<u>277,516,405.91</u>

LIABILITIES	31.12.2017	31.12.2016
	EUR	EUR
A. OWN CAPITAL		
I. Designated capital	500,000.00	500,000.00
II. Capital provisions	55,000.00	55,000.00
III. Provisions from profits		
1. Legally applicable provisions	1,421.00	1,421.00
2. Other provisions from profits	<u>11,500,000.00</u>	<u>8,000,000.00</u>
	11,501,421.00	8,001,421.00
IV. Concern balance profit	188,404.32	115,269.01
V. Shares of other shareholders	17,360,248.91	18,163,787.60
B. RIGHTS OF UTILISATION CAPITAL	34,685,349.00	41,361,249.00
C. PROVISIONS		
1. Provisions for tax	0.00	3,418,689.17
2. Miscellaneous provisions	<u>1,047,232.18</u>	<u>1,849,512.35</u>
	1,047,232.18	5,268,201.52
D. BINDING COMMITMENTS		
1. Loans and bonds	110,000,000.00	110,000,000.00
2. Binding commitments vis-à-vis credit institutes	76,429,559.55	75,820,407.69
3. Received payments from orders	6,767,226.09	8,828,260.15
4. Binding commitments from supplies and services	3,025,984.77	3,176,553.49
5. Binding commitments vis-à-vis companies in which a shareholding relationship exists	14,845.31	305,195.17
6. Miscellaneous binding commitments Including € 461,381.15 from tax (previous year): T€ 461) Thereof social security € 342.85 (previous year T€ 4)	<u>6,297,682.39</u>	<u>5,109,842.79</u>
	<u>202,535,298.11</u>	<u>203,240,259.29</u>
E. PASSIVE INVOICE ACCRUALS AND DEFERRALS ITEMS	<u>273,325.70</u>	<u>314,180.97</u>
F. PASSIVE LATENT TAXES	<u>743,429.45</u>	<u>497,037.52</u>
	<u>268,889,708.67</u>	<u>277,516,405.91</u>

5.2.2 Consolidated profit and loss statement for the 2017 financial year

	2017 EUR	2016 EUR
1. Sales revenues		
From house management	22,477,040.58	21,285,512.25
From sale of land or property	28,454,499.27	58,893,293.44
From other supplies and services	<u>1,454,341.08</u>	<u>957,105.01</u>
	52,385,880.93	81,135,910.70
2. Increasing/decreasing the Inventory for land or property allocated for sale with completed or uncompleted structures as well as uncompleted services	1,658,824.65	-21,159,384.64
3. Other own active services provided	4,566,845.02	0.00
4. Miscellaneous business revenues	<u>701,598.92</u>	<u>365,245.81</u>
5. Overall performance	59,313,149.52	60,341,771.87
6. Expenses for received supplies and services a) Expenses for house management	7,971,332.53	9,503,638.22
b) Expenses for land or property for sale	26,277,401.31	14,597,935.57
c) Expenses for other supplies and services	<u>564,187.37</u>	<u>600,574.84</u>
	34,812,921.21	24,702,148.63
7. Raw result	24,500,228.31	35,639,623.24
8. Personnel expenses		
a) Wages and salaries	2,813,857.07	2,538,223.80
b) Social levies and expenses for old age pensions and support	<u>613,291.39</u>	<u>506,048.95</u>
	3,427,148.46	3,044,272.75
9. Depreciations		
a) on intangible fixed assets and tangible fixed assets	4,518,176.69	3,593,578.89
10. Miscellaneous operating expenses		
a) Official operating expenses		
aa) Room costs	26,640.18	42,375.54
ab) Insurances, contributions and levies	145,494.67	187,639.50
ac) Repairs and maintenance	116,779.14	125,675.01
ad) Vehicle costs	131,855.81	119,255.98
ae) Advertising costs and travel costs	87,704.70	135,873.27
af) Costs for goods out	375,665.20	1,014,017.06
ag) Various operating costs	1,086,972.37	2,798,363.64
ah) Losses arising from the disposal of property, plant, systems and equipment from the fixed assets	11,625.57	0.00
b) Losses from value reduction or from the disposal of current assets and transfers to the income statement Value calculation for receivables	77,017.14	1,502,965.28
c) Miscellaneous expenses in the context of customary business activities	<u>186,020.33</u>	<u>2,968,503.44</u>
	2,245,775.11	8,894,668.72
11. Revenues from other bonds, securities and loans		
For the financial assets	45,752.09	0.00
12. Miscellaneous interest and similar revenues	5,662.04	7,631.13
13. Interest and similar expenses	8,399,476.53	7,810,812.20
14. Taxes on income and from revenue	1,759,276.43	3,821,603.64
15. Results after taxes	4,201,789.22	8,482,318.17
16. Miscellaneous taxes	<u>2,371.06</u>	<u>2,615.96</u>
17. Concern annual net income	4,199,418.16	8,479,702.21
18. Profit brought forward from previous year	115,269.01	112,129.38
19. Minority interests in third parties/other shareholdings		
Due profit	626,282.85	476,562.58
20. Transfer to retained profit provisions	3,500,000.00	8,000,000.00
21. Concern balance profit	188,404.32	115,269.01

5.2.3 Consolidated notes for the 2017 financial year

General details regarding the concern consolidated financial statement

The concern consolidated financial statement of IMMOVATION Immobilien Handels AG as of 31 December 2017 was prepared by the Executive Board. IMMOVATION Immobilien Handels AG has its registered office in Kassel and is entered in the commercial register of the Kassel Local Court under HRB 6062.

The concern consolidated financial statement of IMMOVATION Immobilien Handels AG was prepared according to Articles 290 to 315 HGB (German Civil Code). The concern consolidated financial statement was prepared as of the reporting date of the parent company.

The concern consolidated financial statement complies with the legal requirements and generally accepted accounting principles and provides a true and fair view of the net assets, financial position and results of operations of the concern.

The concern consolidated financial statement consists of the consolidated balance sheet, the consolidated income statement, the appendix to the consolidated financial statements, the cash flow statement and the statement of changes in equity.

Information and details which may appear either in the concern's balance sheet, the profit and loss account or in the appendices are all shown in the consolidated appendix.

The total cost method was selected for the concern consolidated profit and loss statement.

Scope of consolidation

In addition to IMMOVATION Immobilien Handels AG as the parent company, 17 domestic companies over which IMMOVATION Immobilien Handels AG can exert a direct or indirect controlling influence were included in the consolidated financial statements within the scope of full consolidation. IMMOVATION Immobilien Handels AG & Co. 3. KG Kassel was included as managing director and general partner of IMMOVATION Immobilien Handels AG due to the controlling influence of IMMOVATION Fonds-Geschäftsführungs GmbH.

The following companies were not included in the consolidated financial statements as IMMOVATION Immobilien Handels AG cannot exercise a controlling influence either directly or indirectly:

- IMMOVATION Immobilien Handels AG & Co. 1. KG, Kassel
- IMMOVATION Immobilien Handels AG & Co. 2. KG, Kassel
- IMMOVATION Projektgesellschaft Kassel mbH & Co. 4. KG, Kassel

Furthermore:

- Adamietz & Bergmann Immobilien GbR, Kassel

was not included in the consolidated financial statements because IMMOVATION Immobilien Handels AG has no rights to retain profits and no controlling influence.

The non-consolidated sister companies have no essential, material influence on the net assets, financial position and results of operations of the concern, as both the absolute as well as the relative contributions - also in their entirety - are of minor significance within the concern. The insight into the net assets, financial position and results of operations will not be

The following table indicates the required details according to Article 313 (2)

Company and registered office	Designated capital	Equity	Results for 2017
	%	Euro	Euro
Sister companies, fully consolidated (Article 313 (2) No. 1 HGB (German Commercial Code))			
Ex ante Beratungsgesellschaft in Liegenschaften mbH, Kassel	100.00	425,564.59	①
GLOBAL CONZEPT GmbH, Kassel	100.00	3,345,564.59	①
iCapital Consulting- & Vertriebsgesellschaft mbH, Kassel	100.00	253,024.90	①
IMMOVATION Fonds-Geschäftsführungs GmbH, Kassel	100.00	27,000.00	①
IMMOVATION Wohnungsbaugenossenschaft e.G., Kassel	99.90	1,575,968.15	53,467.76
IMMOVATION Immobilien Handels AG & Co. 3. KG, Kassel	0.00		②626,282.85
IMMOVATION Projektgesellschaft Kassel mbH, Kassel	100.00	3,375,000.00	①
Immobilien-Projektgesellschaft Salamander-Areal Kornwestheim mbH, Kassel	100.00	15,525,000.00	①
IPSAK Energie GmbH, Kassel	100.00	7,175,000.00	①
Immobilien-Projekt Zanger Berg Heidenheim GmbH, Kassel	100.00	25,000.00	①
Immobilien-Projekt Höfe am Kaffeeberg, Kassel	100.00	2,105,000.00	①
Immobilien-Projekt Park Schönfeld Carree GmbH, Kassel	100.00	5,217,000.00	①
Immobilien-Projekt Baunsberg Baunatal GmbH, Kassel	100.00	25,000.00	①
IMMOKLES AG, Kassel	100.00	16,286,000.00	①
Immobilien-Projekt Lingner Altstadtgarten Dresden GmbH, Kassel	100.00	20,910,000.00	①
Immobilien-Projekt Hohe Geest GmbH, Kassel	100.00	8,355,000.00	①
Immobilien-Projekt Seeviertel GmbH, Kassel	100.00	2,555,000.00	①

①= There is a profit and loss transfer agreement with the capital companies

②= Third party outstanding profit

Unlimited liability shareholders (Article 313 (2) No. 6 HGB)			
IMMOVATION Immobilien Handels AG & Co. 1. KG, Kassel			
IMMOVATION Immobilien Handels AG & Co. 2. KG, Kassel			
IMMOVATION Immobilien Handels AG & Co. 3. KG, Kassel			
IMMOVATION Projektgesellschaft Kassel mbH & Co. 4. KG, Kassel	94.9	3,994,900.00	108,345.10
Adamietz & Bergmann Immobilien GbR, Kassel			

Consolidation principle

The financial statements of the subsidiaries and joint ventures have been included in the consolidation and have been prepared in accordance with the statutory provisions using uniform accounting and valuation methods at IMMOVATION Immobilien Handels AG.

The concern consolidated financial statement was prepared as of the financial statement reporting date of the parent company.

The **capital consolidation** was executed according to Article 301 Paragraph 2 Sentence 1 in conjunction with Sentence 5 HGB according to the new evaluation method at the point in time in which the company became a sister company. A revaluation at the time of initial inclusion in accordance with Article 301 Paragraph 2 Sentence 3 HGB was waived as reliable historical valuations were available. All sister companies were founded by the parent company. The investment and shareholding values correspond to the share capital of the subsidiaries. Profit and loss transfer agreements exist for almost all sister companies.

The equity shares of consolidated sister companies attributable to minority shareholders, as well as the share of the annual result of the respective sister companies attributable to these minority shareholders, are shown within the equity under the adjustment item for minority interests.

Mutual debt obligations between the consolidated companies were consolidated as part of debt consolidation. The debt consolidation was executed according to Article 303 HGB. The valuation approach for assets from intragroup deliveries and supplies was adjusted for unrealised intermediate profits. Inter-company incomes and other inter company revenues have been offset against the corresponding expenses.

The mandatory details relating to consolidated companies are eliminated in the compulsory disclosures on contingent liabilities pursuant to Article 251 HGB and miscellaneous financial obligations pursuant to Article 285 No. 3 HGB.

Elimination of "interim results" from transactions prior to the date of initial consolidation was hereby omitted (IDW RS HFA 44).

Accounting and evaluation methods

The provisions of Article 298 HGB as applicable to the consolidated financial statements were hereby observed. In addition to these provisions, the provisions and regulations of the shareholder act were observed.

The companies included in the concern consolidated financial statement generally apply uniform accounting and evaluation principles.

Purchased and acquired **intangible fixed assets** were implemented at procurement cost and, insofar as subject to wear and tear, reduced by scheduled depreciation.

Financial assets were evaluated to amortised procurement costs. Depreciations were assumed on a scheduled basis over the expected useful life. Fixed assets for financial assets procured during the fiscal year were depreciated in accordance with using the linear method. Economical assets with a lower value were written off in full in the year of acquisition.

Financial assets were valued at procurement cost. Depreciations to the lower fair value were assumed when the value reduction is permanent.

Property and land which was determined for sale and other inventories were valued at procurement and/or manufacturing costs.

Third-party capital interests were not included in the manufacturing and/or sales costs for any balance sheet position.

Advance payments received for payment in advance for operating costs were openly deducted from inventories.

The **receivables and miscellaneous fixed assets** were valued at their nominal value. Value adjustments were assumed for default and general credit risks.

Cash in hand and bank balances at credit institutes were valued at their nominal value.

Expenses prior to the balance sheet date were indicated as **active accruals and deferrals items** to the extent that they relate to expenses for a specific period after the balance sheet date. Discounts as well as one-off processing fees charged by lenders for the issue of loans, which jointly with the current interest rate represent an economically uniform fee for the provision of loans, were deferred on the basis of Article 250 (3) HGB and recorded as expenses over the term of the loans.

The **miscellaneous provisions** will be created for all additional, unknown binding commitments. All identifiable risks were considered accordingly. They are evaluated at their settlement amount, which is necessary according to reasonable commercial judgement.

Binding commitments are carried over at the settlement amount.

Revenues prior to the balance sheet date were indicated as **active accruals and deferrals items** insofar as they relate to expenses for a specific period after the balance sheet date.

Active and passive latent taxes are measured at the tax rates which are expected to apply in the reporting period in which the asset is realised or the respective debt is settled. These are executed on the basis of the tax rates or tax laws in force, or to be enacted at an upcoming date, with regard to the balance sheet date. Deferred and latent taxes are not subject to interest.

Active and passive latent taxes are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities are income taxes levied by the same taxation authority on the same taxable entity or tax group.

Explanation of concern balance

Fixed assets

The breakdown and development of fixed assets is shown in the statement of changes in fixed assets. The fiscal year write off for every position in the concern balance is the concern statement of changes in fixed assets.

Receivables and miscellaneous tangible assets

The total amount of receivables with a residual maturity of more than one year are 2,332,986.80 Euro (in previous year Euro 3,361,984.17)

Active accruals and deferrals items

The active accruals and deferrals items include a discount to the value of Euro 152,058.02 (in previous year Euro 203,553.02) In addition, essential accruals and deferrals for insurance policies and commissions are reported. The balance sheet **equity** of the concern comprises the share capital of IMMOVATION Immobilien Handels AG of Euro 500,000.00, the capital reserve of Euro 55,000.00, as well as the statutory reserve of Euro 1,421.00 and the other revenue reserves of Euro 11,500,000.00 (in previous year 8,000,000.00) and the concern consolidated balance sheet profit of Euro 188,404.32 (in previous year Euro 115,269.01) This contains a concern consolidated profit to the value of Euro 115,269.01 carried over from the fiscal year 2016. There were no amendments in the capital reserves, the share capital or the statutory reserve in the IMMOVATION Group in 2017. Euro 3,500,000.00 was entered in the other profit provisions. The development of concern consolidated equity is also shown in the consolidated statement of changes in equity.

The initial founding capital is divided into 250,000 owner shares with a nominal respective value of EUR 2.00 each.

The **profit participation capital** of the parent company is shown as a separate item in the balance sheet. The profit participation capital comprises three branches: The right to profit participation is entered in the right to participation register of the company. Investors and shareholders participate directly in the economic success of IMMOVATION Immobilien Handels AG by subscribing to profit participation rights. The duration of the right to participation in profit participation is generally indefinite. The termination of the participation in profit participation rights is executed by official termination. An ordinary official termination of the participation in profit participation rights may be initially both executed by the investor or also by the issuer at the end of the minimum term. The termination notice will be up to one year. In the event of the issuing party's insolvency, the profit participation capital is liable for unsatisfied claims of the issuing party's creditors under the terms and conditions of the profit participation certificates. The right to profit participation participant therefore takes precedence over the advance satisfaction of all creditors.

The following rights according to Article 160 Paragraph 1 No. 6 AktG were present in the fiscal year 2017:

Type of rights	Number of rights
Profit participation rights	3,468,535

The profit participation capital paid in as of the balance sheet date has the following minimum residual durations:

Residual duration	Amount in Euro
1 year	7,987,239.00
2 years	10,601,450.00
3 years	5,183,330.00
4 years	5,062,700.00
5 years	5,011,630.00
6 years	839,000.00
	<u>34,685,349.00</u>

Provisions

Miscellaneous provisions essentially include provisions for litigation costs, provisions for outstanding invoices, provisions for auditing and auditing costs and for personnel costs.

Binding commitments

Consolidate binding commitments level

The following representation indicates the residual duration and security rights of the binding commitments listed in the consolidated balance sheet.

Accounting position	Balance	Residual duration		
		Up to 1 year	Between 1 and 5 years	Over 5 years
	31.12.2017			
	Euro	Euro	Euro	Euro
Loans and bonds	110,000,000.00 (110,000,000.00)	0.00 (0.00)	65,000,000.00 (65,000,000.00)	45,000,000.00 (45,000,000.00)
Binding commitments vis-à-vis credit institutes	76,429,559.55 (75,820,407.69)	7,356,104.70 (7,074,632.31)	27,739,747.65 (29,208,198.84)	41,333,707.20 (39,537,576.54)
Received payments from orders	6,767,226.09 (8,828,260.15)	6,767,226.09 (8,828,260.15)	0.00 (0.00)	0.00 (0.00)
Binding commitments from supplies and services	3,025,984.77 (3,176,553.49)	3,025,984.77 (3,176,553.49)	0.00 (0.00)	0.00 (0.00)
Binding commitments vis-à-vis companies in which a shareholding relationship exists	14,845.31 (305,195.17)	14,845.31 (305,195.17)	0.00 (0.00)	0.00 (0.00)
Miscellaneous binding commitments	6,297,682.39 (5,109,842.79)	6,297,682.39 (5,109,842.79)	0.00 (0.00)	0.00 (0.00)
Total	202,535,298.11 (203,240,259.29)	23,461,843.26 (24,494,483.91)	92,739,747.65 (94,208,198.84)	86,333,707.20 (84,537,576.54)

The figures in brackets relate to those from the previous year's values.

The total amount of binding commitments recognised in the balance sheet, which are secured by liens or similar rights, amounts to Euro 76,429,559.55 (in previous year Euro 75,820,407.69). These are thereby regarded as binding commitments vis-à-vis credit institutes. Land charges are liable on the properties in accordance with the declaration of suretyship.

Furthermore, the binding commitments from the bonds and loans are fully secured by land charges on the following properties:

- in Kornwestheim, Stammheimer Straße
- in Salzgitter – Lebenstedt, security portfolio
- in Dresden, Lingnerallee, Pirnaische Straße and Zinzendorfstraße

Binding commitments for interest payments on the credit in Kornwestheim, Stammheimer Strasse, which are deferred in miscellaneous binding commitments, are fully secured by a fiduciary fixed-term deposit account.

Furthermore, the miscellaneous binding commitments also include the basic distribution attributable to the profit participation rights issued and the prospective profit participation.

Latent taxes

Latent or deferred taxes relate to temporary and quasi-permanent differences between the amounts of assets, liabilities and deferred income under commercial law and their tax base or value approaches.

The decisive revenue tax rate used to calculate deferred tax assets and liabilities consists of corporate income tax, the solidarity surcharge and trade tax. The corporate income tax rate, including the solidarity surcharge, is 15.83% and the trade tax rate is 15.40 %. The decisive and applicable revenue tax rate is therefore 31.23 %. Deferred and latent tax liabilities amounting to Euro 743,429.45 (in previous year Euro 497,037.52) are therefore verified and reported on a net basis and include, among others, differences between the commercial law and tax law for value approaches of the subsidiaries.

The active latent taxes are made up as follows:

Latent taxes	Active Euro	Passive Euro	Balance Euro
From the parent company: IMMOVATION Immobilien Handels AG			
Financial assets	120,574.73	0.00	120,574.73
From the subsidiary company: Immobilien-Projekt- gesellschaft Salamander-Areal Kornwestheim mbH			
Tangible assets	0.00	-1,161,120.67	-1,161,120.67
Financial assets	62.25	0.00	62.25
From the subsidiary company: IMMOVATION Projektgesellschaft Kassel mbH			
Tangible assets	0.00	-19,210.24	-19,210.24
From the subsidiary company: Immokles AG			
Financial assets	27.09	0.00	27.09
From elimination of intermediate profits	230,670.95	0.00	230,670.95
From loss carried forwards	85,566.44	0.00	85,566.44
Total:	436,901.46	- 1,180,330.91	-743,429.45
Accounting for passive surplus:			-743,429.45

There were no existing asset value or liabilities in foreign currencies in the fiscal year.

Statement regarding the concern consolidated profit and loss accounting

Sales revenues

The sales revenues were divided as follows according to Article 285 4 HGB.

Field of activity	2017 <u>TEuro</u>	2016 <u>TEuro</u>
From house management	22,477.0	21,285.5
From sale of property	28,454.5	58,893.3
From other supplies and services	1,454.3	957.1
	52,385.8	81,135.9

The amendment in inventories relates to construction projects:

- Project "Park Schönfeld Carree" in Kassel
- Project "Höfe am Kaffeberg" in Ludwigsburg
- Project "Lingner Altstadtgarten Dresden" in Dresden
- Project "Frankenstraße" in Kassel
- Project "Hohe Geest" in Cuxhaven and Delmenhorst

Taxes on income and from revenue

Taxes on income and revenue break down as follows:

	2017	2016
	TEuro	TEuro
Current tax expenses/revenue (-):	1,512.9	3,324.5
Deferred tax expenses/revenue (-):	246.4	497.1
Total revenue tax expense/revenue (-):	1,759.3	3,821.6

The reconciliation between actual and expected tax expenses is as follows:

	2017	2016
	TEuro	TEuro
Expected tax expense/revenue (-) at an revenue tax rate from 31.23 %	1,861.6	3,840.5
Non-deductible expenses	7.5	7.6
Trade tax effect	224.6	199.1
Value reduction for fixed assets	-386.8	-595.0
Third-party company effects	-212.3	-127.6
Deferred tax expense/revenue (-)	246.4	497.1
Miscellaneous effects	18.3	0.0
Total revenue tax expense/revenue (-):	1,759.3	3,821.6

Contingent liabilities

The parent company and its subsidiaries have contractually agreed to joint liability vis-à-vis banks. The contingent liabilities exist in full vis-à-vis the parent company. The risk of recourse against the concern, or with regard to its consolidated subsidiaries, is considered insignificant due to the creditworthiness and payment behaviour of the debtor. The presentation of the liability within the fully consolidated companies was waived.

The following contingent liabilities exist in accordance with Article 251 HGB for companies not fully consolidated:

- Directly enforceable bank guarantee in the amount of Euro 700,000.00 in favour of Sparkasse Mecklenburg-Schwerin.

Miscellaneous financial obligations

There are no disclosures regarding miscellaneous financial obligations according to Article 285 No. 3a HGB.

Explanation regarding the cash flow statement

The financially-related funds of TEuro 19,361.8 (in previous year TEuro 35,393.9) comprise cash and cash equivalents as of the balance sheet date as well as short-term bank liabilities.

Explanation regarding the company consolidated statement of changes in equity

The company consolidated equity generated does not include any amounts blocked from distribution.

Publication

The concern consolidated financial statements for the fiscal year from 1 January 2017 to 31 December 2017 are published with exempting effect for the companies included in the concern consolidated financial statements in the Federal Gazette. The subsidiaries, with the exception of Immobilien-Projektgesellschaft Salamander-Areal Kornwestheim mbH, make use of the exemption option under Article 264 Paragraph 3 HGB.

Appropriation of earnings

The Management Board of the parent company proposes to the Annual General Meeting that the result and earnings be carried forward to the new balance account.

Derivative for financial instruments

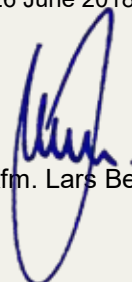
During the fiscal reporting year, derivative financial instruments (interest rate swaps, OTC interest rate derivatives) were used to hedge future cash flows from variable interest-related (Euribor) loans at IMMOVATION Immobilien Handels AG & Co. 3. KG, Kassel. A provision (€ 69,906.58) was created for the negative time value of the derivatives.

Supplementary report

No events occurred after the finalisation of the accounts and the preparation of the concern consolidated financial statements which had a material influence on the company's revenue, earnings, financial or fixed asset position.

Signature of the Board of Directors

Kassel, dated 26 June 2018



Mr Dipl.-Kfm. Lars Bergmann

IMMOVATION Immobilien Handels AG
development of the concern consolidated assets 2017

	Acquisition and manufacturing costs				
	Status 01.01.2017	Inputs from consolidation	Inputs	Outputs from consolidation	Outputs
	<u>EURO</u>	<u>EURO</u>	<u>EURO</u>	<u>EURO</u>	<u>EURO</u>
Intangible Assets					
1. Acquired concessions, industrial and commercial concessions	182,770.89	0.00	56,710.76	0.00	9,968.44
Total of intangible Assets	182,770.89	0.00	56,710.76	0.00	9,968.44
II. Tangible Assets					
1. Property and comparable property rights with residential structures	120,232,436.39	0,00	6,420,838.00	733,238.00	872,628.85
2. Property and comparable property rights business-	53,006,178.79	0,00	5,387,298.82	0,00	0,00
3. -technical plant, systems and machinery	8,738,391.90	0,00	0,00	0,00	24,621.27
4. Other plant, systems, operative and business facilities or equipment	1,539,538.97	0,00	97,370.37	0,00	81,888.56
5. Remitted payments and plants, systems under construction	484,083.00	0,00	2,059,994.22	2,000,000.00	0,00
Total of tangible assets	184,000,629.05	0.00	13,965,501.41	2,733,238.00	979,138.68
1. Shareholdings	3,790,097.00	0.00	614,000.00	0.00	-2,000.00
Total of financial assets	3,790,097.00	0.00	614,000.00	-2,000.00	0.00
Total of assets	187,973,496.94	0.00	14,636,212.17	2,731,238.00	989,107.12

Reposting		Accumulated Depreciations				Book value	
Inputs	Status 31.12.2017	Status 01.01.2017	Inputs	Outputs	Status 31.12.2017	Status 31.12.2017	Status 01.01.2017
<u>EURO</u>	<u>EURO</u>	<u>EURO</u>	<u>EURO</u>	<u>EURO</u>	<u>EURO</u>	<u>EURO</u>	<u>EURO</u>
0.00	229,513.21	130,322.39	37,008.76	9,960.94	157,370.21	72,143.00	52,448.50
0.00	229,513.21	130,322.39	37,008.76	9,960.94	157,370.21	72,143.00	52,448.50
484,083.00	125,531,490.54	3,065,971.68	2,007,027.24	18,304.85	5,054,694.07	120,476,796.47	117,166,464.71
0.00	58,393,477.61	1,844,739.08	1,860,328.82	0.00	3,705,067.90	54,688,409.71	51,161,439.71
0.00	8,713,770.63	1,634,473.90	437,274.00	11,379.27	2,060,368.63	6,653,402.00	7,103,918.00
0.00	1,555,020.78	695,858.95	176,537.87	79,579.54	792,817.28	762,203.50	843,680.02
-484,083.00	59,994.22	0.00	0.00	0.00	0.00	59,994.22	484,083.00
0.00	194,253,753.78	7,241,043.61	4,481,167.93	109,263.66	11,612,947.88	182,640,805.90	176,759,585.44
0.00	4,406,097.00	0.00	0.00	0.00	0.00	4,406,097.00	3,790,097.00
0.00	4,406,097.00	0.00	0.00	0.00	0.00	4,406,097.00	3,790,097.00
0.00	198,889,363.99	7,371,366.00	4,518,176.69	119,224.60	11,770,318.09	187,119,045.90	180,602,130.94

5.2.4 Consolidated cash flow statement for the 2017 financial year

Concern consolidated capital cash flow accounting in accordance with the principles of German Accounting Standard No. 21 (DRS) (indirect method)

	2017	2016	Amendment
	TEuro	TEuro	TEuro
Net profit for the period (including profit share from other shareholdings)	4,199.4	8,479.7	-4,280.3
+ Depreciation for inventory assets from the fixed assets	4,518.2	3,593.6	924.6
+/- Increase / decrease in provisions (without revenue taxes)	-802.3	868.9	-1,671.2
+/- Decrease / increase in inventories (without reclassification into the fixed assets)	-1,350.5	18,402.2	-19,752.7
+/- Decrease / increase in receivables	254.3	-873.8	1,128.1
+/- Decrease / increase in other assets which cannot be assigned to investing or financing activities	514.4	514.9	-0.5
+/- Increase / decrease in binding commitments from supplies and services and received advance payments for orders	-2,211.6	9,209.5	-11,421.1
+/- Increase / decrease other passive assets, which are not attributable to investing or financing activities	856.6	442.3	414.3
- Profit from the disposal of objects from the fixed assets	0.0	-0.5	0.5
+ Profit from the disposal of objects from the fixed assets	11.6	0.0	11.6
+ Interest expenses	8,399.5	7,810.8	588.7
- Income from interest	-5.7	-7.6	1.9
+ Expenses / revenue of exceptional magnitude or exceptional importance	0.0	1,100.0	-1,100.0
- Payments in connection with expenses of exceptional magnitude or exceptional importance	0.0	0.0	0.0
+ Revenue tax expenses	1,759.3	3,821.6	-2,062.3
+/- Revenue tax payments	-5,477.0	-73.7	-5,403.3
= Cash flow from ongoing business activities	10,666.2	53,288.0	-42,621.8
- Payments for investments in intangible assets, receipts resulting from disposals of objects from the tangible assets	-56.7	-26.7	-30.0
	0.0	9.1	-9.1
- Payments for investments in fixed assets	-10,373.9	-49,901.5	39,527.6
+ Received interest	5.7	7.6	-1.9
- Payments for investments in financial fixed assets	-616.0	-3,612.9	2,996.9
= Cash flow from investment activities	-11,040.9	-53,524.4	42,483.5
+/- Revenues / payments from profit participation rights	-6,675.9	-1,753.6	-4,922.3
- Payments from equity reductions relating to non-controlling interests	-803.5	-1,068.5	265.0
+ Revenues from the deletion of bonds and loans	0.0	45,000.0	-45,000.0
+/- Revenues / payments from the repayment of (financial) loans or credits	847.9	-21,644.0	22,491.9
- Paid Interest	-8,399.5	-7,810.8	-588.7
- Dividends paid to limited partners	-626.3	-476.6	-149.7
= Cash flow from financing activities	-15,657.3	12,246.5	-27,903.8
Effective net amendment in cash and cash equivalents (total cash flows)	-16,032.0	12,010.2	-28,042.2
+ Cash and cash equivalents at the beginning of the period	35,393.8	23,383.6	12,010.2
= Cash and cash equivalents at the end of the period	19,361.8	35,393.8	16,032.0

5.2.5 Report by the auditor of the annual accounts

Based on the results of our audit, we have audited the concern consolidated financial statements of IMMOVATION Immobilien Handels AG, Kassel on 26 July 2018 for the year ended 31 December 2017, attached as Appendices I to V, and for the concern management report for the year ended 31 December 2016, attached as Appendix VI. We have issued the following unqualified auditor's opinion as of December 31, 2017, which is reproduced here:

"Independent Auditors' Report

We have audited the company consolidated financial statements prepared by IMMOVATION Immobilien Handels AG, Kassel, comprising the balance sheet, appendix, the revenue statement, the notes regarding the concern consolidated financial statements, the cash flow statement and the statement of amendments in equity, together with the concern management report for the fiscal year from 1 January to 31 December 2017. The preparation of the concern consolidated financial statements and the concern management report in accordance with German commercial law and supplementary provisions of the articles of incorporation is the responsibility of the parent company's management. Our responsibility is to express an opinion relating to the company consolidated financial statements and the concern management report based on our audit.

We conducted our audit of the concern consolidated financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and execute the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the concern consolidated financial statements in accordance with German principles of proper accounting and in the concern management report are detected with reasonable assurance. Knowledge regarding the business activities and the economic and legal environment of the concern and evaluations of possible misstatements are taken into account in the determination of audit procedures.

The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the concern consolidated financial statements and the concern management report are examined primarily on a test basis within the framework of the audit.

The audit comprises assessing the annual fiscal statements of those entities included in concern consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representative, as well as evaluating the overall presentation of the consolidated financial statements and the concern management report. We are of the opinion that our audit provides a reasonable basis for our assessment.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the concern consolidated financial statements comply with the legal requirements and supplementary provisions of the shareholder agreement and provide a true and fair view of the net assets, financial position and results of operations of the concern in accordance with German principles of proper accounting. The concern management report is consistent with the concern consolidated financial statements, complies with the legal requirements and, as a whole, provides a suitable view of the concern's position and suitably presents the opportunities and risks of future development."

The above audit report has been prepared by us in accordance with legal requirements and generally accepted standards for the audit of financial statements (IDW PS 450).

The use of the above issued audit report for purposes outside this audit report is subject to the issuing of our prior approval.

The publication or dissemination of the concern annual financial statements and/or management report in any other form differing from the certified version (including translation into other languages) requires our renewed approval and consent, insofar as our audit opinion is quoted or reference is made to our audit. We refer to Article 328 HGB in this regard.

Baunatal, dated 26 June 2018


Jakob Wirtschaftsprüfung AG
Hans-Günter Jakob
Wirtschaftsprüfer



5.3 Annual financial statement of the issuer (individual financial statement) at 31st December 2017

5.3.1 Balance sheet of the issuer as at 31st December 2017

ASSETS	31.12.2017 EUR	Previous Year EUR
A. ASSETS HELD		
I. Intangible Assets		
1. Concessions, industrial property rights and similar rights acquired for valuable consideration Rights and assets and licenses in such rights and assets	13,576.00	13,269.50
II. Tangible Assets		
1. Other plant, systems, operative and business facilities or equipment	12,838.50	14,354.00
III. Financial Assets		
1. Shares in affiliated companies	27,739,129.20	27,402,129.20
2. Shareholdings	409,197.00	695,197.00
3. Miscellaneous loans and credits	1,850,000.00	1,850,000.00
	29,998,326.20	29,947,326.20
	<u>30,024,740.70</u>	<u>29,974,949.70</u>
B. CIRCULATING ASSETS		
I. For selling certain property and other stocks		
1. Property and comparable property rights with completed structures	3,250,000.00	3,250,000.00
2. Incomplete services for not yet calculated operating costs	163,069.17	160,629.88
3. Received payments from operating costs	<u>-141,864.99</u>	<u>-141,053.00</u>
	3,271,204.18	3,269,576.88
II. Receivables and miscellaneous tangible assets		
1. Receivables from rentals	61,445.05	30,809.18
2. Receivables from land and property sales	1,094,999.33	1,263,838.54
3. Receivables from affiliated companies	3,022,228.72	9,983,658.78
4. Receivables vis-à-vis companies in which a shareholding relationship exists	2,888,675.91	3,091,863.41
5. Miscellaneous tangible assets	<u>1,385,407.69</u>	<u>1,382,105.87</u>
	8,452,756.70	15,752,275.78
III. Cash in hand, bank balances with credit institutions	1,952,199.37	1,656,668.67
	<u>13,676,160.25</u>	<u>20,678,521.33</u>
C. ACCRUALS AND DEFERRALS ITEMS	66,194.51	294,239.85
	<u>43,767,095.46</u>	<u>50,947,710.88</u>

LIABILITIES	31.12.2017	Previous Year
	EUR	EUR
A. OWN CAPITAL		
I. Designated capital	500,000.00	500,000.00
II. Capital provisions	55,000.00	55,000.00
III. Provision from profits	1,421.00	1,421.00
IV. Retained profit	892,671.90	444,743.74
B. RIGHTS OF UTILISATION CAPITAL	34,685,349.00	41,361,249.00
C. PROVISIONS		
1. Provisions for tax	0.00	3,418,689.17
2. Miscellaneous provisions	131,601.56	79,410.77
	131,601.56	3,498,099.94
D. BINDING COMMITMENTS		
1. Binding commitments from supplies and services	32,539.96	92,746.15
2. Liabilities to affiliated companies	2,248,155.03	281,916.69
3. Binding commitments vis-à-vis companies in which a shareholding relationship exists	126,311.19	424,507.43
4. Miscellaneous binding commitments Including € 461,381.15 from tax (in previous year): € 436,409.65	4,028,165.38	3,787,848.41
	6,435,171.56	4,587,018.68
E. PASSIVE INVOICE ACCRUALS AND DEFERRALS ITEMS	6,213.60	3,141.00
F. PASSIVE LATENT TAXES	1,059,666.84	497,037.52
	<u>43,767,095.46</u>	<u>50,947,710.88</u>

5.3.2 Profit and loss statement of the issuer for the 2017 financial year

	2017 EUR	Previous year EUR
1. Sales revenues		
From house management	401,760.19	373,642.57
From other supplies and services	<u>0.00</u>	<u>95.59</u>
	401,760.19	373,738.16
2. Miscellaneous business revenues	<u>125,975.11</u>	<u>56,908.85</u>
3. Total output	527,735.30	430,647.01
4. Expenses for received supplies and services		
a) Expenses for house management	308,325.19	263,155.31
5. Raw profit	219,410.11	167,491.70
6. Personnel expenses		
a) Wages and salaries	767,768.09	663,322.51
b) Social levies and expenses for old age pensions and support	<u>141,325.90</u>	<u>113,736.18</u>
	909,093.99	777,058.69
7. Depreciations		
a) on intangible inventory assets for the fixed assets and tangible assets	14,158.57	12,353.60
8. Miscellaneous operating expenses		
a) Official operating expenses		
aa) Insurances, contributions and levies	103,243.64	108,012.77
ab) Repairs and maintenance	17,396.32	17,159.51
ac) Vehicle costs	51,331.81	61,585.58
ad) Advertising costs and travel costs	27,126.47	43,869.80
ae) Costs for goods out	375,665.20	1,014,017.06
af) Various operating costs	63,901.99	190,255.38
b) Losses resulting from reductions or from the loss of inventory from the circulating assets and transfers in the Value calculation for receivables	42,134.95	1,194,692.08
c) Miscellaneous expenses in the context of customary business activity	<u>49,208.83</u>	<u>2,934,516.13</u>
	930,009.21	5,564,108.31
9. Profits received on the basis of a profit and loss transfer agreement	6,741,691.53	13,714,592.84
10. Miscellaneous interest and similar revenues	3,208.37	103.94
11. Interest and similar expenses	2,481,529.94	2,759,627.55
12. Expenses from loss assumptions	105,606.57	877,233.11
13. Taxes on income and from revenue	2,075,510.19	3,821,583.30
14. Results after taxes	448,401.54	70,223.92
15. Miscellaneous taxes	<u>473.38</u>	<u>985.00</u>
16. Annual net income	447,928.16	69,238.92
17. Profit brought forward from previous year	444,743.74	375,504.82
18. Retained profit	892,671.90	444,743.74

5.3.3 Notes of the issuer for the 2017 financial year

1. General Information

IMMOVATION Immobilien Handels AG has its registered office in Kassel and is entered in the commercial register of the Kassel Local Court under HRB 6062.

The creation of the annual financial statements was executed in accordance with the provisions of the German Commercial Code as amended by the Accounting Directive Implementation Act (BilRUG).

In addition to these provisions, the provisions and regulations of the shareholder act were observed.

Information that may appear either in the balance sheet, the profit and loss account or in the appendices are all shown in the appendix.

The annual financial statements were prepared in accordance with the classification provisions of Articles 266 et seq. of the German Commercial Code (HGB). In addition, the provisions of the Ordinance on Forms for the Structuring of the Financial Statements of Housing Companies (JAbschWUV) in the version dated 17 July 2015 were applied.

The total cost method and the graduated form were chosen for the profit and loss accounting.

According to the size classes specified in Article 267 HGB, the company is a small capital corporation, as the size classes were undershot for two consecutive fiscal years (Article 267 Paragraph 4 HGB).

Accounting and valuation were based on the ongoing concern assumption for the company.

2. Details regarding the accounting and evaluation methods

Purchased and acquired **intangible assets of the fixed assets** were implemented at procurement cost and, insofar as subject to wear and tear, reduced by scheduled depreciation.

Financial assets were evaluated to amortised procurement costs. Depreciations were assumed on a scheduled basis over the expected useful life. Fixed assets for financial assets procured during the fiscal year were depreciated in accordance with using the linear method. Economical assets with a lower value were written off in full in the year of acquisition.

Financial assets were valued at procurement cost. Depreciations to the lower fair value were assumed when the value reduction is permanent.

Property and land which was determined for sale and other inventories were valued at procurement and/or manufacturing costs. In the previous year, a reduction in value of Euro 1.1 million was executed on the Hamm property portfolio.

Advance payments received for payment in advance for operating costs were openly deducted from inventories.

The **receivables and miscellaneous tangible assets** were valued at their nominal value. Adequate levels of value adjustments were made.

Cash in hand and bank balances at credit institutes were valued at their nominal value.

Expenses prior to the balance sheet date were indicated as **active accruals and deferrals items** insofar as they relate to expenses for a specific period after the balance sheet date.

The **miscellaneous provisions** will be created for all additional, unknown binding commitments. All identifiable risks were considered accordingly. They are evaluated at their settlement amount, which is necessary according to reasonable commercial judgement.

Binding commitments are carried over at the settlement amount.

Revenues prior to the balance sheet date were indicated as **active accruals and deferrals items** insofar as they relate to expenses for a specific period after the balance sheet date.

Active and passive latent taxes are measured at the tax rates which are expected to apply in the reporting period in which the asset is realised or the respective debt is settled. These are executed on the basis of the tax rates or tax laws in force, or to be enacted at an upcoming date, with regard to the balance sheet date. The latent taxes will not be subjected to interest.

Active and passive latent taxes are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities are income taxes levied by the same taxation authority on the same taxable entity or tax group.

3. Explanation of balance

Fixed assets

The breakdown and development of fixed asset values is shown in the statement of changes in fixed assets. The fiscal year write off for every position in the concern balance sheet can be found in the concern statement of changes in fixed assets.

In accordance with Article 285 No. 11 HGB, the company holds interests in the following companies: Equity and earnings are based on accounting under commercial law.

Company name / registered office	Interest held	Equity	Results for 2017
		Euro	Euro
Immobilien-Projektgesellschaft Salamander-Areal Kornwestheim mbH, Kassel	100.0%	15,525,000.00	*6,876,044.61
IMMOVATION Projektgesellschaft Kassel mbH, Kassel	100.0%	3,375,000.00	*261,314.92
GLOBAL CONZEPT GmbH, Kassel	100.0%	3,345,564.59	*875,876.47
Ex ante Beratungsgesellschaft in Liegenschaften mbH, Kassel	100.0%	425,564.59	*6,629.33
iCapital Consulting & Vertriebsgesellschaft mbH, Kassel	100.0%	253,024.90	*-105,606.57
IMMOVATION Fonds-Geschäftsführungs GmbH, Kassel	100.0%	27,000.00	*389,497.73
Adamietz & Bergmann Immobilien KG, Kassel	88.0%	135,552.87	-183,083.33
IMMOKLES AG, Kassel	100.0%	16,286,000.00	*1,832,328.47
IMMOVATION Wohnungsbau-genossenschaft, Kassel	99.9%	1,577,718.15	53,467.76

*= There is a profit and loss transfer agreement with the capital companies

Receivables and miscellaneous tangible assets

The total amount of receivables with a residual maturity of more than one year are Euro 328,911.80 (in previous year: Euro 1,361,984.17)

Receivables from affiliated companies essentially result from the profit and loss transfer agreements concluded.

Active accruals and deferrals items

The active accruals and deferrals items essentially comprise limitations for commissions and insurance policies.

Equity

The **basic share capital** of the stock corporation amounted to Euro 500,000.00 on the balance sheet date. It is divided into 250,000 shares with a nominal value of Euro 2.00 per share. The shares are considered to be bearer shares. The shares are fully paid up. The sole shareholder on the balance sheet date was Mr Dipl.-Kaufmann Lars Bergmann with 250,000 shares.

The **capital provision** remained unaltered at Euro 55,000.00 as of 31 December 2017.

The **legal provision** has not altered as of the balance sheet date and amounts to Euro 1,421.00.

The **profit participation capital** is shown as a separate position in the balance sheet. The profit participation capital comprises three branches: The right to profit participation is entered in the right to participation register of the company. Investors and shareholders participate directly in the economic success of IMMOVATION Immobilien Handels AG by subscribing to profit participation rights. The duration of the right to participation in profit participation is generally indefinite. The termination of the participation in profit participation rights is executed by official termination. An ordinary official termination of the participation in profit participation rights may be both initially executed by the investor or by the issuer at the end of the minimum term. The termination notice will be up to one year. In the event of the issuing party's insolvency, the profit participation capital is liable for unsatisfied claims of the issuing party's creditors under the terms and conditions of the profit participation certificates. The participator in profit participation rights therefore takes precedence over the advance satisfaction of all creditors.

The following rights according to Article 160 Paragraph 1 No. 6 AktG were present in the fiscal year 2017:

Type of rights	Number of rights
Profit participation rights	3,468,535

The profit participation capital paid in as of the balance sheet date has the following minimum residual durations:

Residual duration	Amount in Euro
1 year	7,987,239.00
2 years	10,601,450.00
3 years	5,183,330.00
4 years	5,062,700.00
5 years	5,011,630.00
6 years	839,000.00
	<u><u>34,685,349.00</u></u>

Provisions

Miscellaneous provisions essentially comprise provisions for final accounting and audit costs as well as personnel expenses.

Binding commitments

	Balance		Including residual duration			
	31.12.2017 Euro	Previous year in Euro	Up to 1 year in Euro	Previous year in Euro	Up to 1 year in Euro	Previous year in Euro
1. Binding commitments from supplies and services	32,539.96	92,746.15	32,539.96	92,746.15	0.00	0.00
2. Liabilities to affiliated companies	2,248,155.03	281,916.69	2,248,155.03	281,916.69	0.00	0.00
3. Binding commitments vis-à-vis companies in which a shareholding relationship exists	126,311.19	424,507.43	126,311.19	424,507.43	0.00	0.00
4. Miscellaneous binding commitments	4,028,165.38	3,787,848.41	4,028,165.38	3,787,848.41	0.00	0.00
	6,435,171.56	4,587,018.68	6,435,171.56	4,587,018.68	0.00	0.00

The binding commitments vis-à-vis affiliated companies essentially result from the profit and loss transfer agreements concluded.

The miscellaneous binding commitments indicated are binding commitments from silent partnerships amounting to EUR 300,000.00. Furthermore, the miscellaneous binding commitments also include the basic distribution attributable to the profit-sharing rights issued and the prospective profit participation.

Latent taxes

Latent or deferred taxes relate to temporary and quasi-permanent differences between the amounts of assets, liabilities and deferred revenue under commercial law and their tax base or value approaches.

The decisive revenue tax rate used to calculate deferred or latent tax assets and tax liabilities consists of corporate income tax, the solidarity surcharge and trade tax. The corporate income tax rate, including the solidarity surcharge, is 15.83% and the trade tax rate is 15.40%. The decisive and applicable revenue tax rate is therefore 31.23 %.

Latent and deferred tax liabilities in the amount of Euro 1,059,666.84 are therefore verified and reported on a net basis and include, among others, differences between the commercial law and tax law for value approaches of the subsidiaries.

The active latent taxes are made up as follows:

	Active latent taxes Euro	Passive Latent taxes in Euro	Balance in Euro
From the parent company; IMMOVATION Immobilien Handels AG			
Financial assets	120,574.73	0.00	120,574.73
From the subsidiary company: Immobilien-Projektgesellschaft Salamander-Areal Kornwestheim mbH			
Tangible assets	0.00	- 1,161,120.67	- 1,161,120.67
Financial assets	62.25	0.00	62.25
From the subsidiary company: IMMOVATION Projektgesellschaft Kassel mbH			
Tangible assets	0.00	- 19,210.24	- 19,210.24
From the subsidiary company: Immokles AG			
Financial assets	27.09	0.00	27.09
Total:	120,664.07	- 1,180,330.92	- 1,059,666.84
Accounting for passive surplus:			- 1,059,666.84

4. Contingent liabilities

The following contingent liabilities exist in accordance with Article 251 HGB:

- Directly enforceable bank guarantee in the amount of EUR 700,000.00 in favour of Sparkasse Mecklenburg-Schwerin to secure a loan for IMMOVATION Immobilien Handels AG & Co. 1. KG (affiliated company).
- Directly enforceable bank guarantee in the amount of Euro 12,000,000.00 in favour of Stadtparkasse Düsseldorf to secure a loan for IMMOVATION Immobilien Handels AG & Co. 3. KG (affiliated company).
- Maximum amount for bank guarantee of EUR 1,000,000.00 in favour of Raiffeisenbank Baunatal to secure a loan for IMMOVATION Immobilien Handels AG& Co. 3. KG (affiliated company).
- Maximum amount for bank guarantee liability of EUR 30,000,000.00 in favour of Kreissparkasse Ludwigsburg to secure a current account credit for Immobilien-Projektgesellschaft Salamander-Areal Kornwestheim mbH (affiliated company).
- Capital charge declaration in the amount of EUR 5,000,000.00 in favour of Kreissparkasse Ludwigsburg to secure a current account credit for Immobilien-Projektgesellschaft Salamander-Areal Kornwestheim mbH (affiliated company).
- Obligation to provide the following information upon the initial written request of IMMOVATION Wohnungsbaugenossenschaft e.G. (affiliated company) to enter a total land charge in the amount of Euro 300,000.00 as co-liability in the next rank.
- Directly enforceable bank guarantee in the amount of EUR 700,000.00 in favour of the Deutsche Kreditbank AG to secure a loan for IMMOVATION Wohnungsbaugenossenschaft e.G. (affiliated company).
- Directly enforceable maximum amount for a bank guarantee in the amount of EUR 25,000,000.00 in favour of the cooperative financial group Volksbanken Raiffeisenbanken to secure a first-ranking land charge debt for the Immobilien-Projekt Hohe Geest GmbH (affiliated company).

5. Contingent liabilities from miscellaneous financial obligations not recognised in the balance sheet

In addition to the binding commitments indicated in the balance sheet, there are miscellaneous financial obligations.

These obligations include the following individual matters:

- Obligation to assume losses vis-à-vis affiliated companies under profit and loss transfer agreements.

6. Miscellaneous information

Name of the members of the Board of Directors and the Supervisory Board

The following people were members of the Board of Directors during the past fiscal year:

Mr Dipl.-Kfm. Lars Bergmann	Practised profession:	Property merchant
Until 7.11.2017		
Ms Lilia Nacke	Practised profession:	Property merchant

The following people were member of the Supervisory Board:

Ms Dr. Heidemarie Krüger	Chair Person	Personnel adviser
Mr Dipl.-Kfm. York Hilgenberg	Deputy Chair Person	Tax Consultant
Mr Stefan Griesel	Deputy Chair Person	Solicitor

Remuneration for the Supervisory Board

Supervisory Board activities were remunerated with Euro 23,800.00 gross.

Unlimited liabilities in companies

Die IMMOVATION Immobilien Handels AG is a personally liable shareholder according to Article 285 No. 11a HGB in the following companies:

Name	IMMOVATION Immobilien Handels AG & Co. 1. KG
Registered office	Kassel
Legal form	AG & Co. KG

Name	IMMOVATION Immobilien Handels AG & Co. 2. KG
Registered office	Kassel
Legal form	AG & Co. KG

Name	IMMOVATION Immobilien Handels AG & Co. 3. KG
Registered office	Kassel
Legal form	AG & Co. KG

Name	IMMOVATION Projektgesellschaft Kassel mbH & Co. 4. KG
Registered office	Kassel
Legal form	GmbH & Co. KG

Name	Adamietz & Bergmann Immobilien GbR
Registered office	Kassel
Legal form	GbR

Auditor's fee

The auditor's fee calculated for the fiscal year does not have to be disclosed as it is included in the disclosures in the concern consolidated financial statements of IMMOVATION Immobilien Handels AG.

Average number of employees employed during the fiscal year

The following groups of employees were employed by the company during the fiscal year:

<u>Employee groups</u>	<u>Number</u>
Employees	22
Of which full-time employees are	22
The total average number of employees thereby amounts to	22

7. Concern consolidated financial statement

The company is the parent company of the concern and prepares concern consolidated financial statements in accordance with HGB, which are published in the Federal Gazette (Bundesanzeiger). The exemption provision in accordance with Article 264 Paragraph 3 HGB and Article 325 HGB for the 2017 fiscal year has been applied.

8. Supplementary report

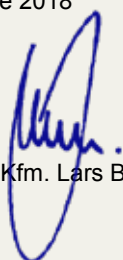
No events occurred after the finalisation of the accounts and the preparation of the financial statements which had a material influence on the company's revenue, earnings, financial or fixed asset position.

9. Appropriation of profits

The Executive Board proposes to the Annual General Meeting that the result be carried forward to the new balance account.

10. Signature of the Board of Directors

Kassel, 15 June 2018



Mr Dipl.-Kfm. Lars Bergmann

IMMOVATION Immobilien Handels AG
development of the fixed assets 2017

	Acquisition, procurement and manufacturing costs			
	01.01.2017 EUR	Additions EUR	Disposals EUR	31.12.2017 EUR
Intangible Assets				
1. Concessions, industrial property rights and similar rights acquired for valuable consideration rights and similar rights as well as licenses in such rights and assets	27,402.10	7,589.46	0.00	34,991.56
	27,402.10	7,589.46	0.00	34,991.56
II. Tangible Assets				
1. Other plant, systems, operative and business facilities or equipment	46,650.08	5,362.61	9,424.69	42,588.00
	46,650.08	5,362.61	9,424.69	42,588.00
III. Financial Assets				
1. Shares in affiliated companies	27,402,129.20	337,000.00	0.00	27,739,129.20
2. Shareholdings	695,197.00	0.00	286,000.00	409,197.00
3. Miscellaneous loans and credits	1,850,000.00	0.00	0.00	1,850,000.00
	29,947,326.20	337,000.00	286,000.00	29,998,326.20
	30,021,378.38	349,952.07	295,424.69	30,075,905.76

01.01.2017	Accumulated depreciation		31.12.2017	Book value	
	Additions	Disposals		31.12.2017	31.12.2016
EUR	EUR	EUR	EUR	EUR	EUR
14,132.60	7,282.96	0.00	21,415.56	13,576.00	13,269.50
14,132.60	7,282.96	0.00	21,415.56	13,576.00	13,269.50
32,296.08	6,875.61	9,422.19	29,749.50	12,838.50	14,354.00
32,296.08	6,875.61	9,422.19	29,749.50	12,838.50	14,354.00
0.00	0.00	0.00	0.00	27,739,129.20	27,402,129.20
0.00	0.00	0.00	0.00	409,197.00	695,197.00
0.00	0.00	0.00	0.00	1,850,000.00	1,850,000.00
0.00	0.00	0.00	0.00	29,998,326.20	29,947,326.20
46,428.68	14,158.57	9,422.19	51,165.06	30,024,740.70	29,974,949.70

5.3.4 Report by the auditor of the annual accounts

Based on the results of our audit, we have audited the concern consolidated financial statements on 15 June 2018 as the following unqualified audit opinion, which is reproduced by us at this position, as Appendices I to II to the enclosed financial statements of IMMOVATION Immobilien Handels AG, Kassel, for the annual financial statements as at 31 December 2017, and as Appendix IV to the enclosed management report for the annual financial statements as at 31 December 2017:

“To IMMOVATION Immobilien Handels AG:

We have audited the annual financial statements, comprising the balance sheet, the revenue statement and the notes to the financial statements, together with the bookkeeping system, and the management report of IMMOVATION Immobilien Handels AG, Kassel, for the business year from 1 January to 31 December 2017. The bookkeeping and the creation of the annual final accounts and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management representative. Our responsibility is to express an opinion regarding the evaluation of the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We have conducted our audit of the annual financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and execute the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and regarding the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures.

The effectiveness of the accounting-related internal control system as well as verification for the details and disclosures in the bookkeeping records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit.

The audit comprises the assessment and determination of the accounting principles utilised and the essential estimates made by the management representative, as well as evaluating the overall presentation of the annual financial statements and management report. We are of the opinion that our audit provides a reasonable basis for our assessment.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal regulations and the supplementary provisions of the shareholder agreement and provide a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with the legal regulations and, as a whole, provides a suitable view of the company's position and suitably presents the opportunities and risks for future development".

The above audit report has been prepared by us in accordance with legal requirements, provisions and generally accepted standards for the audit of financial statements (IDW PS 450).

The use of the above issued audit report for purposes outside this audit report is subject to the issuing of our prior approval.

The publication or dissemination of the concern annual financial statements and/or management report in any other form differing from the certified version (including translation into other languages) requires our renewed approval and consent, insofar as our audit opinion is quoted or reference is made to our audit. We refer to Article 328 HGB in this regard.

Baunatal, dated 15 June 2018


Jakob Wirtschaftsprüfung AG
Hans-Günter Jakob
Wirtschaftsprüfer



6. Bond terms

Bond terms of the debenture bond of IMMOVATION Immobilien Handels AG

– ISIN DE000A2NBY55 / WKN A2NBY5

1. Definition of terms

For the purposes of the debenture bond with the aforementioned international securities identification number (ISIN), the following definitions apply:

1.1 Bond creditor

The bond creditor is the bearer of one or several partial debenture bonds. They have a co-ownership share in the global certificate.

1.2 Bond debtor

Bond debtor refers to the issuer, IMMOVATION Immobilien Handels AG, a public limited liability company according to German law based in Kassel and entered in the commercial register of the Kassel District Court under HRB 6062.

1.3 Banking day

A banking day is a TARGET business day (see Clause 1.7 of these terms) on which Clearstream Banking AG processes payments and on which the banks in Frankfurt am Main, Germany, are open for general business.

1.4 Total nominal amount

The total nominal amount is the volume of partial debenture bonds deposited but not yet paid back, in Euros, in accordance with Clause 2.1 of these terms. The total nominal amount is an amount of up to €20 m (in words: twenty million Euros).

1.5 act/act method

The act/act method is a method for calculating interest which is based on the number of days for the interest period and the number of days of a year which are real (calendar) days, so that the days of a year amount to 365 or 366 days (leap year).

1.6 German Act on Bonds

The German Act on Bonds is the German law on debenture bonds which constitute part of uniform issues dated 31st July 2009 in the version that is currently applicable.

1.7 TARGET business day

A TARGET business day is a day (except Saturday or Sunday) on which the payments system of the central banks in the Eurozone Trans-European Automated Real-Time Gross Settlement Express Transfer System ("TARGET") or a corresponding successor system processes payments.

1.8 Partial debenture bond

A partial debenture bond is the partial amount into which the debenture bond is divided as defined in accordance with Clause 2.1.

1.9 Paying agent

The paying agent is defined in Clause 4.1 and has the functions listed in Clause 4.2.

2. Total nominal amount, nominal amount, securitisation, issue of further financial instruments and taking out loans

2.1 Nominal amount and denomination

The debenture bond of IMMOVATION Immobilien Handels AG based in Kassel, in the total nominal amount of up to €20 m. (in words: twenty million Euros), is divided into up to 20,000 partial debenture bonds in the nominal amount of €1000 each. The partial debenture bonds are issued in bearer form and are equal in ranking and value.

2.2 Securitisation

The partial debenture bonds, including the interest claims, are securitised for the entire term of the debenture bond in a global certificate without a global interest coupon. The global certificate is deposited at Clearstream Banking AG, Frankfurt am Main, until all the bond debtor's obligations from the partial debenture bonds have been fulfilled.

Any claim to copying and/or distribution of effective individual certificates and/or collective certificates (with or without interest coupon) for one and/or several partial debenture bonds is excluded. The global certificate bears the signature(s) of the person or persons authorised to represent the bond debtor.

2.3 Issue of further financial instruments and taking out loans

The issue of further partial debenture bonds which do not form a unit with this debenture bond and which have other features (e. g., in relation to interest, term, denomination or priority arrangement) or the issue of other debt and/or financial instruments and/or the taking out of further loans/ credit remains at the discretion of the bond debtor.

2.4 Issue of further loans with the same features

The bond debtor reserves the right to issue further partial debenture bonds with the same features, at any time and without the consent of the bond creditors, whereby these are cumulated with the partial debenture bonds, thus forming a unified debenture bond with these and increasing the total nominal amount. The term “partial debenture bonds” also comprises such additional partial debenture bonds issued, in the event of such an increase.

3. Interest, interest calculation method, interest period, maturity

3.1 Interest rate

The debenture bond bears a fixed interest, based on the total nominal amount, at 5.00% p.a. for the time up to and including 30/09/2024. The amount of the interest payments to which the bond creditors are entitled is calculated upon the expiry of each interest period by the bond debtor.

3.2 Method of interest calculation

If interest is to be calculated for a period of less than a year in accordance with Clause 3.1, the calculation is made to the day using the act/act method.

3.3 Maturity of interest payments and interest periods

Interest is due annually and retrospectively on each interest payment date. The interest payment date is 01/10 of each respective year. The period between the interest payment date (included) and the day before the next interest payment date is hereinafter referred to as the “interest period”. The first interest period runs from 01/10/2018 to 30/09/2019. The first interest payment is due on 01/10/2019.

3.4 Default, default interest calculation method

Insofar as the bond debtor does not pay interest for an interest period despite it being due, the outstanding amount must bear interest from the due date. The rate of default interest for the year shall be five percentage points above the basic interest rate within the meaning of Section 247 of the German Civil Code and the default interest shall be calculated using the act/act method.

4. Paying agent

4.1 Paying agent

The paying agent is Quirin Privatbank based in Berlin (hereinafter also referred to as the “paying agent”). The paying agent is authorised to use the services of third parties and/or assign tasks to third parties.

4.2 Function of the paying agent

The bond debtor is obligated to pay all amounts due in accordance with Clause 3 and Clause 5 to the paying agent but - apart from the consideration of applicable legal provisions (tax, currency and/or other standards) - a separate declaration or the fulfilment of another formality may be requested by the bond creditors. The paying agent will transfer the amounts to be paid to Clearstream Banking AG for payment to the bond creditors. All payments to Clearstream Banking AG or its order shall release the bond debtor from their liabilities toward the bond creditors arising from the debenture bond in the amount of the payments made.

The paying agent shall act exclusively in its capacity as the bond debtor's agent and is not in a contractual or trust relationship with the bond creditors. If and insofar as the paying agent operates and/or provides other business and/or services than that which they operate and/or provide to the bond debtor or bond creditors, this business/these services are not owed under these bond terms.

4.3 Appointment of another paying agent

If events should occur which, according to the paying agent, would lead to the paying agent being unable to act as the paying agent, it is entitled to appoint another bank as the paying agent with the prior consent of the bond debtor. Should the paying agent be incapable in such an event to transfer the function of paying agent, the bond debtor is entitled and obligated to do so. In the event that the paying agent contract is terminated by one of the parties, the bond debtor is entitled and obligated to appoint a new paying agent.

4.4 Notification of the appointment of another paying agent

The appointment of another paying agent must be announced by the bond debtor immediately in accordance with Clause 11 or, if this is not possible, publicly disclosed in another appropriate manner.

5. Term, repayment, maturity, presentation period, default and transfer

5.1 Term, repayment, maturity

The term of the debenture bond begins on the negotiation day and ends, subject to regulations of Clause 9 and Clause 10, on 30/09/2024. The bond debtor is obligated to repay the partial debenture bonds at the nominal amount on the first banking day after the end of the term (hereinafter also referred to as the "repayment day". The presentation period ends on 30/09/2026.

5.2 Default

Insofar as the bond debtor does not repay the partial debenture bonds on the respective repayment day, or does not repay them in full, the partial debenture bonds shall bear interest up to the day on which the repayment is actually made, based on the outstanding amount due for repayment with the interest rate in accordance with Clause 3.4 and calculated using the act/act method. The same applies if there is default in repayment in the event of premature termination or termination for good cause.

5.3 Transfer

The bond creditors are entitled to co-ownership shares in the global certificate. Transfer of the partial debenture bonds by transferring the co-ownership share to third parties is possible in accordance with the regulations and provisions of Clearstream Banking AG, Frankfurt am Main.

5.4 Reacquisition of their own partial-debentures

The bond debtor is not entitled to purchase the partial debenture bonds described in these bond terms on the market or in another manner, in full or in part. The same applies for any subsidiaries or affiliated companies of the bond debtor.

6. Payments and currency

The bond debtor is obligated to pay all amounts owed in accordance with these bond terms under Clause 3 and Clause 5 in Euros.

7. Priority arrangement

The partial debenture bonds constitute immediate, unconditional and non-materially collateralised liabilities on the part of the bond debtor and are not subordinate to any other current and future liabilities of the bond debtor unless these have precedence by law.

8. Taxes

8.1 Withholding tax

All payments, of interest in particular, shall take place with the deduction and withholding of taxes, duties and other fees, insofar as the bond debtor or the paying agent is legally obligated to perform such deduction and/or withholding. Neither the bond debtor nor the paying agent is obligated to pay the bond creditors additional amounts to offset the amount deducted or withheld in this manner.

8.2 Tax obligations of the bond creditor

Insofar as the bond debtor or the paying agent is not legally obligated to perform the deduction and/or withholding of taxes, duties or other fees, they are not under any obligation with regard to the fiscal obligations of the bond creditors.

9. Termination rights and deviating presentation period

9.1 No ordinary termination right on the part of the bond creditors

There is no ordinary termination right on the part of the respective bond creditor. Any right to extraordinary termination of partial debenture bonds for good cause shall remain unaffected if any reason for termination in accordance with Clause 10 applies or if the continuation of the contractual relationship of a contracting party (bond debtor or bond creditor) for good cause related to the person of the other contracting party is no longer reasonable.

9.2 Right to premature termination of the bond debtor

The bond debtor is entitled to terminate the outstanding debenture bond as a whole or all outstanding partial debenture bonds proportionately, subject to a notice period of at least 90 days before the end of an interest period (hereinafter also referred to as "premature termination"), whereby premature termination is only permissible upon the expiry of the third interest period.

The repayment amount shall increase by 1.00% of the terminated nominal amount for each interest period which ceases to exist due to premature termination by the bond debtor. I.e., if the termination takes place on 30/09/2021, the premature repayment amount is 103.00% of the terminated nominal amount, for a termination on 30/09/2022, this is 102.00% of the terminated nominal amount and for a termination on 30/09/2023, the premature repayment amount is 101.00% of the terminated nominal amount. The increased repayment amount becomes due for payment along with the payment of interest for the preceding interest period according to the regulations of Clause 5.1, whereby the presentation period within the meaning of Clause 5.1 is not curtailed by a premature termination.

9.3 Form of termination

Termination by the bond debtor shall take place by means of notification in accordance with Clause 11 of these terms.

10. Rights to termination of the bond creditor

10.1 Termination for good cause

Each bond creditor is entitled to terminate their partial debenture bonds immediately and to request their repayment at the nominal amount plus any interest accrued up to the day of repayment (excluded) for good cause. Good cause includes, in particular, if

- 10.1.1 the bond debtor does not pay interest within 90 days after the respective interest payment date, or
- 10.1.2 the bond debtor ceases their payments in general and/or declares insolvency, or

10.1.3 the bond debtor does not fulfil or observe a significant obligation, condition or agreement with regard to the partial debenture bonds (hereinafter referred to as a “breach of duty”) and the breach of duty continues for longer than 90 days, after which the bond debtor receives a notification from the bond creditor affected by the breach of duty in which the bond debtor is prompted by the bond creditor to fulfil or observe the obligation, condition or agreement, or

10.1.4 the bond debtor goes into liquidation, unless this happens in connection with measures in company law (e. g., a merger or another form of incorporation with another legal entity), insofar as this other legal entity assumes all obligations into which the bond debtor has entered in connection with these partial debenture bonds.

The right to termination shall expire if the respective reason for termination ceases to apply before the right is exercised.

10.2 Form of termination

Termination by the bond creditor must be performed in writing. The bond creditor is obligated to inform the bond debtor of their entitlement to terminate (bond creditor position) at the time of delivering the termination notice in writing. For this purpose, a notice in writing from the custodian institute shall suffice.

10.3 Effectiveness of termination

In the case of the termination reasons given in Clause 10.1.1. and Clause 10.1.3., termination shall only become effective if termination notices have been received by the bond debtor with regard to the partial debenture bonds which correspond to at least 24% of the denominated total nominal value (see Clause 2.1). This does not apply if one or several termination reasons listed in Clause 10.1.2 and Clause 10.1.4 apply in addition to the termination reasons listed in Clause 10.1.1 and/or Clause 10.1.3, at the same time. The effectiveness of termination in accordance with sentence 1 shall cease to apply if the bond creditor resolves these within three months with a simple majority of the votes cast and, in any case, if more bond creditors vote than have terminated.

10.4 Repayment

The repayment amount corresponds to the terminated nominal amount and shall become due for payment according to the regulations of Clause 5.1.

The regulations of Clause 9.2 sentence 2 do not apply in the event of termination for good cause.

11. Notices

Notices and announcements regarding the partial debenture bonds shall be made in the German Federal Gazette and on the website of the bond debtor (e.g., www.immovation-ag.de).

12. Resolutions of the bond creditors, amendments and rectifications of the bond terms, applicable law and place of jurisdiction

12.1 Majority resolutions and applicability of the second article of the German Act on Bonds

The bond creditors may decide on amendments to the bond terms through majority vote according to the provisions of the second article of the German Act on Bonds. The bond creditors shall decide either in a creditors’ meeting or by means of voting without assembly. The possibility of bond creditor resolutions is not limited to certain measures. Certain measures are also not excluded from this possibility.

12.2 Notification requirement and evidence of participation right for creditors’ meeting, applicable law and place of jurisdiction

The participation in the creditors’ meeting and the exercise of voting rights are dependent on the bond creditor registering before the meeting. The entitlement to participate in the creditors’ meeting must be proven with evidence.

12.3 Joint agents

The bond creditors of this debenture bond may appoint a joint agent in order to exercise their rights.

12.4 Amendments due to legal action

Provisions of the bond terms may only be amended through a legal action with an identical contract with all of the bond creditors.

12.5 Rectification of bond terms

For the rectification of bond terms (e.g., due to an event as described in Clause 4.3), a unilateral declaration from the bond debtor is sufficient. The rectification must be published.

12.6 Applicable law

The form and contents of the debenture bond as well as the rights and obligations of the bond creditors and the bond debtor are determined in every respect by the law of the Federal Republic of Germany.

12.7 Place of jurisdiction

The place of jurisdiction for all legal disputes arising from the legal relationship between the bond creditors and bond debtor is the location of the headquarters of the bond debtor. This agreement on the place of jurisdiction shall not limit the right of the bond creditors to engage in proceedings before another responsible court. The opening of proceedings in one or several other places of jurisdiction shall also not exclude the opening of proceedings in another place of jurisdiction, if and insofar as this is legally permissible.

Kassel, 12th September 2018

Board of Directors
IMMOVATION Immobilien Handels AG

7. Statement of liability

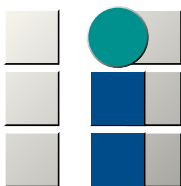
The offerer and issuer of the debenture bond offered in this securities prospectus is IMMOVATION Immobilien Handels AG, Kassel

IMMOVATION Immobilien Handels AG, represented by the sole director Mr Lars Bergmann and based in Kassel, assumes liability for the content of this securities prospectus and declares that, to the best of its knowledge, the information contained herein is correct and no significant factors have been excluded.

Kassel, 12th September 2018

(Date of creation of the prospectus)





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