

*This document is a translation of the approved prospectus made under the sole responsibility of the Issuer.*

**Securities Prospectus**  
**for the Public Offering of**  
**Subordinated Token-based Bonds**  
**2019/2029**  
**with an Aggregate Principal Amount of up to EUR**  
**4,860,000**  
**of**  
**Exporo Hannover Berlin GmbH, Hamburg**

This document (the “**Prospectus**”) is a prospectus within the meaning of Article 6(3) of REGULATION (EU) 2017/1129 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended (the “**Prospectus Regulation**”) for the purpose of a public offering of up to 4,860 floating interest rate subordinated bonds subject to a pre-insolvency enforcement restriction, each bond with a principal amount of EUR 1,000, which are not physically represented by a securities certificate and which may only be transferred by means of tokens generated by the Issuer (hereinafter the “**EXP4-Tokens**”) on the Ethereum blockchain (the “**Token-based Bonds**”) in the Federal Republic of Germany, the Grand Duchy of Luxembourg, the Republic of Austria and the Netherlands. This Prospectus has been approved by the Luxembourg Supervisory Authority for the Financial Sector (*Commission de Surveillance du Secteur Financier*, “**CSSF**”). Applications for notification of the Prospectus to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, “**BaFin**”), the Austrian Financial Market Authority (*Finanzmarktaufsicht*, “**FMA**”), and the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, “**AFM**”) have been filed pursuant to Article 25 of the Prospectus Regulation. Pursuant to Article 6 (4) of the Luxembourg Law of 16 July 2019 on Securities Prospectuses, as amended, the CSSF assumes no responsibility for the economic or financial creditworthiness of the transaction, or for the quality and solvency of the Issuer. The approved Prospectus and any supplements thereto can be accessed and downloaded at the Issuer’s website ([/www.exporo.de/ir-hannover-berlin](http://www.exporo.de/ir-hannover-berlin)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The validity of this Prospectus will expire on 30 October 2020. The obligation to prepare a supplement to the Prospectus in the event of significant new factors, material mistakes or material inaccuracies expires upon the expiry of the Prospectus.

The Token-based Bonds are not and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), and may not be offered or sold within the United States of America or to or for the account or benefit of any U.S. Person (as defined in Regulation S of the U.S. Securities Act).

**29 October 2019**

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# 1. Summary

<b>SECTION 1 - INTRODUCTION AND WARNINGS</b>
<b>Description of the securities:</b> Token-based Bonds in bearer form with an aggregate principal amount of up to EUR 4,860,000.
<b>Issuer's identity and contact data:</b> Exporo Hannover Berlin GmbH, with its registered office in Hamburg, Am Sandtorkai 70, 20457 Hamburg, Federal Republic of Germany LEI: 529900452BAIJ9ZBCH43
<b>Competent authority that has approved the Prospectus:</b> Commission de Surveillance du Secteur Financier ("CSSF") 283, route d'Arlon L-1150 Luxembourg Tel: (+352) 26 25 1 - 1 (switchboard) Fax: (+0352) 26 25 1 – 2601 E-mail: direction@cssf.lu
Date of approval of the Prospectus: 29 October 2019
<b>Warnings</b>
<p>This summary should be read as an introduction to the Prospectus and the investor should base any decision as to whether or not to invest in the bonds on the Prospectus in its entirety.</p> <p>Investors could lose part or all of their capital invested.</p> <p>In the event that claims are brought before a court based on information contained in a Prospectus, the investor appearing as plaintiff may, under national law, be required to bear the costs of translating this Prospectus prior to the commencement of legal proceedings.</p> <p>Only those persons who have submitted and transmitted the summary, together with any translations thereof, shall be liable under civil law, but only in the event that the summary, when read together with the other parts of the Prospectus, is misleading, inaccurate or inconsistent or, when read together with the other parts of the Prospectus, does not provide the key information which would assist the investor in making a decision regarding investments in the bonds.</p>
<b>SECTION 2 - KEY INFORMATION ABOUT THE ISSUER</b>
<b>Who is the Issuer of the Token-based Bonds?</b>
<p>The Issuer of the Token-based Bonds is Exporo Hannover Berlin GmbH, with its registered office in Hamburg, Germany. It is a limited liability company (<i>Gesellschaft mit beschränkter Haftung</i>, "GmbH") under German law. The Issuer is registered in the commercial register of the local court (<i>Amtsgericht</i>) of Hamburg under the number HRB 157167. The Issuer's Legal Entity Identifier (LEI) is: 529900452BAIJ9ZBCH43. Dr. Björn Maronde is the managing director of the Issuer.</p> <p>Exporo AG, with its registered office in Hamburg, is the sole shareholder of the Issuer. Exporo AG is in a position to exercise significant control over the Issuer; no control and profit and loss transfer agreement exists. There are no indirect equity interests or control relationships.</p> <p>The auditor for the Issuer's audited opening balance sheet as at 20 May 2019 is FACT GmbH Wirtschaftsprüfungsgesellschaft, Johanna-Waescher-Straße 13, 34131 Kassel, Germany.</p> <p>As at the date of the Prospectus, the Issuer's business consists solely of the rental and management of a residential property in Berlin as well as a residential property and a residential/commercial property in Hanover, Germany, which are located at:</p> <ol style="list-style-type: none"><li>1. Hohefeldstraße 6, 13467 Berlin, Germany, recorded in the land register of Berlin-Mitte von Hermsdorf, folio 10109, serial no. 1, district of Hermsdorf, lot 1, parcels 5262/8 and 5263/8, size 1,063 m<sup>2</sup> and 1,169 m<sup>2</sup>;</li><li>2. Niedersachsenring 22 / Witzendorffstraße 7, 30163 Hanover, Germany, recorded in the land register of Hanover von Vahrenwald, folio 1171, serial no. 3, district of Vahrenwald, lot 13, parcel 9/15, size 1,578 m<sup>2</sup>;</li></ol>

3. Vahrenwalder Straße 87, 30165 Hanover, Germany, recorded in the land register of Hanover, Vahrenwald, folio 1430, serial nos. 2 and 4, district of Vahrenwald, lot 18, parcels 68 and 86/1, size 111 m<sup>2</sup> and 104 m<sup>2</sup>

(the “**Properties**”).

The Properties will serve as first-ranking collateral in the form of a real estate lien for a loan from a German credit institution (hereinafter the “**Bank**”), which the Issuer will take out for the (partial) financing of the acquisition of the Properties (hereinafter the “**Bank Loan**”). As at the date of the Prospectus, an offer of financing has been made by the Bank.

The purchase price of the Properties is intended to be paid from the issue proceeds of the Token-based Bonds and the Bank Loan. If not enough Token-based Bonds have been placed by the date on which the purchase price is due, the Issuer may obtain pre-financing from Bridge Capital GmbH, other pre-financing companies or private individuals, which would then be repaid from the proceeds of the issue (hereinafter the “**Pre-financing**”).

#### **What is the key financial information about the Issuer?**

The key financial information about the Issuer presented in the Prospectus was taken from the audited opening balance sheet as at 20 May 2019, which was prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*, “HGB”). The audit opinion for the audited opening balance sheet was issued without qualification. The opening balance sheet does not contain an income statement. As at the date of this Prospectus, the Issuer has not generated any operating profit/loss. The Issuer has no net financial liabilities.

<b>Selected Financial Information</b>	
<b>Cash flow statement</b>	<b>20/05/2019</b>
	<b>(EUR '000)</b>
Cash flow from operating activities	0
Cash flow from investment activities	0
Cash flow from financing activities	13

#### **What are the key risks that are specific to the Issuer?**

##### *Risks arising from the sale of the Properties*

The economic success of the Issuer and its ability to meet interest and redemption obligations under the Bonds depend on the Issuer generating proceeds from the sale of the Properties or sufficiently refinancing the Token-based Bonds. The proceeds that may be generated from the sale of the Properties depend on many uncertain factors, for example the lease situation, the quality of the location, and demand from investors.

##### *Lease-related risks*

The economic success of the Issuer and its ability to meet interest and redemption obligations under the Bonds depend on excess rental income being generated over the costs of the Properties and other expenses incurred by the Issuer. It is possible that lease agreements may not be concluded as planned in the future, and therefore that the calculated amount of future rental income will not be realised.

##### *Market development risks*

A negative market development may have a negative impact on the value of the Properties and the proceeds able to be generated from its sale.

##### *Location development risks*

The location of the Properties may experience a negative development, having a negative impact on the value of the Properties and the proceeds able to be generated from their sale.

##### *Risks arising from the condition of the Properties*

There is a risk that there may be construction defects in the Properties that have not been identified or have not been fully identified.

##### *Maintenance risks*

The costs associated with maintenance, repair and modernisation measures relating to the Properties may be higher than planned, e.g., due to the occurrence of unexpected defects.

#### *Risks under the Bank Loan*

If grounds for termination exist, there is a risk that the Bank will demand immediate repayment of the Bank Loan in full. In this context there is a risk that the proceeds able to be generated from the sale of the Properties will not be sufficient to fully discharge the Bank Loan and fully redeem the Token-based Bonds.

### **SECTION 3 - KEY INFORMATION ABOUT THE SECURITIES**

#### **What are the key features of the Token-based Bonds?**

The Issuer is offering 4,860 Token-based Bonds with an aggregate principal amount of up to EUR 4,860,000.

The securities are unsecured, subordinated Token-based Bonds issued with a pre-insolvency enforcement restriction.

The rights of the Bondholders include the right to interest payments and the repayment of capital, the right to termination without notice for cause, the right to vote on the sale of the Properties, rights of information and the right to participate in Bondholder votes on amendments to the Bond terms and conditions.

The investors receive a number of EXP4-Tokens corresponding to the amount of Token-based Bonds subscribed, which represent the rights arising under the Token-based Bonds.

The Token-based Bonds can be transferred to third parties at any time by way of assignment. The transfer of rights arising from the Token-based Bonds requires the transfer of the EXP4-Tokens. The EXP4-Tokens can only be transferred via the Ethereum blockchain. Investors require a "wallet" that is compatible with Ethereum assets for this purpose. Investors who wish to purchase Token-based Bonds on the secondary market must register on the website at [www.exporo.de](http://www.exporo.de) and complete the KYC and AML process of Exporo Investment GmbH as registered users. Once the KYC and AML process has been completed successfully, the investor's Ethereum address is entered in the Global Whitelist Contract on the Ethereum blockchain, so that the investor can subsequently receive EXP4-Tokens.

#### **Term**

The term of the Token-based Bonds starts on 30 October 2019 and ends at the expiry of 29 October 2029.

#### **Interest**

The Token-based Bonds will bear interest at a floating rate from 30 October 2019 (inclusive) until 29 October 2029 (inclusive). The amount of interest is largely dependent on sufficient excess rental income being generated over the costs of the Properties and other expenses incurred by the Issuer.

The payments made by the contracting parties (in particular tenants of the Properties) will be credited to a project account (the "**Project Account**"). The Issuer will use the Project Account to make the following payments:

- the costs associated with operating the Properties (these include both the chargeable costs pursuant to the Regulation Governing the Calculation of Factors relating to Residential Lettings pursuant to the Second Housing Act (Second Calculation Regulation (*Zweite Berechnungsverordnung*) - "II. BV"), such as caretaker services, including facility management, cleaning, insurance, etc. and non-chargeable operating costs that are not settled by third parties based on a statement in accordance with the statutory provisions or provisions set out in the lease agreement, as well as vacancy costs).
- the costs associated with property and asset management in relation to the Properties.
- the costs associated with necessary maintenance, repair and/or modernisation measures relating to the Properties.
- the costs associated with preparing valuation reports to determine the value of the Properties.
- the costs associated with tax and legal advice provided to the Issuer, as well as any costs associated with the auditor.
- the costs associated with tax payments and public fees to be paid by the Issuer.
- the costs associated with the Token-based Bonds, in particular for their interest, brokerage, management and collateralisation.
- the servicing of claims due under permissible liabilities; these essentially involve the obligations resulting from the Bank Loan and from the Pre-financing of the Properties, including debt restructuring and/or extensions of the Bank Loan and/or the Pre-financing and loans and/or

shareholder loans to finance necessary measures to retain and increase value, specifically for repairs to, or the maintenance and/or modernisation of the Properties.

- the amounts required to set up a reserve for the repair, maintenance and/or ongoing modernisation of the Properties.

The Quarterly Balance remaining at the end of the quarter following the deduction of the aforementioned costs, reserves and provisions will be paid out to the Bondholders pro rata, based on the ratio of the Token-based Bonds held by them to the Outstanding Token-based Bonds.

This means that every Token-based Bond will bear interest based on the following formula:

$$\frac{\text{Quarterly Balance} \times \text{Principal Amount}}{\text{Outstanding Token-based Bonds}}$$

The term “**Quarterly Balance**”, within the meaning of the formula above, refers to the Project Account balance remaining at the end of the quarter after deductions to reflect the payments referred to above.

The term “**Principal Amount**”, within the meaning of the formula above, refers to the Principal Amount of an individual Bond in the amount of EUR 1,000.

The term “**Outstanding Token-based Bonds**”, within the meaning of the formula above, refers to the Principal Amount of all Token-based Bonds of all Bondholders that has been paid in on an Interest Date.

Interest payments are made quarterly in arrears. The first interest payment will take place on 15 April 2020. The interest payment and the redemption of the Token-based Bonds will be made in euros into a bank account held by the investor.

#### **Redemption Amount**

In the event of termination subject to a notice period following the end of the ordinary term, and in the event of the early termination of the term due to notice given by the Issuer based on a sale of the Properties, the Token-based Bonds are to be repaid to the Bondholders at the redemption amount in each case (the “**Redemption Amount**”).

The Redemption Amount of the Token-based Bonds is calculated as follows:

Each Token-based Bond will be redeemed in the amount to be calculated based on the following formula, but at least at the Principal Amount:

$$\text{Principal Amount} + \frac{(\text{Sale Price} + \text{Reserves} - \text{Residual Debt} - \text{Outstanding Token-based Bonds}) \times 0.8 \times \text{Principal Amount}}{\text{Outstanding Token-based Bonds}}$$

The term “**Principal Amount**”, within the meaning of the formula above, refers to the Principal Amount of an individual Bond in the amount of EUR 1,000.

The term “**Sale Price**”, within the meaning of the formula above, refers to either (a) in the event of a sale of the Properties, the purchase price for the sale of the Properties less transaction costs and taxes incurred on the capital gains resulting from the sale or (b) in the event of a refinancing of the Token-based Bonds, the market value of the Properties pursuant to the most recent valuation report.

The term “**Reserves**”, within the meaning of the formula above, refers to the maintenance reserve (exclusively) available on the Redemption Date.

The term “**Residual Debt**”, within the meaning of the formula above, refers to the principal Bank Loan claim on the Redemption Date, plus any prepayment penalties for the Bank Loan. The Bank Loan is the loan granted by a German credit institution for which the Properties serve as the first-ranking collateral in the form of a real estate lien.

The term “**Outstanding Token-based Bonds**”, within the meaning of the formula above, refers to the Principal Amount of all Token-based Bonds of all Bondholders paid in, in each case, on the Redemption Date of the Token-based Bonds or on the date of any early redemption of the Token-based Bonds.

### **Rank of the Token-based Bonds**

The Bondholder undertakes not to assert any claims arising from the Token-based Bonds, particularly those claims to the payment of interest and repayment of the bond capital, as long as and to the extent that the partial or full settlement of such claims would result in over-indebtedness of the Issuer within the meaning of section 19 of the German Insolvency Code (*Insolvenzordnung*, "InsO") or an impending insolvency within the meaning of section 18 InsO or an insolvency within the meaning of section 17 InsO, in each case as amended (*vorinsolvenzliche Durchsetzungssperre* - pre-insolvency enforcement restriction).

As a result, the pre-insolvency enforcement restriction already applies to the period prior to the opening of insolvency proceedings. Accordingly, the Bondholder may not request the settlement of its claims arising from the Token-based Bonds if the Issuer is over-indebted or insolvent, or if such over-indebtedness or insolvency is imminent, at the time at which the Bondholder makes the payment request. The pre-insolvency enforcement restriction may lead to a permanent, indefinite non-fulfilment of the Bondholder's claims.

In the event of insolvency proceedings initiated in respect of the Issuer's assets or in the event of the Issuer's liquidation, the claims arising from the Token-based Bonds will be subordinated to all non-subordinated claims and all subordinated claims within the meaning of section 39 (1) nos. 1 to 5 InsO. The investor may only assert its payment claims under the Token-based Bonds outside of insolvency proceedings initiated against the Issuer only on the basis of any future profit, liquidation surplus, or other free assets.

### **Termination Options**

The Token-based Bonds may not be terminated early by the Bondholders subject to a notice period.

Extraordinary grounds for termination for cause shall include: failure to pay capital or interest for a period of 30 days; breach of other obligations under the Token-based Bonds (where such breach is not cured within 30 days); assumption of certain financial liabilities; failure to service third-party financial liabilities (third-party default); occurrence of a change of control; breach of information obligations and certain events in connection with any insolvency or winding-up of the Issuer. The right of termination shall lapse if the reason for termination is remedied before the right is exercised.

Following a resolution by the Bondholders to sell the Properties, the Issuer is entitled to terminate the Token-based Bonds early for cause. Instead of selling the Properties, the Issuer may also re-finance the Token-based Bonds, e.g., by way of a further bond issue, a bank loan or in another manner.

### **Where will the Token-based Bonds be traded?**

The Token-based Bonds are not and will not be the subject of any application for admission to trading and will not be placed on any regulated market, SME growth market or multilateral trading facility (MTF) within the meaning of Directive 2014/65 on markets in financial instruments (MiFID II) or on other third-country markets. As at the date of this Prospectus, the Issuer has not issued any securities which are admitted to trading on a regulated market, SME growth market or multilateral trading facility (MTF) within the meaning of Directive 2014/65 on markets in financial instruments (MiFID II) or on other third-country markets.

### **Is there a guarantee for the Token-based Bonds?**

No guarantee will be provided for the Token-based Bonds.

### **What are the key risks that are specific to the Token-based Bonds?**

**The Token-based Bonds are not a suitable investment for every investor. The decision of any potential investor whether to subscribe for the Token-based Bonds should be based on their personal circumstances, income situation and investment expectations.**

#### *Transferability of the Token-based Bonds*

Investors should consider that they may not be able to sell the acquired Token-based Bonds prior to maturity. Trading in the EXP4-Tokens on a crypto exchange may prove to be illiquid or impossible. Investors are also exposed to the risk of unfavourable price development of their EXP4-Tokens if they wish to sell the EXP4-Tokens prior to maturity.

#### *Risk based on the pre-insolvency enforcement restriction*

All payment claims of investors are subject to a pre-insolvency enforcement restriction. The pre-insolvency enforcement restriction may lead to a permanent, indefinite non-fulfilment of the Bondholder's claims.

#### *Risk based on the ranking of investors' claims*

Investors cannot require the Issuer to prioritise the settlement of their interest and repayment claims over the other claims of third parties. This also applies where such other claims rank *pari passu* with investors' claims.

*Regulatory framework governing the issue of token-based bonds and the lack of market confidence*

Greater regulation of token-based bond issues in the future could render the Token-based Bonds untradeable for legal reasons and/or because of the market's lack of acceptance.

*Debt financing*

Debt financing increases the level of risk of the investment. The repayment of borrowed funds and the interest payments associated with such financing must be made by the investor, irrespective of any interest payments by the Issuer.

*Tax risks*

Future legislative amendments and differing interpretations of the law by tax authorities and courts cannot be ruled out.

*Risks arising from subordinated collateral*

There is the risk that the provision of collateral is not valid. Accordingly, the collateral is not insolvency-proof. The realisation of collateral is limited to those cases in which the Issuer refuses to make payments to the investors despite liquidity being available and despite no pre-insolvency enforcement restriction applying. The collateral is also subordinate to the collateral pledged to the financing Bank.

**SECTION 4 - KEY INFORMATION ABOUT THE PUBLIC OFFERING OF SECURITIES**

**Under what conditions and when can I invest in the Token-based Bonds?**

The Token-based Bonds are being offered in the Federal Republic of Germany, the Grand Duchy of Luxembourg, the Republic of Austria, and the Netherlands in the context of a public offering and can be purchased by anybody there. The Token-based Bonds are subject to German law.

In parallel with the publication of the Prospectus, the Issuer will announce the opportunity to subscribe to the Token-based Bonds for prospective subscribers in Luxembourg in a major Luxembourg daily newspaper.

The Token-based Bonds will be issued at 100% of the Principal Amount of EUR 1,000 per Token-based Bond.

The Token-based Bonds have not and will not be registered in accordance with the U.S. Securities Act and may not be offered or sold within the United States.

The offer period will run from 30 October 2019 until 29 October 2020. The offer period may be curtailed at any time.

Investors who wish to subscribe to the Token-based Bonds and receive EXP4-Tokens require a "wallet" that is compatible with Ethereum assets. If no Ethereum address (known as a "public key") is provided during the online subscription process, the Issuer cannot accept subscription orders.

The placement of the Token-based Bonds by Exporo Investment GmbH as investment broker (*Anlagevermittler*) shall be subject to payment of a performance-based fee of a maximum of 3.5% of the placed and paid-in bond capital and an investment brokerage fee of 0.10% p.a. of the respective Outstanding Token-based Bonds. The costs for preparing and conducting the issue of the Token-based Bonds amount to approximately EUR 164,900. Assuming the full placement of the Token-based Bonds, the total costs of the issue will amount to EUR 335,000.

The Issuer will not charge investors any costs for the issue of the Token-based Bonds. Fees may be incurred for the safe-keeping of the EXP4-Tokens in the investors' wallets and for the trading of the EXP4-Tokens on a crypto exchange.

**Why has the Prospectus been drawn up?**

The net issue proceeds from the Token-based Bonds in the amount of up to approx. EUR 4,525,000 are to be invested in the purchase of the Properties or the repayment of the Pre-financing. The issue proceeds together with the funds from the Bank Loan that is still to be taken out in the amount of up to EUR 6,500,000 will be sufficient for this purpose.

There is no firm underwriting obligation for the offering of the Token-based Bonds.

**Conflicts of interest**

Potential conflicts of interest from a legal, economic and/or personnel perspective exist at the Issuer in that the sole managing director of the Issuer, Dr. Björn Maronde is at the same time a member of the Executive Board and shareholder of the Issuer's parent company, Exporo AG. The other members of Exporo AG's

Executive Board are also Exporo AG shareholders. Together, the members of Exporo AG's Executive Board hold 29.11% of the share capital of Exporo AG, either directly or indirectly through companies that hold property. Dr. Maronde also serves as managing director at other subsidiaries of Exporo AG. The Issuer's authorised signatory, Mr. Thomas Lange, is moreover an employee of Exporo AG. Mr. Ralf Schmähl, who is a member of Exporo AG's Supervisory Board, acts as a tax adviser to Exporo AG and receives fees for his services.

The net proceeds from the issue of the Token-based Bonds may also flow to Bridge Capital GmbH, a wholly owned subsidiary of Exporo AG, in order to discharge a Pre-financing arrangement entered into in order to acquire the Properties. The asset management of the Properties is to be carried out by Exporo AM GmbH, also a wholly owned subsidiary of Exporo AG, in return for remuneration. Exporo Investment GmbH, which is also a wholly owned subsidiary of Exporo AG, will take over the investment broking of the Token-based Bonds in return for remuneration. HmcS Treuhand GmbH, Hanover, will act as collateral trustee, in return for a fee, throughout the term of the Token-based Bonds.

## 2. Risk Factors

### 2.1. Note Regarding the Risk Factors

The presentation of the risk factors in this section 2 is no substitute for obtaining advice that may be necessary from suitably qualified professional advisers. The decision to invest should not be made solely on the basis of these risk factors, because the information contained herein cannot replace advice and explanations tailored specifically to the needs, objectives, experience, knowledge and circumstances of the investor. Prospective investors are advised to obtain opinions from suitably qualified professional advisers if needed.

The following is a presentation of the risk factors that are specific to the Issuer and/or the Bonds, and which are of material significance for making an informed investment decision.

The Issuer has rated the significance of the individual risk factors as “low”, “medium” or “high” as at the date of the Prospectus. Where the Issuer has assessed a risk factor as being of “low” or “medium” significance, this does not mean that this risk could not have material adverse effects if it materialised, which in the worst case could cause the Issuer to become insolvent and therefore cause investors to lose their entire investment.

**The occurrence of any one or cumulative combination of various risks may have material adverse effects on the Issuer’s net assets, financial condition and operational results, resulting in the Issuer being unable or restricted in its ability to meet its contractual interest and redemption obligations to investors under the Bonds.**

**In the worst case, this could cause the Issuer to become insolvent and as a result cause investors to lose their entire investment.**

### 2.2. Risks in Connection with the Properties

The economic success of the Issuer and its ability to meet interest and redemption obligations under the Token-based Bonds essentially depends on two factors: a sufficient excess of the expected rental income over the costs of the Properties and the other expenses of the Issuer, and the proceeds from the sale of the Properties or, alternatively, the successful refinancing of the Token-based Bonds by the Issuer in an amount that enables the Bonds to be redeemed. If the value of the Properties falls, it may not be possible for the Issuer to realise any sale proceeds sufficient to redeem the Token-based Bonds at their par value. This may cause investors to lose all or part of their investment. If there is no increase of the value of the Properties, the Redemption Amount will not exceed the par value of the Token-based Bonds. There may be specific risks associated with investing in the Properties.

#### 2.2.1 Risks Arising from the Sale of the Properties

If the Issuer is unable to refinance the Token-based Bonds at maturity, redemption of the Token-based Bonds will depend on the sale of the Properties and the proceeds generated from the sale. The proceeds from the sale of the Properties depend on many factors, for example the lease situation (occupancy rate, tenant creditworthiness, amount of rent), the quality of the location, demand from investors, market and property-specific trends and macroeconomic or industry-specific circumstances.

As at the date of this Prospectus, it is not possible to predict whether it will be possible to generate sufficient proceeds from selling the Properties to fully satisfy all repayment claims of Bondholders under the Token-based Bonds.

Furthermore, risks may arise in the course of selling the Properties (e.g. the purchaser may become insolvent, the Issuer may assume warranties and liability), which could result in failure of the sale or in the sale having to be reversed, which could cause the Issuer to incur costs for which it is unable to claim reimbursement.

These risks could adversely affect the Issuer’s net assets, financial condition and operational results and jeopardise the interest and repayment claims of Bondholders under the Token-based Bonds. The Issuer rates the occurrence of these risks as “medium”.

### **2.2.2 Lease-related Risks**

The calculated rental income depends on the conclusion and continued existence of corresponding lease agreements that generate appropriate returns. It is possible that lease agreements may not be concluded as planned in the future, and therefore that the calculated amount of future rental income will not be realised.

Where lease agreements expire, it cannot be ruled out that a subsequent new lease will not take place or will only take place on less favourable terms. Nor can it be ruled out that a subsequent new lease will only be possible after extensive and cost-intensive conversion and/or modernisation measures or other adaptations to the competitive situation. Furthermore, the Properties are previously existing properties that are competing with new buildings, so that a subsequent new lease may only be possible by discounting the rent appropriately. Furthermore, the service charges and additional costs payable by tenants in addition to the rent have increased significantly in recent years, which could limit the potential for increasing the rent under new leases.

The calculated rental income depends on the ability of individual tenants to pay the rent. Where one or even several tenants are unable to pay the agreed rent, this may result in a significant amount of lost rental income. This in turn may mean that the Issuer is no longer able to service its debt under the Bank Loan or to meet other contractual covenants under the Bank Loan, such as compliance with capital ratios, which may give the Bank the right to terminate the Bank Loan and realise the security provided for the Bank Loan. A significant amount of lost rental income may also result in Bondholders receiving only small interest payments or none at all.

All of these risks could adversely affect the Issuer's net assets, financial condition and operational results and jeopardise the interest and repayment claims of Bondholders under the Token-based Bonds. The Issuer rates the occurrence of these risks as "medium".

### **2.2.3 Risks Arising from the Development of the Real Estate Market**

Real estate assets are subject to fluctuations in value and undergo various market cycles. The value of the Properties is determined by various external factors which are outside the Issuer's control. These factors include deterioration of the economy, an increase in the supply of competing properties, lower demand from prospective purchasers, the deterioration of borrowing conditions, lower demand for rental properties, the deterioration of tenants' financial situation or falling rents. A negative market development may adversely affect the Issuer's future rental income and have a negative impact on the value of the Properties and the proceeds able to be generated from their sale. This could adversely affect the Issuer's net assets, financial condition and operational results and jeopardise the interest and repayment claims of Bondholders. The Issuer rates the occurrence of these risks as "medium".

### **2.2.4 Risks Arising from the Development of the Properties' Location**

The location of the Properties may become less desirable due to various circumstances, such as the worsening of transport links or social services, environmental degradation or noise/odour emissions by third parties, which could in turn affect the Properties' appeal and their intrinsic value, and therefore affect the marketing and letting of the Properties. In addition, the Properties could also be negatively affected if the activities of competitors change the local market situation for the worse. These risks could adversely affect the Issuer's net assets, financial condition and operational results and jeopardise the interest and repayment claims of Bondholders. The Issuer rates the occurrence of these risks as "medium".

### **2.2.5 Risks Arising from the Condition of the Properties**

The quality of the Properties' construction is of key significance in terms of their long-term lettable and their value development. In this context there is a risk that unidentified construction defects may exist in the Properties. The Issuer is required to fund the costs of fixing undetected construction defects or unforeseen repair and maintenance expenses from existing liquid assets and/or by taking out additional loans or own funds. Construction defects that have not been fixed or are unable to be fixed may lead to rent reductions, adversely affect the Issuer's future rental income and have a negative impact on the development of the value of the Properties and the proceeds able to be generated from their sale. These risks could adversely affect the Issuer's net assets, financial condition and operational results and

jeopardise the interest and repayment claims of Bondholders under the Token-based Bonds. The Issuer rates the occurrence of these risks as “low”.

### **2.2.6 Maintenance Risks**

The costs of maintaining and repairing the Properties may be higher than budgeted, for example because the Properties are getting older or because unexpected defects are uncovered. The level of reserves available for maintenance and repair may have been calculated too low, which would compel the Issuer to carry out maintenance and repairs using rental income and/or by borrowing additional capital. Nor can it be ruled out that necessary maintenance and repairs will not be able to be carried out adequately or at all because the Issuer will lack the liquidity to do so, which could have adverse effects on the lease situation and value of the Properties. These risks could adversely affect the Issuer’s net assets, financial condition and operational results and jeopardise the interest and repayment claims of Bondholders under the Token-based Bonds. The Issuer rates the occurrence of these risks as “low”.

### **2.2.7 Risks Arising from the Operation of the Properties**

There is a risk that operating the Properties could result in unintentional loss of life, bodily injury, property damage or financial loss to third parties and that the Issuer will be held liable in out-of-court or in court proceedings to compensate for the resulting loss or damage. The occurrence of these risks could have a negative impact on the Issuer’s liquidity and jeopardise repayment of the Bank Loan and thus also the interest and repayment claims of Bondholders under the Token-based Bonds. The Issuer rates the occurrence of these risks as “low”.

### **2.2.8 Risk of Increased Costs**

The budgeted costs and remuneration for the operation and management of the Properties may increase as a result of unforeseeable additional expenses, an increase in real property tax or increases in operating expenses and administrative expenses that cannot be passed on to tenants. The Issuer would have to pay unforeseeable costs and additional expenses out of rental income. This risk could adversely affect the Issuer’s net assets, financial condition and operational results and jeopardise the interest and repayment claims of Bondholders under the Token-based Bonds. The Issuer rates the occurrence of these risks as “low”.

### **2.2.9 Risks Arising from the Lack of Insurance Cover**

There is a risk that the Properties have not been comprehensively insured against all types of damage, or that it is not even possible to obtain such insurance. Nor can it be ruled out that the insurer will refuse to reimburse any loss or damage incurred in full or at all in the event of an insured event. Non-insurable or only partially insured risks as well as losses that are not fully covered by the sum insured shall be borne by the Issuer itself. The occurrence of these risks could have a negative impact on the Issuer’s liquidity and jeopardise repayment of the Bank Loan and thus also the interest and repayment claims of Bondholders under the Token-based Bonds. The Issuer rates the occurrence of these risks as “low”.

### **2.2.10 Risks Arising from Legacy Contamination**

It is not possible to rule out risks arising from legacy contamination (such as hazardous substances, soil contaminations). There is a risk that the Issuer will be compelled to remediate existing and/or future environmental pollution caused by legacy contamination, which could give rise to significant costs. If it is not possible to remediate legacy contamination, this could have material adverse consequences for the Properties’ value development and the proceeds generated from their sale. The occurrence of these risks could have a negative impact on the Issuer’s liquidity and jeopardise repayment of the Bank Loan and thus also the interest and repayment claims of Bondholders under the Token-based Bonds. The Issuer rates the occurrence of these risks as “low”.

## **2.3. Risks Arising from the Issuer's Business**

### **2.3.1 Risks under the Bank Loan**

The Bank Loan may be terminated at any time for cause. If important grounds for termination exist, there is a risk that the Bank will demand immediate repayment of the Bank Loan in full and threaten to realise the security provided for the Bank Loan. Such important grounds for termination include, but are not limited to, if the Issuer's financial situation has deteriorated significantly, if the Issuer fails to meet its payment obligations under the Bank Loan, if a court orders foreclosure against the Issuer or sequestration of the Properties, or if the Properties are sold without the Bank's consent. If important grounds for termination exist, there is a risk that the Bank will demand immediate repayment of the Bank Loan in full and threaten to realise the security provided for the Bank Loan. In all likelihood, the Issuer will only be able to repay the Bank Loan prematurely after selling the Properties. In this context there is a risk that the realisable proceeds from the sale of the Properties will not be sufficient to fully discharge the Bank Loan. If the Issuer is unable to repay the Bank Loan, there is a risk that the Issuer will have to file for insolvency. This may lead to a total loss of the Bondholders' investment.

If the Bank Loan is not concluded, the Issuer's business model as described in this Prospectus will not be able to be implemented. If the transaction is reversed, the Issuer will redeem the Token-based Bonds at par value and repay this amount to the investors. Since the Issuer will not have generated any interest income in such a case, it will not be able to pay any interest on the Token-based Bonds. The Issuer rates the occurrence of these risks as "low".

### **2.3.2 Risks Arising from the Reversal of a Property Purchase Agreement**

As at the date of this Prospectus, the Issuer has entered into a contractual obligation to purchase the Properties, but has not yet paid the purchase price or acquired title to the Properties. If the purchase price for one or more of the Properties is not paid by the due date, the relevant property purchase agreement may be reversed. If even one of the property purchase agreements is reversed, the Issuer's business model as described in this Prospectus cannot be implemented. If any one of the property purchase agreements is reversed, the Issuer will redeem the Token-based Bonds at par value and repay this amount to investors. Since the Issuer will not have generated any rental income in such a case, it will not be able to pay any interest on the Token-based Bonds. This may put the yield expectations of Bondholders at risk. The Issuer rates the occurrence of these risks as "low".

### **2.3.3 General Legal Situation and Market Conditions**

The Issuer cannot rule out amendments to the laws, regulations and directives applicable as of the date of this Prospectus, or changes to the way in which they are interpreted. For example, the "brake on rents" has been approved in Berlin, and other cities are discussing whether to implement a similar scheme. To this extent, it is generally possible that legislative, judicial or regulatory action and/or a change in the market conditions could negatively affect the Issuer's liquidity and jeopardise repayment of the Bank Loan and thus also the interest and repayment claims of Bondholders under the Token-based Bonds. The Issuer rates the occurrence of these risks as "low".

### **2.3.4 Risks Arising from Conflicts of Interest**

Due to the fact that the same persons (in some cases still) hold multiple roles, there exist diverse legal, economic and/or personnel interdependencies with regard to the Issuer. Interdependencies between board members and/or shareholders of the Issuer and persons and/or companies which may have entered into material agreements with the Issuer or which may otherwise have a material connection with the Issuer always harbour the possibility of a conflict of interest between the relevant persons and/or companies. Such conflicts of interest can always arise if the commercial, economic and legal interests of the relevant persons and/or companies are not identical. Therefore it cannot be ruled out that when weighing the different, possibly conflicting, interests, the parties will arrive at different decisions than they would have, had such interdependencies not existed.

The Issuer's managing director, Dr. Björn Maronde, is both a member of the Executive Board and shareholder of the Issuer's parent company, Exporo AG. Potential conflicts of interest could arise for Dr. Maronde in his role as managing director of the Issuer on the one hand and as a member of the

Executive Board and shareholder of the Issuer's sole shareholder on the other. For instance, the interest of the Issuer's managing director may be to preserve the capital in the Issuer, while the interest of Exporo AG and its shareholders may be to distribute profits at the level of the Issuer and/or Exporo AG. Furthermore, Exporo AG's instructions to management may obligate the Issuer to take actions that are not in the Issuer's interest and may even impair the Issuer's continued existence or economic performance. Conflicts of interest may also arise if, for example, a service is to be purchased from Exporo AG or from an affiliate, even though this service could be purchased from another provider for less or at a better price/performance ratio.

Dr. Maronde also serves as managing director at other subsidiaries of Exporo AG. Potential conflicts of interest could arise as a result of his position as managing director of the Issuer on the one hand and as managing director of the aforementioned subsidiaries of Exporo AG on the other. The economic interests of the individual subsidiaries could, for example, conflict with the economic interests of the Issuer and the Issuer's managing director could make decisions which benefit the subsidiaries rather than the Issuer.

The Issuer's authorised signatory, Mr. Thomas Lange, is an employee of Exporo AG. To this extent, there exist potential conflicts of interest between the obligations of the authorised signatory vis-à-vis the Issuer and his obligations vis-à-vis Exporo AG. Thus, as an employee of Exporo AG, the authorised signatory could be obligated by instructions to take actions that are not in the Issuer's interest.

The other members of Exporo AG's Executive Board are also Exporo AG shareholders. Together, the members of Exporo AG's Executive Board hold 29.11% of the share capital of Exporo AG, either directly or indirectly through companies that hold property. In their capacity as shareholders, the members of Exporo AG's Executive Board could face conflicts of interest. For instance, the interest of the Issuer's managing director may be to preserve the capital in the Issuer, while the interest of Exporo AG and its shareholders may be to distribute profits at the level of the Issuer and/or Exporo AG.

Mr. Ralf Schmähl, who is a member of Exporo AG's Supervisory Board, acts as a tax adviser to Exporo AG and receives fees for his services. To this extent, there are potential conflicts between his pecuniary interests and his obligations to Exporo AG as a member of the Supervisory Board.

The net proceeds from the issue of the Bonds may also flow to Bridge Capital GmbH, a wholly owned subsidiary of Exporo AG, in order to discharge a Pre-financing arrangement entered into in order to acquire the Properties. The asset management of the Properties is to be carried out by Exporo AM GmbH, also a wholly owned subsidiary of Exporo AG, in return for remuneration. Exporo Investment GmbH, which is also a wholly owned subsidiary of Exporo AG, will take over the investment broking of the Token-based Bonds in return for remuneration.

If conflicts of interest arise, it cannot be ruled out that the interests of the parties will not be weighed up in the Issuer's favour, which could have an adverse effect on the Issuer's net assets, financial condition and operational results and thus also indirectly on the interest and repayment claims of Investors. The Issuer rates the occurrence of these risks as "low".

## **2.4. Risks Relating to the Token-based Bonds**

**The Token-based Bonds are not a suitable investment for every investor. The decision of any potential investor whether to subscribe for the Token-based Bonds should be based on their personal circumstances, income situation and investment expectations.**

### **2.4.1 Risks Relating to the Transferability of the Token-based Bonds**

Although it is possible in principle to sell the Token-based Bonds before their maturity, the ability to do so is heavily restricted. There are no plans to have the Token-based Bonds admitted to trading on a stock exchange. Accordingly, the Token-based Bonds can only be sold off the exchange, which could make them impossible to sell. Nor can it be excluded that an investor will only be able to sell his or her Token-based Bonds at a price that is considerably less than their par value.

The transfer of rights arising from the Token-based Bonds requires the transfer of the EXP4-Tokens representing the Token-based Bonds as a mandatory requirement (known as a limited ban on assignment - *Beschränktes Abtretungsverbot*). In turn, the EXP4-Tokens can only be transferred via the Ethereum blockchain. Investors who wish to purchase Token-based Bonds on the secondary market must first register on the website at [www.exporo.de](http://www.exporo.de) and complete the KYC and AML process of Exporo Investment GmbH as registered users. Once the KYC and AML process has been completed

successfully, the investor's Ethereum address is entered in the Global Whitelist Contract on the Ethereum blockchain, so that the investor can subsequently receive EXP4-Tokens.

Although trading in the EXP4-Tokens on one or more so-called crypto exchanges is in principle possible and may be applied for by the Issuer, any holder of the tokens or third parties, the decision on the commencement of trading is however the sole responsibility of the relevant crypto exchange. Trading on a crypto exchange is also no guarantee that investors wishing to sell will find sufficient demand to be able to resell the EXP4-Tokens. The Issuer is unable to predict the extent to which investor interest in its EXP4-Tokens will drive trading or how liquid trading might become. It is therefore possible that an investor will not be able to sell his or her EXP4-Tokens or will only be able to sell them at a price that is considerably less than the original purchase price. The price of tokens traded on crypto exchanges often fluctuates dramatically. Nor can it be ruled out that crypto exchanges will be subject to prudential regulation. In the event that a crypto exchange needs regulatory approval and does not have it, there is a risk that the supervisory authorities will take action against the crypto exchange and may prohibit its business model, which would render it impossible to continue trading. The Issuer rates the occurrence of these risks as "high".

#### **2.4.2 Risk Based on the Pre-insolvency Enforcement Restriction**

All payment claims of investors are subject to a pre-insolvency enforcement restriction. All claims arising from the Token-based Bonds, particularly claims on the part of Bondholders for the payment of interest and repayment of the bond capital, may not be asserted as long as and to the extent that the partial or full settlement of such claims would result in over-indebtedness of the Issuer within the meaning of section 19 InsO or result in an impending insolvency within the meaning of section 18 InsO or an insolvency within the meaning of section 17 InsO, in each case as amended (*vorinsolvenzliche Durchsetzungssperre* - pre-insolvency enforcement restriction). As a result, the pre-insolvency enforcement restriction already applies to the period prior to the opening of insolvency proceedings. Accordingly, the Bondholder may not request the settlement of its claims arising from the Token-based Bonds if the Issuer is over-indebted or insolvent, or if such over-indebtedness or insolvency is imminent, at the time at which the Bondholder makes the payment request. The pre-insolvency enforcement restriction may lead to a permanent, indefinite non-fulfilment of the Bondholder's claims. The Issuer rates the occurrence of this risk as "high".

#### **2.4.3 Risk Based on the Ranking of Investors' Claims**

Investors cannot require the Issuer to prioritise the settlement of their interest and repayment claims over the other claims of third parties. This also applies where such other claims rank *pari passu* with investors' claims. In the event of the Issuer's liquidation, the subordinated claims will rank lower than all unsubordinated claims and all subordinated claims within the meaning of section 39 (1) nos. 1 to 5 InsO. This may result in the loss of the entire amount invested. If insolvency proceedings are commenced with respect to the Issuer's assets, investors may only assert their claims (interest, repayment) against the insolvency administrator as subordinated insolvency creditors. Payments will only be made to investors out of the insolvency estate if all senior claims, particularly unsubordinated claims and all subordinated claims within the meaning of section 39 (1) nos. 1 to 5 InsO, have been satisfied in full. The amount of the actual payments therefore depends on the value of the insolvency estate. If the insolvency estate is insufficient to satisfy subordinated claims in the insolvency proceedings, investors would lose their entire investment. The Issuer rates the occurrence of this risk as "high".

#### **2.4.4 Regulatory Framework Governing the Issue of Token-based Bonds and the Lack of Market Confidence**

The issue of token-based bonds is an innovative, blockchain technology-based method of raising capital in order to finance entrepreneurial projects. In the recent past, numerous bond issues of this kind were brought to market solely for the purpose of committing fraud. There was also a series of extremely financially questionable and highly speculative investment offers. These bond issues benefited from the convoluted legal framework at the time and the (seeming) lack of applicable regulatory restrictions. It cannot be ruled out that a regulatory framework will be created in the future which would render the issue of token-based bonds legally, technically or economically impossible. Data protection and/or anti-money laundering requirements could also give rise to legal restrictions, and, given blockchain

technology's high energy consumption, environmental factors could also prevent token-based issues from being accepted by a broad investor base. This could result in greater regulation of the issued Token-based Bonds and/or render them untradeable for legal reasons and/or because of the market's lack of acceptance. The Issuer rates the occurrence of this risk as "high".

#### **2.4.5 Risk Arising from Debt Financing the Investment Amount**

The investors may, at their discretion, finance the purchase of the Token-based Bonds, in whole or in part, by borrowing funds. However, it should be noted that this would increase the level of risk of the Token-based Bonds. The repayment of borrowed funds and the interest payments associated with such financing must be made by the investor, irrespective of repayment of the nominal amount of the bond capital and any interest payments by the Issuer. The Issuer rates the occurrence of this risk as "high".

#### **2.4.6 Tax Risks**

The tax information presented in this Prospectus in relation to the Token-based Bonds reflects the legal situation, current case law and commentary in the tax law literature as at the date of this Prospectus. Future legislative amendments and differing interpretations of the law by the tax authorities and courts cannot be ruled out. In the Coalition Agreement dated 7 February 2018, the CDU (Christian Democratic Union), CSU (Christian Social Union) and SPD (Social Democratic Party of Germany) agreed to abolish the definitive withholding tax on interest income upon the establishment of the automatic exchange of information. Should the definitive withholding tax be abolished in the future, interest income would once again have to be taxed at the personal income tax rate. If the investor's personal income tax rate is higher than the lump-sum 25% limit for the definitive withholding tax, they would receive a lower after-tax return on the Token-based Bonds than previously.

It should also be noted that the legal position as to how the Token-based Bonds should be classified for tax law purposes is unclear, in particular it is unclear whether they constitute profit participation loans within the meaning of section 20 (1) no. 4 of the German Income Tax Act (*Einkommensteuergesetz*, "EStG") or participation rights within the meaning of section 20 (1) no. 1 EStG, which grant the right to participate in the profits and liquidation proceeds. This uncertainty particularly results from the fact that it is argued in some tax law literature that (i) any performance-based remuneration suffices for a participation in profits and (ii) a participation in the liquidation proceeds must also be assumed if the repayment of the profit-sharing capital and the investor's share of the hidden reserves takes place or can be requested prior to liquidation. Other scholars take the view that (i) profit participation requires that investors participate in the net profit for the year or the net retained profit as calculated in accordance with commercial law principles (not the case here) and (ii) investors participate in liquidation proceeds only if the profit-sharing capital and pro rata hidden reserves cannot be paid out until the Issuer goes into liquidation. According to the latter view, there would be no participation in the profits or the liquidation proceeds in the present case. The fact that the Token-based Bonds are secured is also an argument against classifying them as an (equity) participation right in the present case.

Apart from the different tax consequences for investors presented in the section on taxation, if the Token-based Bonds were classified as participation rights within the meaning of section 20 (1) no. 1 EStG, then the Issuer would not be able to claim a tax deduction under section 8 (3) sentence 2 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*) for payments made in respect of the Token-based Bonds that did not constitute repayment of the nominal amount. This would reduce the funds available to the Issuer to make payments in respect of the Token-based Bonds. The Issuer rates the occurrence of these risks as "medium".

#### **2.4.7 Risks Arising from Subordinated Collateral**

The bond capital is secured by subordinated collateral. In this context, there is a risk that the provision of collateral is not valid (for example due to conflicting third-party security interests).

The subordination of and the pre-insolvency enforcement restriction on the Token-based Bonds also extends to the collateral to be provided. This means that the realisation of collateral is limited to those cases in which the Issuer refuses to make payments to the investors despite liquidity being available and despite no pre-insolvency enforcement restriction applying. Accordingly, the collateral is not insolvency-proof.

The collateral is also subordinate to the collateral pledged to the financing Bank. To this extent, there is a risk that it will not be possible to generate sufficient proceeds from realising the collateral to be able to satisfy all of the investors' interest and repayment claims. Nor can it be ruled out that the realisation of the collateral will take such a long time that satisfaction of the Bondholders' claims will be delayed.

There is therefore a risk that the claims of Bondholders under the Token-based Bonds will not be able to be satisfied in full or at all from realisation of the collateral. The Issuer rates the occurrence of these risks as "low".

#### **2.4.8 Risk of Losing the Private Key**

The EXP4-Tokens are assigned to the respective wallets of the investors when they are issued. Investors can only access the EXP4-Tokens by using their "private key" to open their wallet. If the private key falls into the hands of a third party, the third party could misuse the investor's wallet and carry out unauthorised transactions. If the private key is lost, even if it is simply "forgotten", the EXP4-Tokens are irretrievably lost. The Issuer does not know the private keys of investors and is unable to recover private keys, nor can it restore or enable access to the wallet in any other way. It is therefore essential for investors to keep their private key somewhere safe. The Issuer cannot be held liable for the loss or unauthorised use of the private key. The investor's wallet must be compatible with Ethereum tokens. If EXP4-Tokens are transferred to an incompatible wallet, the investor will not generally be able to access the EXP4-Tokens and carry out transactions with them. This would mean a total loss of investment for the investor. The investor alone is responsible for deciding on the right (compatible) wallet. The Issuer rates the occurrence of this risk as "low".

#### **2.4.9 Risks Arising from Blockchain Technology**

Blockchain technology and all related technological components are still at an early stage of technical development. EXP4-Tokens are created when the Issuer generates the subscribed number of EXP4-Tokens on the Ethereum blockchain, and then transfers it to the wallet addresses of the investors by assigning the EXP4-Tokens to the respective addresses of investors. Blockchain technology may harbour errors that are unknown as at the date of this Prospectus, but which could give rise to unforeseeable consequences in the future. The blockchain technology may also be prone to technical difficulties which impair its functionality. A full or partial collapse of the Ethereum blockchain could disrupt or render impossible the issue of the Token-based Bonds and the ability to trade the EXP4-Tokens. In the worst case, this can lead to the irretrievable loss of the EXP4-Tokens. The Issuer rates the occurrence of these risks as "low".

#### **2.4.10 Risk of Hacking Attacks**

The blockchain technology, the Exporo "Smart Contract" and/or the wallets of investors could be prone to attacks by unauthorised third parties, in other words hacked. In the case of distributed denial-of-service (DDoS) attacks, hackers can, for example, overload a network or a blockchain with a large number of queries and/or transactions and (temporarily) bring down the network or the relevant blockchain. Such attacks can lead to the loss of the EXP4-Tokens. There have already been numerous hacking attacks in the past, including attacks on the Ethereum blockchain. Crypto exchanges can also be the target of hacking attacks. It is almost impossible to track down the perpetrators due to the general anonymity of blockchain technology. Any such attack and attacks on crypto exchanges could also permanently destroy investor confidence in blockchain technology. The Issuer rates the occurrence of this risk as "low".

#### **2.4.11 Risk of Early Redemption of the Token-based Bonds**

In certain cases, the Issuer has the right to terminate the Token-based Bonds early and repay the Bondholders. In such cases, the investor bears the risk of the total return on investment being lower than expected due to the early redemption of the Token-based Bonds. It is also possible that investors will only be able to reinvest the repaid capital on terms that are less favourable than the terms of the Token-based Bonds. The Issuer rates the occurrence of this risk as "low".

#### **2.4.12 Placement Risk**

No guarantee is given that the Token-based Bonds offered in this Prospectus will be able to be placed. The Token-based Bonds are therefore exposed to a placement risk, which could result in the Issuer not having enough capital available to make its intended investments. If the placement is not sufficiently successful, the Issuer will redeem the Token-based Bonds at par value and repay this amount to investors. Since the Issuer will not have generated any interest income in such a case, it will not be able to pay any interest on the Token-based Bonds. The Issuer rates the occurrence of this risk as “low”.

### **3. General Information**

#### **3.1. Responsibility for the Content of the Prospectus**

Exporo Hannover Berlin GmbH with its registered office in Hamburg and business address at Am Sandtorkai 70, 20457 Hamburg, Federal Republic of Germany, hereby accepts responsibility for the information contained in this Prospectus pursuant to Article 11 of the Prospectus Regulation and declares pursuant to Article 11 of the Prospectus Regulation that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and that this Prospectus makes no omission likely to affect its import.

Notwithstanding Article 23 of the Prospectus Regulation, the Issuer is under no legal obligation to update this Prospectus. In the event that claims are brought before a court based on information contained in this Prospectus, the investor appearing as plaintiff may, under the national laws of the Member States of the European Economic Area, be required to bear the costs of translating the Prospectus prior to the commencement of legal proceedings.

#### **3.2. Approval of the Prospectus**

This Prospectus was approved by the CSSF as the competent authority pursuant to the Prospectus Regulation. The CSSF has only approved this Prospectus as meeting the standard of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or as a confirmation of the quality of the Token-based Bonds. Investors are advised to make their own assessment as to the suitability of the Token-based Bonds as an investment.

#### **3.3. Auditor**

The auditor for the Issuer's audited opening balance sheet is FACT GmbH Wirtschaftsprüfungsgesellschaft, Johanna-Waescher-Straße 13, 34131 Kassel, Germany, and is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*) in Berlin.

The auditor has consented to the inclusion of its report on the audit of the opening balance sheet in this Prospectus.

With the exception of the opening balance sheet, no other information in this Prospectus has been audited by the Issuer's auditor.

#### **3.4. Forward-looking Statements**

This Prospectus contains certain forward-looking statements. Forward-looking statements are any statements not relating to historical facts and events. Statements containing words such as "expect", "plan", "aim", "estimate", "intend", "assume", "presume", "likely" or similar expressions are indicative of such forward-looking statements. Forward-looking statements are based on current plans and expectations of the Issuer and on certain assumptions which may subsequently prove to be inaccurate or incorrect. A variety of factors may cause the actual business performance of or income generated by the Issuer to differ materially from the business performance or income assumed in the forward-looking statements. As such, the Issuer and its managing directors can give no assurance that the described developments will in fact occur.

Investors are furthermore advised that the Issuer assumes no obligation to update or revise the forward-looking statements to reflect future events or developments beyond that which is required by law (specifically the obligation to publish supplements pursuant to Article 23 of the Prospectus Regulation).

#### **3.5. Figures and Currency Information**

Certain figures (including certain percentages) have been rounded in accordance with normal commercial practice. Therefore, in some cases the total amounts stated in this Prospectus might not

match the totals of the individual amounts stated in the underlying sources. Unless stated otherwise, all currency information contained in this Prospectus is in euros.

### **3.6. Consent to Use of the Prospectus by Financial Intermediaries**

The Issuer hereby consents to the use of this Prospectus, including any supplements, by financial intermediaries and the subsequent resale or final placement of the Token-based Bonds by financial intermediaries within the Grand Duchy of Luxembourg, the Federal Republic of Germany, the Republic of Austria, and the Netherlands. Consent to use the Prospectus is granted for the entire duration of the offer period. The offer period is expected to run from 30 October 2019 until 29 October 2020. The grant of consent is not subject to any further conditions. The Issuer hereby states that it assumes liability for the content of the Prospectus also with respect to the subsequent resale or final placement of the Token-based Bonds.

**If a financial intermediary makes an offer, it shall inform the investors of the terms and conditions of the offer upon submission of the offer. Any financial intermediary who uses the Prospectus must state on its website that it is using the Prospectus with the Issuer's consent and in accordance with the terms and conditions of such consent.**

### **3.7. Third-party Information**

Any information sourced from third parties has been accurately and completely reproduced in this Prospectus. To the extent known to the Issuer and inferred from information published by third parties, no facts have been omitted that would render the information reproduced herein inaccurate or misleading. The Issuer has verified the sources of the information. Any website included in this Prospectus is for information purposes only and does not form part of this Prospectus. The CSSF has neither examined nor approved the content of the websites included in this Prospectus.

The Issuer has retained Klaus Wagner MRICS, REV, a DIN EN ISO/IEC 17024-certified expert for real estate valuation, surveyor (DIA) and real estate expert (ebs), office for real estate valuation, Poststraße 33, 20354 Hamburg, Federal Republic of Germany, to prepare expert opinions on the market value of the Properties in accordance with Article 39 of the Delegated Regulation to the Prospectus Regulation<sup>1</sup> and in accordance with margin no. 130 of the recommendations<sup>2</sup> of the European Securities and Markets Authority (ESMA) dated 20 March 2013 (the "**Valuation Reports**"). The Valuation Reports are attached as an annex to this Prospectus. The Valuation Reports have been included in the Prospectus with the consent of the expert.

No other statement or report by a person acting as an expert has been included in the Prospectus.

No rating has been prepared for the Issuer or for the Token-based Bonds at the request or with the cooperation of the Issuer.

### **3.8. Documents on Display**

For the period during which this Prospectus is valid, the deed of formation (model protocol pursuant to section 2 (1a) of the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*, "GmbHG"), the audited opening balance sheet and the Valuation Reports may be viewed on the Issuer's website at [www.exporo.de/ir-hannover-berlin](http://www.exporo.de/ir-hannover-berlin). The Prospectus is available online on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu). and on the website of the Issuer at [www.exporo.de/ir-hannover-berlin](http://www.exporo.de/ir-hannover-berlin). The information contained on the Issuer's website does not constitute part of the Prospectus.

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<sup>1</sup> COMMISSION DELEGATED REGULATION (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004.

<sup>2</sup> ESMA update of the CESR recommendations on the consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

### **3.9. Important Information**

No person is authorised to make any representations or statements in connection with the issuance and the offering of Token-based Bonds other than those contained in this Prospectus and, if made, such statements or representations may not be relied upon as having been authorised by the Issuer.

Neither the provision of this Prospectus nor the offer, sale or delivery of the Token-based Bonds constitutes any warranty that (i) the information contained in this Prospectus will be accurate at any time after the date of publication of this Prospectus or at any time after the publication of a supplement to this Prospectus; or (ii) no adverse changes in the Issuer's business and/or financial condition and results of operation will occur at any time after the date of publication of this Prospectus or at any time after the date of publication of any supplement to this Prospectus; or (iii) any other information supplied in connection with the issuance of the Token-based Bonds will be accurate at a time other than the time at which it was communicated or dated.

The Token-based Bonds may not be a suitable investment for all investors. Before deciding to purchase the Token-based Bonds, investors are advised to make their own enquiries into the Issuer's net assets, financial condition and operational results and make their own assessments as to the Issuer's creditworthiness. Neither this Prospectus nor any other statements made in connection with the Token-based Bonds shall constitute a recommendation by the Issuer to the investor to purchase the Token-based Bonds.

This Prospectus does not constitute, and may not be used in connection with, an offer or solicitation of an offer in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation or to any person to whom it is unlawful to make such offer or solicitation.

The Issuer does not represent that this Prospectus will be lawfully distributed, or that the Token-based Bonds will be lawfully offered, in accordance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and assumes no liability in this respect for facilitating any such offering or distribution. In particular, the Issuer has not taken any action in those jurisdictions in which such action is required for the purpose of offering the Token-based Bonds or distributing the Prospectus.

The offer, sale and delivery of the Token-based Bonds as well as the distribution of this Prospectus are subject to legal restrictions in certain jurisdictions. The Issuer advises persons who come into possession of this Prospectus to acquaint themselves with and observe any such restrictions.

In particular, the Token-based Bonds are not and will not be registered under the U.S. Securities Act and are not subject to U.S. tax laws. With only a few limited exceptions, the Token-based Bonds may not be offered, sold or delivered into or within the United States of America or to any U.S. persons.

## 4. Information Relating to the Issuer

### 4.1. General Information about the Issuer

The legal and commercial name of the Issuer is Exporo Hannover Berlin GmbH (no. 1 of the model protocol). The Issuer was founded on 2 May 2019 as a limited liability company (*Gesellschaft mit beschränkter Haftung*, "GmbH") under German law trading under the name Exporo Projekt 119 GmbH; it was entered in the commercial register of the local court (*Amtsgericht*) of Hamburg on 20 May 2019 under the number HRB 157167. The Issuer changed its name to Exporo Hannover Berlin GmbH, which was recorded in the commercial register on 12 September 2019. The Issuer's Legal Entity Identifier (LEI) is: 529900452BAIJ9ZBCH43.

The Issuer's registered office is in Hamburg (business address: Am Sandtorkai 70, 20457 Hamburg, Federal Republic of Germany). The telephone number is: +49 40 / 210 91 73 00. The Company has been established for an indefinite term. The Issuer is governed by German law.

The object of the Issuer pursuant to no. 2 of the model protocol is the acquisition, management and sale of, as well as investing in real estate projects and the purchase, holding and sale of loan receivables. The object does not include the ongoing purchase of receivables on the basis of framework agreements with or without recourse ("factoring" within the meaning of the German Banking Act (*Kreditwesengesetz*, "KWG")).

### 4.2. Organisational Structure

The Issuer is a wholly owned subsidiary of Exporo AG, Hamburg. The Issuer has no equity holdings in other entities.

Founded on 17 November 2014, Exporo AG is organised as a stock corporation (*Aktiengesellschaft*, "AG") under German law and was entered in the commercial register of the local court of Hamburg on 5 December 2014 under the number HRB 134393. The company object of Exporo AG is the brokering of loan agreements pursuant to section 34f of the German Industrial Code (*Gewerbeordnung*, "GewO") via a web or online portal.

Exporo AG's registered office is in Hamburg. The address is: Am Sandtorkai 70, 20457 Hamburg, Federal Republic of Germany.

The members of the Executive Board of Exporo AG are Simon Brunke (CEO), Dr. Björn Maronde and Julian Oertzen. The members of the Supervisory Board of Exporo AG are Andreas Haug (Chairman), Christian Saller and Ralf Schmähl.

Exporo AG's registered share capital is EUR 100,498. Following the completion of several financing rounds by five venture capital companies, the founders of Exporo AG still hold 37.54% of Exporo AG's share capital while the venture capital companies together hold 62.46%. None of the venture capital companies holds more than an 18% interest in Exporo AG. None of the Company's founders holds more than an 11% interest in Exporo AG.

The founders of Exporo AG have been implementing real estate financing together with project developers since 2012. This form of investment had previously only been accessible to major investors. With the Exporo crowdinvesting platform, the founders of Exporo AG realised their idea of opening the door to real estate investments for investors with smaller investment amounts. In December 2014, Exporo AG went live with the digital brokering of its first project in Hamburg. As at the date of the Prospectus, more than 206 real estate projects from third-party providers had been marketed, surpassing EUR 512 million in brokered capital.

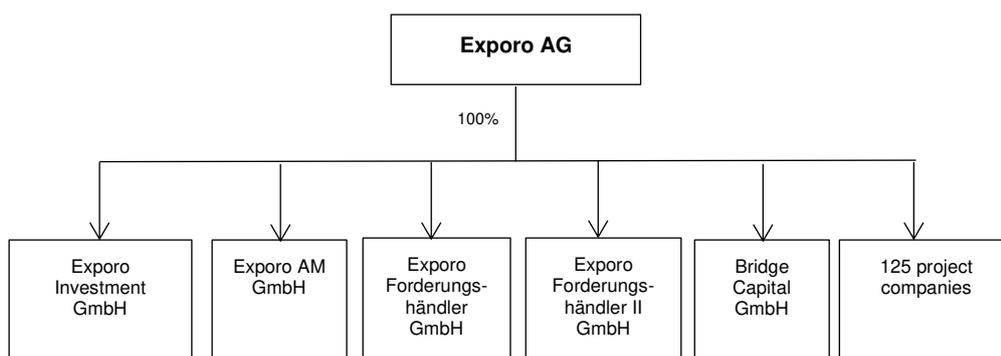
As at the date of the Prospectus, Exporo AG has numerous wholly owned subsidiaries, including:

Exporo Investment GmbH, which is authorised to provide investment brokering, investment advice and contract brokering services pursuant to section 1 (1a) sentence 2 KWG. In providing such financial services, Exporo Investment GmbH is not authorised to acquire the ownership or possession of customer funds or securities or trade in financial instruments for its own account.

Exporo AM GmbH is an asset management company whose business involves real estate management and the sale and rental of real estate.

Bridge Capital GmbH is a company that invests in domestic real estate projects in the early project stages by providing at short notice subordinated loans with qualified subordination.

Furthermore, as at the date of the Prospectus, Exporo AG is also the sole shareholder of 125 project companies whose business purpose is investing in domestic real estate projects and, as a financing company, are engaged in the purchase, holding and sale of loan receivables or, as a company which holds property (*Besitzgesellschaft*), the rental and management of real estate. Exporo AG will in all likelihood establish additional project companies in the future. The Issuer is one of these 125 project companies.



### 4.3. Governing Bodies of the Issuer

#### 4.3.1 Management

Pursuant to its articles of association, the Issuer is managed and represented by its managing director. The management manages the Company’s business and represents it as against third parties both in and out of court.

Dr. Björn Maronde is the managing director of the Issuer. Dr. Maronde is authorised to represent the Issuer acting alone and is exempt from the prohibition on multiple representation. Mr. Thomas Lange is the Issuer’s authorised signatory (*Prokurist*) and is authorised to represent the Issuer acting jointly with a managing director. The management’s business address is: Am Sandtorkai 70, 20457 Hamburg, Federal Republic of Germany.

##### 4.3.1.1 Management Competence and Experience

Dr. Björn Maronde is a founder and member of the Executive Board of Exporo AG. After completing his law degree, he received his MBA from Kellogg-WHU School of Management in Vallendar, Germany. Prior to founding Exporo AG, he served as (interim) managing director at several start-ups and spinoffs, including from the Otto Bock Group.

Mr. Thomas Lange has over 20 years’ experience in the real estate sector. After completing his training as a banker (*Bankkaufmann*), he advised real estate clients and accompanied estate financing transactions in the banking sector, acting among other things as an authorised signatory at SEB AG. At Exporo AG, he serves as a specialist for the assessment of real estate and real estate projects.

##### 4.3.1.2 Potential Conflicts of Interest

Due to the fact that the same persons (in some cases still) hold multiple roles, there exist legal, economic and/or personnel interdependencies with regard to the Issuer. Interdependencies between board members or shareholders of the Issuer and companies which may have entered into material agreements with the Issuer or which are otherwise connected to the Issuer in a not insignificant way always harbour the possibility of a conflict of interest between the relevant companies. Therefore it cannot be ruled out that when weighing the different, possibly conflicting, interests, the parties will arrive

at different decisions than they would have, had such interdependencies not existed. This could equally affect the Company's earnings and thus the claims of investors.

The Issuer's managing director, Dr. Björn Maronde, is both a member of the Executive Board and shareholder of the Issuer's parent company, Exporo AG. Potential conflicts of interest could arise for Dr. Maronde in his role as managing director of the Issuer on the one hand and as a member of the Executive Board of the sole shareholder and its shareholders on the other. For instance, as managing director he may have an interest in preserving the capital in the Issuer, while Exporo AG and its shareholders might have an interest in profit distributions. Furthermore, Exporo AG's instructions to management may obligate the Issuer to take actions that are not in the Issuer's interest and may even impair the Issuer's continued existence or economic performance. Conflicts of interest may also arise if, for example, a service is to be purchased from Exporo AG or from an affiliate, even though this service could be purchased from another provider for less or at a better price/performance ratio. However, the Issuer is of the view that the position as a member of the Executive Board and shareholder of Exporo AG does not result in a concrete conflict of interest with his duties as managing director of the Issuer.

Dr. Maronde also serves as managing director at other subsidiaries of Exporo AG. Potential conflicts of interest could arise as a result of his position as managing director of the Issuer on the one hand and as managing director of the aforementioned subsidiaries of Exporo AG on the other. The economic interests of the individual subsidiaries could, for example, conflict with the economic interests of the Issuer and the Issuer's managing director could make decisions which benefit the subsidiaries rather than the Issuer.

The Issuer's authorised signatory, Mr. Thomas Lange, is an employee of Exporo AG. To this extent, there exist potential conflicts of interest between the obligations of the authorised signatory vis-à-vis the Issuer and his obligations vis-à-vis Exporo AG. Thus, as an employee of Exporo AG, the authorised signatory could be obligated by instructions to take actions that are not in the Issuer's interest.

There are no other potential conflicts of interest between the obligations of the managing director or the authorised signatory vis-à-vis the Issuer and their private interests or other obligations.

#### **4.3.1.3 Management Practices**

The Issuer has not formed any advisory board or appointed any committees. As a German limited liability company, the Issuer is not subject to the requirements and recommendations of the German Corporate Governance Code by the Government Commission. Therefore, the provisions of the Corporate Governance Code are not applied.

#### **4.3.2 Shareholders' Meeting**

Shareholders are represented at the shareholders' meeting of the Issuer in accordance with their share of the voting rights as stipulated in the model protocol. At the shareholders' meeting, which is the supreme decision-making body, the shareholders as a whole adopt their resolutions. Shareholder resolutions may in principle be adopted on all matters concerning the Company and relate in particular to the adoption of the annual financial statements and the appropriation of business results.

### **4.4. Share Capital**

The share capital of the Issuer as at the date of the Prospectus is EUR 25,000. It has been paid in the amount of EUR 12,500 at the free disposal of management. It is held entirely by Exporo AG. The share capital is divided into 25,000 shares numbered 1 - 25,000 with a par value of EUR 1 each. The main features of the shares are the obligation to pay the capital contribution and the voting and dividend right. As the sole shareholder, Exporo AG is able to adopt all resolutions at the shareholders' meeting of the Issuer. Exporo AG is thus in a position to exercise significant control over the Issuer. The Issuer has no measures in place to prevent an abuse of control by Exporo AG. The Issuer is not aware of any agreements which could lead to a change of control of the Issuer. No domination and profit and loss transfer agreement exists.

## 5. Business of the Issuer

### 5.1. Principal Activities

As at the date of the Prospectus, the Issuer's business consists solely of the rental and management of a residential property in Berlin as well as a residential property and a residential/commercial property in Hanover, Germany, which are located at:

1. Hohefeldstraße 6, 13467 Berlin, Germany, recorded in the land register of Berlin-Mitte von Hermsdorf, folio 10109, serial no. 1, district of Hermsdorf, lot 1, parcels 5262/8 and 5263/8, size 1,063 m<sup>2</sup> and 1,169 m<sup>2</sup>;
2. Niedersachsenring 22 / Witzendorffstraße 7, 30163 Hanover, Germany, recorded in the land register of Hanover von Vahrenwald, folio 1171, serial no. 3, district of Vahrenwald, lot 13, parcel 9/15, size 1,578 m<sup>2</sup>;
3. Vahrenwalder Straße 87, 30165 Hanover, Germany, recorded in the land register of Hanover, Vahrenwald, folio 1430, serial nos. 2 and 4, district of Vahrenwald, lot 18, parcels 68 and 86/1, size 111 m<sup>2</sup> and 104 m<sup>2</sup>

(the "**Properties**").

The Issuer purchased the Properties in August and September 2019. The purchase price for the Properties totals EUR 9.668 million (including land transfer tax, notary and court costs and broker's fees of approximately EUR 10.64 million). As at the date of the Prospectus, the Issuer has not yet acquired ownership title to the Properties because it has not yet paid the purchase price for the Properties and has not yet been recorded in the land register as owner of the Properties.

The management and administration of the Properties includes in particular the selection and ongoing servicing of tenants, the collection of rents and the billing and settlement of ancillary charges with tenants, the performance of ongoing maintenance and repair of the Properties, communication with contracted third parties, the tax office and other authorities as well as the exercise of the householder's right (*Hausrecht*).

The Properties will serve as first-ranking collateral in the form of a real estate lien for a loan from a German credit institution (the "**Bank**"), which the Issuer will take out for the (partial) financing of the acquisition of the Properties (the "**Bank Loan**"). As at the date of the Prospectus, an offer of financing has been made by the Bank.

The purchase price of the Properties is intended to be paid from the issue proceeds of the Token-based Bonds and the Bank Loan. If not enough Token-based Bonds have been placed by the date on which the purchase price is due, the Issuer may obtain pre-financing from Bridge Capital GmbH, other pre-financing companies or private individuals, which would then be repaid from the proceeds of the issue.

If the purchase price for the Properties is not paid in full by the due date, the relevant property purchase agreement for the Properties may be reversed. If even one of the property purchase agreements is reversed, the Issuer's business model as described in this Prospectus cannot be implemented. If any one of the property purchase agreements is reversed, the Issuer will redeem the Token-based Bonds at par value and repay this amount to investors. Any expenses incurred by the Issuer up until that time will be borne by the Issuer or its shareholder, respectively.

The Issuer will not engage in any other business activities during the term of the Token-based Bonds. The Issuer will generate income solely from rental income from the Properties and, if applicable, from the sale of the Properties. A sale of the Properties is not planned until at least five years of the term of the Token-based Bonds have elapsed, provided the Bondholders have previously voted to sell the Properties by a majority resolution. Following a sale of the Properties and payment of the purchase price, the Issuer will terminate the Token-based Bonds early and redeem them early. Thereafter the Issuer will be dissolved. Management and administration of the Properties will be performed on the Issuer's behalf by Exporo AM GmbH.

### 5.2. The Properties

The term "**Properties**" refers to three properties used primarily for residential purposes containing a total of 50 residential units and 2 commercial units.

The Property in Berlin was built in 1997 using the solid construction method and includes a residential building containing 13 residential units and 17 parking spaces in the underground car park attached to the building. All of the apartments have been let.

The Property in Hanover, Niedersachenring 22 / Witzendorffstraße, has a residential building with 24 residential units and 5 garages. The Property was built in 1957 using the solid construction method and was extensively modernised in 2019. In addition to a thermal insulation system and replacing the windows throughout the entire building, all bathrooms were renovated and individual apartments were modernised. All individual gas and central heating systems that were more than 8 years old in 2019 were also replaced. A rental guarantee was agreed for the Property for a period of two years from the date on which the purchase price is due until such time as rent excluding utilities (*Nettokaltmiete*) of almost EUR 16,000 per month is achieved for the first time.

The Property in Hanover, Vahrenwalder Straße 87, 30165 Hanover, was built in 1963 and has a residential/commercial building with 13 residential units and two store units. There are plans for the Issuer to modernise the Property for approximately EUR 185,000. A building contract is to be entered into in relation to the proposed modernisation measures, under which the contractor is to give a rental guarantee for a period of two years from the date of execution of the building contract until such time as rent excluding utilities of approximately EUR 7,200 per month is achieved for the first time.

As at the date of the Prospectus, the Properties are fully let, except for seven parking spaces.

The Properties have a total rental space of approx. 3,529 m<sup>2</sup>. The Valuation Reports for the Properties are attached as an annex to this Prospectus.

<b>Key data:</b>			
Address	Hohefeldstraße 6, 13467 Berlin	Niedersachsenring 22 / Witzendorffstraße 7, 30163 Hanover	Vahrenwalder Straße 87, 30165 Hanover
Type of use	Multi-family building	Multi-family building	Residential and commercial building
Year of construction	ca. 1997	ca. 1957, modernised in 2019	ca. 1963
Type of construction	solid	solid	solid
Lot size	approx. 2,322m <sup>2</sup>	approx. 1,578m <sup>2</sup>	approx. 215m <sup>2</sup>
Number of residential units	13	24	13
Number of commercial units	0	0	2
Total rental space	approx. 1,358m <sup>2</sup>	approx. 1,451m <sup>2</sup>	approx. 720m <sup>2</sup>
Number of car parking spaces	17 underground parking spaces	5 garage spaces	No parking spaces

## 1.1. Key Markets

The Properties are located in Hanover and Berlin. With a population of 545,100, Hanover is the state capital of Lower Saxony and also the largest city in that state.<sup>1</sup> Hanover is one of the 15 largest cities in Germany and is exceptionally well connected with other German cities by virtue of its excellent north-south and east-west rail and road links. The city of Hanover enjoys international renown because of the "Hanover Messe" (trade fair), which has been held there since 1947.<sup>2</sup>

<sup>1</sup><https://www.hannover.de/Leben-in-der-Region-Hannover/Politik/Wahlen-Statistik/Statistikstellen-von-Stadt-und-Region/Statistikstelle-der-Landeshauptstadt-Hannover/Hannover-in-Zahlen/Bev%C3%B6lkerung>.

<sup>2</sup><https://de.wikipedia.org/wiki/Hannover>

With an average purchasing power per capita of EUR 23,600, Hanover exceeds the German national average. In particular, retail sales in Hanover are EUR 5,800 per capita, which is approximately 4.7 percentage points higher than the national average.<sup>3</sup>

Although the number of businesses fell by almost 2,000, the number of people in employment increased by almost 9,000, reaching a new record high in 2018 of almost 500,000 in total, 266,300 of whom were men and 233,200 of whom were women. 319,000 people are employed in the state capital Hanover, while approximately 180,000 are employed in the surrounding area. The percentage of employees in the Hanover region who have completed professional education or training again increased (18.8%) and is significantly higher than the figure for Lower Saxony and Germany. Most people continue to be employed in the health and social services sector (71,800), the manufacturing industry (69,400) and in the retail sector (66,200).<sup>4</sup>

There is a veritable boom in demand in the housing market due to population growth in the city of Hanover, which has been going on for some years. In the period between 2014 and 2018, only 4,400 new apartments were completed in the city of Hanover and 7,800 were completed in the surrounding region. On average, approximately 880 new apartments have been completed per year in Hanover over the last five years (surrounding area: 1,560 residential units). It is clear in view of the population growth described that there is currently significant demand for new housing, and this is likely to continue into the future.<sup>5</sup>

The number of people employed part-time or in marginal employment (“mini jobs”) in the regional labour market has increased considerably. This also increases the demand for new, low-cost housing. The “2016 Hanover housing construction offensive”, which the city launched in collaboration with the local housing industry in the middle of 2016, is intended in particular to meet this demand. As part of the initiative, the housing industry is committed to build at least 1,000 apartments per year until 2020. 25-30% of this housing construction is to be publicly subsidised, with the city of Hanover providing funding of approximately EUR 63 million, which is to be granted in the form of, *inter alia*, attractive building cost subsidies.<sup>6</sup>

As part of the offensive, the state capital also committed to continuing its push for more housing space and, until 2020, has committed to procuring the right to build 500 to 700 apartments per year on municipally owned and also private land. The city of Hanover has far exceeded this target: on average, a right to build for around 1,500 apartments was created each year. The development of new construction projects on municipally owned land is a key component of the housing construction offensive. It has long been the usual practice of the state capital Hanover to release municipally owned land for a market value-based fixed price pursuant to a tender process requiring submission of a development concept (*Konzeptverfahren*). The process is intended to ensure that the city’s qualitative requirements are met and to facilitate rapid project realisation.<sup>7</sup>

The Hanover region last presented an updated rent index for the regional municipalities at the beginning of 2019. Overall, the average rent excluding utilities in the state capital Hanover, weighted according to location, increased compared to the 2017 rent index by EUR 0.40, or 6.1%/m<sup>2</sup> of living space and month, to EUR 6.91/m<sup>2</sup>. For new apartments with an area of 85 m<sup>2</sup>, according to the rent index, the average rent for apartments with top amenities in a prime location is EUR 12.08/m<sup>2</sup> (an increase of EUR 0.75 or 6.6% compared to 2017). At the top end the rent index also assumes rents of up to EUR 14/m<sup>2</sup> for new and as-new existing apartments.<sup>8</sup>

With more than 3.65 million inhabitants, the city of Berlin has the largest population of all cities in Germany, and with an area of 892 square kilometres is also the largest municipality in Germany. It is

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<sup>3</sup> <https://www.hannover.de/Wirtschaft-Wissenschaft/Wirtschaftsf%C3%B6rderung/Aktuelles/Stetiger-Zuwachs-bei-Bev%C3%B6lkerung,-Pendelverkehr-und-Besch%C3%A4ftigten>.

<sup>4</sup> <https://www.hannover.de/Wirtschaft-Wissenschaft/Wirtschaftsf%C3%B6rderung/Aktuelles/Stetiger-Zuwachs-bei-Bev%C3%B6lkerung,-Pendelverkehr-und-Besch%C3%A4ftigten>.

<sup>5</sup> Hanover Real Estate Market Report 2019, page 72.

<sup>6</sup> Hanover Real Estate Market Report 2019, page 73.

<sup>7</sup> Hanover Real Estate Market Report 2019, page 73 paragraph 2.

<sup>8</sup> Hanover Real Estate Market Report 2019, page 76 paragraph 2.

the centre of the Berlin/Brandenburg metropolitan area (population of approx. 6 million) and the Berlin urban agglomeration (population of approx. 4.4 million).<sup>9</sup>

Berlin's economy also continued to expand in 2018 with +3.1% growth in real gross domestic product to approximately EUR 147 billion (national average: +1.4%). The number of persons in employment rose to over 2 million for the first time and increased by +2.5% compared to the previous year (see figure 18). The unemployment rate fell further, averaging 8.1% for the year 2018.<sup>10</sup>

The number of people in employment in Berlin was around 1.9 million in 2016. This represents a year-on-year increase of 2.7%.<sup>11</sup> Berlin thus reported the strongest growth rate of all German federal states (*Länder*) for the fourth time in a row. In April 2017, the unemployment rate was 9.2% (1.0% lower than the previous year) and was at its lowest level since reunification in 1990.<sup>12</sup>

Berlin's unemployment rate is falling slowly but steadily. Berlin has the second highest unemployment rate compared to the other federal states.

Existing owner-occupied apartments (older than 3 years) are offered for EUR 3,405/m<sup>2</sup> on average, while new apartments cost EUR 4,972/m<sup>2</sup> on average. A review of prices for existing apartments across all locations shows a strong increase of 8.3%. The purchase prices for new apartments have slightly increased across all locations over the last twelve months: the average rate of change was 1.1%. The average rent for existing houses is EUR 13.06/m<sup>2</sup>, while the rent for existing apartments is currently EUR 9.45/m<sup>2</sup> and the rent for new apartments is EUR 13.03/m<sup>2</sup>. Rents for single and dual family detached homes (existing) have slightly fallen across all locations over the last twelve months: the average rate of change was -1.4%.

Rents for existing apartments have slightly increased across all locations in the period under review: the average rate of change was 4.1%. Rents for new apartments have risen sharply across all locations: the average rate of change was 10.7%. The positive picture is completed by a vacancy rate of 7.1% in 2014, which is lower than the national average vacancy rate of 8%.<sup>13</sup> Gross rental returns for existing apartments (3.3% on average) are high compared to the rest of Germany and have slightly decreased over the past 12 months. Gross rental returns for new apartments (3.1% on average) are high in comparison to the national average and have significantly increased over the past 12 months.<sup>14</sup>

## 5.4. Material Agreements

As of the date of this Prospectus, the Issuer has entered into the following material agreements:

### 5.4.1 Property Purchase Agreements

On 15 August 2019, the Issuer entered into a property purchase agreement for the acquisition of the Property located in Berlin and on 5 September 2019 it entered into two property purchase agreements for the acquisition of the Properties located in Hanover. The purchase price for the Properties totals EUR 9.668 million (including land transfer tax, notary and court costs and broker's fees of approximately EUR 10.64 million). As at the date of the Prospectus, the Issuer has not yet acquired ownership title to the Properties because it has not yet paid the purchase price and has not yet been recorded in the land register as owner of the Properties.

### 5.4.2 Asset Management Agreement

On 2 October 2019, the Issuer entered into an asset management agreement with Exporo AM GmbH. The asset management services comprise the commercial and technical management of the Properties as well representing the Issuer as owner of the Properties. The commercial and technical management of the Properties includes the ongoing monitoring of the Properties to ensure compliance with the annual budget and the business plan, the commissioning, coordination and monitoring of service providers,

<sup>9</sup> [https://www.statistik-berlin-brandenburg.de/Statistiken/statistik\\_SB.asp?Ptyp=700&Sageb=12015&creg=BBB](https://www.statistik-berlin-brandenburg.de/Statistiken/statistik_SB.asp?Ptyp=700&Sageb=12015&creg=BBB), accessed 21 November 2017.

<sup>10</sup> Berlin Real Estate Market Report 2017/2018 paragraph 4.2, page 22.

<sup>11</sup> <https://www.statistik-berlin-brandenburg.de/pms/2017/17-06-13.pdf>, accessed 21 November 2017.

<sup>12</sup> <https://statistik.arbeitsagentur.de/Navigation/Statistik/Statistik-nach-Regionen/Politische-Gebietsstruktur/Berlin-Nav.html>, accessed 21 November 2017.

<sup>13</sup> <https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/EinkommenKonsumLebensbedingungen/Wohnen/Tabellen/Leerst-andquote.html>, access 21 November 2017.

<sup>14</sup> <https://www.capital.de/immobilien-kompass/berlin/steglitz-zehlendorf/zehlendorf.html>, access 21 November 2017.

control and reporting on the rental situation, rental income and liabilities, as well as the planning of rental and cost development. The term of the agreement is ten years. Exporo AM GmbH receives a net fee of 5% of the current actual rental income and 0.3% p.a. of the total investment costs of the Properties for providing asset management services.

### **5.4.3 Collateral Trust Agreement**

The Issuer has entered into a Collateral Trust Agreement with HmcS Treuhand GmbH, Hanover. Please refer to section 7.16 of this Prospectus for details.

The Issuer plans to enter into the following additional material agreements:

### **5.4.4 Loan Agreement**

The Issuer will enter into a loan agreement for the partial financing of the acquisition of the Properties. As at the date of the Prospectus, an offer of financing has been made by the Bank. The Bank Loan volume is expected to be EUR 6,500,000 and the interest rate on the Bank Loan would be fixed at 0.9% p.a. for a period of ten years from the date of disbursement. During the fixed interest period, the loan agreement will only be able to be terminated for cause.

### **5.4.5 Pre-financing Agreement**

The Issuer will enter into a financing agreement with Bridge Capital GmbH, another financing company or private individuals, if necessary, for partial pre-financing of the net issue proceeds. As at the date of the Prospectus, the volume of the pre-financing agreement has not yet been determined and may amount to up to EUR 4,860,000. The final amount of the pre-financing will depend on the status of the Token-based Bond placement and the due date of the purchase price payment for the Properties. The interest rate for the pre-financing agreement may be up to 8.5% p.a.

### **5.4.6 Brokerage Agreement**

The Issuer will also enter into a brokerage agreement with Exporo Investment GmbH for the placement of the Token-based Bonds. The Issuer will pay an exclusively performance-based fee corresponding to a maximum of 3.5% of the bond capital placed and paid in (maximum of EUR 170,100) for the brokering of the Token-based Bonds, as well as a continuing investment brokerage fee of 0.10% p.a. on the Outstanding Token-based Bonds in each case (EUR 4,860 p.a.). This means that, assuming the full placement of the Token-based Bonds with the involvement of Exporo Investment GmbH, placement-related brokerage commissions of EUR 218,700 will be incurred over the ordinary term of the Token-based Bonds.

## **5.5. Court and Arbitration Proceedings**

The Issuer has not been subject to any government intervention or party to any court proceedings or arbitration proceedings (including any proceedings that, to the Issuer's knowledge, are still pending or could still be initiated) in the last twelve months which have recently had or may in future have a material effect on the financial position or profitability of the Issuer.

## **5.6. Trend Information**

No recent events of particular importance to the Issuer have occurred which are highly relevant to an assessment of the Issuer's solvency.

Since the date of the audited opening balance sheet as at 20 May 2019, there have been no material changes in the debt and financing structure and no material changes in the financial position or results of operations of the Issuer.

There has been no material deterioration in the Issuer's prospects since the date of the audited opening balance sheet as at 20 May 2019.

The Issuer is not aware of any information about any known trends, uncertainties, inquiries, obligations or incidents which it reasonably believes will have a material effect on the Issuer's prospects at least in the current 2019 financial year.

### **5.7. Profit Forecasts or Estimates**

The Issuer has not included any profit forecasts or estimates in this Prospectus.

## 6. Selected Financial Information

The selected financial information presented in the following section has been taken from the audited opening balance sheet of the Issuer as at 20 May 2019. The audited opening balance sheet is attached as an annex to this Prospectus.

The opening balance sheet was prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*, "HGB") and audited in accordance with section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany - IDW), and issued with an unqualified auditor's opinion.

The opening balance sheet has been audited in accordance with the auditing standards applicable in the Federal Republic of Germany.

<b>Selected Financial Information</b>	
<b>Balance sheet</b>	<b>20/05/2019</b>
	<b>(EUR)</b>
<b>Current assets</b>	
Bank balances	12,500.00
<b>Equity</b>	
Subscribed capital	25,000.00
Uncalled unpaid capital	-12,500.00
Net accumulated losses	-2,500.00
<b>Provisions</b>	
Other provisions	2,500.00
<b>Cash flow statement</b>	<b>20/05/2019</b>
	<b>(EUR '000)</b>
Cash flow from operating activities	0
Cash flow from investment activities	0
Cash flow from financing activities	13

## 7. Securities Note

### 7.1. Subject Matter of the Offering

The Issuer is offering Token-based Bonds in an Aggregate Principal Amount of up to EUR 4,860,000 at a floating interest rate in the form of a public offering within the Federal Republic of Germany, the Grand Duchy of Luxembourg, the Republic of Austria, and the Netherlands.

In parallel with the publication of the Prospectus, the Issuer will announce the opportunity to subscribe to the Token-based Bonds for prospective subscribers in Luxembourg in a major Luxembourg daily newspaper.

The Token-based Bonds are split into 4,860 Token-based Bonds ranking *pari passu* with each other with a Principal Amount of EUR 1,000 each.

The securities being offered are unsecuritised, subordinated Token-based Bonds issued by the Issuer with a pre-insolvency enforcement restriction. The Token-based Bonds give rise to payment obligations for the Issuer vis-à-vis the investors. The Token-based Bonds only give rise to contractual claims of the Bondholders vis-à-vis the Issuer. The Token-based Bonds do not grant any participation or voting rights.

The Token-based Bonds and the interest claims will not be securitised. This also means that no certificate will be deposited with a custodian bank.

For each bond issued with a Principal Amount of EUR 1,000, an EXP4-Token representing the rights resulting from the Token-based Bonds will be issued to the investor by the Issuer. The EXP4-Tokens are based on the Ethereum blockchain.

The Ethereum blockchain is made up of a network of servers ("nodes"), which together have to reach an agreement on their past and current properties. There are various circumstances in which the server operators may use incompatible software versions to operate the blockchain, meaning that the Ethereum blockchain is split into two or more versions in the long term. The Token-based Bonds issued by the Issuer are always represented on the Ethereum blockchain that is recognised as the official Ethereum blockchain by the Ethereum Foundation [www.ethereum.org](http://www.ethereum.org).

The issue currency for the securities issue is the euro.

Without the consent of the Bondholders, the Issuer is not authorised to increase the Token-based Bonds or enter into any other Financial Liabilities. "**Financial Liabilities**" in this sense are all obligations entered into by the Issuer resulting from taking out loans, silent participations, bonds, promissory notes or lease agreements. The obligations resulting from the Token-based Bonds, from the Pre-financing of the Properties and from the Bank Loan, including debt restructuring and/or extensions of the Pre-financing, the Bank Loan, loans to finance the repair, maintenance and/or modernisation of the Properties, shareholder loans and the refinancing of the Token-based Bonds by way of a further bond issue, by way of bank financing or in another manner shall not, however, constitute Financial Liabilities within the meaning of the Terms and Conditions of the Bonds.

### 7.2. Reasons for the Offering and Use of Proceeds

The net issue proceeds from the Token-based Bonds in the amount of up to approx. EUR 4,525,000 are to be invested in the purchase of the Properties or the repayment of the Pre-financing. The issue proceeds together with the funds from the Bank Loan that is still to be taken out in the amount of up to EUR 6,500,000 will be sufficient for this purpose. The fees and costs associated with the Offering are set out in the following section 7.3 below.

### 7.3. Fees and Costs of the Offering

The Token-based Bonds are to be placed by Exporo Investment GmbH as the investment broker (*Anlagevermittlerin*). The Issuer will pay an exclusively performance-based fee corresponding to a maximum of 3.5% of the bond capital placed and paid in (maximum of EUR 170,100) for the brokering of the Token-based Bonds, as well as a continuing investment brokerage fee of 0.10% p.a. on the Outstanding Token-based Bonds in each case (EUR 4,860 p.a.). This means that, assuming the full

placement of the Token-based Bonds with the involvement of Exporo Investment GmbH, placement-related brokerage commissions of EUR 218,700 will be incurred over the ordinary term of the Token-based Bonds.

The (fixed) costs for preparing and conducting the issue of the Token-based Bonds amount to approximately EUR 164,900. These include the costs associated with the legal structuring of the Offering, costs for the approval of the Prospectus, costs for the trustee and the auditor and costs associated with marketing the issue. Consequently, assuming the full placement of the Token-based Bonds, the total costs of the issue will amount to EUR 335,000.

Upon the full placement of the Token-based Bonds, the Issuer will receive gross issue proceeds of EUR 4,860,000. Less the initial placement-related and fixed issue costs totalling approx. EUR 335,000, this will leave net issue proceeds for the Issuer of approx. EUR 4,525,000 assuming the full placement of the Token-based Bonds with the involvement of Exporo Investment GmbH.

## **7.4. Terms and Conditions of the Offering**

### **7.4.1 Purchase Price**

The Token-based Bonds will be issued at 100% of the Principal Amount of EUR 1,000 per bond.

The bonds will be placed as flat bonds, i.e. without any accrued interest. The Issuer will not invoice investors for any costs in connection with the issue of the Token-based Bonds. In particular, no premium will be charged as a front-end load. Fees may be incurred for the safe-keeping of the EXP4-Tokens in the investors' wallets and for the trading of the EXP4-Tokens on a crypto exchange.

For information on the deduction of capital gains tax, please refer to the section entitled "Taxation".

Investors who wish to subscribe to the Token-based Bonds and receive EXP4-Tokens require a "wallet" that is compatible with Ethereum assets. If no Ethereum address (known as a "public key") is provided during the online subscription process, the Issuer cannot accept subscription orders. A web-enabled end device (smartphone, computer) is required in order to obtain a wallet.

A wallet is a sort of electronic purse. In technical terms, a wallet is a piece of software or hardware used to manage all Ethereum addresses and the corresponding private keys. An Ethereum wallet can be used to store, receive and transfer Ether and Ethereum tokens. This means that an Ethereum wallet is a sort of bridge used to manage one's own public and private keys. A key is a long sequence of letters and numbers. The public key is an "address" that is communicated to receive Ether or tokens. The private key is part of this address and is required in order to transfer tokens (or other crypto assets). Consequently, the wallet itself does not actually contain the tokens themselves, but rather only the public key and a corresponding private key. This means that the holder of the EXP4-Tokens is the person to whose Ethereum address (public key) the EXP4-Tokens available on the Ethereum blockchain are assigned. As a result, a transfer does not involve the transfer of the EXP4-Tokens themselves, but rather only the right of disposal over the EXP4-Tokens. This is achieved by making a transfer from one address on the Ethereum blockchain to another. The transaction is comprehensible to everyone via the Ethereum blockchain.

An investor's wallet has to be able to store tokens that are issued and transferred on the Ethereum blockchain. Wallets that are capable of receiving EXP4-Tokens include MyEtherWallet, MetaMask or MyCrypto, for example. The wallets have to be set up by the investor to allow the management of the EXP4-Tokens. The investor has to enter the Smart Contract address of the EXP4-Tokens for this purpose. The EXP4-Token's Smart Contract address is published at [www.exporo.de/blockchain](http://www.exporo.de/blockchain).

### **7.4.2 Offer Procedure and Delivery of the Securities**

The issue date for the Token-based Bonds is 30 October 2019, the scheduled start of the offer period. The issue date is not identical to the date on which the Token-based Bonds are delivered to the Bondholders.

The Token-based Bonds will be offered for public subscription in the period from 30 October 2019 to 29 October 2020. The right to shorten this period (in particular in the event of full placement) remains reserved.

Investors from the Grand Duchy of Luxembourg, the Federal Republic of Germany, the Republic of Austria, and the Netherlands may view and download the Prospectus approved by the CSSF, including any supplements to the Prospectus and the subscription documents, on the Issuer's website at [www.exporo.de/ir-hannover-berlin](http://www.exporo.de/ir-hannover-berlin).

The plan is to offer the Token-based Bonds to both retail and institutional Investors for subscription.

The minimum investment amount is EUR 1,000, i.e., investors must purchase at least one bond with a Principal Amount of EUR 1,000. No maximum amount has been defined for subscriptions to the Token-based Bonds.

Investors may subscribe to the Token-based Bonds during the subscription period by sending a purchase order (subscription form) to the Issuer. The purchase order is available from the Issuer online only. Investors enter their personal details, as well as the Ethereum wallet address to which the EXP4-Tokens are to be transferred.

As part of the subscription process, investors' identities are checked by Exporo Investment GmbH, which is responsible for the brokering of the Token-based Bonds as the investment broker, in accordance with the provisions of the German Money Laundering Act (*Geldwäschegesetz*, "GWG"). Exporo Investment GmbH is obliged to perform this check as a regulated financial services institution under the provisions of the German Banking Act (*Kreditwesengesetz*, "KWG").

As a financial services institution, Exporo Investment GmbH is subject to certain obligations regarding internal safeguards relating to the KYC/AML process and, in particular, the customer identification requirements under the German Money Laundering Act. Exporo Investment GmbH is, for example, obliged, before entering into a business relationship or executing a transaction, to verify the identity of the counterparty, any beneficial owner on whose behalf the counterparty is acting and the purpose and intended nature of the business relationship.

This involves collecting certain pieces of information from investors insofar as they are natural persons (e.g., name, date of birth, place of birth, nationality, etc.). Natural persons have to present official ID cards or passports as part of this check. Legal entities have to present register extracts, among other things.

All investors who have successfully completed the KYC and AML check performed by Exporo Investment GmbH are entered in a database together with their Ethereum address. Exporo Investment GmbH will check this database against the KYC and AML database on the Ethereum blockchain in order to ensure that the EXP4-Tokens are only transferred from and to investors whose identity has been successfully verified. Further details on the technical mechanism behind this process are provided in sections 7.4.3 and 7.11.

Investors who wish to purchase Token-based Bonds on the secondary market can register on the website at [www.exporo.de](http://www.exporo.de) and complete the KYC and AML process of Exporo Investment GmbH as registered users. Once the KYC and AML process has been completed successfully, the investor's Ethereum address is also entered in the GlobalWhitelist Contract on the Ethereum blockchain, meaning that the investor can receive EXP4-Tokens.

Investors pay an amount in euros, corresponding to the number of Token-based Bonds they have subscribed to, into the bank account specified by the Issuer. Investors receive an e-mail from the Issuer confirming that the payment has been received. The Token-based Bonds are issued outside the blockchain (so-called "off-chain") once the purchase order has been accepted.

Upon acceptance of the subscription following receipt of the subscription amount, a number of EXP4-Tokens corresponding to the number of Token-based Bonds purchased is generated and credited to the wallet of the investor concerned. In order to achieve this, the Issuer creates an "Ethereum Asset Issuer Wallet" and an Ethereum Smart Contract identification number and publishes these on the Exporo AG website at [www.exporo.de/blockchain](http://www.exporo.de/blockchain). This means that a recipient of EXP4-Tokens can be sure that he/she is receiving "genuine" EXP4-Tokens issued by the Issuer, and not tokens originating from another Issuer. The tokens generated by the Issuer on the Ethereum blockchain are transferred to the Ethereum address (public key) specified by the investor concerned. From this point in time onwards, investors have control over the EXP4-Tokens. The individual transaction is transparent to everyone, and the EXP4-Tokens can be uniquely assigned to an investor, or to their public key, via the Ethereum blockchain.

The Issuer reserves the right to reject or reduce individual subscriptions without having to state reasons. Subscriptions can be reduced, in particular, if the issue is oversubscribed. In the event that subscriptions

are reduced or rejected, the excess amount paid will be transferred into the account specified by the investor without undue delay by way of a credit transfer. The Issuer will send confirmation of the Token-based Bonds allocated without undue delay, either in writing or by e-mail. Any costs incurred in this connection will be borne by the Issuer. Investors do not have the option of reducing their subscription.

The results of the public offering of the Token-based Bonds will be published by the Issuer three days after the end of the subscription period on the website at [www.exporo.de/ir-hannover-berlin](http://www.exporo.de/ir-hannover-berlin).

### **7.4.3 The Ethereum Blockchain and Smart Contracts**

#### **Ethereum blockchain**

The EXP4-Tokens representing the rights arising from the bonds will be issued on the Ethereum blockchain. The Ethereum blockchain is currently the second-largest public blockchain in terms of the market capitalisation of its native and relevant cryptocurrency Ether (ETH). Ethereum is publicly accessible, subject to no restrictions and manages a uniform global dataset stored in a global network currently comprising more than 8,000 servers. Every server participating in the system checks and confirms each individual transaction that is to be published and stored on the blockchain. Transactions are stored/the dataset changed by adding a new block to the existing chain of blocks via a proof-of-work finalisation mechanism.

The Ethereum blockchain allows the installation of decentralised programs known as Smart Contracts. A Smart Contract is a tamper-proof and deterministic computer program stored on the blockchain that can be run on a decentralised infrastructure and features its own data table. These programs are used to create virtual contracts that execute transactions between business partners and their accounts (Ethereum addresses). The Ethereum blockchain keeps records on these transactions in the Smart Contract dataset and checks them automatically.

A Smart Contract also allows tokens to be created, enabling “tokenisation”, i.e., links between a bond, for example, and a token on the blockchain. The use of certain program code standards, such as the ERC20 standard for the Ethereum blockchain, enables a high degree of compatibility with a large number of wallets. In a broader sense, a Smart Contract allows the program code to be executed using external and accepted transaction commands that can change the internal data properties, but not the program code, of the Smart Contract. In addition, a token can always be allocated to an Ethereum address and its transferability can be ensured.

#### **Ethereum address**

An Ethereum address or a public key is a clearly assignable identification number that is stored in the Ethereum blockchain register as read-only data. Wallets allow users to create and use a unique private key that is then used to generate the public key. The combination of the wallet and the private key allows transactions to be signed. These transactions can then be verified and executed on the blockchain using the public Ethereum address.

#### **Smart Contract infrastructure**

The generated EXP4-Token contract receives a unique and clearly assignable Ethereum address that can be used to authenticate the EXP4-Tokens. The EXP4-Token was developed based on the ERC20 standard for fungible tokens on the Ethereum blockchain. The ERC20 standard has been in place since 2015 and has been used to create more than 170,000 token contracts to date. The EXP4-Token contract performs two main functions:

The first function is the mapping function, which is responsible for managing the register. The EXP4-Token achieves this by managing an internal data table that assigns the tokens to the corresponding Ethereum addresses. This means that the EXP4-Token only exists as a dataset within the EXP4-Token contract and that the transaction details of the dataset can no longer be changed retroactively at a later date.

Second, the EXP4-Token contract allows EXP4-Tokens to be transferred from one Ethereum address to another. Holders of EXP4-Tokens who hold the tokens in custody themselves can make transfers themselves. Detailed information on the transfer process is set out in section 7.11.

The Issuer has taken the measures set out below, which are designed to minimise the risk associated with any unintended behaviour of the EXP4-Token contract, as well as the risk associated with any deliberate attacks. Open source protocol standards from within the Ethereum community were used to develop the EXP4-Token contract. These have undergone numerous private and professional security

audits since 2015, meaning that they can ensure a very high level of security. In addition, the entire program code used by the Issuer was reviewed as part of a professional audit procedure to identify any vectors of attack and was found to be secure.

#### **7.4.4 Paying Agent and Depositary, Coordinator, Underwriting Agreement**

The Issuer has not appointed any paying agent or depositary. The Issuer itself will act as the paying agent. The Issuer will act as the coordinator for the purposes of the Offering. No underwriting agreement has been concluded, nor are there any plans to conclude an underwriting agreement.

#### **7.4.5 Interests of Natural Persons and Legal Entities**

If required, Bridge Capital GmbH, a wholly owned subsidiary of Exporo AG, can make Pre-financing available as the Issuer's pre-financing company. The asset management of the Properties is to be carried out by Exporo AM GmbH, also a wholly owned subsidiary of Exporo AG, in return for remuneration. Exporo Investment GmbH will assume responsibility for the investment broking of the Token-based Bonds in return for payment of a performance-based fee. HmcS Treuhand GmbH, Hanover, will act as collateral trustee, in return for a fee, throughout the term of the Token-based Bonds. This means that these companies have a financial interest in the successful placement of the issue. Other than that, there are no third-party interests, to the Issuer's knowledge, that are critical to the Offering of the Token-based Bonds.

#### **7.4.6 Admission to Trading and Trading Rules**

The Token-based Bonds are not and will not be the subject of any application for admission to trading and will not be placed on any regulated market, SME growth market or multilateral trading facility (MTF) within the meaning of Directive 2014/65 on markets in financial instruments (MiFID II) or on other third-country markets. As at the date of this Prospectus, the Issuer has not issued any securities which are admitted to trading on a regulated market, SME growth market or multilateral trading facility (MTF) within the meaning of Directive 2014/65 on markets in financial instruments (MiFID II) or on other third-country markets. It is impossible to rule out a scenario in which investors transfer the EXP4-Tokens directly to other parties and/or in which EXP4Tokens are traded on a so-called crypto exchange at the request of investors or other parties.

### **7.5. Legal Basis of the Token-based Bonds**

The Token-based Bonds are floating rate securities which, unlike shares, do not grant any pure, profit-based dividend, but rather feature a floating interest rate over the entire term and grant the right to redeem the Token-based Bonds, at the Principal Amount at the very least, at the end of the term. The Redemption Amount is not subject to any stock market price fluctuations. Even before the end of the term, the Token-based Bonds can be transferred at any time, purchased by a prospective buyer, or assigned or pledged to third parties.

The Token-based Bonds only give rise to contractual claims vis-à-vis the Issuer and do not grant any participation or voting rights at the Issuer's shareholders' meeting. In this respect, investors cannot exert any influence over the Issuer's business activities as a general rule.

The Token-based Bonds are not covered by any deposit insurance and are not subject to any ongoing government supervision, in particular with regard to the manner in which the Issuer uses the bond capital.

The decision to offer the Token-based Bonds is based on a resolution passed by the Issuer's management on 3 October 2019.

### **7.6. Interest, Interest Payments**

The Token-based Bonds will bear interest at a floating rate from 30 October 2019 (inclusive) until 29 October 2029 (inclusive). The interest rate is dependent on excess rental income being generated over the costs of the Properties and other expenses incurred by the Issuer.

The payments made by the contracting parties (in particular tenants of the Properties) will be credited to a project account (the “**Project Account**”). The Issuer will use the Project Account to make the following payments:

- the costs associated with operating the Properties (these include both the chargeable costs pursuant to the Regulation Governing the Calculation of Factors relating to Residential Lettings pursuant to the Second Housing Act (Second Calculation Regulation (*Zweite Berechnungsverordnung*) - II. BV), such as caretaker services, including facility management, cleaning, insurance, etc. and non-chargeable operating costs that are not settled by third parties based on a statement in accordance with the statutory provisions or provisions set out in the lease agreement, as well as vacancy costs).
- the costs associated with property and asset management in relation to the Properties.
- the costs associated with necessary maintenance, repair and/or modernisation measures relating to the Properties.
- the costs associated with preparing valuation reports to determine the value of the Properties.
- the costs associated with tax and legal advice provided to the Issuer, as well as any costs associated with the auditor.
- the costs associated with tax payments and public fees to be paid by the Issuer.
- the costs associated with the Token-based Bonds, in particular for their interest, brokerage, management and collateralisation.
- the servicing of claims due under Permissible Liabilities within the meaning of section 2.7 of the Bond Terms and Conditions.
- the amounts required to set up a reserve for the repair, maintenance and/or ongoing modernisation of the Properties.

The Issuer does not incur any costs for personnel, company cars or other expenses not directly related to the management of the Properties. The Issuer’s managing director does not receive any remuneration, the Issuer does not employ any other staff and the business premises are made available to the Issuer free of charge by Exporo AG.

In order to keep the Properties in good condition, the Issuer’s maintenance and modernisation plans involve predicted costs of approx. EUR 250,000 over a period of 10 years. All maintenance and modernisation costs extending beyond this figure that are actually necessary are, however, deductible.

The Quarterly Balance remaining at the end of the quarter following the deduction of the abovementioned cost items will be paid out to the Bondholders pro rata, based on the ratio of the Token-based Bonds held by them to the Outstanding Token-based Bonds.

**This means that every Token-based Bond will bear interest based on the following formula:**

$$\frac{\text{Quarterly Balance} \times \text{Principal Amount}}{\text{Outstanding Token-based Bonds}}$$

**The term “Quarterly Balance”, within the meaning of the formula above, refers to the Project Account balance remaining at the end of the quarter after deductions to reflect the payments referred to above.**

**The term “Principal Amount”, within the meaning of the formula above, refers to the Principal Amount of an individual bond in the amount of EUR 1,000.**

**The term “Outstanding Token-based Bonds”, within the meaning of the formula above, refers to the Principal Amount of all Token-based Bonds of all Bondholders that has been paid in on an Interest Date.**

The result of the calculation based on the formula set out above is an absolute amount to which a Bondholder is entitled for each bond that he/she holds.

The amount of interest is largely determined by the amount of the Quarterly Balance. Assuming that the Token-based Bonds are placed in full, the factors “Principal Amount” and “Outstanding Token-based Bonds” will remain unchanged. If the Outstanding Token-based Bonds amount to less than the

Aggregate Principal Amount of the Token-based Bonds, each Bondholder's share of the Quarterly Balance will increase. In such cases, however, the amount of the Quarterly Balance will fall as a result of the Pre-financing that will still exist, because the interest rate on the Pre-financing is higher than the interest rate for the Token-based Bonds. The amount of the expenses for the Pre-financing largely depends on the duration and success of the placement of the Token-based Bonds.

The amount of the Quarterly Balance will largely depend on the amount of the rental income, the costs associated with the Properties and other expenses incurred by the Issuer.

The amount of the rental income, the operating costs for the Properties, the costs for ongoing administrative expenses incurred by the Issuer and interest payments and principal repayments on the Bank Loan can still be calculated as relatively constant amounts. In this respect, the interest payments and principal repayments on the Bank Loan are a major factor, albeit one that can be calculated.

Other factors that are of material significance to the Quarterly Balance but are more difficult to calculate than the other expenses incurred by the Issuer include the expenses for repair and maintenance of the Properties, which could be much higher than the amount calculated by the Issuer and also depend on uncertain future events.

By contrast, the additions to the maintenance reserve only play a minor role in determining the amount of the Quarterly Balance.

Interest payments are made quarterly in arrears, subject to the provisions governing subordination and the pre-insolvency enforcement restriction, on the following Interest Dates: 15 January, 15 April, 15 July and 15 October of each year. The first Interest Date is 15 April 2020. The last Interest Date is the Redemption Date of the Token-based Bonds. If one of these days is not a business day, the payment is made on the next business day. The Issuer will make interest payments even if this would result in a balance sheet loss. The amount of the interest to be paid on an Interest Date will be calculated by the Issuer itself in its capacity as the calculation agent.

If the Issuer does not pay interest despite it falling due on an Interest Date, the interest due will bear interest as of the Interest Date (inclusive) and up until the day preceding the actual interest payment (inclusive) at a rate of 8% p.a. based on the 30/360 interest calculation method.

**7.7. Term, Capital Repayment**

The term of the Token-based Bonds starts on 30 October 2019 and ends at the expiry of 29 October 2029. In the event of termination subject to a notice period following the end of the ordinary term, and in the event of the early termination of the term due to notice given by the Issuer based on a sale of the Properties, the Token-based Bonds are to be repaid to the Bondholders subject to the provisions governing subordination and the pre-insolvency enforcement restriction, at the redemption amount in each case (the “Redemption Amount”).

The Redemption Amount comprises the Principal Amount of a bond and a value increase component. In the event that the Properties are sold, the increase in value will be calculated based on the Sale Price achieved for the Properties. In the event of the termination of the Token-based Bonds subject to a notice period or the refinancing of the Token-based Bonds not involving the sale of the Properties, the increase in value will be calculated based on the most recent Valuation Report before the end of the term. This Valuation Report must be no older than 12 months. The Valuation Report is to be prepared by an independent expert.

**Each Token-based Bond will be redeemed in the amount to be calculated based on the following formula, but at least at the Principal Amount:**

$$\text{Principal Amount} + \frac{(\text{Sale Price} + \text{Reserves} - \text{Residual Debt} - \text{Outstanding Token-based Bonds}) \times 0.8 \times \text{Principal Amount}}{\text{Outstanding Token-based Bonds}}$$

**The term “Principal Amount”, within the meaning of the formula above, refers to the Principal Amount of an individual bond in the amount of EUR 1,000.**

**The term “Sale Price”, within the meaning of the formula above, refers to either (a) in the event that the Properties are sold, the purchase price for the sale of the Properties less transaction costs and taxes incurred on the capital gains resulting from the sale or (b) in the event of a refinancing of the Token-based Bonds, the market value of the Properties pursuant to the most recent Valuation Report. This Valuation Report must be no older than 12 months. The Valuation Report is to be prepared by an independent expert.**

**The term “Reserves”, within the meaning of the formula above, refers to the maintenance reserve (exclusively) available on the Redemption Date.**

**The term “Residual Debt”, within the meaning of the formula above, refers to the principal Bank Loan claim on the Redemption Date, plus any prepayment penalties for the Bank Loan. The Bank Loan is the loan granted by a German credit institution for which the Properties serve as the first-ranking collateral in the form of a real estate lien.**

**The term “Outstanding Token-based Bonds”, within the meaning of the formula above, refers to the Principal Amount of all Token-based Bonds of all Bondholders paid in, in each case, on the Redemption Date of the Token-based Bonds or on the date of any early redemption of the Token-based Bonds.**

The result of the calculation based on the formula set out above is an absolute amount to which a Bondholder is entitled in euros for each bond held.

As a result, the Redemption Amount for each Bond consists of the Principal Amount of the Bond (1st summand) and a value increase component based on the sale of the Properties (2nd summand).

The increase in the value of the Properties is calculated by first of all adding the available maintenance reserve to the Sale Price achieved in the event that the Properties are sold, or to the market value of the Properties pursuant to the most recent Valuation Report in the event of termination subject to a notice period, and then deducting the existing principal Bank Loan claim (plus any prepayment penalties) and the amount of the Outstanding Token-based Bonds. The Token-based Bonds participate in 80% of the increase in value calculated in this manner. If the value of the Properties does not increase during the term of the Token-based Bonds, the Token-based Bonds will be redeemed at their Principal Amount.

The product of the calculation based on the formula set out above may be less than the Principal Amount. If this is the case, the Token-based Bonds will nevertheless be redeemed at the Principal Amount. If the Issuer cannot afford to redeem the Token-based Bonds at their Principal Amount using the liquidity available at the time of redemption, it will endeavour to obtain corresponding refinancing. The Redemption Amount will be calculated by the Issuer.

If the Issuer does not redeem the Token-based Bonds on the Redemption Date, either in full or in part, then the Outstanding Token-based Bonds will bear interest as of the Redemption Date (inclusive) and up until the day preceding the actual redemption (inclusive) at a rate of 8% p.a. based on the 30/360 interest calculation method.

## **7.8. Terms and Conditions Governing Income**

The income generated from the Token-based Bonds will be influenced by the factors described above in sections 7.6 and 7.7. This means that the income generated from the Token-based Bonds largely depends on the amount of the Quarterly Balance (as a component of the ongoing interest payment) and on an increase in the value of the Properties (as a component of the Redemption Amount at the end of the term).

As explained above, the Quarterly Balance depends on excess rental income being generated over the costs associated with the Properties and other expenses incurred by the Issuer.

An increase in the value of the Properties depends primarily on the market prices to be achieved in the future. The Bondholders will participate in any increase in the value of the Properties via the Redemption Amount. In the event that the Properties increase in value, every bond with a Principal Amount of EUR 1,000 will be redeemed at an amount in excess of the Principal Amount. In order to calculate the annual income for investors, the Redemption Amount at the end of the term has to be expressed in relation to the actual term of the Token-based Bonds. In the event of termination of the Token-based Bonds subject to a notice period, this would be ten years, whereas in the event of termination of the Token-based Bonds for cause based on a resolution by the Bondholders to sell the Properties, this period would be

shorter (possibly significantly so). Assuming an equally high Redemption Amount for each bond, the annual income from the Token-based Bonds would increase in the event of a shorter term.

As the individual factors are variable, it is not possible to provide exact information on the income generated from the Token-based Bonds as at the date of this Prospectus.

## **7.9. Payment of Interest and Redemption of the Token-based Bonds**

The interest and Redemption Amount of the Token-based Bonds will be paid in euros into a bank account held by the investor. The bank account details can be provided to the Issuer during the subscription process or entered on the website at [www.exporo.de](http://www.exporo.de) in the user details entered by the investor personally. Investors who acquire the Token-based Bonds as part of a secondary purchase involving the transfer of the EXP4-Token will provide the Issuer with their bank account details as part of the mandatory KYC and AML process. The Issuer will make payments to the individual listed as the Bondholder in the Register managed on the Ethereum blockchain at 12:00 CET on the last day of the quarter (31 March, 30 June, 30 September and 31 December) before the next Interest Date. The Token-based Bonds will be repaid to the individual listed as the Bondholder in the Register at 12:00 CET on the Redemption Date. The abovementioned payments release the Issuer from its corresponding liabilities under the Token-based Bonds in the amount of the payments made.

## **7.10. Subordination, Pre-insolvency Enforcement Restriction**

**The Token-based Bonds feature a subordination agreement and a pre-insolvency enforcement restriction.**

**The Bondholder undertakes not to assert any claims arising from the Token-based Bonds, particularly those claims to the payment of interest and repayment of the bond capital, as long as and to the extent that the partial or full settlement of such claims would result in over-indebtedness of the Issuer within the meaning of section 19 InsO or an impending insolvency within the meaning of section 18 InsO or an insolvency within the meaning of section 17 InsO, in each case as amended (*vorinsolvenzliche Durchsetzungssperre* - pre-insolvency enforcement restriction).**

**As a result, the pre-insolvency enforcement restriction already applies to the period prior to the opening of insolvency proceedings. Accordingly, the Bondholder may not request the settlement of its claims arising from the Token-based Bonds if the Issuer is over-indebted or insolvent, or if such over-indebtedness or insolvency is imminent, at the time at which the Bondholder makes the payment request.**

**The pre-insolvency enforcement restriction may lead to a permanent, indefinite non-fulfilment of the Bondholder's claims.**

**In the event of insolvency proceedings initiated in respect of the Issuer's assets or in the event of the Issuer's liquidation, the claims arising from the Token-based Bonds will be subordinated to all non-subordinated claims and all subordinated claims within the meaning of section 39 (1) nos. 1 to 5 InsO.**

**This initially means that the claims of the Bondholders will not be satisfied until the claims of the unsubordinated insolvency creditors pursuant to section 38 InsO have been satisfied. These are all creditors that have a justified claim to assets against the debtor at the time the insolvency proceedings are opened.**

**In addition, the claims of the Bondholders will not be satisfied until the claims of the subordinated insolvency creditors pursuant to section 39 (1) InsO have been satisfied, insofar as there are still insolvency assets available for distribution. The subordinated claims within the meaning of section 39 (1) InsO include**

- 1. interest that has accrued and late payment fees on claims of the insolvency creditors since the opening of the insolvency proceedings;**
- 2. the costs incurred by the individual insolvency creditors due to their participation in the proceedings;**

**3. penalties, fines, administrative fines and coercive penalties, as well as the secondary consequences of a criminal or administrative offence giving rise to an obligation to make a monetary payment;**

**4. claims to performance rendered free of charge by the debtor; and**

**5. claims to the return of a shareholder loan or claims resulting from legal action that corresponds to such a loan in financial terms.**

**The Bondholder may assert its claims arising from the Token-based Bonds, particularly those claims to the payment of interest and repayment of the bond capital, outside of insolvency proceedings initiated against the Issuer only on the basis of any (a) future profit, (b) liquidation surplus, or (c) other unrestricted assets. This does not, however, constitute the Bondholder's waiver of claims arising from the Token-based Bonds.**

## **7.11. Transferability of the Token-based Bonds**

The Token-based Bonds can be transferred to third parties at any time by way of assignment. Bonds cannot be transferred in part. The assignment of the rights arising from the Token-based Bonds requires the transfer of the EXP4-Tokens representing the Token-based Bonds as a mandatory requirement (known as a limited ban on assignment). The EXP4-Tokens are transferred exclusively via the Ethereum blockchain. The transfer of Token-based Bonds outside of the Ethereum blockchain is not permitted.

Holders of EXP4-Tokens who hold the tokens in custody themselves can make transfers themselves. The following requirements must be met to enable a successful transfer:

1. Wallet that can communicate with the Ethereum blockchain and the EXP4-Token Contract
2. Private key for the Ethereum address to which the tokens are assigned
3. Ethereum address of the recipient
4. Sufficient number of EXP4-Tokens
5. Sufficient ETH (to cover transaction costs)
6. Ethereum addresses of the sender and the recipient in the GlobalWhitelist Contract

All of these components are mandatory requirements for executing a transaction involving the EXP4-Token. As soon as the transaction has been signed by the sender using the latter's private key and has been published in the Ethereum blockchain server network, it is checked by each participating server for its authenticity and validity. The inclusion of the transaction in a new block of the Ethereum blockchain results in changes being made to the data table in the EXP4-Token Contract in line with the transaction data. Although a transaction that does not satisfy all of the necessary conditions can be executed, it will fail and will not result in any changes being made to the data table.

The transfer of the EXP4-Token can only be executed successfully if an external query of the GlobalWhitelist Contract has been performed. Both the sender and the recipient must be listed, together with their Ethereum address, in the data table of the GlobalWhitelist Contract for the query of both Ethereum addresses to result in positive feedback authorising the transfer of the EXP4-Tokens.

The GlobalWhitelist Contract can be seen as a KYC and AML register that exists on the blockchain. Exporo Investment GmbH assumes responsibility for managing this register. The GlobalWhitelist Contract manages a data table including Ethereum addresses that can only be edited by Exporo Investment GmbH. This database on the Ethereum blockchain is compared against the KYC and AML database managed by Exporo Investment GmbH at regular intervals and is updated accordingly.

## **7.12. Termination Rights of the Bondholders**

Each Bondholder is entitled to terminate their Token-based Bonds, without adhering to a notice period, and to request the redemption of these Bonds, subject to the provisions governing subordination and the pre-insolvency enforcement restriction, at the Principal Amount plus any interest accrued up until the Redemption Date (exclusive) if they have good cause to do so. Good cause refers, in particular, to a scenario in which

1. the Issuer does not pay capital or interest within 30 days of the due date; or

2. the Issuer makes a general announcement regarding its insolvency in writing or generally stops making payments; or
3. insolvency proceedings are opened in respect of the Issuer's assets and are not discontinued or suspended within 30 days of being opened, or the Issuer applies for the opening of such proceedings or the opening of insolvency proceedings is rejected due to a lack of assets; or
4. the Issuer fails to satisfy or comply with a material obligation, condition or agreement with regard to the Token-based Bonds and the non-satisfaction or non-compliance persists for a period of more than 30 days after the Issuer has been informed accordingly by the Bondholder affected by the Breach of Duty, asking the Issuer to satisfy or comply with the obligation, condition or agreement; or
5. the Issuer enters into a Financial Liability; or
6. the Issuer fails to satisfy a payment obligation arising from the Bank Loan on the due date and this non-satisfaction persists for a period of more than 30 days after the Issuer has received a written notification to this effect from the Bondholder; or
7. there is a change of control at the level of the Issuer. A change of control is deemed to have occurred if due to a change in the Issuer's shareholders, one or more persons acting in concert within the meaning of section 22 (2) of the German Securities Trading Act (*Wertpapierhandelsgesetz*, "WpHG") or one or more third parties acting on behalf of these persons hold(s) more than 50% of the Issuer's share capital and/or more than 50% of the voting rights in the Issuer, either directly or indirectly, at any given time. Such persons shall not include an affiliated company of the Issuer within the meaning of section 15 *et seq.* of the German Stock Corporation Act (*Aktiengesetz*, "AktG"); or
8. the Issuer fails to satisfy its information obligations pursuant to section 11 of the Bond Terms and Conditions and this non-satisfaction persists for a period of more than 30 days after the Issuer has received a written notification to this effect from the Bondholder; or
9. the Issuer goes into liquidation, unless this happens in connection with other company law measures (e.g. a merger or other form of combination with another company) insofar as this other company is an affiliated company of the Issuer within the meaning of sections 15 *et seq.* AktG and enters into all obligations that the Issuer entered into in connection with the Token-based Bonds.

The termination notice must be sent by registered mail and in such a way that the Bondholder returns all of the EXP4-Tokens belonging to them to the Issuer by sending them to the Issuer's wallet address. The right of termination shall lapse if the reason for termination is remedied before the right is exercised.

### **7.13. Termination Rights of the Issuer**

If the Bondholders pass a resolution concerning the sale of the Properties, the Issuer may terminate the Token-based Bonds for cause at any time and redeem the Token-based Bonds at the Redemption Amount subject to the provisions governing subordination and the pre-insolvency enforcement restriction. This also applies insofar as, as part of the Vote on the sale of the Properties, no resolution has been passed on the sale of the Properties after a term of 7.5 years and the Issuer is entitled to sell the Properties, without any further vote and without the consent of the Bondholders, 108 months after the Issue Date.

The Issuer is also entitled, but not obligated, to terminate the Token-based Bonds early and repay the Principal Amount to the Bondholders if at least 90% of the Aggregate Principal Amount of the Token-based Bonds has not been placed and paid in to the Issuer within nine months of the start of the offer period, if a property purchase agreement on the purchase of the Properties is not executed and/or is reversed and/or the Bank Loan is not taken out.

The Issuer must in every case announce the early termination at least 14 days in advance.

## **7.14. Consent of the Bondholders regarding the Sale of the Properties**

In general, the sale of the Properties shall require the consent of the Bondholders. The Bondholders will make a decision on the sale of the Properties by way of a majority resolution adopted in the context of a Vote without a meeting.

Votes may be held at any time if the Issuer asks the Bondholders to vote. Votes must be held after a term of five years and, if this Vote has not led to the sale of the Properties, after a term of 7.5 years.

The Votes after five and after 7.5 years are required only if a Valuation Report obtained in a period of no more than six months prior to the Vote has calculated a value for the Properties that allows for the redemption of the Token-based Bonds at the Principal Amount at the very least. If no resolution has been passed on the sale of the Properties after 7.5 years, the Issuer is entitled to sell the Properties, without any further vote and without the consent of the Bondholders, 108 months after the Issue Date.

Votes will be cast using an electronic voting procedure without any discussion among the Bondholders. Participation in a Vote requires prior registration on the part of the Bondholders. This registration must have been completed by no later than the third day prior to the start of the Vote. The Issuer must invite the Bondholders to take part in the Vote at least 21 days before the start of the Vote. The Invitation to vote must specify the company name and registered office of the Issuer, the start and duration of the Vote, the details regarding registration and the voting procedure, as well as the conditions governing participation in the Vote and the exercise of the voting right. The Issuer must include a proposed resolution in the Invitation, also containing a proposal regarding any minimum proceeds resulting from the sale of the Properties. The minimum proceeds are based on the value of the Properties as calculated in the most recent Valuation Report prior to any Vote. The Bondholders do not have the right to put forward counter-motions.

Voting rights are awarded to all investors who are listed as Bondholders in the Register managed on the Ethereum blockchain at 12:00 CET 12 days before the day of the Vote.

Every bond with a Principal Amount of EUR 1,000 entitles the holder to cast one vote. The quorum for Votes is deemed satisfied if at least 25% of the Outstanding Token-based Bonds are participating in the Vote at the time the resolution is passed. Resolutions must be adopted by a simple majority of the votes cast to be valid. Abstentions and invalid votes are counted as “no” votes. A majority resolution that has been effectively adopted is binding on all Bondholders and the Issuer. The Bondholders have no recourse to the courts in order to contest the outcome of the Vote.

The Issuer identifies the individuals who are eligible to vote and prepares a register of the Bondholders with voting rights. The Issuer is also responsible for determining a quorum and the majority required to pass a resolution. The Issuer is authorised to transfer the duties referred to in sentences 1 and 2 to an independent scrutineer.

If the Bondholders pass a resolution on the sale of the Properties, the Issuer will opt either to conduct sale negotiations regarding the sale of the Properties or to seek refinancing for the Token-based Bonds. In the event of refinancing by way of a public offering on the capital market, the Bondholders will be granted a preferential purchase option for the refinancing securities.

The Issuer will make serious efforts to sell the Properties or to obtain refinancing for the Token-based Bonds. The Issuer will not, however, assume any liability for the failure of contractual negotiations in either case. In this respect, a resolution regarding the sale of the Properties does not give rise to any obligation on the part of the Issuer to conclude an agreement on the sale of the Properties or to conclude agreements on refinancing for the Token-based Bonds.

If the Bondholders pass a resolution concerning the sale of the Properties, the Issuer may terminate the Token-based Bonds for cause at any time and redeem the Token-based Bonds at the Redemption Amount subject to the provisions governing subordination and the pre-insolvency enforcement restriction. This also applies if the Issuer sells the Properties without the consent of the Bondholders if the Vote has not resulted in any resolution to sell the Properties after 7.5 years.

The Vote on the sale of the Properties does not constitute a vote without a meeting within the meaning of the German Act on Issues of Debt Securities (*Schuldverschreibungsgesetz*, “SchVG”).

## **7.15. Issuer's Information Obligations**

The Issuer is obliged to make its annual financial statements prepared at the end of a given financial year (1 January to 31 December) pursuant to the provisions set out in the German Commercial Code (Handelsgesetzbuch, "HGB") available on its website ([www.exporo.de/ir-hannover-berlin](http://www.exporo.de/ir-hannover-berlin)) by 31 March of the following calendar year at the latest, starting with the annual financial statements for the current 2019 financial year. The Issuer will not publish any information extending beyond the information set out above following the issue.

## **7.16. Collateralisation**

### **7.16.1 Appointment and Obligations of the Trustee**

The Issuer has appointed HmcS Treuhand GmbH, Hanover, to act as the Trustee.

The obligations incumbent upon the Trustee include, in particular:

- involvement in the furnishing of collateral in a due and proper manner;
- holding and managing the collateral in accordance with the provisions set out in the Collateral Trust Agreement in the interests of the Bondholders;
- realising the collateral in the event of realisation.

The Trustee is not a joint representative of the Bondholders within the meaning of the German Act on Issues of Debt Securities and is not liable based on the provisions of the German Act on Issues of Debt Securities.

If the fiduciary relationship between the Issuer and the Trustee is terminated early, before the end of the term of the Token-based Bonds, the Issuer is obliged to appoint a new trustee.

### **7.16.2 No Monitoring of the Use of Funds**

The Trustee will not carry out any control of the use of funds with respect of the bond capital deposited with the Issuer prior to its use. In addition, the Trustee is not responsible for ensuring that the Issuer only disposes of the bond capital that has been paid in after the subordinated collateral has been furnished.

### **7.16.3 Furnishing of Collateral**

The collateralisation of the Token-based Bonds will be achieved by way of the subordinated furnishing of the following collateral to the Trustee in favour of the Bondholders:

- subordinated furnishing of junior-ranking land charges on the Properties following the senior-ranking land charges for the Bank Loan; the Trustee shall not provide any guarantees vis-à-vis the Bondholders in connection with the furnishing of the junior-ranking land charges.
- subordinated assignment of all claims and rights resulting from the rental of the Properties (rental claims);
- subordinated assignment of the Issuer's sale price claim vis-à-vis a buyer of the Properties (sale price claim);
- subordinated assignment of all claims and rights resulting from insurance policies in connection with the Properties (insurance claims);

The assignment of the rental, sale price and insurance claims by way of security was achieved upon the conclusion of the Collateral Trust Agreement in favour of the Trustee. If the Issuer is not entitled to assign the rental, sale price and insurance claims by way of security on the basis of unsubordinated collateral agreements with the Bank, these claims will be reassigned to the Issuer as part of a condition subsequent. In such cases, the Issuer will assign its claims to the full or partial re-transfer of these claims and/or to the offsetting or payout of the surplus not required by the Bank to the Trustee, even if these claims are conditional or only arise in the future.

#### **7.16.4 Realisation of Collateral**

In a collateral event, the realisation of collateral is permissible subject to the provisions relating to the pre-insolvency enforcement restriction and subordination. This means that the realisation of collateral is limited to those cases in which the Issuer refuses to make payments to the investors despite liquidity being available and despite no pre-insolvency enforcement restriction applying. A collateral event is deemed to have occurred if there are grounds for termination of the Token-based Bonds for cause pursuant to section 8 of the Terms and Conditions of the bonds and the Issuer fails to remedy this scenario, despite being asked to do so by the collateral trustee, within thirty (30) business days of receiving this request.

#### **7.16.5 Release of Collateral**

The Trustee will release the collateral once all claims of the Bondholders arising from the Token-based Bonds have been satisfied definitively and in full.

#### **7.16.6 Information Obligations**

The Issuer is obliged to provide the Trustee with quarterly information by submitting a management accounting summary, including a list of totals and balances (*betriebswirtschaftliche Auswertung, BWA*), as well as annual information by submitting the balance sheet on current business developments. The Issuer may submit qualified financial reports as a substitute for submitting the BWA or to supplement it. The quarterly reports (BWA/financial reporting) are to be submitted within four weeks of the relevant reporting date in each case, with the annual financial statements being submitted within three months of the reporting date.

The Issuer is also obliged to present a Valuation Report for the Properties prepared by a sworn or certified expert, as well as an assessment performed by a real estate agent who is familiar with the local market on a possible marketing price, and to submit these to the Trustee no earlier than 12 months and no later than three months before the Token-based Bonds reach maturity.

If, one month before the Bond reaches maturity, the Properties have not been sold (thus ensuring the repayment of the Bond) and the Issuer has not demonstrated to the Trustee by presenting a bank confirmation letter that it intends to repay the Bond by arranging corresponding follow-on financing, then the Trustee is authorised to designate with binding effect a licensed real estate agent to be retained by the Issuer to assume responsibility for the further marketing of the Properties.

#### **7.16.7 Remuneration of the Trustee**

The Trustee will receive a one-off fee of EUR 8,500 from the Issuer, as well as an ongoing monthly fee corresponding to 0.007% of the Principal Amount of the Outstanding Token-based Bonds, but at least EUR 245 per month, plus statutory VAT in each case. The fee referred to above does not cover the activities performed by the Trustee in connection with any realisation of collateral.

## 8. Bond Terms and Conditions

### 1. Principal Amount, Securitisation, Tokens, Issue, Register

- 1.1 Exporo Hannover Berlin GmbH (the “**Issuer**”) issues up to 4,860 token-based bonds, each with a Principal Amount of EUR 1,000 (the “**Token-based Bonds**”) with an Aggregate Principal Amount of up to EUR 4,860,000.
- 1.2 The Token-based Bonds will not be securitised. No global certificates, individual certificates or interest coupons will be issued for the Token-based Bonds.
- 1.3 The Issuer generates a number of Exporo4 tokens (the “**EXP4-Token**”) corresponding to the number of Token-based Bonds issued. The EXP4-Tokens represent the rights of the bondholders under the Token-based Bonds (the “**Bondholders**”) as set out in these Terms and Conditions and are issued to the Bondholders according to the number of Token-based Bonds subscribed by them.
- 1.4 The Token-based Bonds and the same number of EXP4-Tokens are issued in return for payment in euros (EUR).
- 1.5 The Smart Contract for the EXP4-Tokens has been assigned to a register (the “**Register**”) on the Ethereum blockchain recording all transfers of tokens and a list of addresses holding the relevant Exporo tokens. The Bondholders are not recorded by name in the Register, but rather by their respective public Ethereum address (public key of the wallet), which can be accessed in the Blockexplorer <https://etherscan.io>.
- 1.6 The transfer of the Token-based Bonds requires the Bondholder and the purchaser to agree to the assignment of the rights arising under the Token-based Bonds (section 398 of the German Civil Code (*Bürgerliches Gesetzbuch*, “BGB”)) and the entry of the purchaser’s Ethereum address in the Register. An entry is made in the Register when the Bondholder transfers the EXP4-Tokens representing the Token-based Bonds assigned to their Ethereum address to the new Bondholder’s Ethereum address. Any transfer of Token-based Bonds outside of the Ethereum blockchain, and thus without entry in the Register, is not permitted.

### 2. Status, Subordination and Pre-insolvency Enforcement Restriction, Negative Covenant, Financial Liabilities

- 2.1 The Token-based Bonds constitute direct, subordinated and unsecured obligations of the Issuer, which contain a pre-insolvency enforcement restriction and rank *pari passu* among each other.
- 2.2 In accordance with sections 19 (2) sentence 2, 39 (2) of the German Insolvency Code (*Insolvenzordnung*, “InsO”), in order to avoid over-indebtedness of the Issuer under insolvency law within the meaning of section 19 InsO and in the event of the Issuer’s liquidation, all claims by the Bondholders arising from the Token-based Bonds, specifically their claims to the payment of interest and repayment of the bond capital, are hereby subordinated to the claims within the meaning of section 39 (1) nos. 1 to 5 InsO.
- 2.3 The Bondholder undertakes not to assert any claims arising from the Token-based Bonds, particularly those claims to the payment of interest and repayment of the bond capital, as long as and to the extent that the partial or full settlement of such claims would result in over-indebtedness of the Issuer within the meaning of section 19 InsO or an impending insolvency within the meaning of section 18 InsO or an insolvency within the meaning of section 17 InsO, in each case as amended (*vorinsolvenzliche Durchsetzungssperre* - pre-insolvency enforcement restriction). The pre-insolvency enforcement restriction may result in the permanent non-fulfilment of the Bondholder’s claims arising from the Token-based Bonds.
- 2.4 If and to the extent the assertion of claims is not already excluded pursuant to sections 2.2 and 2.3 above, the Bondholder may assert its claims arising from the Token-based Bonds, particularly those claims to the payment of interest and repayment of the bond capital, outside of insolvency

proceedings initiated against the Issuer only on the basis of any (a) future profit, (b) liquidation surplus, or (c) other unrestricted assets. This restriction may result in the permanent non-fulfilment of the Bondholder's claims arising from the Token-based Bonds.

- 2.5 The provisions of sections 2.2 to 2.4 above do not constitute the Bondholder's waiver of claims arising from the Token-based Bonds.
- 2.6 Without the consent of the Bondholders, the Issuer is not authorised to enter into financial liabilities.
- 2.7 The term "**Financial Liabilities**" within the meaning of these Terms and Conditions refers to all obligations entered into by the Issuer resulting from taking out loans, silent participations, bonds, certificates of indebtedness or lease agreements. The obligations resulting from the Bank Loan and from the Pre-financing of the Properties, including debt restructuring and/or extensions of the Bank Loan and/or the Pre-financing and loans and/or shareholder loans to finance necessary measures to retain and increase value, specifically for repairs to, or the maintenance and/or modernisation of the Properties, and the refinancing of the Token-based Bonds by way of a further bond issue, by way of bank financing or in another manner (the "**Permissible Liabilities**") shall not, however, constitute Financial Liabilities within the meaning of these Terms and Conditions.
- 2.8 The term "**Properties**" within the meaning of these Terms and Conditions refers to a residential property in Berlin as well as a residential property and a residential/commercial property in Hanover.
- 2.9 The term "**Bank Loan**" within the meaning of these Terms and Conditions refers to the loan granted by a German credit institution for which the Properties serve as the senior collateral in the form of a real estate lien.
- 2.10 The term "**Pre-financing**" within the meaning of these Terms and Conditions refers to a pre-financing arrangement relating to the net issue proceeds from the Token-based Bonds.

### **3. Interest, Maturity, Default**

- 3.1 The Token-based Bonds will bear interest at a floating rate from 30 October 2019 (inclusive) until 29 October 2029 (inclusive). The payments made by the contracting parties of the Properties will be credited to a project account (the "**Project Account**"). The Issuer will use the Project Account to make the following payments:
  - 3.1.1 the costs associated with operating the Properties (these include both the chargeable costs pursuant to the Regulation Governing the Calculation of Factors relating to Residential Lettings pursuant to the Second Housing Act (Second Calculation Regulation (*Zweite Berechnungsverordnung*) - "II. BV"), such as caretaker services, including facility management, cleaning, insurance, etc. and non-chargeable operating costs that are not settled by third parties based on a statement in accordance with the statutory provisions or provisions set out in the lease agreement, as well as vacancy costs).
  - 3.1.2 the costs associated with property and asset management in relation to the Properties.
  - 3.1.3 the costs associated with necessary maintenance, repair and/or modernisation measures relating to the Properties.
  - 3.1.4 the costs associated with preparing valuation reports to determine the value of the Properties.
  - 3.1.5 the costs associated with tax and legal advice provided to the Issuer, as well as any costs associated with the auditor.
  - 3.1.6 the costs associated with tax payments and public fees to be paid by the Issuer.
  - 3.1.7 the costs associated with the Token-based Bonds, in particular for their interest, brokerage, management and collateralisation.
  - 3.1.8 the servicing of claims due under Permissible Liabilities within the meaning of section 2.7 of the Terms and Conditions.

- 3.1.9** the amounts required to set up a reserve for the repair, maintenance and/or ongoing modernisation of the Properties.
- 3.1.10** Any Project Account balance remaining at the end of the quarter (the “**Quarterly Balance**”) after deductions to reflect the payments referred to in sections 3.1.1 to 3.1.9 will be paid out to the Bondholders.
- 3.2** Each bond will accrue floating quarterly interest in arrears after the end of each quarter in accordance with the following formula:  
Quarterly Balance \* Principal Amount / Outstanding Token-based Bonds.
- 3.3** Subject to sections 2.2 to 2.4, interest is payable on 15 January, 15 April, 15 July and 15 October of each calendar year (in each case an “**Interest Date**”). The first Interest Date is 15 April 2020. The last Interest Date is the Redemption Date. The amount of the interest to be paid on an Interest Date will be calculated by the Issuer.
- 3.4** If the Issuer does not pay interest despite it falling due on an Interest Date, the interest due will bear interest as of the Interest Date (inclusive) and up until the day preceding the actual interest payment (inclusive) at a rate of 8% p.a. based on the 30/360 interest calculation method.
- 3.5** The term “**Outstanding Token-based Bonds**” within the meaning of these Terms and Conditions refers to the Principal Amount of all Token-based Bonds of all Bondholders paid in, in each case, on an Interest Date and/or on the Redemption Date and/or on the date of an early redemption of the Token-based Bonds.

#### **4. Term, Redemption, Default, Repurchase**

- 4.1** The term of the Token-based Bonds begins on 30 October 2019 (the “**Issue Date**”) and, provided it is not terminated for cause pursuant to sections 8 or 10.12, ends at the expiry of 29 October 2029. Subject to sections 2.2 to 2.4, the Token-based Bonds will be redeemed on the first business day following the end of the term (the “**Redemption Date**”).

- 4.2** In the event of termination subject to a notice period in accordance with section 4.1 and in the event of termination for cause in accordance with section 10.12, each Bond will be redeemed in the amount to be calculated in accordance with the following formula:

Principal Amount + (Sale Price + Reserves - Residual Debt - Outstanding Token-based Bonds) \* 0.8 \* Principal Amount / Outstanding Token-based Bonds

(the “**Redemption Amount**”).

The Redemption Amount of each Bond is equal to the Principal Amount if the product of the calculation in sentence 1 is lower than the Principal Amount. The Redemption Amount will be calculated by the Issuer.

The Principal Amount refers to the term defined in section 1.1.

The term “**Sale Price**” within the meaning of these Terms and Conditions means either (a) in the event of termination for cause pursuant to section 10.12, the purchase price for the sale of the Properties less transaction costs and taxes on the capital gains resulting from the sale or (b) in the event of a refinancing of the Token-Based Bonds, the market value of the Properties pursuant to the most recent Valuation Report or (c) in the event of termination subject to a notice period pursuant to section 4.1, the market value of the Properties pursuant to the most recent Valuation Report. The Valuation Report must be no older than 12 months. The Valuation Report is to be prepared by an independent expert.

The term “**Reserves**”, within the meaning of these Terms and Conditions refers to the maintenance reserve (exclusively) available on the Redemption Date.

The term “**Residual Debt**” within the meaning of these Terms and Conditions refers to the principal Bank Loan claim on the Redemption Date, plus any prepayment penalties for the Bank Loan.

Outstanding Token-based Bonds refers to the term defined in section 3.5.

- 4.3 If the Issuer does not redeem the Token-based Bonds on the Redemption Date, either in full or in part, then the Outstanding Token-based Bonds will bear interest as of the Redemption Date (inclusive) and up until the day preceding the actual redemption (inclusive) at a rate of 8% p.a. based on the 30/360 interest calculation method (ICMA).
- 4.4 The Issuer is entitled to acquire or sell Token-based Bonds and EXP4-Tokens in full or in part on the market or via other means.

## 5. Payments

- 5.1 The Issuer undertakes to make payments relating to the Token-based Bonds in euros upon maturity. The Issuer will make interest payments to the individual listed as the Bondholder in the Register at 12:00 CET on the last day of the quarter (31 March, 30 June, 30 September and 31 December) before the next Interest Date. The Token-based Bonds will be repaid to the individual listed as the Bondholder in the Register at 12:00 CET on the Redemption Date. The abovementioned payments release the Issuer from its corresponding liabilities under the Token-based Bonds in the amount of the payments made.
- 5.2 Investors who acquire the Token-based Bonds by transferring the EXP4-Token will provide the Issuer with their bank account details as part of the KYC and AML process.

## 6. Taxes

- 6.1 All payments, particularly interest payments, will be made after deducting and withholding taxes, duties and other fees to the extent the Issuer is obligated by law to deduct and/or withhold such taxes, duties and other fees. The Issuer is under no obligation to pay the Bondholders additional amounts to offset amounts deducted or withheld in this manner.
- 6.2 To the extent that the Issuer is under no legal obligation to deduct and/or withhold taxes, duties or other fees, it accepts no obligation with respect to the Bondholders' obligations under tax law.

## 7. Paying Agent

The Issuer itself will act as the paying agent. No external paying agent has been appointed.

## 8. Termination by Bondholders

- 8.1 Each Bondholder is entitled to terminate their Token-based Bonds, without adhering to a notice period, and to request the Redemption of these bonds, subject to sections 2.2 to 2.4, at the Principal Amount plus any interest accrued up until the Redemption Date (exclusive) if they have good cause to do so. Good cause refers, in particular, to a scenario in which
- 8.1.1 the Issuer does not pay capital or interest within 30 days of the due date; or
  - 8.1.2 the Issuer makes a general announcement regarding its insolvency in writing or generally stops making payments; or
  - 8.1.3 insolvency proceedings are opened in respect of the Issuer's assets and are not discontinued or suspended within 30 days of being opened, or the Issuer applies for the opening of such proceedings or the opening of insolvency proceedings is rejected due to a lack of assets; or
  - 8.1.4 the Issuer fails to satisfy or comply with a material obligation, condition or agreement with regard to the Token-based Bonds (the "**Breach of Duty**") and the non-satisfaction or non-compliance persists for a period of more than 30 days after the Issuer has been

informed accordingly by the Bondholder affected by the Breach of Duty, asking the Issuer to satisfy or comply with the obligation, condition or agreement; or

- 8.1.5 the Issuer enters into a Financial Liability; or
  - 8.1.6 the Issuer fails to satisfy a payment obligation arising from the Bank Loan on the due date and this non-satisfaction persists for a period of more than 30 days after the Issuer has received a written notification to this effect from the Bondholder; or
  - 8.1.7 there is a change of control at the level of the Issuer. A change of control is deemed to have occurred if due to a change in the Issuer's shareholders, one or more persons acting in concert within the meaning of section 22 (2) of the German Securities Trading Act (*Wertpapierhandelsgesetz*, "WpHG") (the "**Relevant Person**") or one or more third parties acting on behalf of these Relevant Persons hold(s) more than 50% of the Issuer's share capital and/or more than 50% of the voting rights in the Issuer, either directly or indirectly, at any given time. Relevant Persons shall not include an affiliated company of the Issuer within the meaning of section 15 *et seq.* of the German Stock Corporation Act (*Aktiengesetz*, "AktG"); or
  - 8.1.8 the Issuer fails to satisfy its information obligations pursuant to section 11 and this non-satisfaction persists for a period of more than 30 days after the Issuer has received a written notification to this effect from the Bondholder; or
  - 8.1.9 the Issuer goes into liquidation, unless this happens in connection with other company law measures (e.g. a merger or other form of combination with another company) insofar as this other company is an affiliated company of the Issuer within the meaning of sections 15 *et seq.* AktG and enters into all obligations that the Issuer entered into in connection with the Token-based Bonds.
- 8.2 The termination notice must be sent by registered mail and in such a way that the Bondholder returns all of the EXP4-Tokens belonging to them to the Issuer by sending them to the Issuer's wallet address.
- 8.3 The right of termination shall lapse if the reason for termination is remedied before the right is exercised.

## **9. Termination by the Issuer**

- 9.1 The Issuer is entitled, but not obligated, to terminate the Token-based Bonds early and repay the Principal Amount to the Bondholders if
- 9.1.1 at least 90% of the Aggregate Principal Amount of the Token-based Bonds has not been placed and paid in to the Issuer within nine months of the start of the offer period specified in the Prospectus;
  - 9.1.2 a property purchase agreement on the purchase of the Properties is not executed and/or is reversed;
  - 9.1.3 the Bank Loan is not taken out.
- 9.2 The Issuer must announce the early termination at least 14 days in advance pursuant to section 11.

## **10. Vote on the Sale of the Properties**

- 10.1 The sale of the Properties within the first 90 months after the Issue Date requires the consent of the Bondholders in accordance with the provisions of this section 10. The Bondholders will make a decision on the sale of the Properties by way of a majority resolution adopted in the context of a vote without a meeting pursuant to sections 10.2 to 10.8 (the "**Vote**").
- 10.2 Votes will be held:
- 10.2.1 at any time if the Issuer asks the Bondholders to vote;

- 10.2.2** 60 months after the Issue Date;
- 10.2.3** 90 months after the Issue Date.
- 10.3** The Votes pursuant to sections 10.2.2 and 10.2.3 are required only if a Valuation Report obtained in a period of no more than six months prior to the Vote has calculated a value for the Properties that allows for the redemption of the Token-based Bonds at the Principal Amount at the very least. Votes held in accordance with sections 10.2.2 and 10.2.3 must be held within four weeks of the dates specified in sections 10.2.2 and 10.2.3. If no resolution has been passed on the sale of the Properties pursuant to section 10.2.3, the Issuer is entitled to sell the Properties, without any further Vote and without the consent of the Bondholders, 108 months after the Issue Date.
- 10.4** Votes will be cast using an electronic voting procedure without any discussion among the Bondholders. Participation in a Vote requires prior registration on the part of the Bondholders. This registration must have been completed by no later than the third day prior to the start of the Vote. The Issuer must invite the Bondholders to take part in the Vote at least 21 days before the start of the Vote. The invitation to vote (the “**Invitation**”) must specify the company name and registered office of the Issuer, the start and duration of the Vote, the details regarding registration and the voting procedure, as well as the conditions governing participation in the Vote and the exercise of the voting right. The Issuer must include a proposed resolution in the Invitation, also containing a proposal regarding any minimum proceeds resulting from the sale of the Properties. The minimum proceeds are based on the value of the Properties as calculated in the most recent Valuation Report prior to any Vote. The Bondholders do not have the right to put forward counter-motions.
- 10.5** The Invitation must be made public in accordance with section 11.
- 10.6** Voting rights are awarded to all investors who are listed as Bondholders in the Register managed on the Ethereum blockchain at 12:00 CET 12 days before the day of the Vote.
- 10.7** Every bond with a Principal Amount of EUR 1,000 entitles the holder to cast one vote. The quorum for Votes is deemed satisfied if at least 25% of the Outstanding Token-based Bonds are participating in the Vote at the time the resolution is passed. Resolutions must be adopted by a simple majority of the votes cast to be valid. Abstentions and invalid votes are counted as “no” votes. A majority resolution that has been effectively adopted is binding on all Bondholders and the Issuer. The Bondholders have no recourse to the courts in order to contest the outcome of the Vote.
- 10.8** The Issuer identifies the individuals who are eligible to vote and prepares a register of the Bondholders with voting rights. The Issuer is also responsible for determining a quorum and the majority required to pass a resolution. The Issuer is authorised to transfer the duties referred to in sentences 1 and 2 to an independent scrutineer.
- 10.9** The Issuer shall bear the costs for conducting the Vote.
- 10.10** If the Bondholders pass a resolution on the sale of the Properties, the Issuer will opt either to conduct sale negotiations regarding the sale of the Properties or to seek refinancing for the Token-based Bonds. In the event of refinancing by way of a public offering on the capital market, the Bondholders will be granted a preferential purchase option for the refinancing securities.
- 10.11** The Issuer will make serious efforts to sell the Properties or to obtain refinancing for the Token-based Bonds. The Issuer will not, however, assume any liability for the failure of contractual negotiations in either case. In this respect, a resolution regarding the sale of the Properties does not give rise to any obligation on the part of the Issuer to conclude an agreement on the sale of the Properties or to conclude agreements on refinancing for the Token-based Bonds.
- 10.12** If the Bondholders pass a resolution concerning the sale of the Properties, the Issuer is entitled to terminate the Token-based Bonds for cause at any time. This also applies in the case of section 10.3 sentence 3. The Issuer must in every case announce the early termination at least 14 days in advance.
- 10.13** The Vote in accordance with this section 10 does not constitute a vote without a meeting within the meaning of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*, “**SchVG**”).

## **11. Issuer's Notifications and Information Obligations**

- 11.1 Notifications pertaining to the Token-based Bonds shall be published in the Federal Gazette (*Bundesanzeiger*) and on the Issuer's website at [www.exporo.de/ir-hannover-berlin](http://www.exporo.de/ir-hannover-berlin). Any notification is deemed to have been made as at the date of its publication (or on the date of publication of the first notification in the event of multiple notifications).
- 11.2 The Issuer is also entitled to notify Bondholders directly in text form.
- 11.3 The Issuer is obliged to make its annual financial statements prepared at the end of a given financial year pursuant to the provisions set out in the German Commercial Code (*Handelsgesetzbuch*, "HGB") available on its website by 31 March of the following calendar year at the latest.

## **12. Amendments to the Terms and Conditions by the Issuer**

The Issuer is entitled to amend or adapt the wording or sequence of the Terms and Conditions by way of unilateral declaration of intent (*einseitige Willenserklärung*).

## **13. Collateralisation of the Token-based Bonds**

- 13.1 Collateral is provided by furnishing the following subordinated collateral, to the extent permitted by law, to the collateral trustee for the benefit of the Bondholders:
  - 13.1.1 subordinated creation of second-ranking land charges on the Properties following the senior-ranking land charges for the Bank Loan.
  - 13.1.2 subordinated assignment of all claims and rights resulting from the rental of the Properties (rental claims);
  - 13.1.3 subordinated assignment of the Issuer's sale price claim vis-à-vis a buyer of the Properties (sale price claim);
  - 13.1.4 subordinated assignment of all claims and rights resulting from insurance policies in connection with the Properties (insurance claims);
- 13.2 The rental, sale price and insurance claims were assigned with effect *in rem* upon execution of the Collateral Trust Agreement. If the Issuer is not entitled to assign the rental, sale price and insurance claims on the basis of prior-ranking collateral agreements with the Bank, these claims will be reassigned to the Issuer as part of a condition subsequent. In such cases, the Issuer will assign its claims to the full or partial re-transfer of these claims and/or to the offsetting or payout of the surplus not required by the Bank to the trustee as subordinated claims, even if these claims are conditional or only arise in the future.
- 13.3 The collateral is subject to the pre-insolvency enforcement restriction and subordination pursuant to sections 2.2 and 2.3. The realisation of collateral is permissible upon the occurrence of a collateral event. A collateral event is deemed to have occurred if there are grounds for termination of the Token-based Bonds for cause (*außerordentliche Kündigung*) pursuant to section 8 and the Issuer fails to remedy this scenario, despite being asked to do so by the collateral trustee, within thirty (30) business days of receiving this request.

## **14. Trust**

- 14.1 The Issuer has appointed HmcS Treuhand GmbH (the "**Trustee**"), Hanover, to act as the trustee. If the fiduciary relationship between the Issuer and the Trustee is terminated early, before the end of the term of the Token-based Bonds, the Issuer is obliged to appoint a new trustee. The Issuer shall inform the Bondholders of any change in Trustee pursuant to section 11.
- 14.2 The obligations incumbent upon the Trustee include, in particular:

- 14.2.1** involvement in the furnishing of collateral in a due and proper manner;
  - 14.2.2** holding and managing the collateral in accordance with the provisions set out in the Collateral Trust Agreement in the interests of the Bondholders;
  - 14.2.3** realising the collateral in the event of realisation.
- 14.3** Over the term of the trust activities, the Trustee will receive from the Issuer an appropriate fee and reimbursement of fees and expenses incurred by it in the course of conducting its activities as Trustee.
- 14.4** The Trustee is not a joint representative of the Bondholders within the meaning of the German Act on Issues of Debt Securities and is not liable based on the provisions of the German Act on Issues of Debt Securities.

## **15. Governing Law, Jurisdiction, Governing Language**

- 15.1** The form and terms of the Token-based Bonds and any and all Bondholder and Issuer rights and obligations arising therefrom shall be governed by the laws of the Federal Republic of Germany.
- 15.2** The place of jurisdiction for any and all legal disputes arising in connection with the relationship between the Bondholders and the Issuer shall be the Issuer's registered office. This agreement conferring jurisdiction shall not restrict the right of any creditor to bring proceedings before another court of competent jurisdiction. Nor does the initiation of proceedings before the courts of one or more other competent jurisdictions preclude the initiation of proceedings in any other jurisdiction, if and to the extent this is permitted by law.
- 15.3** These Terms and Conditions have been drafted in the German language. Only the German text is binding and controlling.

## 9. Taxation

This overview is not intended to provide a comprehensive presentation of all tax considerations which may be relevant in the context of acquiring, holding, selling or otherwise disposing over the Token-based Bonds. No guarantee or liability is assumed for the occurrence of the tax consequences described, as it cannot be predicted how the tax authorities and tax courts will decide in individual cases.

The tax legislation adopted in the member state in which an investor resides and the state in which the Issuer was formed may impact the income from the Token-based Bonds.

Before investing, investors should seek the in-depth advice from their tax adviser regarding the tax consequences in connection with acquiring, holding, selling and redeeming the Token-based Bonds, taking into account the investor's individual tax status.

### 9.1. Tax Framework in the Federal Republic of Germany

This section on taxation contains a brief summary of certain key principles which are relevant with regard to the taxation of investors under German tax law in connection with the acquisition, holding and sale of Token-based Bonds. This summary does not purport to address all tax aspects in full, nor does it discuss in detail special scenarios which may be of significance to individual prospective investors. The following explanations are general in nature and are provided merely for informational purposes. It is not intended as legal or tax advice and should not be construed as such either. This summary is based on the tax laws in force as at the date on which the Prospectus was prepared, on case law and on guidelines from the tax administration and their interpretation, all of which may be subject to change. Such changes may also be introduced with retrospective effect and adversely affect the tax consequences described below.

The tax risk arising from the Token-based Bonds is borne exclusively by the investor.

#### 9.1.1 Token-based Bonds Held as Part of Private Assets

##### 9.1.1.1 Interest Income

The Issuer believes that interest paid to natural persons resident in Germany and subject to unlimited tax liability, who hold the Token-based Bonds as part of their private assets, constitutes income from profit-participation loans pursuant to section 20 (1) no. 4 of the German Income Tax Act (*Einkommensteuergesetz*, "EStG").

However, it is possible that the tax administration or the fiscal courts will not consider income from the Token-based Bonds to be income from profit participation loans but rather income from participation rights, which grant the right to participate in profits and liquidation proceeds, and is thus classified as income pursuant to section 20 (1) no. 1 EStG. Arguments against such a classification include the facts that (i) the interest from the Token-based Bonds is not derived based on the Issuer's distributable profit under German commercial law (net profit for the year or net retained profit) but rather from rental income and sale proceeds (specifically not taking into account depreciation and amortisation) and (ii) the bonds are intended to be redeemed by no later than ten years and prior to the liquidation of the Issuer. In the tax law literature, the view has been adopted that (i) profit participation requires that investors participate in the net profit for the year or the net retained profit and (ii) investors participate in liquidation proceeds only if they receive a share in the hidden reserves in the event of liquidation, but not if a participation in the hidden reserves is paid out prior to the commencement of liquidation proceedings. However, the opposite view is also held in the tax law literature, i.e.: (i) any performance-based fee constitutes a participation in profits and (ii) a participation in the liquidation proceeds must also be assumed if the repayment of the profit-sharing capital and the investor's share of the hidden reserves take place or can be demanded prior to liquidation. Moreover, classification as a profit participation loan is further indicated not only by the points laid out above but also by the provision of collateral in favour of the investors. To date, there have been no supreme court decisions or statements by the financial administration pertaining to the present scenario.

The following taxation principles apply to the taxation of interest for natural persons subject to unlimited tax liability in Germany who hold the Token-based Bonds as part of their private assets, whether they be classified as profit participation loans or as participation rights:

Interest is subject to income tax as investment income. The tax liability arises upon accrual of interest.

Investment income and thus also the interest from the Token-based Bonds are subject to the definitive withholding tax (*Abgeltungsteuer*; section 32d EStG). The definitive withholding tax is withheld by the Issuer for the investor's account by deducting capital gains tax (*Kapitalertragsteuer*) from the interest payments. The definitive withholding tax rate is currently 25% of interest income plus solidarity surcharge (combined: 26.375%) and any applicable church tax. In the Coalition Agreement dated 7 February 2018, the CDU, CSU and SPD agreed to abolish the definitive withholding tax on interest income upon the establishment of the automatic exchange of information. Should the definitive withholding tax be abolished in the future, interest income would once again have to be taxed at the personal income tax rate. If the investor's personal income tax rate is higher than the lump-sum 25% limit for the definitive withholding tax, they would receive a lower after-tax return on the Token-based Bonds than previously. If a sufficient tax exemption instruction (*Freistellungsauftrag*) or a non-assessment certificate (*Nichtveranlagungsbescheinigung*) is provided to the Issuer, the withholding tax will not be deducted.

Taxable persons with a lower personal income tax rate than the definitive withholding tax rate of 25% can opt to exercise a tax assessment option (application of the most favourable tax treatment (*Günstigerprüfung*)). At the investor's request, the interest income can also be taxed at the personal tax rate if this is below 25%. The investor must exercise this option in the course of their assessment. When establishing the tax assessment base, the tax office officially reviews whether the application of the general rule results in a lower tax being assessed.

#### **9.1.1.2 The Savers' Flat-rate Allowance (*Sparerpauschbetrag*)**

No tax is levied on investment income if it, together with other investment income received by the investor, does not exceed the savers' flat-rate allowance. At present, single persons and married couples assessed separately may receive up to EUR 801 annually in tax-free investment income (savers' flat-rate allowance); married couples assessed jointly may receive up to EUR 1,602.

#### **9.1.1.3 Disposal Gains and Losses**

Gains arising on the disposal of the Token-based Bonds are not subject to capital gains tax withholding. However, they are also subject to the special tax rate set out in section 32d EStG, which currently amounts to 25% plus solidarity surcharge (combined 26.375%) and any applicable church tax, unless the application of the most favourable tax treatment results in a lower tax rate. Since no capital gains tax is withheld, disposal gains must be declared by the investor in their income tax return. Disposal losses may generally only be netted against other investment income. However, in the view of the tax administration, defaults on receivables are not taken into account for taxation purposes. However, in a decision dated 24 October 2017 (case no. VIII R 13/15), the Federal Fiscal Court (*Bundesfinanzhof*) held the view – contrary to that of the tax administration – that the permanent loss of a receivable results in a loss that is recognised for tax purposes.

Should the Token-based Bonds be classified not as profit participation loans but rather as participation rights, which grant the right to participate in the Issuer's profits and liquidation proceeds, Bondholders who directly or indirectly held at least 1% of the Issuer's capital (comprising share capital and the principal amount of all the issued Token-based Bonds) within the last five years prior to the disposal would be subject not to the provisions concerning the definitive withholding tax but rather to the German partial income method (*Teileinkünfteverfahren*). As a result, 40% of the disposal gain would be tax-exempt, although investors would only be able to claim 60% of any realised disposal loss for tax purposes. The special tax rate set out in section 32d EStG, currently 25% plus solidarity surcharge (combined 26.375%) and any applicable church tax, would not be applicable in such a case.

#### **9.1.2 Token-based Bonds Held as Part of Business Assets**

If the Token-based Bonds are classified as profit participation loans, the interest income and disposal gains relating to the Token-based Bonds accruing to Bondholders resident in Germany who hold the Token-based Bonds as part of their business assets (including the income generated via commercial partnerships) will in principle be subject to the (progressive) German income tax rate (plus 5.5% solidarity surcharge and any applicable church tax) or the corporation tax of 15% (plus 5.5% solidarity

surcharge) if the Token-based Bonds are held by a corporation. The interest and disposal proceeds are also subject to trade tax if the Token-based Bonds are held as part of an entity's domestic business assets.

Regardless of whether the Token-based Bonds are to be classified as profit participation loans or participation rights, interest payments are generally subject to capital gains tax withholding by the Issuer amounting to 25% plus 5.5% solidarity surcharge thereon. The capital gains tax deduction does not have a discharging effect for the Bondholder, but will be imputed as a tax prepayment towards the Bondholder's personal or corporate income tax liability plus solidarity surcharge or refunded to the extent that tax was overpaid.

Regardless of whether the Token-based Bonds are classified as profit participation loans or participation rights, no capital gains tax is withheld on capital gains on the disposal or redemption of the Token-based Bonds.

Should the Token-based Bonds be classified not as profit participation loans but rather as participation rights, which grant the right to participate in the Issuer's profits and liquidation proceeds, the German so-called partial-income method (*Teileinkünfteverfahren*) may be applicable to interest income and disposal gains relating to the Token-based Bonds if the Token-based Bonds are held as part of the business assets of a natural person. As a result, 40% of the interest and disposal gains would be exempt from income tax, although investors would also only be able to claim 60% of any realised disposal loss for tax purposes. For trade tax purposes, the partial-income method would be applicable to disposal gains but not to interest income. If the Token-based Bonds are held by a legal entity subject to corporation tax, the zero-income method (*Nulleinkünfteverfahren*; section 8b German Corporation Tax Act (*Körperschaftsteuergesetz*, "KStG")) may be applicable to disposal gains, whereby 95% of the disposal gains would essentially be tax-exempt, although disposal losses would generally not be taken into account for tax purposes. However, the zero-income method would not be applicable to interest income.

### **9.1.3 Persons without Registered Office, Management, Permanent Establishment or Permanent Representative in Germany**

The interest income from the Token-based Bonds attributable to natural and legal persons with no residence or domicile, management, permanent establishment or permanent representative in Germany is generally subject to the so-called limited tax liability (*beschränkte Steuerpflicht*) in Germany. Under the limited tax liability, the German capital gains tax withholding generally has a compensating effect. Depending on the applicable double taxation treaties, the capital gains tax may be refunded to the investor either in part or in full.

Gains on the disposal of the Token-based Bonds are not subject to any limited tax liability in Germany if the Token-based Bonds are classified as profit participation loans. Should the Token-based Bonds be classified not as profit participation loans but rather as participation rights, which grant the right to participate in the profits and liquidation proceeds, Bondholders who directly or indirectly held at least 1% of the Issuer's capital (comprising share capital and the principal amount of the issued Token-based Bonds) within the last five years prior to sale would realise income that is subject to a limited tax liability in Germany, which would generally have to be declared by way of the tax assessment procedure. However, the taxation right of the Federal Republic of Germany may be excluded if a double taxation treaty applies.

### **9.1.4 Inheritance and Gift Tax**

The acquisition of Token-based Bonds *causa mortis* or by gift *inter vivos* is generally subject to inheritance and gift tax. The amount of the inheritance and gift tax due depends first and foremost on the amount of the assets transferred, the degree of kinship with the testator or donor and the amount of the tax-exempt amount applicable to the transferee.

### **9.1.5 Other Taxes**

The acquisition, holding and disposal of the Token-based Bonds are VAT-exempt. In addition, as at the date of this Prospectus, the Federal Republic of Germany does not impose any stock exchange tax, capital duty, stamp duty or similar taxes on the transfer of the Token-based Bonds. As at the date of this

Prospectus, the Federal Republic of Germany does not impose any wealth tax; however, it is not possible to rule out any future levies of wealth tax. The same applies to any future levy of a financial transaction tax.

## 9.2. Tax Framework in the Grand Duchy of Luxembourg

The following information is general in nature and serves merely to provide preliminary information. It presents a general description of the key tax consequences in Luxembourg as at the date of this Prospectus.

This summary does not cover all potential tax consequences in connection with an investment in the Token-based Bonds or certain investor categories (e.g., investors who are not the beneficial holders of their Token-based Bonds may be subject to specific tax rules). This summary is not intended to be a comprehensive description of all tax aspects that could be relevant to an investment decision. It is included here merely to provide preliminary information. It is not intended to provide any legal or tax advice, nor may it be construed as such. This summary relates to the legislation applicable in the Grand Duchy of Luxembourg as at the date of this Prospectus and is subject to future changes in the law, court decisions, changes in administrative practice and other changes (potentially with retrospective effect). The tax treatment of a specific Bondholder depends on the individual circumstances for that Bondholder and may be subject to change.

The term 'resident' in the sections below refers exclusively to the provisions relating to income tax under Luxembourg law. Any reference to a tax, duty, other fee or withholding of a comparable nature relates exclusively to Luxembourg taxes and concepts. In that regard, any reference to Luxembourg income tax in general encompasses the corporation tax (*impôt sur le revenu des collectivités*), trade tax (*impôt commercial communal*), contribution to the employment fund (*contribution au fonds pour l'emploi*) and income tax (*impôt sur le revenu*). Investors may also be subject to the wealth tax (*impôt sur la fortune*) and other taxes and duties. The corporation tax, trade tax, contribution to the employment fund and wealth tax must generally be paid by the majority of taxable legal persons.

Natural persons are generally subject to the progressive income tax and the contribution to the employment fund. Under certain circumstances, a natural person may also be subject to trade tax if they exercise a business or entrepreneurial activity.

### 9.2.1 Withholding Taxes

Under the currently applicable Luxembourg tax law, there is no Luxembourg withholding tax on interest payments (including accrued but unpaid interest) or capital repayments, with the exception of interest which, pursuant to the Relibi Law (as defined below), is paid to Bondholders who are natural persons and interest payments in relation to certain profit participation instruments.

#### Taxation of Interest Payments to Private Persons Resident in Luxembourg

In accordance with the Luxembourg law of 23 December 2005 on the introduction of the definitive withholding tax on certain interest payments resulting from interest income, as amended (the "**Relibi Law**"), interest payments from Luxembourg paying agents to natural persons resident in Luxembourg are subject to a 20% withholding tax (the "**20% Withholding Tax**"). The responsibility for deducting the withholding tax is assumed by the Luxembourg paying agent.

Natural persons resident in Luxembourg who hold the Token-based Bonds as part of their private assets may opt to make a self-assessment and pay a 20% tax calculated by themselves if they receive interest payments from non-Luxembourg paying agents whose registered office is in an EU member state outside of Luxembourg or a member state of the European Economic Area. If such an option is exercised by an individual Bondholder for a financial year, that option is irrevocable for that individual Bondholder for that financial year and renders them responsible for applying and paying the 20% tax on interest received from the Token-based Bonds. To that end, the "paying agent" under the Relibi Law is the economic operator that pays interest or assigns the interest payment to the direct benefit of the beneficial owner, i.e. the last person in the payment chain before the person resident in Luxembourg (the "**Paying Agent**").

If the person holds the Token-based Bonds not as part of their private assets but rather as part of a commercial (or independent) enterprise, the interest is subject to the full tax liability. The 20% withholding tax would under such circumstances not be treated as a definitive withholding tax, but rather may be imputed against Luxembourg income tax.

## **9.2.2 Income Tax**

### **9.2.2.1 Bondholders not Resident in the Grand Duchy of Luxembourg**

A non-resident Bondholder (natural person or corporation) acting in the course of the business of a professional or commercial enterprise and having a permanent establishment or a permanent representative in Luxembourg to which these Token-based Bonds are attributable is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts under the Token-based Bonds and on any profits realised on the disposal of the Token-based Bonds in any form whatsoever.

### **9.2.2.2 Bondholders Resident in the Grand Duchy of Luxembourg**

#### **Natural Person Bondholder**

Natural persons acting in the course of the management of their private assets are subject to Luxembourg income tax at progressive rates with respect to interest received, redemption premiums and issue discounts under the Token-based Bonds, unless (i) withholding tax was imposed on these payments under the Relibi Law; or (ii) the individual Bondholder has opted to apply the 20% Withholding Tax in full payment of the income tax pursuant to the Relibi Law, which applies if an interest payment was made or assigned by a Paying Agent with its registered offices in an EU member state (with the exception of Luxembourg) or in a member state of the European Economic Area (other than an EU member state).

Any profit realised by a natural person on the sale or disposal of the Token-based Bonds when managing their private assets, in any form whatsoever, is not subject to Luxembourg income tax if this sale or disposal occurred more than six months after the acquisition of the bond. However, any portion of this profit attributable to accrued but unpaid interest income is subject to Luxembourg income tax, unless the interest was taxed in accordance with the Relibi Law.

#### **Enterprises/Professional Bondholders**

A holder of Token-based Bonds that is a corporation must declare accrued or received interest, the redemption premium or the issue discount and any gains from the sale or disposal of the Token-based Bonds, in any form whatsoever, as part of its taxable income for the Luxembourg income tax return.

This same obligation applies to Bondholders that are natural persons acting in the course of the business of a professional or commercial enterprise. Under certain circumstances, the tax levied under the Relibi Law may be imputed against their final tax liability.

Family wealth management companies within the meaning of the amended Law of 11 May 2007, funds within the meaning of the amended Law of 17 December 2010, reserved alternative investment funds whose investment policies are not limited to investments in risk capital within the meaning of the Law of 23 July 2016 and specialised investment funds within the meaning of the amended Law of 13 February 2007 are exempt from corporation tax in the Grand Duchy of Luxembourg. Interest income from the Token-based Bonds and gains on the sale or redemption of the Token-based Bonds are therefore not subject to corporation tax and trade tax.

## **9.2.3 Wealth Tax**

Bondholders residing in the Grand Duchy of Luxembourg, or non-resident Bondholders who have a permanent establishment, a fixed place of business or a permanent representative in the Grand Duchy of Luxembourg to whom/which the Token-based Bonds are attributable may be subject to wealth tax. This does not apply to the following categories of Bondholders who are: (i) a natural person; (ii) a fund as defined in the amended Law of 17 December 2010; (iii) a securitisation vehicle as defined in the amended Law of 22 March 2004 on securitisation; (iv) a company as defined in the amended Law of 15 June 2004 relating to the investment company in risk capital; (v) a specialised investment fund under

the amended Law of 13 February 2007; (vi) a reserved alternative investment fund under the Law of 23 July 2016; (vii) a family assets management company under the amended Law of 11 May 2007; or (viii) a pension savings company or pension savings association as defined under the amended Law of 13 July 2005. However, since 1 January 2016, securitisation vehicles under the amended Law of 22 March 2004, companies as defined by the amended Law of 15 June 2004 relating to the investment company in risk capital, pension savings companies or pension savings association as defined under the amended Law of 13 July 2005, and reserved alternative investment funds for investment in risk capital as defined in the amended Law of 23 July 2016 have been subject to a minimum wealth tax. The amount of the minimum wealth tax depends on the company's balance sheet total and assets.

#### **9.2.4 Other Taxes**

Token-based Bonds held by a natural person who is a Luxembourg resident for the purposes of inheritance tax must be added to that person's assets subject to inheritance tax. Token-based Bonds held by a natural person who is not a resident of the Grand Duchy of Luxembourg for the purposes of inheritance tax are not subject to inheritance tax in the Grand Duchy of Luxembourg if they are transferred as a result of the death of the Bondholder. Transferring the Token-based Bonds as a gift may be subject to gift tax if the gift is notarised or registered in the Grand Duchy of Luxembourg.

### **9.3. Tax Framework in the Republic of Austria**

#### **9.3.1 General Remarks**

This section on taxation contains a brief summary of the Issuer's understanding of certain key principles that are of relevance in connection with the acquisition, holding and disposal of the Token-based Bonds in Austria. The summary does not purport to be a complete discussion of all tax considerations and, furthermore, does not address special scenarios which could be of relevance for individual prospective investors. The following information is general in nature and is included herein for information purposes only. It is not intended as legal or tax advice and should not be construed as such either. This summary is based on currently applicable tax laws, supreme court decisions, the guidelines issued by the tax administration and the interpretation of such guidelines. All of these sources of law may be subject to change. Such changes may also be introduced with retrospective effect and adversely affect the tax consequences described below. Prospective investors are advised to consult their legal and tax advisers for information concerning the tax consequences of purchasing, holding and disposing of the Token-based Bonds.

Investors bear the tax risk associated with the Token-based Bonds (particularly the risk that they will be classified as debt capital instead of equity for tax purposes).

#### **9.3.2 Income Tax**

##### **9.3.2.1 Unlimited and Limited Income Tax or Corporation Tax Liability**

Natural persons who have their place of residence and/or their habitual abode in Austria pursuant to section 26 of the Austrian Federal Fiscal Code (*Bundesabgabenordnung*, "BAO") are subject to income tax in Austria on their worldwide income (unlimited income tax liability/resident for tax purposes). Natural persons who have neither their place of residence nor their habitual abode in Austria are liable to pay tax in Austria only on certain domestic income (limited income tax liability/non-resident for tax purposes).

Corporations that have their corporate headquarters and/or registered office in Austria pursuant to section 27 BAO are subject to corporation tax in Austria on their worldwide income (unlimited corporation tax liability/resident for tax purposes). Corporations that have neither their corporate headquarters nor their registered office in Austria are liable to pay tax in Austria only on certain domestic income (limited corporation tax liability/non-resident for tax purposes).

Austria's right of taxation can be restricted by double taxation treaties in the case of either unlimited and limited income tax or corporation tax liability.

### 9.3.2.2 Classification of the Token-based Bonds for Austrian Income Tax Purposes

There are no legislative provisions, supreme court decisions or tax administration guidelines relating to Token-based Bonds.

According to section 8 (3) no. 1 point 2 of the Austrian Corporation Tax Act (*Körperschaftsteuergesetz*, "KStG"), participation rights and other financing instruments which grant a right to participate in the taxpayer's profits and gains from liquidation are to be classified as equity for tax purposes.

The Supreme Administrative Court of Austria (*Verwaltungsgerichtshof*, "VwGH") has held (VwGH 29/3/2006, 2005/14/0018) that an essential requirement of participation rights within the meaning of section 8 (3) no. 1 point 2 KStG is that they grant the right to participate in the taxpayer's profits and gains from liquidation. However, the issue of whether participation rights should be classified as debt capital or equity also depends on whether, in terms of quality and quantity, the totality of criteria indicating debt capital outweigh the totality of criteria indicating equity. Factors indicating equity here would be an indefinite term, dependence of the agreed remuneration on profits, a share in enterprise value and gains from liquidation, subordination to company creditors or a lack of security for claims. Criteria indicating debt capital would be if the repayment claims of the holders of participation rights ranked *pari passu* with the claims of other company creditors. Other indicators would be the lack of rights of involvement and control and the payment of (minimum) interest.

Based on the legal position taken by the Austrian Federal Ministry for Finance (*Bundesministerium für Finanzen*, "BMF") in the 2013 Corporate Income Tax Guidelines (*Körperschaftsteuerrichtlinien*, KStR 2013, margin no. 557), participation rights and other financing instruments within the meaning of section 8 (3) no. 1 point 2 KStG are deemed to exist if they confer a right to participate in a corporation's profits and gains from liquidation. Both of the requirements set forth in the Act must be met. If no right is conferred to participate in profits or gains from liquidation or either, the BMF takes the view that this then indicates a nominal or loan-like participation right and therefore debt capital.

According to the BMF, a participation in profits requires participation in the issuer's total profit or loss. Participation in the profit/loss of a division or business segment of the issuer is not sufficient to constitute a participation in profits (see KStR 2013, margin no. 1194). It is unclear whether a participation in profits is deemed to exist if the participation is merely in the profit or loss generated by a single asset (in this case the property), where this asset constitutes the issuer's only substantive asset, and therefore the profit or loss generated by this asset largely corresponds with the issuer's total profit or loss.

The BMF takes the view that participation in the gains from liquidation must be for the life of the issuer. Although this does not preclude reclassification prior to the issuer's liquidation if treatment of the investor corresponds with their treatment in the event of liquidation, the issue must not be limited from the outset. In addition, no participation in the gains from liquidation will be deemed where the participation applies only to the hidden reserves of certain individual divisions or business segments or certain assets. However, classification as equity will not be precluded if the issuer has little capital (KStR 2013, 1195-96). The position of the tax administration, namely that a limited term issue precludes classification as equity, is being disputed. Although the VwGH upheld the classification of a participation right as a loan-like participation right in a case in which an investor was to participate "for a few years only", in that case the investor also did not share in any enterprise value or liquidation value and received a fixed rate of interest (VwGH 29/3/2006, 2005/14/0018).

Based on the VwGH's "outweighing criteria jurisprudence" (*Überwiegenheitsrechtsprechung*), the following factors would support classification of the Token-based Bonds as equity: the payment of interest depends on the quarterly balance, repayment depends on the sale price or market value of the Property<sup>17</sup> as the Issuer's only substantial asset, the rights of Bondholders to have a say in relation to disposal of the Property<sup>18</sup> as the Issuer's only substantial asset, the lack of any minimum interest rate, their subordination to (other) creditors of the Issuer and the pre-insolvency enforcement restriction. Conversely, factors that would support their classification as debt capital are their limited term, the specification of a minimum repayment amount (the par value) and the fact that the Bondholders' claims are secured (albeit subordinated).

It is not possible to definitively classify the Token-based Bonds for Austrian income tax purposes. Based on an overall assessment, however, classification as equity would appear more likely than classification as debt capital. Consequently, the following information is based on the assumption that the Token-

based Bonds should be classified as equity for Austrian income tax purposes. If the Token-based Bonds were to be classified as debt capital, the tax consequences would be completely different to those discussed below.

### **9.3.2.3 Investment Income**

Under section 27 (1) of the Austrian Income Tax Act (*Einkommensteuergesetz*, “EStG”), investment income includes income derived from providing capital, such as dividends, and income from realised rises in the value of an asset (“capital gains”) as defined in section 27 (3) EStG, such as income from the disposal of assets, the income from which constitutes income from providing capital. Circumstances that restrict Austria’s right of taxation, making it secondary to the right of other countries, for example if the taxpayer moves away from Austria, are generally deemed disposals (section 27 (6) nos. 1 and 2 EStG).

### **9.3.2.4 Income Taxation of Natural Persons with Unlimited Tax Liability who Hold the Token-based Bonds as Part of their Private Assets**

Natural persons who are tax residents of Austria and hold Token-based Bonds as part of their private assets are liable to pay income tax on investment income derived from the Token-based Bonds pursuant to section 27 (1) EStG. Foreign investment income – which is generally income that is not distributed via a domestic paying agent or depository – must be disclosed in the investor’s income tax return and is taxable at the special rate of 27.5%. It is possible to apply to have all income that is taxable at a special tax rate pursuant to section 27a (1) EStG assessed at the (lower) progressive income tax rate (option to apply standard tax rates under section 27a (5) EStG). Section 27 (8) EStG lays down the following loss offset restrictions: income that is taxable at a special tax rate under section 27a (1) EStG may not be offset against income that is taxable at the progressive income tax rate (this applies even if the option to apply standard tax rates is elected); losses on investments that have not been offset may not be offset against other types of income.

### **9.3.2.5 Income Taxation of Natural Persons with Unlimited Tax Liability who Hold Token-based Bonds as Part of their Business Assets**

Natural persons who are tax residents of Austria and hold Token-based Bonds as part of their business assets are liable to pay income tax on investment income derived from the Token-based Bonds pursuant to section 27 (1) EStG. Foreign investment income derived from the Token-based Bonds must always be disclosed in the investor’s income tax return and is taxable at the special rate of 27.5%. It is possible to apply to have all income that is taxable at a special tax rate pursuant to section 27a (1) EStG assessed at the lower progressive income tax rate (option to apply standard tax rates under section 27a (5) EStG). The special tax rate does not apply to income from realised capital gains or income from derivatives if the main focus of the investor’s business activity is to generate such income (section 27a (6) EStG). Under section 6 no. 2 (c) EStG, write-downs to asset value if the asset value is lower and losses on disposal, redemption or other reclassification of assets and derivatives within the meaning of section 27 (3) and (4) EStG that are taxable at the special tax rate of 27.5% are to be offset first against income from capital gains realised in respect of such assets and income from derivatives and write-ups of such assets belonging to the same business. Only 55% of any remaining deficit may be offset against other income.

### **9.3.2.6 Income Taxation of Corporations with Unlimited Tax Liability**

In Austria, corporations that are residents for tax purposes are generally taxed at the corporation tax rate of 25%. If the Token-based Bonds are classified as equity, corporation tax exemptions may apply if certain requirements are met. Losses on the disposal of the Token-based Bonds may be offset against other income.

### **9.3.2.7 Income Taxation of Private Foundations**

Under the Austrian Private Foundations Act (*Privatstiftungsgesetz*), private foundations are generally taxed at the corporation tax rate of 25%. If the Token-based Bonds are classified as equity, corporation

tax exemptions may apply if certain requirements are met. Private foundations that meet the requirements of section 13 (3) and (6) KStG and do not hold the Token-based Bonds as part of their business assets are subject to corporation tax pursuant to section 13 (3) no. 1 in conjunction with section 22 (2) KStG in the form of an interim tax (*Zwischenbesteuerung*) of currently 25% on income from the capital gain realised on the Token-based Bonds. Generally speaking, interim tax applies to the extent that distributions that are subject to corporation tax are made to beneficiaries during the assessment period.

### **9.3.2.8 Income Taxation of Natural Persons and Corporations with Limited Tax Liability**

In Austria, natural persons and corporations that are not residents for tax purposes are subject to income or corporation tax on income derived from the Token-based Bonds if they have a permanent establishment in Austria and the Token-based Bonds are attributable to this permanent establishment (section 98 (1) no. 3 EStG (in conjunction with section 21 (1) no. 1 KStG in the case of corporations)).

### **9.3.3 Inheritance and Gift Tax**

Austria does not impose inheritance or gift tax.

However, certain donations to private law foundations and similar organisations are subject to foundation entrance tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Entrance Tax Act (*Stiftungseingangssteuergesetz*, "StiftEG") if the donor and/or the acquiring party has their place of residence, habitual abode, registered office and/or corporate headquarters in Austria at the time of the donation. Tax exemptions apply to donations *mortis causa* of capital assets as defined in section 27 (3) and (4) EStG (except for shares in corporations) if the income derived from the assets is subject to a special income tax rate pursuant to section 27a (1) EStG. The basis for assessing the tax is the fair market value of the donated asset less debts and encumbrances as at the time the asset is transferred. The tax rate is generally 2.5%, but in special cases even higher.

There is also a duty to disclose gifts of cash, capital receivables, shares in corporations and partnerships, businesses, moveable tangible assets and intangible assets if the donor and/or the donee have their place of residence, habitual abode, registered office and/or corporate headquarters in Austria. Not all gifts are subject to the duty of disclosure: in the case of gifts from one relative to another, a threshold of EUR 50,000 per year applies. In all other cases, disclosure is required if the fair market value of the gifted asset exceeds EUR 15,000 within five years. Donations to foundations within the meaning of the StiftEG as described above are also exempt from the disclosure requirement. An intentional breach of the duty of disclosure can result in the imposition of a fine of up to 10% of the fair market value of the gifted asset.

Besides that, the gratuitous transfer of Token-based Bonds may trigger the imposition of income tax at the level of the transferring party pursuant to section 27 (6) nos. 1 and 2 EStG (see above).

### **9.3.4 Legal Transaction Fee**

If the Token-based Bonds are assigned, a legal transaction fee of 0.8% of the consideration applies pursuant to section 33 fee item 21 (1) of the Austrian Fees Act (*Gebührengesetz*, "GebG") if a deed as defined in section 15 GebG is drawn up and there is a connection with Austria within the meaning of section 16 GebG.

## **9.4. Tax Framework in the Netherlands**

This summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of the token-based Notes (the "**Notes**") and does not purport to describe every aspect of taxation that may be relevant to a particular holder. Tax matters are complex, and the tax consequences of the issuance to a particular holder of Notes will depend in part on such holder's circumstances. Accordingly, a holder is urged to consult his own tax advisor for a full understanding of the tax consequences of the issuance to him, including the applicability and effect of Dutch tax laws.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary assumes that the Issuer is organized, and that its business will be conducted, in the manner outlined in this Prospectus. A change to such organizational structure or to the manner in which the Issuer conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Prospectus. The tax law upon which this summary is based, is subject to changes, possibly with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

The summary in this Section 9.4 (*Taxation in the Netherlands*) does not address the Dutch tax consequences for a holder of Notes who:

- (i) is a person who may be deemed an owner of Notes for Dutch tax purposes pursuant to specific statutory attribution rules in Dutch tax law;
- (ii) is, although in principle subject to Dutch corporation tax, in whole or in part, specifically exempt from that tax in connection with income from Notes;
- (iii) is a Dutch investment institution as defined in the Dutch Corporation Tax Act 1969;
- (iv) is a Dutch resident that owns Notes in connection with a membership of a management board or a supervisory board, an employment relationship, a deemed employment relationship or management role;
- (v) is a Dutch resident that has a substantial interest in the Issuer or a deemed substantial interest in the Issuer for Dutch tax purposes. Generally, a person holds a substantial interest if (a) such person – either alone or, in the case of an individual, together with his partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner for Dutch tax purposes – owns or is deemed to own, directly or indirectly, 5% or more of the shares or of any class of shares of the Issuer, or rights to acquire, directly or indirectly, such an interest in the shares of the Issuer or profit participating certificates relating to 5% or more of the annual profits or to 5% or more of the liquidation proceeds of the Issuer, or (b) such person's shares, rights to acquire shares or profit participating certificates in the Issuer are held by him following the application of a non-recognition provision; or
- (vi) is for Dutch tax purposes taxable as a corporate entity and resident of Aruba, Curaçao or Sint Maarten.

#### **9.4.1 Taxes on income and capital gains**

##### ***Resident holders of Notes***

A holder of Notes who is resident or deemed to be resident in the Netherlands for Dutch tax purposes is fully subject to Dutch income tax if he is an individual or fully subject to Dutch corporation tax if it is a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, as described in the summary below.

#### *Individuals deriving profits or deemed to be deriving profits from an enterprise*

Any benefits derived or deemed to be derived from or in connection with Notes that are attributable to an enterprise from which an individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, are generally subject to Dutch income tax at progressive rates up to 51.75%.

#### *Individuals deriving benefits from miscellaneous activities*

Any benefits derived or deemed to be derived from or in connection with Notes that constitute benefits from miscellaneous activities by an individual are generally subject to Dutch income tax at progressive rates up to 51.75%.

An individual may, *inter alia*, derive or be deemed to derive benefits from or in connection with Notes that are taxable as benefits from miscellaneous activities if his investment activities go beyond regular active portfolio management.

#### *Other individuals*

If a holder of Notes is an individual whose situation has not been discussed before in this Section 9.4 (*Taxation in the Netherlands*), the fair market value of his Notes forms part of the yield basis for purposes of tax on benefits from savings and investments. A deemed benefit, which is determined on the basis of progressive rates starting from 1.94% up to 5.6% per annum of this yield basis, is taxed at the rate of 30%. Actual benefits (interest payments and/or capital gains) derived from or in connection with his Notes are not subject to Dutch income tax.

#### *Corporate entities*

Any benefits derived or deemed to be derived from or in connection with Notes that are held by a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, are generally subject to Dutch corporation tax. Currently, the Dutch corporation tax rate is 25% (19% on profits up to EUR 200,000). Following the Dutch tax plan 2020, the Dutch corporation tax rate will be 25% (16.5% on profits up to EUR 200,000) in 2020 and the Dutch corporation tax rate will be 21.7% (15% on profits up to EUR 200,000) in 2021.

#### *General*

A holder of Notes will not be deemed to be resident in the Netherlands for Dutch tax purposes by reason only of the execution and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations under such documents or under the Notes.

#### *Withholding taxes*

To the extent German withholding taxes (see Section [9.1.3]) will not be refunded to a holder of the Notes who is resident or deemed to be resident in the Netherlands for Dutch tax purposes under the double tax treaty concluded between Germany and the Netherlands, such withholding taxes are credited against the income or corporation tax liability of the holder.

### **Non-resident holders of Notes**

#### *Individuals*

If a holder of Notes is an individual who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax, he will not be subject to Dutch income tax in respect of any benefits derived or deemed to be derived from or in connection with Notes, except if:

- (i) he derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, and such enterprise is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and his Notes are attributable to such permanent establishment or permanent representative; or
- (ii) he derives benefits or is deemed to derive benefits from or in connection with Notes that are taxable as benefits from miscellaneous activities performed in the Netherlands.

#### *Corporate entities*

If a holder of Notes is a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, which is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch corporation tax, it will not be subject to Dutch corporation tax in respect of any benefits derived or deemed to be derived from or in connection with Notes, except if:

- (i) it derives profits from an enterprise directly which is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and to which permanent establishment or permanent representative its Notes are attributable; or
- (ii) it derives profits pursuant to a co-entitlement to the net value of an enterprise which is managed in the Netherlands, other than as a holder of securities, and to which enterprise its Notes are attributable.

#### *General*

If a holder of Notes is neither resident nor deemed to be resident in the Netherlands, such holder will for Dutch tax purposes not carry on or be deemed to carry on an enterprise, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands by reason only of the execution and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations under such documents or under the Notes.

#### **9.4.2 Gift and inheritance taxes**

No Dutch gift tax or Dutch inheritance tax will arise with respect to an acquisition or deemed acquisition of Notes by way of gift by, or upon the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax except if, in the event of a gift whilst not being a resident nor being a deemed resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, the holder of Notes becomes a resident or a deemed resident in the Netherlands and dies within 180 days after the date of the gift.

For purposes of Dutch gift tax and Dutch inheritance tax, a gift of Notes made under a condition precedent is deemed to be made at the time the condition precedent is satisfied.

#### **9.4.3 Registration taxes and duties**

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands in respect of or in connection with the execution and/or enforcement (including by legal proceedings and including the enforcement of any foreign judgment in

the courts of the Netherlands) of the documents relating to the issue of Notes, the performance by the Issuer of its obligations under such documents or under Notes, or the transfer of Notes.

#### **9.4.4 Value added tax (VAT)**

No Netherlands VAT will be payable by the holders of the Notes on (i) any payment in consideration for the issue of the Notes or (ii) the payment of interest or principal by the Issuer under the Notes.

#### **9.4.5 Other taxes and duties**

No Netherlands registration tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by the holders of the Notes in respect or in connection with (i) Notes in respect of or in connection with the execution and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of the Notes or (ii) the payment of interest or principal by the Issuer under the Notes

## 10.Glossary

Term	Explanation
<b>Blockchain</b>	A blockchain, originally block chain, is a growing list of records, called blocks, that are linked using cryptography. Each block contains a cryptographic hash of the previous block, a timestamp, and transaction data. The term blockchain is more commonly used to describe a concept whereby an accounting system can be managed in a decentralised manner, while still achieving consensus on the correct state of the accounts, even if many participants are involved in the accounting process. This concept is called distributed ledger technology or DLT. What is accounted for in the accounting system is irrelevant to the term blockchain. It is crucial that subsequent transactions build on previous transactions and confirm them as correct by proving knowledge of the previous transactions. This makes it impossible to manipulate or erase the existence or content of previous transactions without simultaneously destroying all subsequent transactions that confirmed the previous ones. Other participants in decentralised accounting who still have knowledge of the later transactions would simply recognise a manipulated copy of the blockchain by the fact that it has inconsistencies in the calculations. The process of cryptographic chaining in a decentralised accounting system is the technical basis for crypto currencies, but can also contribute to improving or simplifying transaction security in distributed systems compared to central systems. The functionality is similar to the general ledger. It is therefore also referred to as the Internet of value. A blockchain enables agreement to be reached between the nodes in a decentralised network.
<b>Equity</b>	Equity is one source of funding for a company. It is generated by payments or contributions of assets by the owners (capital increase), as well as, e.g., from retained profits (self-financing) and provisions. Equity primarily consists of subscribed capital – i.e., the share capital of a stock corporation ( <i>Aktiengesellschaft</i> , “AG”) or a German limited liability company ( <i>Gesellschaft mit beschränkter Haftung</i> , “GmbH”), the capital and revenue reserves and any profits carried forward.
<b>Issue</b>	The issuance and placement of new securities (shares, bonds, token-based bonds, etc.) on a capital market by way of public sale. This can be carried out with a bank (issuing bank) serving as an intermediary or as an own issue. The issue serves to raise capital for the issuing company.
<b>Issuer</b>	The Issuer is the entity that is offering a new security on the market for sale. In the context of an own issue, the company seeking to raise capital on the market is the Issuer.
<b>Ethereum</b>	Ethereum is a distributed blockchain that underpins the cryptocurrency Ether (ETH) as a means of payment. The advantage of Ethereum is that it uses decentralised programs which can be installed on the blockchain and used by anyone. These programs are used to create virtual contracts (so-called “Smart Contracts”) that execute transactions between business partners and their accounts (so-called “wallets”). The blockchain keeps record of these transactions and reviews them automatically. The Smart Contracts make it possible to create and issue own securities.
<b>Ethereum address</b>	An Ethereum address or a public key is a clearly assignable identification number that is saved in the blockchain register as

	read-only data. Wallets allow users to create and use a unique private key that is used to generate the public key. The private key allows transactions to be signed. These transactions can then be verified and executed on the blockchain using the public Ethereum address. Smart Contracts, such as the Smart Contract used by the Issuer for the EXP4-Token, can also be clearly assigned using a public key. The public key of an Ethereum Smart Contract is generated through its creation transaction on the blockchain.
<b>Financial year</b>	Period for which the annual financial statements of an enterprise must be prepared. In accordance with section 240 (2) HGB, a financial year must not exceed twelve months.
<b>Shareholders' meeting</b>	Annual, regular, i.e., ordinary, or less commonly irregular, i.e., extraordinary meeting of the shareholders. Key decision-making forum for shareholders.
<b>Articles of association</b>	The articles of association sets out the affairs of the company, such as its name, registered office, corporate purpose, legal form, amount of share capital, founding shareholders, amount of contributions, management, etc.
<b>Commercial register</b>	The commercial register is the official record of merchants in a local court district. The register is kept by the competent local court and informs the public of the fundamental legal bases of the enterprises. Information entered into the commercial register and made public is deemed to be generally known and may be made available to all. Anyone has the right to inspect the commercial register and may request a copy of entries and writings.
<b>HGB</b>	German Commercial Code ( <i>Handelsgesetzbuch</i> )
<b>Annual financial statements</b>	Annual financial statements must be prepared for the past financial year within the period corresponding to the orderly course of business. They comprise the balance sheet and the income statement. Corporations must also supplement the annual financial statements with notes and a management report. Details are set out in the German Commercial Code ( <i>Handelsgesetzbuch</i> , "HGB"). The periodic preparation of the annual financial statements is prescribed by commercial law for all merchants.
<b>Cash flow statement</b>	Accounting tool used to assess the financial situation of a company. It presents the sources and uses of various cash flows.
<b>Crypto asset</b>	Object of value that is digitally mapped using cryptographic techniques, e.g. a token or coin of a cryptocurrency.
<b>Cryptocurrency</b>	Virtual currency based on cryptographic tools (e.g. blockchains). The value of cryptocurrencies is not created or guaranteed by a central bank or authority, but by a decentralised, cryptographically secured system designed to ensure user confidence. Examples of cryptocurrencies are Bitcoin, Ether and Bitcoin Cash.
<b>Term</b>	The term of an issue is the period between issuance and redemption.
<b>Principal amount</b>	The amount invested in and the redemption amount for a participating interest. The principal amount usually serves to measure the amount of interest paid.
<b>Smart Contract</b>	A Smart Contract is a tamper-proof and deterministic computer program saved on the blockchain that can be run on a decentralised infrastructure. The computer program stored on a blockchain allows tokens to be created, enabling "tokenisation", i.e. links between a participation right and a bond, for example, and a token on the blockchain. The use of certain program code standards, such as the ERC-20 standard for the Ethereum blockchain, enables a high degree of compatibility with a large number of wallets. In a broader sense, a Smart Contract allows the program code to be executed using external and accepted

	transaction commands that can change the internal data properties, but not the program code, of the Smart Contract. In addition, a token can always be allocated to an Ethereum address and its transferability can be ensured.
<b>Share capital</b>	The capital of a German limited liability company ( <i>Gesellschaft mit beschränkter Haftung</i> , "GmbH"), expressed as a total amount of money. Contributions to share capital may neither bear interest nor may they be repaid to the shareholders. It must amount to EUR 25,000 at a minimum.
<b>Tokens</b>	Tokens are digital value or user rights that grant the creditor certain rights that are not defined by law. Each token can have different functions and properties. Some tokens form an integral part of a particular blockchain, such as Bitcoin for the Bitcoin blockchain and Ether for the Ethereum blockchain. In addition, Smart Contracts such as Ethereum can be used to create various function-related tokens. These tokens are then created and managed on an existing blockchain infrastructure (in this case Ethereum). Since Smart Contracts are in principle freely programmable and the corresponding token-based bonds therefore vary greatly, the individual token can only be reliably classified legally on the basis of a case-by-case analysis. The Issuer's ExporoToken is a so-called security-token.
<b>Wallet</b>	A wallet is a software program that, e.g., renders it possible to create and manage private keys and the associated Ethereum addresses. An Ethereum wallet can be used to store, receive and transfer Ether and Ethereum tokens.
<b>Subscription</b>	Offer to purchase a security.

## **11. Annexes to the Securities Prospectus**

- **Opening balance sheet as at 20 May 2019**
- **Valuation Reports**

# FACT

GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

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**CERTIFICATION  
OF THE AUDIT OF THE  
OPENING BALANCE SHEET  
AS OF 20. MAY 2019**

**Exporo Projekt 119 GmbH**  
Am Sandtorkai 70  
20457 Hamburg

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EXPORO PROJEKT 119 GMBH, HAMBURG

BALANCE SHEET AS OF 20.MAY 2019

ASSETS	20.5.2019 €	EQUITY/LIABILITIES	20.5.2019 €
<b>A. CURRENT ASSETS</b>		<b>A. EQUITY</b>	
I. Cash in banks	12.500,00	I. Share capital	
		1. Share capital	25.000,00
		2. Outstanding capital not claimed	<u>-12.500,00</u>
			12.500,00
		II. Accumulated Loss	<u>-2.500,00</u>
			10.000,00
		<b>B. PROVISIONS</b>	
		1. Other provisions	2.500,00
	<u>12.500,00</u>		<u>12.500,00</u>

## EXPORO PROJEKT 119 GMBH, HAMBURG

### NOTES TO THE OPENING BALANCE SHEET AS OF 20. MAY 2019

#### I. GENERAL STATEMENTS

##### **Information to identify the company**

Firm: Exporo Projekt 119 GmbH

Place of business: Hamburg

Register: District Court Hamburg, HRB 157167

##### **Business of the company**

Object of the company is the acquisition, management and sale of, as well as investment in, real estate projects and the purchase, holding and sale of loan receivables. The object does not include the purchase of receivables on the basis of master agreements with or without recourse ("factoring" within the meaning of the German Banking Act (Kreditwesengesetz, "KWG")).

## **Accounting and valuation principles**

Accounting principles of the German Commercial Code for small-sized corporations were applied for the compilation of the opening balance as at 20. May 2019.

The liquid assets are valued at par.

The share capital is valued at the nominal amount.

The other provisions are valued with the amount payable which is necessary according to reasonable commercial judgement and consider all recognizable risks and uncertain liabilities.

## II. ADDITIONAL STATEMENTS

### Financial situation (cash flow statement)

To assess the financial situation, we prepared the following cash flow statement on the basis of the cash equivalents (short-term available liquid funds plus current investments) according to GAS (German Accounting Standard) 21 cash flow statement including the corresponding figures of the previous year:

	20.05. 2019 <u>T€</u>
	-3
+ Net loss	-3
+ Increase of provisions	<u>3</u>
= <b>Cash flow operating activities</b>	0
	13
+ Increase from equity payments	<u>13</u>
= <b>Cash flow from financing activities</b>	13
	13
+ <b>Subsequent changes of funds</b>	13
+ Cash funds at the beginning of the period	<u>0</u>
= <b>Cash funds at the end of the period</b>	<u><u>13</u></u>
	13
+ <b>Compilation of the Cash funds at the end of the period</b>	13
+ Liquid funds	<u><u>13</u></u>

## **Managing directors**

The managing director is:

- Mr. Dr. Björn Maronde, Hamburg

The managing directors are exempt from the restrictions according to § 181 German Civil Code.

## **Power of Attorney**

Authorized Officer is:

- Mr. Thomas Lange, Hamburg

## **Employees**

The company has no employees as at 20. May 2019.

## **Proposal for the appropriation of the accumulated profit**

The management proposes to carry forward the loss to the new accounting.

Hamburg, in September 2019

The management

## INDEPENDENT AUDITOR'S REPORT

To Exporo Projekt 119 GmbH, Hamburg

### *Audit opinions*

We have audited the opening balance as at 20<sup>th</sup> May 2019 of Exporo Projekt 119 GmbH, Hamburg, which comprise the balance sheet as at 20<sup>th</sup> May 2019 and notes to the opening balance, including the presentation of the recognition and measurement policies.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying opening balance complies, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company and of its financial performance as at 20<sup>th</sup> May 2019 in compliance with German Legally Required Accounting Principles.

Pursuant to § 322 Abs. 3 Sec. 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the opening balance as at 20<sup>th</sup> May 2019.

### *Basis for the Audit Opinions*

We conducted our audit of the opening balance in accordance with § 317 German Commercial Code (HGB) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Opening Balance" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our [audit] opinions on the opening balance.

### *Responsibilities of the Executive Directors for the Opening Balance*

The executive directors are responsible for the preparation of the opening balance that complies, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the interim financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of an opening balance that are free from material misstatement, whether due to fraud or error.

In preparing the opening balance, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

### *Auditor's Responsibilities for the Audit of the Opening Balance*

Our objectives are to obtain reasonable assurance about whether the opening balance as a whole is free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinions on the opening balance.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 German Commercial Code (HGB) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the opening balance.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the opening balance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the opening balance in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the opening balance or, if such disclosures are inadequate, to modify our respective [audit] opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the opening balance, including the disclosures, and whether the opening balance presents the underlying transactions and events in a manner that the opening balance gives a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

Kassel, 06<sup>th</sup> September 2019

33819

FACT GmbH Wirtschaftsprüfungsgesellschaft

Andreas Gottmann

Auditor

Matthias Schäfer

Auditor

# General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017

## 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (Wirtschaftsprüfer) or German Public Audit Firms (Wirtschaftsprüfungsgesellschaften) – hereinafter collectively referred to as “German Public Auditors” – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

## 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (Grundsätze ordnungsgemäßer Berufsausübung). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (betriebswirtschaftliche Prüfungen), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

## 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

## 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

## 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

## 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

## 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (Textform) [Translator's Note: The German term “Textform” means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

## 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs. 1 [paragraph 1] HGB [German Commercial Code: Handelsgesetzbuch], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: Wirtschaftsprüferordnung], § 203 StGB [German Criminal Code: Strafgesetzbuch]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

## 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: Produkthaftungsgesetz], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demands and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProductliG. The right to invoke a plea of the statute of limitations remains unaffected.

#### 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

#### 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a)

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public Auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advisor Remuneration Regulation (Steuerberatungvergütungsverordnung) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (Textform).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and duties requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

#### 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (Textform) accordingly.

#### 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

#### 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (Verbraucherachlichtungsschlichter) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (Verbraucherstreitigkeitengesetz).

#### 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

# Valuation report

On behalf of

Exporo Investment GmbH  
Sandtorkai 70  
20457 Hamburg

On the fair market value of the property

**Residential building**  
**Hohefeldstr. 6**  
**13467 Berlin**

Klaus Wagner MRICS, REV  
Certified assessor for property valuation (DIA) DIN EN ISO/IEC 17024  
Dipl. Sachverständiger (DIA), Immobilienökonom (ebs)

Büro für Immobilienbewertung  
Domstraße 10  
20095 Hamburg  
Tel: +49 (0)40 2271 6752  
[www.wagner-immosv.de](http://www.wagner-immosv.de)

Request: 180183

Copy: digital



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### **Appendices**

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- (2) Land register map**
- (3) Terms of contract**



## 1. Summary

Exporo Investment GmbH has been appointed to sell shares in Exporo Hannover Berlin GmbH, a 100% subsidiary of Exporo AG. Exporo Hannover Berlin GmbH purchased the property according to the information provided at a purchase price of €3,750,000. In order to prepare the prospectus, the fair market value of the property must be determined pursuant to Section 194 of the German Building Code (BauGB).

On the property being valued there is a residential building with a complete cellar level constructed with a solid design in 1997 with, according to the tenant list, 13 flats a total of 1,358 m<sup>2</sup> of residential space. The associated underground garage has 17 spaces.

Address:	Hohefeldstr. 6, 13467 Berlin
Usage relevant to the valuation:	Residential
Planning law:	According to § 34 Bau NVO
Plot quality:	Land ready for construction
Type and extent of construction use:	Residential area storey area indicator
Infrastructure condition:	No infrastructure costs (ebf)
Property size:	2,232 m <sup>2</sup>
Land value:	€ 545/m <sup>2</sup> or approx. € 1,216,500
Year of construction:	1997
Remaining lifespan:	48 years
Property interest rate:	2.9 %
Usage or rental area:	1,357.67 m <sup>2</sup> residential 17 underground garage spaces
Key valuation date:	09 May 2019 (date of visit)
Annual gross profit:	Around € 152,470
Fair market value:	€ 3,750,000

## 2. Order and order execution

Exporo Hannover Berlin GmbH, represented by Exporo Investment GmbH and Mr. Thomas Stadler, appointed me to produce a valuation report on the current market value of the property Hohefeldstraße 6 in 13467 Berlin zu erstellen in line with Section 194 BauGB.

To produce my valuation report, the client provided the following documents and information:

- Land register entry from Hanover Regional Court dated 27/11/2018
- Property map from 14/11/2018
- Excerpt from the list of public easements dated 06/11/2018
- Contaminated site information of the Reinickendorf district office from 3/12/2018
- Floor plans dated 06/09/1996
- Tenant list with rental areas, as of 03/12/2018

I assume that the explanations and information provided to produce the survey report are complete and accurate.

I have also made the following enquiries of my own:

- Information on the property market in Hanover from the official committee of valuation experts
- Information on rental prices for comparable residential and commercial properties from various established market participants and the “OnGeo” online database
- Online information from the city of Berlin on existing planning and construction law
- General information from the statistics department of the State Capital City Hanover and the State Statistical Office
- Information from the Federal Statistical Office
- General internet research

I visited the property being assessed on 9 May 2019 accompanied by Mr. Oliver Rolle, Exporo. In addition to exterior areas, cellars, underground car park and communal areas, I visited two exemplarily selected apartments on the 1st floor and on the attic floor.



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**Key valuation date**

The key valuation date is 09 May 2019 (visit date).

I did not undertake any ground examinations with regard to potential contamination and other risks that could arise due to the characteristics of the ground. In addition, my valuation is not based on any investigations into the structural design, noise and heat protection, infestations by damaging animals and plants as well as pipe corrosion.

When carrying out the request and my responsibility, including for third parties, the order conditions attached to this report are decisive.

**3. Purpose of the valuation**

Exporo Investment GmbH has been appointed to sell shares in Exporo Hannover Berlin GmbH, a 100 % subsidiary of Exporo AG. Exporo Hannover Berlin GmbH purchased the property according to the information provided at a purchase price of € 3,750,000. In order to prepare the prospectus, the fair market value of the property must be determined pursuant to Section 194 of the German Building Code (BauGB).

## 4. Market and location analysis

### 4.1 Macro-location

Berlin is Germany's capital city and a metropolis with a good 3.64 million inhabitants (30/09/18). Germany's largest city by area is divided into 12 districts, which in turn have 96 sub-districts and frequently smaller, specific "neighbourhood structures". As a result of the size, history - with decades of separation - and the relevant spatial design, this has created a very heterogeneous urban look with the most varied of locations, qualities and property structures.



Source: [www.openstreetmap.de](http://www.openstreetmap.de)

The city's economic structure is characterised by service companies and administration, which in addition to the city also covers the federal authorities and ministries. Various embassies and international organisations are found in the federal capital. In addition, tourism with around 13.5 million tourists and around 32.9 million overnight stays played an important role in business in 2018.<sup>1</sup> Manufacturing contributes to the gross domestic product with just under € 19 million (2017).

Berlin is a trade fair city and important academic and research location with two excellent universities and nearly 191,000 students (winter semester 18/19).

#### Transport links

Berlin is very easily reached both by private cars and public transport.

The national road links are via the Berliner Ring (A10), federal motorways A2 (west-east), A9, A11, A13, A24 (all north-south)

<sup>1</sup> cf. Office for Statistics Berlin-Brandenburg 2018

and A12 (towards Poland) with several junctions as well as various main and state roads. Within the urban area, there is a tight network of roads.

Public transportation in Berlin is operated by the Verkehrsverbund Berlin-Brandenburg which offers a tight network of local and underground trains, buses and trams that also connect the areas in the surrounding Brandenburg state.

There are various bus lines (Flixbus etc.) with national and international travel destinations that go from the central bus station (ZOB) at the trade fair centre.

From Berlin's main station, there are various high-speed ICE connections including Sprinters to Frankfurt M and Munich; the travel time to Hamburg is 1:45 hours. Supplemented by a range of inter-city and regional trains, there are comprehensive connections to the national long-distance network offered by Deutsche Bahn.

The following table shows the distance to important cities:

City	Approx. distance
Potsdam	36 km
Hamburg	288 km
Dresden	193 km
Hanover	146 km
Frankfurt	550 km
Munich	585 km

The city currently has two airports (TXL, SXF) which together have the third highest passenger numbers of all German airports after Frankfurt a.M and Munich.

#### Population development

Berlin had on the key date of 31/12/2018 at least 3.64 million inhabitants and compared with the end of 2017 had recorded population growth of around 0.9 %.<sup>2</sup>

Since 2011, the population has increased by 8.6 % and forecasts predict further growth of approx. 10.3 % by 2030.<sup>3</sup> The positive migration balance is key to this and this is primarily comprised of inward migration for education.

#### Compulsory social insurance

On the key date of 30/06/2017, approx. 1.34 million people (residents) were employed and paying social insurance in Berlin and for just under 1.48 million it was a place of employment. The positive commuter balance is more than 140,000 employees. In

<sup>2</sup> cf. Office for Statistics Berlin-Brandenburg 2018

<sup>3</sup> cf. Bertelsmann Stiftung: wegweiser-kommune Berlin



the city, there are just under 99,000 businesses with jobs that are subject to social insurance.<sup>4</sup>

#### **Unemployment rate**

The unemployment rate in Berlin as of 31/12/2018 was around 7.6 %, with around 146,700 people registered as unemployed. The percentage over recent years has fallen significantly (Dec 2017: 8.4 %; Dec. 2016: 9.2 %) and therefore is similar to the rest of the nation. This is however significantly above the average for Germany as a whole (Dec. 2018: 4.9%).<sup>5</sup>

#### **Purchasing power indicator**

The purchasing power indicator is the most important indicator for the consumption potential of the population living in the relevant region. With a purchasing power indicator of 92.4 in 2019, Berlin is slightly above the neighbouring Brandenburg (91.3) but significantly below the federal average (100). Notwithstanding, an increase in absolute purchasing power per capita of the Berlin population in 2019 was recorded at € 22,180 / inhabitant (+3.1 % compared with 2018).<sup>6</sup>

The retail centrality indicator for Berlin is 106.1 (as of 01/01/2017; national = 100) and indicates the significance of the city as a retail location. Berlin is supported and complemented by the neighbouring city of Potsdam, which is also an important retail location for the surrounding Brandenburg area.<sup>7</sup>

#### **4.2 Micro-location**

#### **Location**

The property Hohefeldstraße 6 is located in the Hermsdorf sub-district of the Reinickendorf district in north-west Berlin.

The property is in a wealthy residential area with overall low-density construction and a high level of green areas. The location, mainly open construction and natural areas with a cared for residential environment and quiet situation give the site a good reputation.

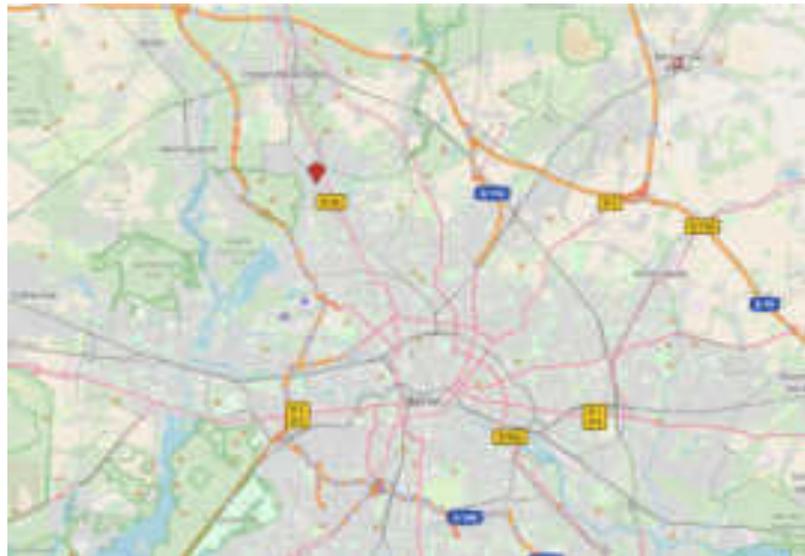
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<sup>4</sup> cf. statistics from the Federal Agency for Employment

<sup>5</sup> cf. statistics from the Federal Agency for Employment

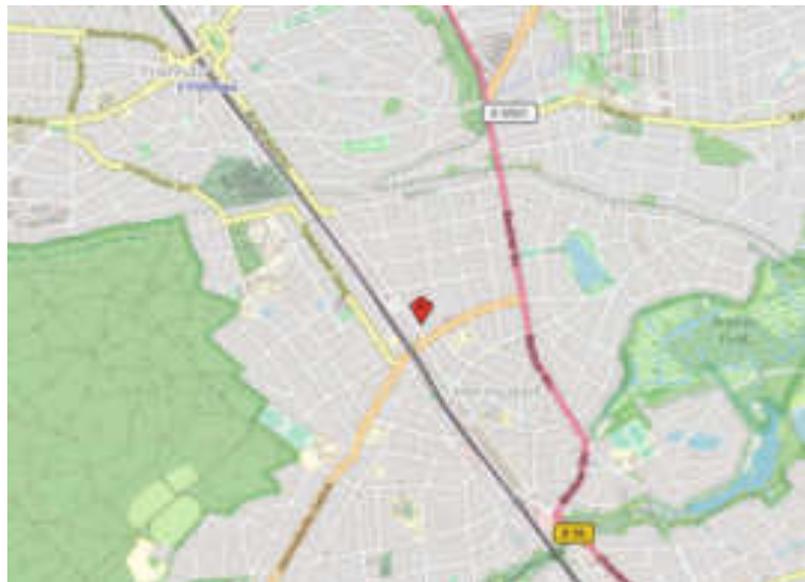
<sup>6</sup> cf. MB-Research: Purchasing power 2019 Germany

<sup>7</sup> cf. comfort Städtereport Berlin, April 2017



### Transport situation

The property to be valued is on Hohefeldstraße, a two-lane road in the Hermsdorf district. This crosses Hermsdorfer Damm and runs parallel to the B96 at just under 600 m away, which is an important north-south connection for the city.



Around 3 km to the west the A111 goes into the urban area so that in addition to the road network from Hermsdorf/Reinickendorf there are very good links into other districts of Berlin and the surrounding area by car. The city centre is around 15 km away, the main station around 16 km or 30 minutes by car.

The property has limited parking on the public roads; there are 17 underground garage spaces on the property itself.



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	Alternatively, public transport links the rest of the city by bus and the local Hermsdorf station is just under 500 m away (approx. 20 minutes to the centre of Berlin).
<b>Local shopping</b>	Local shopping is found in the small centre of Hermsdorf (approx. 450 m) and can be graded as good overall. There are also a range of retailers in Reinickendorf and throughout the whole Berlin area.
<b>Surrounding construction</b>	Located in the Hermsdorf sub-district of Reinickendorf district to the north of Berlin, the property is in a good location with overall low-density construction and high level of green areas. The main buildings in the area are houses (for single or multiple family occupancy).
<b>Adverse factors</b>	No adverse factors for the valuation were determined during the site visit.

#### 4.3 Market analysis

<b>Home market</b>	<p>The residential market in Berlin is strongly diversified such that only a very limited local comparison of homes and their qualities is purposeful. There are significant differences not only at the district level but also within the districts with very different structures and qualities on view depending on the location. In general, however, Berlin has very little low-cost residential space in the central locations that are in demand.</p> <p>So Hermsdorf, for example, in the northern part of the Reinickendorf district, tends to have a higher price when compared across Berlin with locations with green areas and good infrastructure.</p> <p>Over recent years, Berlin has seen some significant rental price increases. To restrict the increase in rents, rental price limitation regulations were issued. Since 01/06/2015, rent increases for new leases have been limited to a maximum of 10 % above the usual comparison rent or the cap limit is 15 % - depending on the existing rents and the city of Berlin's price index:</p>
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Kategorie	Anzahl	Jahre									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gutachten	A	7,99	7,88	8,60	8,89	7,87	7,54				
	B	8,41	7,88	8,89	8,87	7,78	8,91				
	C	11,84	7,88	7,87	8,89	8,89	7,51				
Mietpreise	A	8,71	8,66	8,89	8,89	7,48	8,81	8,28	11,81		
	B	7,41	8,78	8,11	8,89	7,71	8,81	8,10	8,81		
	C	8,88	8,88	8,82	7,11	8,82	8,81	8,78	8,88		
Mietpreise	A	8,11	8,87	8,88	8,48	8,27	8,27	7,71	11,88		
	B	8,77	8,78	8,89	8,71	8,88	8,27	7,88	10,88		
	C	7,88	7,88	8,88	8,88	8,21	8,81	8,88	10,11		
Mietpreise	A	8,11	8,11		8,87	7,28	8,21	7,88	11,88		
	B	8,77	8,81	8,77	8,88	7,88	8,21	8,28	10,88		
	C	7,11	8,88	8,21	8,88	8,88	8,21	8,88	11,88		

Berlin Rent Index Table 2019

In addition, the political parties are considering further rent caps from 2020, some to be retroactive, which to date have not been checked for legality or consequently passed effectively. Taking into account these discussions is neither possible nor appropriate within this valuation and therefore remains outside the scope of the request.

According to the current rent index, the comparison rent for the object under review (constructed in 1997, good location) depending on flat size is between €9.75 and €9.80 /m<sup>2</sup> per month - excluding modernisation supplements.

The supply situation at the micro-location at Hohefeldstr. 6 in Berlin-Hermsdorf is emphasised by an OnGeo analysis for the period from July 2018 to December 2018:

It shows that in a circumference of 300 m with a demand index = 151 compared with the nation as a whole (=100) there is above-average demand with an average rental price of €9.90 /m<sup>2</sup>/month (range €8.51 – €11.98/m<sup>2</sup>/m.).

In a circumference of 500 m, there is even strong above-average demand (index 181), the rental price range is between €7.01 and €11.98/m<sup>2</sup> per month.

## 5. Description of the property to be valued

### 5.1 Land register entry

#### Property directory

According to the copy of the land register entry dated 27/11/2018, which I enclose as requested with my valuation report, the property being valued is entered as follows in the Hermsdorf Land Register on Sheet 10109 with the Berlin-Mitte District Court:

File No. of properties	To File No. of properties	Cadastral district/plot	Business type and position	Size m <sup>2</sup>
1		1/ 5262/8	<i>Yard and building area Hohenfeldstraße 6</i>	1,063
		1/ 5263/8	<i>Yard and building area Hohenfeldstraße 6</i>	1,169

#### Section I

According to section I of the land register copy, the owners are Noel Tease, born 22/12/1960, Henry McCahey, born 26/05/1958, Paul Grant, born 31/07/1958, Stanley Tease, born 13/05/1973 - as BGB partners.

#### Section II

No entries.

#### Section III

Entries in section III are not relevant for the value and are therefore not included in my valuation.

### 5.2 Land charges, pollution and listed building status

#### Land charges

As demonstrated by the information available to me from the land charge directory dated 06/11/2018 which I enclose as requested with my valuation, there are no public land charges as defined by Section 81 of the Lower Saxony Building Code (NBauO) for the property being valued.

#### Pollution

According to the information available to me from the Reinickendorf District Office dated 03.12.2018, which I have based my expert opinion on, the property to be valued is not recorded in the soil contamination register.

#### Listed building status

The valuation object is not listed in the Berlin List of Monuments.<sup>8</sup>

<sup>8</sup> cf. Landesdenkmalamt Berlin: Denkmaldatenbank (online)

### 5.3 Plot description

The property relevant for the valuation covering in total 2,232 m<sup>2</sup> comprises the plots 5262/8 and 5263/8 in cadastral district 1 in Berlin-Hermsdorf.

Basically cut at right angles, it has its south-western property boundary on Hohefeldstraße and links at the back to a neighbouring property on Olafstraße. With a property depth of around 50 m to the south and just under 60 m to the northern edge. The property boundary along Hohefeldstraße is around 40 m in length.

#### 5.4.1 Year of construction, type and purpose

On the property to be valued there is a residential building with 13 rental units on four storeys (including basement) and an underground garage with a full cellar level built using solid construction in 1997.

As requested, the details below are based on the tenant list provided with a total of 1,358 m<sup>2</sup> of rental space. This is plausible based on the floor plans provided.

The property also includes free space to the rear with the garden and play area as well as 17 spaces in the underground garage.

#### 5.4.2 Description of building and condition

<b>External walls</b>	Plastered brickwork, thermal insulation composite façade (WDVS).
<b>Roof</b>	Saddle roof tiled with mansards and partly front mounted segment gables.
<b>Windows and external doors</b>	Plastic windows, insulated glazing.
<b>Internal walls and doors</b>	Solid and lightweight walls, some plastered, some wallpapered, plywood doors with PVC veneer.
<b>Floors</b>	Tiles in the kitchen and bathroom, sometimes in corridors and residential areas; laminate; underfloor heating in the flats; stairwell with tiles and PVC coating; some wooden floors on the balconies.
<b>Sanitary fittings</b>	Full bathrooms incl. showers, floors and some walls tiled, no tiled splash backs in the kitchens.
<b>Heating</b>	Central gas heating with warm water storage boilers in lower ground floor.
<b>Other features</b>	Passenger lift, sauna, fitness equipment and solarium on lower ground floor.
<b>General condition</b>	Over recent years, maintenance measures have been undertaken on the balconies, façade and stairwell. The condition of

the building overall, the rental units, underground garage and external areas is well maintained and good.

#### 5.4.3 Exterior features

At the back, there is a maintained open space that is used by the tenants as a garden with seating and a children's play area. The property is completely surrounded by an aluminium fence.

#### 5.5 Rental agreement situation

On the key valuation date, the property housed 13 flats covering in total around 1,358 m<sup>2</sup> and was fully rented. In contrast, ten spaces in the underground garage were vacant.

According to the tenant list, the contractually agreed monthly rent in the property was in a range between € 7.83/m<sup>2</sup> and € 11.25/m<sup>2</sup> and was on average € 9.14 /m<sup>2</sup> plus utility costs.

The rented parking spaces contributed on the key valuation date € 340 per month to the rental income whereby the rent applied varied strongly between € 15 and € 75 per parking space.

#### 5.6 Summary

The property is overall a contemporary residential building that is typical of the location and is in good repair.

## 6. Area calculation

There is no area calculation for the object, but a tenant list with rental area specification. Since this appears plausible against the background of the object inspection and the available floor plans from the year 1996, I base my evaluation on the indicated areas in accordance with my order.

Rental area list			
Se- rial No.	Type of use	Location	Rental area (Usable space)
1	Residential	ground floor middle-left	49.45 m <sup>2</sup>
2	Residential	ground floor left	113.60 m <sup>2</sup>
3	Residential	ground floor middle	85.55 m <sup>2</sup>
4	Residential	ground floor right	113.60 m <sup>2</sup>
5	Residential	ground floor right/cellar	98.25 m <sup>2</sup>
6	Residential	1st floor left	49.45 m <sup>2</sup>
7	Residential	1st floor middle-left	113.60 m <sup>2</sup>
8	Residential	1st floor middle	85.55 m <sup>2</sup>
9	Residential	1st floor right	113.60 m <sup>2</sup>
10	Residential	1st floor right	49.54 m <sup>2</sup>
11	Residential	2nd floor left	203.91 m <sup>2</sup>
12	Residential	2nd floor middle	106.62 m <sup>2</sup>
13	Residential	2nd floor right	175.04 m <sup>2</sup>
<b>Total:</b>			<b>1,357.67 m<sup>2</sup></b>

A separate measurement was not carried out.

## 7. Valuation principles

### 7.1 Preliminary methodological notes

#### Fair market value definition

In Section 194 of the German Construction Code (BauGB), the fair market value is defined as follows:

*“The fair (market) value is determined by the price that can be achieved at the time to which the evaluation refers in normal business operations according to the legal facts and actual characteristics, the other characteristics and location of the property or the other object subject to valuation without taking account of unusual or personal conditions.”*

The fair market value is referred to in expert circles as the “objective exchange value” or “objective value”. It is characterised as the most likely sales prices on the key valuation date.

#### Legal basis

The calculation of the fair market value is based on the following statutory principles whilst taking into account the relevant changes:

- German Building Code - Baugesetzbuch (BauGB)
- Property Valuation Calculation Regulations (ImmoWertV)

The relevant, most recent changes are also taken into account as additional legal and management principles and are of particular importance when calculating the fair market value:

- Income Value Guidelines (EW-RL)
- Depreciated Replacement Cost Value Guidelines (SW-RL)
- Normal Production Costs 2010 (NHK 2010)
- German Federal Town Planning Regulations (BauNVO)
- Regulations for Calculation of Factors Related to Residential Lettings (II. BV)
- German Civil Code (BGB)
- DIN 277/ 1987

#### Market Value

The German definition of the fair market value corresponds to the internationally recognised definition of “market value” by the *European Valuation Standards* (EVS) of the *The European Group of Valuers’ Association* (TEGoVA) and also to the valuation standards of the British *Royal Institution of Chartered Surveyors* (RICS).

## 7.2 Selection of valuation method

### Methodology standards

The calculation of the fair market value can, according to the German federal ordinance for real estate valuation (ImmoWertV) dated 19 May 2010, and the valuation guidelines permitted for use in the version dated 01 March 2006 (WertR 2006), be undertaken using the comparative value (Section 15 ImmoWertV), the income value (Sections 17 et seq ImmoWertV) or the depreciated replacement cost value method (Sections 21 et seq ImmoWertV). The circumstances of the individual case taking into account the customs in normal business relationships are key to selecting the method. The market value taking into account the situation of the property market is derived from the result of the selected method.

In practice, these provisions are usually applied as follows:

### Income value

The income value method is mainly used to determine the market value of properties for which the normal achievable income in the marketplace can be achieved or estimated. It is therefore in particular applied to rental properties, business premises and mixed use properties.

**Depreciated replacement cost** The depreciated replacement cost value method is mainly used for property the use of which does not generally depend on an income or if such cannot be determined precisely. It is therefore in particular selected for residential properties used by the owner.

### Comparative value

The comparative value method is mainly used to determine the land value and value of owner-occupied apartments (sometimes also houses).

### Summary

The valuation property is a residential building with 13 rental units and underground parking spaces for rent. The participants in the real estate market or a potential buyer will primarily assess the property to be valued on the basis of the income that can be generated with this property. For this reason, the market value of the property is determined on the basis of the income value method.

## 8. Valuation

### 8.1 Land value

#### 8.1.1 Preliminary methodological notes

In order to determine the value of the land (land value), purchase prices of comparable properties are to be used. In addition to or instead of these purchase prices, the determination of the land value in accordance with the Building Code can also be based on suitable land reference values (cf. §§ 196 ff. of the Building Code). The land value shall be determined as if the land were undeveloped.

Characteristics that influence the value are to be taken into account as supplements or deductions or by other means. The factors influencing the price include in particular the property's location, the rights and charges it is subject to, type and extent of construction use, property customisation, construction status and soil characteristics. There may also be value reductions from effects on the property due to an economically/technically consumed substance, demolition requirement or other official regulations (e.g. listed building status).

#### 8.1.2 Land value calculation

### Planning law

The valuation property is located in the Hermsdorf district of Berlin's Reinickendorf district.

The property being valued is not covered by a local development plan. With regard to use and extent of construction, the property can be built upon pursuant to Section 34 BauGB. In the surrounding area there are mainly multi-storey residential buildings and also single-family houses with a typical GFZ of 0.4.

### Type and extent use

Use Type and extent of structural use are defined in § 16 BauNVO and are determined for the valuation object as follows:

Site coverage index (GRZ) BauNVO				
Ground floor	15.18 m	X	28.74 m	436.27 m <sup>2</sup>
	2.0 m	X	9.17 m	18.34 m <sup>2</sup>
Floor area				454.61 m <sup>2</sup>
Site area				2,232.00 m <sup>2</sup>
<b>GRZ</b>				<b>0.20</b>

Plot ratio (GRZ) BauNVO				
Ground floor	15.18 m	X	28.74 m	436.27 m <sup>2</sup>
	2.0 m	X	9.17 m	18.34 m <sup>2</sup>
1st floor	15.18 m	X	28.74 m	436.27 m <sup>2</sup>
	2.0 m	X	9.17 m	18.34 m <sup>2</sup>
2nd floor (attic floor)	6.95 m	X	25.67 m	178.41 m <sup>2</sup>
	5.46 m	X	8.82 m	48.16 m <sup>2</sup>
Floor space				1,135.79 m <sup>2</sup>
Site area				2,232.00 m <sup>2</sup>
<b>GRZ</b>				<b>0.20</b>

Accordingly, a GRZ of 0,2 and a GFZ of 0,51 are determined. The difference between rental space and supposedly lower gross floor area - as shown above in the calculation of GFZ - results from the use of balcony or terrace areas: In accordance with II. BV, these areas are considered proportionate to the rentable living space, but are not included in the gross floor area.

#### Property quality

The property can be used for construction under the public law regulations. It is characterised as land ready for construction.

#### Guide land value

The official committee of valuation experts for the region Berlin shows the following guideline land value for the property being valued as of the key date of 01/01/2019:

- **€ 500 /m<sup>2</sup>** for residential areas (apartment blocks) with a GFZ of 0.4.



The guideline land value refers to a GFZ of 0.4. Accordingly, the land value must be adjusted by means of suitable conversion



coefficients. The official committee of valuation experts in Berlin does not publish any conversion coefficients for this number range. Similarly, no conversion coefficients applicable to this are shown in the VW-RL. For orientation purposes, I therefore use the conversion coefficients of Annex 11 to the WertR as a basis.

The following conversion coefficients (CC) are shown there:

Comparison object: GFZ 0.4 = CC 1.0

Valuation object: GFZ 0.5 = CC 1.09

$$\text{Adjusted land value} : \frac{€500 * 1.09}{1.0} = € 545$$

The adjustment of the land value results in an increase of the land standard value by 9 %. I consider this order of magnitude plausible and base my expert opinion on a land value of € 545 /m<sup>2</sup>.

## Land value

Based on the methods and assumptions used, the following land value is calculated for the property to be valued:

Land value calculation	
Guideline land value:	€ 500 /m <sup>2</sup>
Property size:	2,232 m <sup>2</sup>
Supplement to/deductions from the guide land value:	9.0 %
Modified guide land value:	€ 545 /m <sup>2</sup>
<b>Total land value:</b>	<b>€ 1,216,440 /m<sup>2</sup></b>

(The calculation is made with unrounded values)

The land value is **approx. €1,216,000**.

## 8.2 Current market value

### 8.2.1 Preliminary methodological notes

The current market value is usually applied for purely commercial use, mixed or rented residential usage.

The method (described in Section 17 et seq ImmoWertV) is divided into two sections. The first is the land value calculation and the second is the income value of the building. For its calculation, the management costs (e.g. loss of rent, administration and maintenance costs) are to be deducted from the income that can be achieved in line with market conditions. The land value interest (product of the land value and property yield) is deducted from the resulting gross income of the property. The result represents the net income element of the property investment. By capitalising this net income of the property investment with the building net income multiplier, which is calculated from the remaining term and property yield, this results in the income value of the building. The land value and the income value of the building are totalled to establish the income value of the property being valued. Then various special, property-specific characteristics (such as value reduction for required investment due e.g. to construction defects or damage) are taken into account.

The separate calculation of the ground and building values is considered to be necessary because the land generates an income in terms of an eternal rent over the long-term whereas the building is subject to ageing processes and cannot generate a permanent income.

### 8.2.2 Income usually achievable in the marketplace

I have based my valuation after checks and comparison with analyses and research on the rental level in Berlin on the actual realised rents for the residential areas in the property being valued.

For the vacant parking spaces I take the rent of 75 €/pl./p.m. already realized today in the object as a basis. In all other respects, I assume that an increase in parking space rents to € 75 per person per month will be possible within one year for existing tenants with a lower rental rate.

### 8.2.3 Management costs

The management costs are usually costs incurred with regard to the property such as expenses for administration (administration costs), for the proper use of the property (operating costs), maintaining buildings (repair costs), the costs to balance

## Preliminary remarks

out any rent voids and the costs of legally asserting payment, dissolving a rental relationship or clearance (potential rent void).

Only those management costs that sustainably occur for proper management are recorded.<sup>9</sup> Depreciation and interest on loans are not part of the management costs. These expenses are taken into account with the multiplier (capitalisation factor for the net income).

### **Operating costs**

The operating costs such as heating, cleaning and electricity and any other costs for centrally ordered services are usually charged as subsidiary costs and assigned to each tenant. This is also applies to the present case and they are therefore not included in my valuation calculation.

### **Rental void risk**

The rental void risk depends on the creditworthiness of the tenant/s, the contractual rental period and the re-rental risk. In the specialist literature<sup>10</sup>, a rate of 2 % of the annual gross rent is used for residential buildings and 4 % for commercial property. For my valuation, I consider 2.0 % of the annual gross rent to be appropriate.

### **Repairs**

To ensure model conformity, the committee of valuation experts in Berlin bases its assessment on costs for ongoing maintenance for residential use amounting to € 13.40/m<sup>2</sup> annually and € 101 for garage parking spaces, which I base my valuation on.

### **Administrative expenses**

The administration costs can only be allocated to the tenant for commercial use. As this is a purely residential property, my valuation is based on the administration costs recommended the committee of valuation experts of 4.5 % of the annual gross profit.

#### **8.2.4 Property yield**

### **Preliminary remark**

The interest rate for the land value and calculation of the building income value is set based on the property yield.<sup>11</sup> This can be derived from several different factors such as the capital yield, ratios and conditions for investment funds and income changes from the property. It is determined by the type of construction and position of the property. Even if the property yield is comprised of a variety of factors, investigations have shown that it responds with relatively low sensitivity to variations in the individual factors - e.g. the capital market interest rate.<sup>12</sup>

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<sup>9</sup> cf. Section 19 ImmoWertV

<sup>10</sup> cf. Kleiber: Calculation of the current market value of properties, 6th edition 2010, P. 1803

<sup>11</sup> cf. Section 14 Para 3 ImmoWertV

<sup>12</sup> cf. Rössler/ Langner/ Simon/ Kleiber P. 209

This is based on such matters as the fact that property investment as a result of its long-term character mostly balances out short-term market variations in the capital yield.<sup>13</sup>

The property yield is to be determined in line with the market depending on the type of property and location on the property market.

## Property yield

The official committee of valuation experts in Berlin (GAA) derives as of 29/09/2019 an average property yield for apartment buildings of 1.6 % to 3.4 %. The property yield 2019 is additionally adjusted by the specific quality of the residential location and the condition of the property in connection with the year of construction.<sup>14</sup>

The economic risks for the yield and value conditions that are taken into account in the level of the property interest rate are mainly determined by the expected, potential, long-term demand. This is affected in addition to the general market situation in particular by the following criteria:

- a. Micro-location/infrastructure/location quality (taking into account transport links by bus, rail and car)
- b. Property quality/risk (in particular other usage options, area size and technical infrastructure) as well as the infrastructure and in particular the ability to get to the building and parking options
- c. Property rental/vacancy situation and building economy.

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<sup>13</sup> cf. Vogels P. 166 et seq

<sup>14</sup> cf. Section 14 para. 3 ImmoWertV

## Level of property yield

The property being valued is an apartment building in a good residential location, built in 1997 and well maintained, which enables long-term rental income to be generated on the basis of its market-compliant dimensions.

Calculation of property yield in accordance with GAA specifications		
Criteria	Object-specific classification	Approach property yield 2019
Rent for living space $\emptyset$	€ 9/m <sup>2</sup>	3.1
Land value range at the site (01.01.19)	€ 450-1,000/m <sup>2</sup>	
geographical housing area	good	-0.2
Structural state of maintenance	normal	+/-0
year of construction group	1991-2002	+/-0
Commercial rental share	0.0%	+/-0
<b>Property-related property yield rate</b>		<b>2.9</b>

### 8.2.5 Total and remaining lifespan

#### Total lifespan

The usual total lifespan takes into account technical and economic aspects of the time a building is in place. It is measured using empirically calculated experience rates. The economic total lifespan corresponds to the period in which the property being valued can be reasonably used in economic terms.

In the NK 2010 an average economic total usage term for apartment blocks or residential homes with mixed use is stated at 70 years ( $\pm 10$ ).

#### Remaining lifespan

The economic remaining lifespan as per Section 6 Para. 6 ImmoWertV is the period in which the building can still be used if there is proper maintenance and management. It also states there that repairs and modernisation that have been undertaken can extend the remaining lifespan. Therefore when calculating the economic remaining lifespan, the condition of the building and maintenance as well as the economic usage must be taken into account. The valuation object was built in 1997 and facades, balconies and staircases were renovated in 2018/19. For my evaluation I consider the year of construction to be appropriate.

The remaining lifespan is in this case the difference between the usual total lifespan and the age of the building on the key date.

This results in the following remaining lifespan for the object being valued.

Calculation of the remaining lifespan



Total lifespan	70
Year of construction applied	1997
Age of the building on the key valuation date	22
<b>Remaining lifespan</b>	<b>48</b>

### 8.2.6 Present value factor

The formula for the present value factor is:

$$\text{Multiplier} = \frac{(1 + i)^n - 1}{i \times (1 + i)^n}$$

i = Property yield

n = Remaining lifespan in years

If you apply in the formula a remaining lifespan of 48 years and interest property rate of 2.9 %, this generates a multiplier of **25.74**.

## 8.2.7 Income value calculation

The preliminary income value for the property being valued is calculated as follows:

Annual gross profit						
Se- rial No.	Type of use	Location inside the build- ing	Rental area (Usable space)	Actual rent per m <sup>2</sup>	Market rent per m <sup>2</sup>	Monthly gross profit
1	Residential 1	ground floor left	49.45 m <sup>2</sup>	€8.25	€8.25	€407.96
2	Residential 2	ground floor left	113.60 m <sup>2</sup>	€9.95	€9.95	€1,130.32
3	Residential 3	ground floor centre	85.55 m <sup>2</sup>	€10.00	€10.00	€855.50
4	Residential 4	ground floor right	113.60 m <sup>2</sup>	€9.77	€9.77	€1,109.87
5	Residential 5	ground floor right/cellar	98.25 m <sup>2</sup>	€7.83	€7.83	€769.30
6	Residential 6	1st floor left	49.45 m <sup>2</sup>	€9.00	€9.00	€445.05
7	Residential 7	1st floor left/centre	113.60 m <sup>2</sup>	€10.30	€10.30	€1,170.08
8	Residential 8	1st floor centre	85.55 m <sup>2</sup>	€8.71	€8.71	€754.14
9	Residential 9	1st floor right	113.60 m <sup>2</sup>	€7.95	€7.95	€903.12
10	Residential 10	1st floor right	49.54 m <sup>2</sup>	€9.00	€9.00	€445.05
11	Residential 11	2nd floor left	203.91 m <sup>2</sup>	€8.46	€8.46	€1,725.08
12	Residential 12	2nd floor centre	106.62 m <sup>2</sup>	€11.25	€11.25	€1,199.48
13	Residential 13	2nd floor right	175.04 m <sup>2</sup>	€8.34	€8.34	€1,459.83
25	Garages	Rented	Qty 7	Ø €48.57/p. space	€75.00	€339.99
<b>Total monthly gross profit:</b>						<b>€12,705.77</b>
<b>Annual gross profit:</b>						<b>€152,469.24</b>
./. Management costs						
<b>Operating costs</b>			Not applied			
<b>Repairs</b>			€13.40 /m <sup>2</sup>	1.358 m <sup>2</sup> space		€18,192.78
<b>Administrative expenses</b>			4.5 % of annual gross profit	17 parkingSpa		€1,717.00
<b>Rental void risk</b>			2.0 % of annual gross profit			€3,049.38
<b>Totals:</b>			19.6 % of annual gross profit			€29,820.28
<b>Net annual income for the property:</b>						<b>€122,648.69</b>
./. Land value interest						
<b>Land value</b>	(Price/m <sup>2</sup> x property size)		€545 /m <sup>2</sup>	2,232 m <sup>2</sup>		€1,216,440.00
<b>Land value interest</b>	(Land value x property yield)		Property yield: 2.90%			€35,276.76
<b>Annual net profit for building:</b>						<b>€87,372.20</b>
Building's income value						
<b>Property yield</b>	2.90					<b>€2,248,933.07</b>
<b>Remaining economic lifespan</b>	48 years					
<b>Multiplier</b>	25.74					
<b>Preliminary building's income value:</b>						<b>€2,248,933.07</b>
Land value						



Land value	€545 /m²	2,232.00 m²	€1,216,440.00
Preliminary income value:			€3,465,373.07

(The calculation is made with unrounded values)

The preliminary income value is **approx. €3,465,000.**

### 8.2.8 Special property-specific features

The special property-specific features as per Section 8 Para. 3 ImmoWertV are understood for example as economic over-aging, above-average maintenance condition, construction defects or damage and significant variances in income to those usually achievable in the market.

#### Rental guarantee

In section 5.5, I explained that ten parking spaces in the underground car park are currently vacant or seven are let below market level. For my valuation, I assume that the rent will be raised to 75 €/pl. in the short term or that the currently vacant parking spaces will be rented.

./. Special property-specific features					
Rent adjustment for parking spaces p.a.	7 parkSpa	€75/parkSpa	€2,220.12	€2,220.12	€57,145.19
New renting of parking spaces p.a.	10 parkSpa	€75/parkSpa	Rental income p.a.:	€9,000.00	€232,657.19
Current market value (rounded):					€3,754,175.45

This results in a income value of approx. **€3,750,000.**

### 8.3 Fair market value

Point 7.2 explains that the fair market value is derived from the current market value.

The value of a property to be used economically is primarily determined by its future potential uses and expectations. An economically reasonable market participant considers the property to be valued from the point of view of return.

A market adaptation is not required for the income value method as the method is influenced by value approaches that comply with the market. The key parameters determining value here are:

- Property yield
- Rent at market rates

A fair market value of about

**€3,750,000**

has been calculated.

In words: **three million seven hundred and fifty thousand euros**

The valuation result corresponds to 24.62 times the annual gross profit.

The official committee of valuation experts (GAA) has published the following gross profit multipliers (annual net rent) for 2018:

- Multi-family houses: 26.3 times

The gross profit multiplier is slightly below the average value determined by the GAA. The GAA also determined average purchase prices in relation to the m<sup>2</sup> of living space. Here the average value is 2,041 €/m<sup>2</sup> with a range of 1,386 €/m<sup>2</sup> to 2,684 €/m<sup>2</sup>. The valuation result of € 2,764/m<sup>2</sup> is slightly higher than the upper value of the range.

## 9. Final remark

I have produced this report to the best of my knowledge on the basis of careful examination, the documents provided and information issued.

Hamburg, 23rd September 2019

  
Klaus Wagner MRICS, REV



## Appendix (1) - Photo documentation

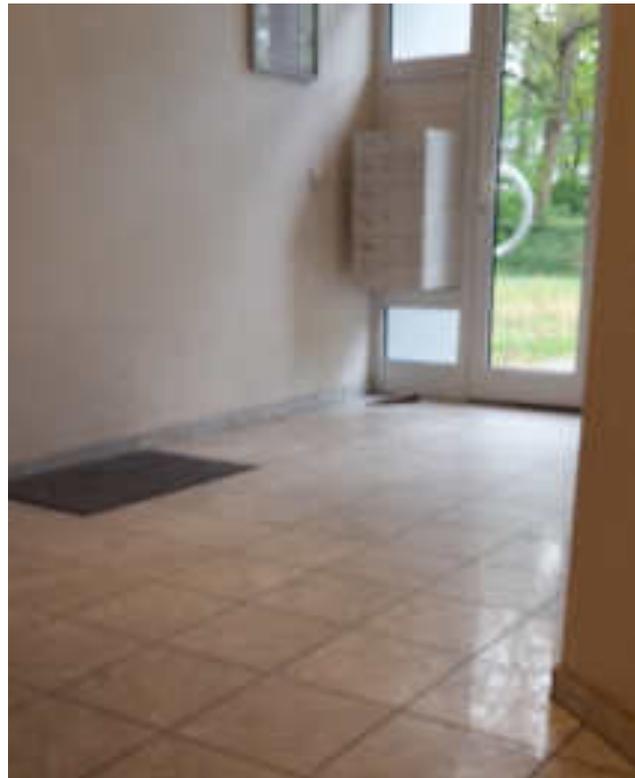
Back/garden side



Street side



Entrance with letterbox system



Staircase



Kitchen in the flat 1.OG



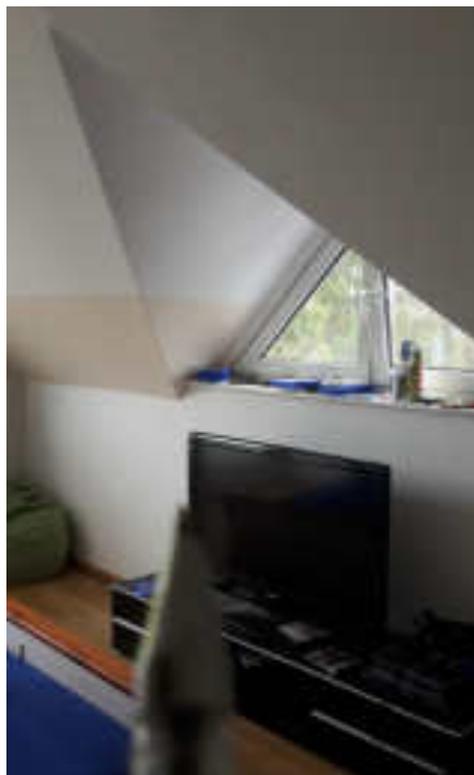
Bathroom in apartment 1.OG



Stairs in the apartment  
1st floor (maisonette)



Children's room DG-apart-  
ment



Terrace of attic apartment



Sauna installation in the UG



Underground car park



Underground car park exit



Access to underground car park from Hohefeldstraße



Small playground



ALKIS Berlin (Amtliches Liegenschaftskatasterinformationssystem)



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## General Terms and Contract Conditions

### Section 1: Validity

1. The legal relationship between the appraiser and his client (Principal) shall be governed by the following contractual conditions.
2. Any provisions of the Principal that deviate from this shall only become part of the contract if the Expert expressly acknowledges them in written form.

### Section 2: Mission

1. Acceptance of the order as well as agreements, assurances or collateral agreements made verbally, by telephone or by employees require written confirmation by the appraiser in order to be effective.
2. The subject and purpose of the expert opinion must be specified in writing when the order is placed.

### Section 3: Execution of the order

1. The assignment shall be performed unbiased and to the best of our knowledge and belief in accordance with the principles applicable to a publicly appointed and sworn appraiser.
2. The appraiser can only guarantee a certain success, in particular a result desired by the Principal, within the framework of objective and unbiased application of his expertise.
3. The appraiser shall deliver the report in person. Where necessary or expedient and the personal responsibility of the appraiser remains intact, he may avail himself of the assistance of expert staff in preparing the appraisal.
4. If it is necessary to call in experts from other fields in order to carry out the order properly, the Client shall commission them separately.
5. In all other respects, the appraiser shall be entitled to carry out or have carried out the necessary and customary examinations and tests at his dutiful discretion in order to process the order at the Client's expense. This includes in particular the making of enquiries, the carrying out of journeys and inspections as well as the taking of photographs and drawings or having them taken without the special consent of the Client being required. Whereas unforeseen investigations or investigations that are time and costly in relation to the purpose of the expert opinion become necessary, the prior consent of the Principal must be obtained.
6. The appraiser shall be authorised by the Principal to obtain from authorities and third parties the information necessary for the preparation of the appraisal and to conduct surveys. If necessary, the Principle must issue him with a special power of attorney for this purpose.
7. The appraisal must be provided within the agreed period.
8. The Principle will receive two written copies of the evaluation. Additional copies will be invoiced separately.
9. After completion of the order and payment of the agreed remuneration, the Expert shall return the documents provided to him by the Principal for the execution of the expert opinion without being asked.

### Section 4: Obligations of the AG

1. The Principal may not give the appraiser any instructions that could distort his actual findings or the result of his expert opinion.
2. The Principal shall ensure that the appraiser receives all information and documents (e.g. invoices, drawings, calculations, correspondence) necessary for the execution of the order free of charge and in good time. The appraiser shall be informed in good time and without special request of all events and circumstances which may be of recognisable significance for the rendering of the expert opinion.

### Section 5: Confidentiality of the expert

1. The appraiser is subject to an obligation to secrecy, which is punishable by law, in accordance with § 203 Para. 2 No. 5 StGB (German Criminal Code). Accordingly, it is also contractually prohibited to disclose, pass on or exploit the expert opinion itself or facts or documents that have been entrusted to it or otherwise become known to it in the course of its expert activities without authorisation. The obligation to secrecy covers all facts that are not obvious and applies beyond the duration of the contractual relationship.
2. This obligation to secrecy also applies to all persons working in the appraiser's company. The appraiser shall ensure that the confidentiality obligation is observed by the named persons.
3. The appraiser is authorised to disclose, pass on or use for his own purposes the knowledge gained during the expert opinion, if he is obliged to do so on the basis of statutory provisions or if his client expressly releases him in writing from the duty of confidentiality.

- 
4. Unless otherwise agreed, the Expert shall be permitted to pass on to third parties obvious facts of the contractual relationship as well as the name of the Principal as a reference.

#### **Section 6: Copyright protection**

1. The appraiser retains the copyright to the services provided by him, as long as they are copyrightable.
2. In this respect, the client may only use the expert opinion prepared within the scope of the order, including all lists, calculations and other details, for the purpose for which it is intended as agreed.
3. The Principal shall only be permitted to pass on the appraisal to third parties beyond this, to use it in any other way or to change or shorten the text with the appraiser's consent.
4. Publication of the expert opinion requires the consent of the expert in all cases. Reproductions are only permitted within the scope of the intended use of the expert opinion.

#### **Section 7: Fees**

1. The expert must receive a remuneration. The amount of the remuneration depends on the order.
2. In addition, incidental costs and expenses may be demanded in the amount actually incurred (against appropriate proof) or agreed upon (without proof).
3. The remuneration as well as the respectively accrued additional costs are plus the legal value added tax.

#### **Section 8: Payment - Default of payment**

1. The agreed fee is due upon receipt of the expert opinion by the Principal. It is permissible to send the expert opinion by post with simultaneous collection of the due remuneration by cash on delivery.
2. If the Principal is in default with the payment of the fee, the appraiser may, after setting a reasonable period of grace, withdraw from the contract and/or claim damages for non-performance pursuant to §§ 286 et seq., 280 et seq. of the German Civil Code (BGB). Subject to the assertion of further damages, interest on arrears in accordance with § 288 I BGB (German Civil Code) shall be paid in the event of default of payment. We reserve the right to assert further damages caused by delay.
3. If the Principal fails to pay an agreed advance payment or an agreed instalment despite being set a deadline with the threat of termination, the appraiser shall be entitled to withdraw from the contract and demand the agreed fee, but less any expenses saved. Unless the Principal can prove a higher share of saved expenses in an individual case, this shall be agreed at 40% of the fee for the services not yet rendered by the appraiser.
4. If the appraiser becomes aware of circumstances that endanger the creditworthiness of the Principal, he shall be entitled to demand immediate payment of the entire fee, setting a deadline and threatening termination.
5. The Principal may only offset against claims of the appraiser if the Principal's counterclaim is undisputed or a legally binding title exists. The Principle can only assert a right of retention if it is based on claims from the concluded contract.

#### **Section 9: Exceeding the deadline**

1. The period for the delivery of the expert opinion (cf. section 3 para. 7) begins on the working day following the date of conclusion of the contract. If the Expert requires documents of the Principal (cf. section 4 Para. 2) for the rendering of the expert opinion, the execution period shall be extended by the period of time until their receipt by the Contractor, if the Principal is obliged to provide them, otherwise by the period of time from their request by the Contractor until receipt of the documents. If the payment of an advance has been agreed, the period shall not begin to run until the documents or the advance have been received. The period shall also be extended by the period from receipt of the notice of the deadline until payment in accordance with section 8 no. 4 or no. 5.
2. If the delivery date is exceeded, the Principal may only withdraw from the contract or claim damages if the Expert is in default of performance or if it is impossible to perform for reasons for which the Expert is responsible.
3. The appraiser shall only be in default if he is responsible for the delay in delivery of the expert opinion. In the event of obstacles to delivery for which we are not responsible, such as cases of force majeure or illness, delivery shall not be delayed. The delivery period shall be extended by the period during which the impediment to performance for which we are not responsible continues. The Principle cannot derive any claims for damages from this. If such impediments to delivery make it completely impossible for the Expert to deliver the expert opinion, he shall be released from his contractual obligations. In this case too, the client shall not be entitled to claim damages.
4. In addition to delivery, the Principal may only demand compensation for damages caused by delay if intent or gross negligence can be proven against the appraiser.

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### **Section 10: Termination**

1. Client and appraiser may terminate the contract without notice at any time for good cause. Notice of termination must be given in written form.
2. Important reasons that entitle the client to terminate the contract include a breach of the obligations to provide objective, independent and impartial expert opinions.
3. Important reasons entitling the appraiser to terminate the contract include refusal of the Principal to provide the necessary cooperation; attempt by the Principal to exert undue influence on the appraiser which may distort the result of the Expert Opinion (cf. section 4 para. 1); if the Expert discovers after acceptance of the order that he lacks the necessary expertise to complete the order.
4. Otherwise, a termination of the contract is excluded.
5. If the contract is terminated for good cause for which the Expert is responsible, he shall only be entitled to remuneration for the partial performance rendered up to the time of termination to the extent that this is objectively usable by the Principal.
6. In all other cases, the Expert shall retain the entitlement to the contractually agreed remuneration, but less any expenses saved. Unless the Client can prove a higher share of saved expenses in an individual case, this shall be agreed at 40% of the remuneration for the services not yet rendered by the Expert.

### **Section 11: Warranty**

1. If the Principal discovers a defect after delivery of the expert opinion, he shall notify the appraiser of this defect without delay, otherwise the warranty claims for this defect shall expire.
2. If the expert opinion contains a defect, the Principal shall initially only be entitled to the rights to subsequent performance within a reasonable period of time (removal of the defect or new creation at the appraiser's discretion in accordance with cf. section 635, 636 BGB (German Civil Code)).
3. If the Expert fails to fulfil his obligation to provide supplementary performance within the deadline set, the Principal may reduce the remuneration in accordance with the provisions of section 638 II to IV BGB.
4. The limitation of warranty claims shall not apply in the cases of section 639 BGB (fraudulent concealment of a defect or assumption of a guarantee).
5. Warranty claims shall become statute-barred within 1 year from the end of the year of receipt of the expert opinion by the Principal, unless they have already been asserted in accordance with section 1 of this provision are excluded.

### **Section 12: Liability**

1. The appraiser shall only be liable for damages of the Principal - irrespective of the legal grounds - if he or his employees have caused the damages by a defective expert opinion intentionally or through gross negligence and for damages resulting from injury to life, limb and health, provided that these were caused intentionally or through negligence. All further claims for damages are excluded, unless they result from a violation of essential contractual obligations. This also applies to cases of subsequent performance.
2. The rights of the Principle from warranty according to section 11 are not affected by this. The claims for delay in delivery are conclusively regulated in section 9.
3. In the event of liability due to gross negligence, the amount of liability shall be limited to a maximum of 20 % of the determined value, but not more than 200,000 Euros.

### **Section 13: Place of performance and jurisdiction**

1. Place of performance is Hamburg
2. If the Principle is a registered trader, legal entity under public law or special fund under public law, Hamburg shall be the exclusive place of jurisdiction:
3. The same place of jurisdiction as in section 2 shall apply if the Client does not have a general place of jurisdiction in Germany, if he moves his place of residence or usual place of abode out of Germany after conclusion of the contract or if his place of residence or usual place of abode is not known at the time of delivering the action.

# Valuation report

On behalf of

Exporo Investment GmbH  
Sandtorkai 70  
20457 Hamburg

On the fair market value of the property

## **Residential buildings**

**Niedersachsenring 22 / Witzendorffstraße 7**  
**30163 Hanover**

Klaus Wagner MRICS, REV  
Certified assessor for property valuation DIN EN ISO/IEC 17024  
Dipl. Sachverständiger (DIA), Immobilienökonom (ebs)

Büro für Immobilienbewertung  
Domstraße 10  
20095 Hamburg  
Tel: +49 (0)40 2271 6752  
[www.wagner-immosv.de](http://www.wagner-immosv.de)

Request: 180188

Copy: digital



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## **8.3 Market value**

## **9. Final remark**

### **Appendices**

- (1) Photo documentation**
- (2) Land register map**
- (3) Tenant list**
- (4) Terms of contract**

## 1. Summary

Exporo Investment GmbH has been appointed to sell shares in Exporo Hannover Berlin GmbH, a 100% subsidiary of Exporo AG. Exporo Hannover Berlin GmbH purchased the property according to the information provided at a purchase price of €4,400,000. In order to prepare the prospectus, the fair market value of the property must be determined pursuant to Section 194 of the German Building Code (BauGB).

The property being valued holds two four- and five-storey connected apartment buildings constructed in 1957 with a total of 24 flats.

According to the tenant list, the residential area is around 1,451 m<sup>2</sup> in total; the property also has five garage spaces on the neighbouring plot.

Address:	Niedersachsenring 22 Witzendorffstr. 7, 30163 Hanover
Usage relevant to the valuation:	Residential
Planning law:	According to Section 34 BauGB
Plot quality:	Land ready for construction
Type and extent of construction use:	Residential area
Infrastructure condition:	No infrastructure costs (ebf)
Property size:	1,578 m <sup>2</sup>
Land value:	€ 330/m <sup>2</sup> or approx. € 521,000
Year of construction:	1957 (notional 1989)
Remaining lifespan:	40 years
Property yield:	2.2 %
Usage or rental area:	1,451 m <sup>2</sup>
Key valuation date:	25 July 2019 (date of visit)
Annual gross profit:	Approx. € 194,500
Fair market value:	€ 4,550,000

## 2. Order and order execution

Exporo Hannover Berlin GmbH, represented by Exporo Investment GmbH and Mr. Thomas Stadler, appointed me to produce a valuation report on the current market value of the property Niedersachsenring 22 / Witzendorffstr. 7 in 30163 Hanover in line with Section 194 BauGB.

To produce my valuation report, the client provided the following documents and information:

- Land register entry from Hanover Regional Court dated 09/08/2018
- Property map from 22/02/2018
- Excerpt from the list of public easements dated 07/02/2018
- Tenant list with rental areas, as of 17/07/2019
- Floor plans with no date and dated 21/07/2019
- Building description dated 20/05/2019 for thermal refurbishment and renovation

I assume that the explanations and information provided to produce the survey report are complete and accurate.

I have also made the following enquiries of my own:

- Information on the property market in Hanover from the official committee of valuation experts
- Information on rental prices for comparable residential and commercial properties from various established market participants and the “OnGeo” online database
- Online information from the city of Hanover on existing planning and construction law
- General information from the statistics department of the State Capital City Hanover and the State Statistical Office
- Information from the Federal Statistical Office
- General internet research

I visited the property being assessed on 25 July 2019 accompanied by Mr. Krasemann, the property manager. In addition to the exterior areas and general building facilities (cellar, roof, communal areas), I visited an example of a currently still unrenovated apartment on the 2nd floor on the right in the Witzendorffstr. 7 property as well as an already renovated apartment on the ground floor on the right in the Niedersachsenring 22 property.



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**Key valuation date**

The key valuation date is 25 July 2019 (visit date).

I did not undertake any ground examinations with regard to potential contamination and other risks that could arise due to the characteristics of the ground. In addition, my valuation is not based on any investigations into the structural design, noise and heat protection, infestations by damaging animals and plants as well as pipe corrosion.

When carrying out the request and my responsibility, including for third parties, the order conditions attached to this report are decisive.

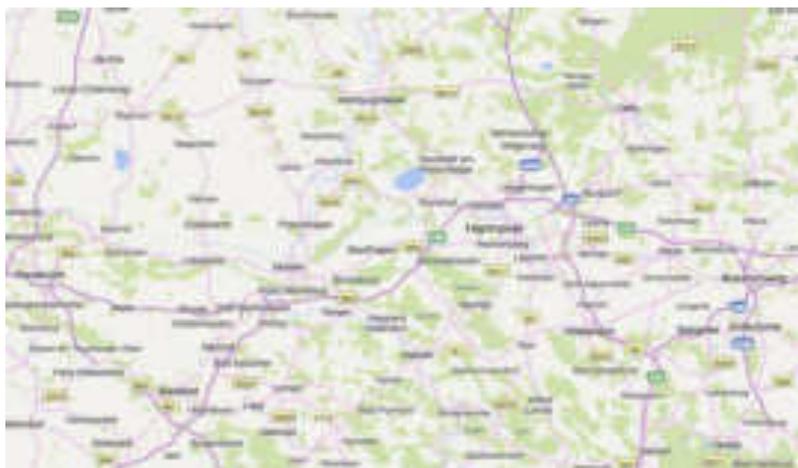
**3. Purpose of the valuation**

Exporo Investment GmbH has been appointed to sell shares in Exporo Hannover Berlin GmbH, a 100 % subsidiary of Exporo AG. Exporo Hannover Berlin GmbH purchased the property according to the information provided at a purchase price of € 4,400,000. In order to prepare the prospectus, the fair market value of the property must be determined pursuant to Section 194 of the German Building Code (BauGB).

## 4. Market and location analysis

### 4.1 Macro-location

Hanover is the state capital of Lower Saxony and is located between Wolfsburg and Minden in the Leine Valley. Alongside the surrounding district under a common local authority structure, the city forms the “Hanover Region”. It is part of the so-called Hanover – Braunschweig – Göttingen – Wolfsburg metropolitan region and represents an important business location.



[www.openstreetmap.de](http://www.openstreetmap.de)

The main industries located here are primarily connected to car manufacturing and suppliers, food, energy services, banking, finance and insurance; well-known companies include Continental AG, VW commercial vehicles, Bahlsen, Harry Brot, Nord/LB, Hanoversche, TUI. However, universities and clinics are also important regional employers.

Hanover is also an internationally important trade fair city (Hanover Industrie Messe, Cebit etc.) and university/technical university location.

The urban area covers 20,415 ha, of which a good 35 % is land built-up.<sup>1</sup>

### Transport links

As a result of its topography and geographical location, Hanover is a transport hub where north-south and east-west rail and road routes cross.

Therefore the city is very easy to reach both by public transport and individual transport methods. National connections are provided via the A2 and A7 federal motorways as well as various main roads such as the L190 that partly crosses the urban area.

<sup>1</sup> cf. statistics department from the State Capital City Hanover: Urban area of the State Capital City Hanover in figures (as of: 1st January 2018)

In addition, after the serious destruction that occurred during the 2<sup>nd</sup> World War and as a result of its industrial and infrastructural importance, it was reconstructed as a city for cars with fast urban routes and ring roads to take the pressure off the central area.

Public transportation is provided in Hanover through the transport association Großraum-Verkehr Hanover (GVH) using urban trains (trams and underground), local rail routes and various bus lines.

The main station in Hanover (rail hub) also ensures comprehensive connections to the long-distance Deutsche Bahn network.

Hanover has an international airport in Langenhagen to the northern edge of the city with a passenger volume of just under 5.9 million PAX in 2017<sup>2</sup>, which is particularly important for the trade fair location.

The water connections via the Mittelland and Stich Canals and the River Leine, which provide four ports, make Hanover one of the most important inland port locations in Northern Germany.

The following table shows the distance to other important cities in Germany:

City	Approx. distance
Berlin	285 km
Bielefeld	90 km
Braunschweig	68 km
Celle	41 km
Göttingen	120 km
Hamburg	150 km

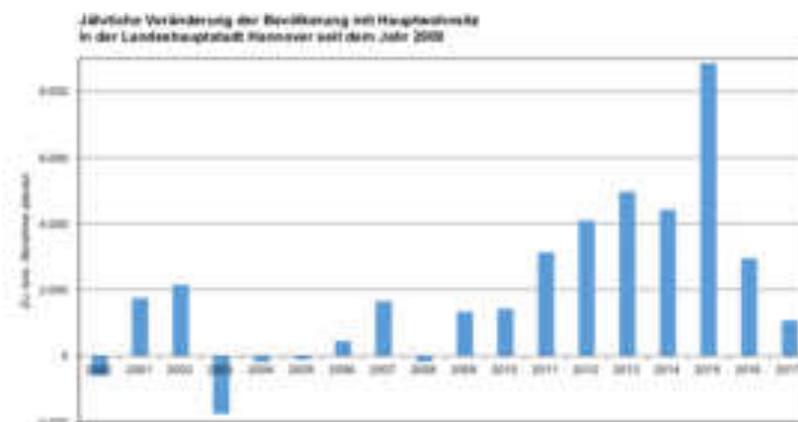
## Population development

The city of Hanover had over 545,000 inhabitants at the end of 2018 (only main residences taken into account).<sup>3</sup> In the period between 2012 and the end of 2017 alone, population growth was recorded at 4.3 % and there were just under 542,000 inhabitants.<sup>4</sup>

<sup>2</sup> Hannover Airport: Facts, figures and figures (homepage)

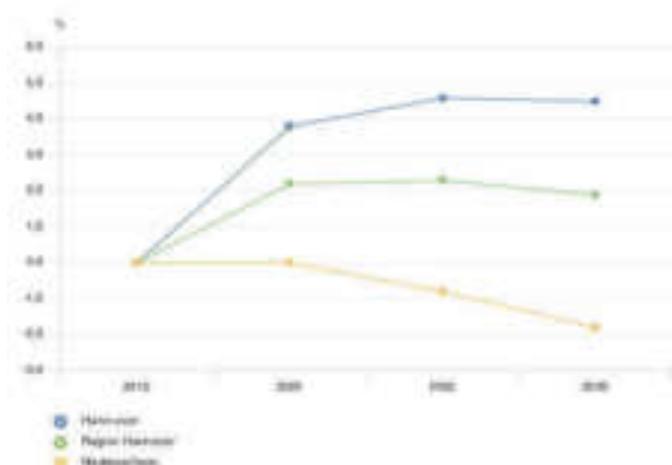
<sup>3</sup> Statistics department from the State Capital City Hanover: Hanover in numbers (as at Sep. 2019)

<sup>4</sup> Statistical reports by the State Capital City Hanover: "Structural data for the districts and boroughs 2018"



The population forecast assumes further growth up to 2030 of around 4.5 % (for comparison Lower Saxony: -1.9 %).<sup>5</sup>

*Forecast of population development up to 2030*



As a result of the positive migration balance, made up primarily by education migration, to date demographic change has not been characterised by falling resident numbers. At around 66 %, working age inhabitants (here: 18 to under 65 years) are the main age group in Hanover.<sup>6</sup>

**Compulsory social insurance** On the key date of 30/06/2018 in Hanover approx. 208,000 people (residents) were employed and paying social insurance and just under 325,000 as a place of employment. The positive commuter balance is more than 116,000 employees. In the city, there are just under 15,000 businesses with jobs that are subject to social insurance.<sup>7</sup>

<sup>5</sup> Demographic report for Hanover by the Bertelsmann Foundation

<sup>6</sup> Statistical reports by the State Capital City Hanover: "Structural data for the districts and boroughs 2018"

<sup>7</sup> cf. statistics from the Federal Agency for Employment: District data for employees subject to social insurance (as of 30/06/2018)

## Unemployment rate

The unemployment rate in the Hanover region as of 31/12/2018 was around 6.2 %, with around 38,930 people registered as unemployed. The percentage over recent years has fallen significantly (Dec 2017: 6.8 %; Dec 2016: 7.0 %) and therefore is similar to the rest of the nation. However, the unemployment rate is still significantly higher than the average of Lower Saxony (Dec 2018: 5.0 %) and Germany as a whole (Dec 2018: 4.9 %).<sup>8</sup>

## Purchasing power indicator

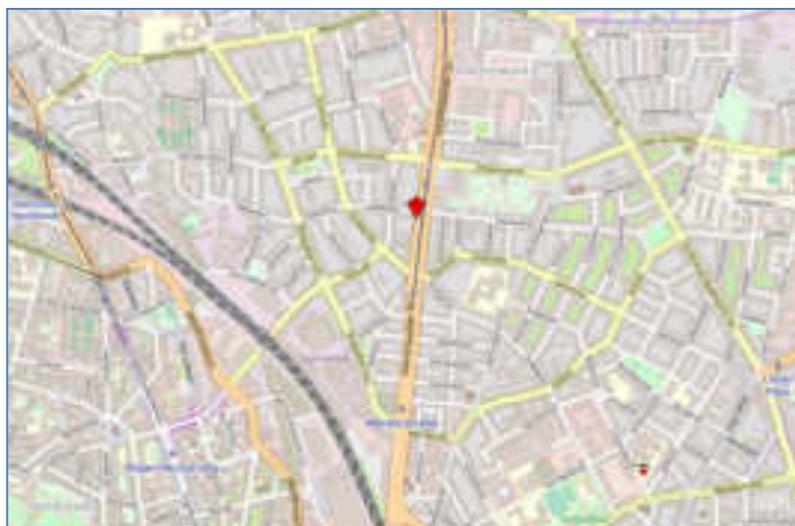
The purchasing power indicator is the most important indicator for the consumption potential of the population living in the relevant region. With a purchasing power indicator of 102.3 in 2019, the Hanover region is significantly above that of Lower Saxony (96.9) and slightly above the federal average (100).<sup>9</sup>

The retail centrality indicator for Hanover is 124.4 (as of 2018; national = 100) and indicates the significance of the city as a regional retail location.<sup>10</sup>

### 4.2 Micro-location

## Location

The property Niedersachsenring 22 / Witzendorffstr. 7 is located north of the city centre of Hanover (district 01 Mitte) in the Vahrenwald district, which together with the adjacent List to the east forms the district 02 Vahrenwald-List.



[www.openstreetmap.de](http://www.openstreetmap.de)

<sup>8</sup> cf. statistics from the Federal Agency for Employment

<sup>9</sup> cf. MB-Research: Purchasing power 2019 Germany

<sup>10</sup> cf. comfort Städtereport Berlin, April 2019

Vahrenwald-List is by far the district in Hanover with the largest population (70,720 inhabitants) and also has the highest population density (86 inhabitants/ha) in Hanover (average 27 inhabitants/ha).<sup>11</sup>

Vahrenwald, which is centred on Vahrenwalder Platz, is around 1 km to the south of the property being valued, adjoins the North District to the west with its commercial districts of Nordstadt and Hainholz. In the south, Vahrenwald ends at the main station and in the north at the Mittelland Canal.

## Traffic situation

The property is located on the Niedersachsenring, which is part of the so-called city ring road system and is a main traffic axis for Hanover. Near the property, the road is a dual carriageway with public, on-road parking.

The property being valued is also easily accessed by private motor vehicles from Vahrenwalder Strasse, which crosses the area. The east-west A2 motorway (Oberhausen – Berliner Ring) is reached quickly via the Langenhagen junction, which is around 3.1 km away and it is also convenient to access the A7 (north south route Ellund - Füssen) at Altwarmbüchen around 13 km away.

Local and long-distance rail transportation opportunities provide an alternative. Hanover's main station is around 3 km away and can be reached in 11 minutes (four stations) via the Niedersachsenring underground station. The underground station (lines 1 + 2) is around 250 m from the property being valued in walking distance. Directly on the opposite site of the property being valued is a Line 121 bus stop, which goes between Hanover Haltenhoffstr. and Altenbekener Str. every 10 minutes. The links to the centre of Hanover and the remaining urban area by public transport are therefore very good.

## Local shopping

The local shopping environment is graded as good with a range of retailers close by. In particular, at the Vahrenwalder Strasse / Niedersachsenring crossroads but also at other locations, there are usually large-scale food retailers and discounters as well as service providers and gastronomic establishments. At the central Vahrenwalder Platz, around 1 km away, there are also various shops to cover daily needs (food discounters, bakeries, pharmacies, textile businesses) and services (banks, hairdressers, cleaning) as well as food offerings (snack bars, cafés).

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<sup>11</sup> Statistical reports by the State Capital City Hanover: "Structural data for the districts and boroughs 2018"



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	<p>The selection is comprehensively supplemented by the urban pedestrian zone located a good 3 km to the south, e.g. Kröpcke Platz with its varied range of retailers. It can be reached for example within 15 minutes using the Niedersachsenring underground station.</p>
<b>Surrounding construction</b>	<p>The surroundings of the evaluated property is characterised by apartments built over several stories in enclosed buildings and this continues in the wider area - to the north there is some low-density construction. There are also various small garden areas that go as far as the Mittelland Canal.</p> <p>Additionally, there are neighbouring large-scale retailers (Penny, Rewe, Marktkauf), restaurants, other commercial properties and petrol stations.</p> <p>To the south is the former local railway depot, whose 15,700 m<sup>2</sup> are covered by the local development plan 1819 “Vahrenwalder Anger” (which came into force in Nov 2016) and had been designated for residential development (WA; basic area indicator 0.3; IV + V). To the west is the still operational ÜSTRA bus depot on Vahrenwalder Straße.</p> <p>Large-scale and connected industrial areas are also shown around 850 m to the north between Flensburger Straße and the Mittelland Canal and around 1.4 km to the south west with the Continental AG and ContiTech AG centres between Philipsbornstraße and the railway tracks. In this area along Vahrenwalder Straße there is also the Hanover Technology Centre and larger office buildings.</p>
<b>Adverse factors</b>	<p>No adverse factors for the valuation were determined during the site visit.</p>
	<h4>4.3 Market analysis</h4>
<b>Home market</b>	<p>The home market in Hanover currently covers a stock totalling around 67,800 residential buildings, which provide just under 297,000 residential units and around 22.89 million m<sup>2</sup> of living space.<sup>12</sup></p>

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<sup>12</sup> Statistics department from the State Capital City Hanover: Hanover in numbers Homes 2018

### Buildings and homes in Hanover on 31st December 2017<sup>13</sup>

<b>Total homes</b>		<b>67,623</b>
of which homes for 1 and 2 families		40,095
<b>Flats total</b>		<b>295,357</b>
of which:		
	With 1 (studio) or 2 (1-bed) rooms	43,568
	With 3 or 4 rooms	179,509
	With 5 or more rooms	72,280
Residential area in flats (1,000 m <sup>2</sup> )		22,235
<b>Residential area per resident (m<sup>2</sup>)</b>		<b>41.9</b>

Around 27.5 % of homes in the urban area are older buildings constructed before 1950 (Vahrenwald-List approx. 38.5 %), around 12.6 % of residential units are in buildings constructed after 1990 (Vahrenwald-List approx. 7.4 %).

In Hanover, more than 54 % of private households consist of one person (Vahrenwald-List 59 %).

The Hanover home market remains characterised by strong excess demand such that some significant rent increases have been and are recorded. These are now for the period 01/12/2016 - 30/11/2021 subject to regulation in the form of a cap limit lowered in Hanover to 15 % and application of the rental price brake.

The city of Hanover produced a qualified rent index as of 2019<sup>14</sup>. This is the base for the new rental conditions (rental price brake) and the rent increases for existing tenants (cap limit 15 % max. application of normal local comparison rent).

<sup>13</sup> Statistics department from the State Capital City Hanover: Hanover in numbers Homes 2017

<sup>14</sup> State capital city Hanover Rent Index 2019 (Published by Region Hanover, FB Soziales)

### Rent index for the state capital city Hanover 2019

Bauherkategorie	bis 1918	1919 bis 1944	1945 bis 1968	1969 bis 1987	1988 bis 1994	1995 bis 1998	1999 bis 2008	2009 bis 2018/2019	
Wohnungsgröße	A	B	C	D	E	F	G	H	
Private Wohnfläche	über 45 m <sup>2</sup>	1	7,11 5,10 - 8,84	7,10 5,20 - 8,21	6,74 5,00 - 8,41	6,10 4,70 - 8,10	6,01 4,80 - 8,00	7,04 5,20 - 8,50	
	41 m <sup>2</sup> bis unter 41 m <sup>2</sup>	2	5,82 4,90 - 7,21	6,26 5,16 - 8,15	6,52 5,20 - 8,12	6,11 5,20 - 8,40	6,46 5,60 - 7,90	6,91 6,20 - 7,70	8,98 8,40 - 11,11
	37 m <sup>2</sup> bis unter 37 m <sup>2</sup>	3	6,31 4,90 - 7,81	6,31 4,85 - 8,60	6,52 5,00 - 7,95	6,35 5,47 - 7,30	6,09 5,22 - 7,35	7,07 6,20 - 8,20	8,91 8,12 - 10,61
	33 m <sup>2</sup> und unter	4	6,58 5,84 - 7,82	6,62 4,90 - 7,80	6,57 5,22 - 7,70	6,58 5,67 - 7,70	6,10 5,22 - 7,46	6,76 6,20 - 7,30	8,57 8,00 - 9,61
Gemeinnützige Wohnfläche	über 45 m <sup>2</sup>	1			7,73 6,20 - 8,10	8,21 6,20 - 10,30	7,95 6,40 - 11,00	8,81 6,20 - 9,75	
	41 m <sup>2</sup> bis unter 41 m <sup>2</sup>	2	7,22 5,90 - 8,80	7,11 5,75 - 8,21	7,22 5,90 - 8,90	7,11 5,90 - 8,34	6,65 5,65 - 7,60	8,11 7,20 - 8,60	8,94 8,60 - 9,90
	37 m <sup>2</sup> bis unter 37 m <sup>2</sup>	3	7,26 5,75 - 9,10	6,99 5,50 - 8,50	7,10 5,90 - 8,20	7,41 6,00 - 8,90	7,00 6,10 - 8,10	7,65 6,80 - 8,41	9,10 8,90 - 10,11
	33 m <sup>2</sup> und unter	4	7,20 5,90 - 8,61	7,00 5,80 - 8,60	7,20 5,80 - 8,64	7,99 6,47 - 9,34	7,14 6,10 - 8,10	8,30 7,10 - 9,30	12,00 10,80 - 14,00

- Legende:  
 1. Zeile: Altbauwertlicher Mittel  
 2. Zeile: unter- und überwert der 4/5-Gruppe

Quas leerstehende Felder haben aufgrund einer geringen Anzahl von Mietverträgen nur eine bedingte Aussagekraft (10 bis 20 Mietverträge). In Leerfeldern könnte keine höhere ausfindende Anzahl von Mietverträgen erhoben werden (weil es an 10 Fälle).

### Orientation map for residential areas in Hanover 2019



The Vahrenwald-List district is a residential location with average, occasionally good, areas (in particular the List area). Just under 84 % of homes were constructed before 1969, only around 7 % were constructed after 1990.

The supply situation in a 300 m circumference of the Niedersachsenring 22/ Witzendorffstr. 7 valuation property is emphasised by an OnGeo analysis for the period from October 2018 to March 2019:

It shows - as for Hanover in general - strong above-average demand for homes (index 180) with an average rent offered of € 10.67 /m<sup>2</sup> (600 m circumference: € 9.66 /m<sup>2</sup>; index 221).

The ranges for the rent offered depend on the specific address, location of the apartment in the rental property, year of construction, renovation status and fitting quality.

The range and average rent on offer for different flat sizes in a 300 m circumference are shown below:

Size	Offers in a 300 m circumference of Niedersachsenring 22		
	Number of offers	Rent per m <sup>2</sup> excl. utilities	Distribution interval (90%)
All rent offers	21	€10.76	€8.50 - €12.10
Of which flats	21 (100%)	€10.76	€8.50 - €12.10
<=30 m <sup>2</sup>	1 (4.8%)	€ 25.45	-
>30 - 60 m <sup>2</sup>	5 (23.8%)	€ 9.65	€ 8.93 - € 10.53
>60 - 90 m <sup>2</sup>	12 (57.1%)	€ 10.02	€ 7.94 - €12.10
>90 - 120 m <sup>2</sup>	2 (9.5%)	€ 11.71	€ 11.39 - € 12.04
>120 - 160 m <sup>2</sup>	1 (4.8%)	€ 8.50	-
>160 m <sup>2</sup>	-	-	-

With the “2025 Hanover Housing Concept”, the city has presented options for reducing the pressure on the home market beyond rent regulation. Actions have been defined to create residential space and appropriate reserve areas and construction gaps identified; this also includes the conversion of areas available in the mid-term run.

One example of this is the site of the former ÜSTRA depot in Vahrenwald-List, which covers 15,700 m<sup>2</sup> and is located directly to the south of the property being valued. Here the local development plan # 1819 “Vahrenwalder Anger” envisages the development of a general residential area (WA; basic area indicator 0.3; IV+V).

## 5. Description of the property to be valued

### 5.1 Land register entry

#### Land register

According to the copy of the land register entry dated 09/08/2018, which I have based my valuation report, the property being valued is entered as follows in the Vahrenwald Land Register on Sheet 1171 with the Hanover District Court:

File No. of properties	To File No. of properties	Cadastral district/plot	Business type and position	Size m <sup>2</sup>
3	1, 2	13/ 9/15	<i>Yard and building area Witzendorffstraße 7 and Niedersachsenring 22</i>	1,578

#### Section I

According to section I of the land register copy, the owner is Rudi Krötz GmbH, Forchheim (Register: AG Bamberg HRB 8973). Conveyed on 12/03/2018 and registered on 08/08/2018.

#### Section II

No entries.

#### Section III

Entries in section III are not relevant for the value and are therefore not included in my valuation.

### 5.2 Land charges, pollution and listed building status

#### Land charges

As demonstrated by the information available to me from the land charge directory dated 07/02/2018 which I enclose as requested with my valuation, there are no public land charges as defined by Section 81 of the Lower Saxony Building Code (NBauO) for the property being valued.

#### Pollution

There are no entries in the pollution directory for the property; as requested my valuation assumes that the ground is free of pollution. During the site visit, no evidence was seen of the existence of pollution on the property being valued. I have not viewed the pollution register personally.

#### Listed building status

According to the information provided on 08/02/2018 from the Building Department of the State Capital City Hanover, the property being valued is not entered in the directory of listed buildings under Section 4 of the Lower Saxony Listed Building Act (NDSchG).

### 5.3 Plot description

The property including the construction on which the valuation is based comprises the plot 9/15 of cadastral district 13, Vahrenwald sub-district. The property stretches along the Niedersachsenring, borders Witzendorffstraße at the corner and is 1,578 m<sup>2</sup> in size. It has a garden section to the rear from where the associated garage building on a neighbouring property is accessible.

## 5.4 Building description

The following description is based on the knowledge gained when visiting the site. The descriptions refer to the dominant features in terms of fittings and execution. Variances may occur in some areas. No destructive investigations were undertaken.

### 5.4.1 Year of construction, type and purpose

The property being valued contains two residential buildings built in 1957 in a solid design and connected with each other. Together they comprise 24 residential units with a total rental area of around 1,451 m<sup>2</sup>. The apartments have balconies. The building complex has a full basement and 4 or 5 storeys above ground.

As requested, the details below are based on the tenant list provided with a total of 1,451.42 m<sup>2</sup> of rental space.

The five garage spaces belonging to the building are located on a neighbouring property and accessible through a gate on the garden boundary. The green/open space is located in the area behind the buildings facing away from the road.

### 5.4.2 Description of building and condition

<b>External walls</b>	Plastered and painted brickwork; clinker base; thermal insulation composite façade.
<b>Roof</b>	Double pitched roof, tiled, not insulated (common rafter insulation planned/in preparation).
<b>Windows and external doors</b>	Plastic windows, insulated glazing, external doors made of glass/aluminium with doorbells and letterboxes.
<b>Internal walls and doors</b>	Solid and lightweight walls, partly plastered, mainly wallpapered, wooden apartment doors.
<b>Floors</b>	In the flats laminate or PVC coverings; kitchens with tiled splash backs and floors, some with PVC; tiles in bathrooms, balconies tiled; building corridors and staircases with terrazzo tiles.
<b>Sanitary fittings</b>	Floors and walls tiled to door height.
<b>Heating</b>	Individual gas boilers for heating and hot water supply to the flats.
<b>General status</b>	The property is in good condition, well maintained and was renovated in 2018/19; some areas have been renovated completely and thermal refurbishment has been carried out. I also refer to the DEKRA assessment dated 29/07/2019 on necessary capex measures, which consequently total around € 196,000 over the next 10 years and mainly result from construction measures and internal renovation.

### 5.4.3 Exterior features

The property has a free and green area with bushes and trees behind the buildings away from the street. Surrounded overall by a metal fence, the back part of the property has a garden gate to provide access to the associated garage building on a neighbouring property.

In front of the residential building Witzendorffstr. 7, there are grass areas along the road, in front of Niedersachsenring 22 mainly tarmacked areas and the rubbish bin collection point.

### 5.5 Rental agreement situation

On the key valuation date, one of the 24 rental units was vacant; the other flats and the five garage spaces were rented.

According to the tenant list dated 17/07/2019 (Appendix 3) the contractually agreed monthly rents in the property are on average € 7.52 /m<sup>2</sup> of residential space (including vacant plots) with a significant range from € 5.28 /m<sup>2</sup> to € 13.16 /m<sup>2</sup>.

The parking spaces are rented for on average € 60/month with a range of € 43 to € 80.

After the residential complex was subject to renovation to increase the residential value and thermal refurbishment, instead of the amounts stated above I have based my valuation on the sustainably achievable, usual market rents (cf. 8.2.2). I assess these depending on the size of the flat as appropriate at € 10 /m<sup>2</sup> or € 10.50 /m<sup>2</sup> for flats with a size above 60 m<sup>2</sup>. I consider the normal market rate for the garage spaces to be € 80.

The existing tenants have already been notified of a rent increase due to the modernisation supplement during the modernisation project (June 2018).

### 5.6 Summary

The property being valued is an apartment building with 24 rental units in a well-maintained, renovated and partially refurbished condition. In 2018/2019 thermal refurbishment was carried out with work to the façades, windows and heating system. As stated above, the roof will soon be insulated using common rafter insulation.

## 6. Area calculation

The property has old floor plans that are undated and newer ones from June 2019 that were produced during the renovation and refurbishment project. In addition, a tenant and rental area list as of 17/07/2019 was provided. Using the documents received and the knowledge gained from the site visit, I have checked the plausibility of the sizes given. I have not conducted measurements myself.

As requested, I enclose the areas from the tenant list with my valuation (Appendix 3).

Rental area list			
Se- rial No.	Type of use	Location	Rental area (Usable space)
1	Residential	Witzendorff ground floor left	63.00 m <sup>2</sup>
2	Residential	Witzendorff ground floor right back	36.00 m <sup>2</sup>
3	Residential	Witzendorff ground floor right	51.00 m <sup>2</sup>
4	Residential	Witzendorff 1st floor left	75.00 m <sup>2</sup>
5	Residential	Witzendorff 1st floor right back	38.00 m <sup>2</sup>
6	Residential	Witzendorff 1st floor right	52.00 m <sup>2</sup>
7	Residential	Witzendorff 2nd floor left	75.00 m <sup>2</sup>
8	Residential	Witzendorff 2nd floor right back	38.00 m <sup>2</sup>
9	Residential	Witzendorff 2nd floor right	52.00 m <sup>2</sup>
10	Residential	Witzendorff 3rd floor right back	38.00 m <sup>2</sup>
11	Residential	Witzendorff 3rd floor right	52.00 m <sup>2</sup>
12	Residential	Witzendorff 4th floor right back	38.00 m <sup>2</sup>
13	Residential	Witzendorff 4th floor right	52.00 m <sup>2</sup>
14	Residential	Nieders.ring ground floor left	66.00 m <sup>2</sup>
15	Residential	Nieders.ring ground floor right back	71.12 m <sup>2</sup>
16	Residential	Nieders.ring ground floor right	69.30 m <sup>2</sup>
17	Residential	Nieders.ring 1st floor left	75.00 m <sup>2</sup>
18	Residential	Nieders.ring 1st floor right back	72.00 m <sup>2</sup>
19	Residential	Nieders.ring 1st floor right	72.00 m <sup>2</sup>
20	Residential	Nieders.ring 2nd floor left	75.00 m <sup>2</sup>
21	Residential	Nieders.ring 2nd floor right back	72.00 m <sup>2</sup>
22	Residential	Nieders.ring 2nd floor right	72.00 m <sup>2</sup>
23	Residential	Nieders.ring 3rd floor left	75.00 m <sup>2</sup>
24	Residential	Nieders.ring 3rd floor right	72.00 m <sup>2</sup>
	Garage spaces	Neighbouring property	Qty 5
<b>Total:</b>			<b>1451.42 m<sup>2</sup></b>

## 7. Valuation principles

### 7.1 Preliminary methodological notes

#### Fair market value definition

In Section 194 of the German Construction Code (BauGB), the fair market value is defined as follows:

*“The fair (market) value is determined by the price that can be achieved at the time to which the evaluation refers in normal business operations according to the legal facts and actual characteristics, the other characteristics and location of the property or the other object subject to valuation without taking account of unusual or personal conditions.”*

The fair market value is referred to in expert circles as the “objective exchange value” or “objective value”. It is characterised as the most likely sales prices on the key valuation date.

#### Legal basis

The calculation of the fair market value is based on the following statutory principles whilst taking into account the relevant changes:

- German Building Code - Baugesetzbuch (BauGB)
- Property Valuation Calculation Regulations (ImmoWertV)

The relevant, most recent changes are also taken into account as additional legal and management principles and are of particular importance when calculating the fair market value:

- Income Value Guidelines (EW-RL)
- Depreciated Replacement Cost Value Guidelines (SW-RL)
- Normal Production Costs 2010 (NHK 2010)
- German Federal Town Planning Regulations (BauNVO)
- Regulations for Calculation of Factors Related to Residential Lettings (II. BV)
- German Civil Code (BGB)
- DIN 277/ 1987

#### Market Value

The German definition of the fair market value corresponds to the internationally recognised definition of “market value” by the *European Valuation Standards* (EVS) of the *The European Group of Valuers’ Association* (TEGoVA) and also to the valuation standards of the British *Royal Institution of Chartered Surveyors* (RICS).

## 7.2 Selection of valuation method

### **Methodology standards**

The calculation of the fair market value can, according to the German federal ordinance for real estate valuation (ImmoWertV) dated 19 May 2010, and the valuation guidelines permitted for use in the version dated 01 March 2006 (WertR 2006), be undertaken using the comparative value (Section 15 ImmoWertV), the income value (Sections 17 et seq ImmoWertV) or the depreciated replacement cost value method (Sections 21 et seq ImmoWertV). The circumstances of the individual case taking into account the customs in normal business relationships are key to selecting the method. The market value taking into account the situation of the property market is derived from the result of the selected method.

In practice, these provisions are usually applied as follows:

### **Income value**

The income value method is mainly used to determine the market value of properties for which the normal achievable income in the marketplace can be achieved or estimated. It is therefore in particular applied to rental properties, business premises and mixed use properties.

**Depreciated replacement cost** The depreciated replacement cost value method is mainly used for property the use of which does not generally depend on an income or if such cannot be determined precisely. It is therefore in particular selected for residential properties used by the owner.

### **Comparative value**

The comparative value method is mainly used to determine the land value and value of owner-occupied apartments (sometimes also houses).

### **Summary**

The property being valued is an apartment building. The participants in the property market or a potential buyer will assess the property to be valued primarily on the basis of the income that can be generated from this property. For this reason, the market value of the property is determined on the basis of the income value method.

## 8. Valuation

### 8.1 Land value

#### 8.1.1 Preliminary methodological notes

In order to determine the value of the land (land value), purchase prices of comparable properties are to be used. In addition to or instead of these purchase prices, the determination of the land value in accordance with the Building Code can also be based on suitable land reference values (cf. §§ 196 ff. of the Building Code). The land value shall be determined as if the land were undeveloped.

Characteristics that influence the value are to be taken into account as supplements or deductions or by other means. The factors influencing the price include in particular the property's location, the rights and charges it is subject to, type and extent of construction use, property customisation, construction status and soil characteristics. There may also be value reductions from effects on the property due to an economically/technically consumed substance, demolition requirement or other official regulations (e.g. listed building status).

#### 8.1.2 Land value calculation

### Planning law

The property being valued is not covered by a local development plan. With regard to use and extent of construction, the property can be built upon pursuant to Section 34 BauGB. In the surrounding area there are mainly apartment buildings with closed construction over several floors, typically with 10-19 residential units in each block.

Directly to the north of the property being valued, on the opposite side of the Niedersachsenring there is a pure residential area with a basic area indicator of 0.3 and floor space indicator of 1.0 with max. four full storeys in closed construction (local development plan 257).

To the west of the Niedersachsenring/ Vahrenwalder Straße crossing, the local development plan 594 application area starts, which has a core area (MK; VI g) with a basic area indicator of 0.8 and floor space indicator of 3.0.

These determinations require the area-typical property structure and specific nature of the location as does the construction use of the location under Section 34 BauGB.

### Property quality

The property can be used for construction under the public law regulations. It is characterised as land ready for construction.



## Guideline land value

The official committee of valuation experts for the region Hameln-Hanover shows the following guideline land value for the property being valued as of the key date of 31/12/2018:

- € 330 /m<sup>2</sup> for residential areas (apartment blocks)

The guideline land value relates to a floor space indicator of 1.7. The construction within the guide land value zone is considered to be typical of the area and is used for my valuation. I do not consider an adaptation to be necessary.

## Land value

Based on the methods and assumptions used, the following land value is calculated for the property to be valued:

Land value calculation	
Guideline land value:	€ 330 /m <sup>2</sup>
Derived land value:	€ 330 /m <sup>2</sup>
Property size:	1,578 m <sup>2</sup>
Supplement to/deductions from the guide land value:	0.0%
Modified guideline land value:	€ 330 /m <sup>2</sup>
<b>Total land value:</b>	<b>€ 520,740 /m<sup>2</sup></b>

(In the calculation, unrounded values are used for calculation )

The land value is **approx. € 521,000.**

## 8.2 Income value

### 8.2.1 Preliminary methodological notes

The Income value is usually applied for purely commercial use, mixed or rented residential usage.

The method (described in Section 17 et seq ImmoWertV) is divided into two sections. The first is the land value calculation and the second is the income value of the building. For its calculation, management costs (e.g. loss of rent, administration and maintenance costs) are to be deducted from the income that can be achieved in line with market conditions. The land value interest (product of the land value and property yield) is deducted from the resulting gross income of the property. The result represents the net income element of the property investment. By capitalizing this net income of the property investment with the building net income multiplier, which is calculated from the remaining term and property yield, this results in the income value of the building. The land value and the income value of the building are totaled to establish the income value of the property being valued. Then various special, property-specific characteristics (such as value reduction for required investment due e.g. to construction defects or damage) are taken into account.

The separate calculation of the ground and building values is considered to be necessary because the land generates an income in terms of an eternal rent over the long-term whereas the building is subject to ageing processes and cannot generate a permanent income.

### 8.2.2 Income usually achievable in the marketplace

I have based my valuation on the rents guaranteed in the purchase agreement dated 01/04/2020 totaling € 16,204.55 per month. I have compared the total amount with my analyses and research on the rental levels in Hanover and consider this to be realistic.

### 8.2.3 Management costs

The management costs are usually costs incurred with regard to the property such as expenses for administration (administration costs), for the proper use of the property (operating costs), maintaining buildings (repair costs), the costs to balance out any rent voids and the costs of legally asserting payment, dissolving a rental relationship or clearance (potential rent void).

## Preliminary remarks

Only those management costs that sustainably occur for proper management are recorded.<sup>15</sup> Depreciation and interest on loans are not part of the management costs. These costs and expenses are taken into account with the multiplier (capitalisation factor for the net income).

### **Operating costs**

The operating costs such as heating, cleaning and electricity and any other costs for centrally ordered services are usually charged as subsidiary costs and assigned to each tenant. This is also applies to the present case and they are therefore not included in my valuation calculation.

### **Rental void risk**

The rental void risk depends on the creditworthiness of the tenant/s, the contractual rental period and the re-rental risk. In the specialist literature<sup>16</sup>, a rate of 2 % of the annual gross rent is used for residential buildings and 4 % for commercial property. For my valuation, I consider 2.0 % of the annual gross rent to be appropriate.

### **Repairs**

In Appendix 1 of the Current Market Value Regulations - ErtragswertR - a rate for ongoing repairs to residential properties of € 11.00 /m<sup>2</sup> (indexed: € 11.59 /m<sup>2</sup>) is recommended.

For commercial use, e.g. for offices, shops, practices etc., 100 % of the repair costs for residential use is also stated. I base my valuation therefore on total repair costs of € 11.59 /m<sup>2</sup>.

### **Administrative expenses**

Administrative expenses can only be assigned to the tenants for commercial use. I base my valuation on management costs of 4.5 % of the usual gross profit as is usual in the market. In this valuation case, this represents around € 8,750. If with reference to Section 26 Para. 2 and 3 and Section 41 Para. 2 II. BV an assumption is made for each (residential) unit of € 353 p.a. (indexed), this would result in around € 8,475.

#### **8.2.4 Property yield**

### **Preliminary remark**

The interest rate for the land value and calculation of the building income value is set based on the property yield.<sup>17</sup> This can be derived from several different factors such as the capital yield, ratios and conditions for investment funds and income changes from the property. It is determined by the type of construction and position of the property. Even if the property yield is comprised of a variety of factors, investigations have shown that it responds with relatively low sensitivity to variations in the individual factors - e.g. the capital market interest rate.<sup>18</sup>

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<sup>15</sup> cf. Section 19 ImmoWertV

<sup>16</sup> cf. Kleiber: Calculation of the current market value of properties, 6th edition 2010, P. 1803

<sup>17</sup> cf. Section 14 Para 3 ImmoWertV

<sup>18</sup> cf. Rössler/ Langner/ Simon/ Kleiber P. 209

This is based on such matters as the fact that property investment as a result of its long-term character mostly balances out short-term market variations in the capital yield.<sup>19</sup>

The property yield is to be determined in line with the market depending on the type of property and location on the property market.

## Property yield

The official committee of valuation experts for the region Hameln-Hanover (GAA) derives as of 31/12/2018 an average property yield for apartment buildings of 1.8 %. The basis for this is a guideline land value of € 275 /m<sup>2</sup>, monthly net rent excluding utilities of € 6 /m<sup>2</sup> of residential space and an average construction condition.

The following values are to be taken into account as corrections to the property yield:

- Location in the state capital city Hanover: - 0.3 %
- Guide land value € 330 /m<sup>2</sup>: - 0.2 %
- Rent € 10.00 /m<sup>2</sup>, residential space: + 0.9 %

This results in a correction value of +0.4 % and therefore a modified property yield of 2.2 %.

The economic risks for the yield and value conditions that are taken into account in the level of the property interest rate are mainly determined by the expected, potential, long-term demand. This is affected in addition to the general market situation in particular by the following criteria:

- a. Micro-location/infrastructure/location quality (taking into account transport links by bus, rail and car)
- b. Property quality/risk (in particular other usage options, area size and technical infrastructure) as well as the infrastructure and in particular the ability to get to the building and parking options
- c. Property rental/vacancy situation and building economy.

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<sup>19</sup> cf. Vogels P. 166 et seq

## Level of property yield

The property being valued is a recently renovated older multi-family residential building, which has been built in an older style and which allows long-term rental income on the basis of its market-compliant dimensions. In addition, a trend towards comparatively low property interest rates in German conurbations has been discernible for years. Based on the above considerations, I consider a property yield of 2.2 % to be appropriate.

### 8.2.5 Total and remaining lifespan

## Total lifespan

The usual total lifespan takes into account technical and economic aspects of the time a building is in place. It is measured using empirically calculated experience rates. The economic total lifespan corresponds to the period in which the property being valued can be reasonably used in economic terms.

In the NK 2010 an average economic total usage term for apartment blocks or residential homes with mixed use is stated at 70 years ( $\pm 10$ ).

## Remaining lifespan

The economic remaining lifespan as per Section 6 Para. 6 ImmoWertV is the period in which the building can still be used if there is proper maintenance and management. It also states there that repairs and modernisation that have been undertaken can extend the remaining lifespan. Therefore when calculating the economic remaining lifespan, the condition of the building and maintenance as well as the economic usage must be taken into account. The property being valued was completed in 1957 and has been maintained over time. Renovation and thermal refurbishment has been and currently is being undertaken. I have therefore based my valuation on a notional year of construction of 1989.

The remaining lifespan is in this case the difference between the usual total lifespan and the age of the building on the key date.

This results in the following remaining lifespan for the object being valued:

Calculation of the remaining lifespan	
Total lifespan	70
Notional year of construction applied	1989
Age of the building on the key valuation date	30
<b>Remaining lifespan</b>	<b>40</b>



### 8.2.6 Present value factor

The formula for the present value factor is:

$$\text{Multiplier} = \frac{(1 + i)^n - 1}{i \times (1 + i)^n}$$

i = Property yield

n = Remaining lifespan in years

If you apply in the formula a remaining lifespan of 40 years and interest property rate of 2.2 %, this generates a multiplier of **26.42**.

## 8.2.7 Income value calculation

The preliminary income value for the property being valued is calculated as follows:

Annual gross profit						
No.	Type of use	Location inside the building	Rental area (Usable space)	Actual rent per m <sup>2</sup>	Market rent per m <sup>2</sup>	Monthly gross profit
1	Residential	Witzendorff ground floor left	63.00 m <sup>2</sup>	€6.51	€10.59	€667.17
2	Residential	Witzendorff ground floor right back	36.00 m <sup>2</sup>	€6.39	€10.47	€376.92
3	Residential	Witzendorff ground floor right	51.00 m <sup>2</sup>	€6.08	€10.16	€518.16
4	Residential	Witzendorff 1st floor left	75.00 m <sup>2</sup>	€11.33	€11.33	€849.75
5	Residential	Witzendorff 1st floor right back	38.00 m <sup>2</sup>	€13.16	€13.16	€500.08
6	Residential	Witzendorff 1st floor right	52.00 m <sup>2</sup>	€5.87	€9.94	€516.88
7	Residential	Witzendorff 2nd floor left	75.00 m <sup>2</sup>	€6.13	€10.21	€765.75
8	Residential	Witzendorff 2nd floor right back	38.00 m <sup>2</sup>	€5.92	€10.00	€380.00
9	Residential	Witzendorff 2nd floor right	52.00 m <sup>2</sup>	€12.40	€12.40	€644.80
10	Residential	Witzendorff 3rd floor right back	38.00 m <sup>2</sup>	€13.16	€13.16	€500.08
11	Residential	Witzendorff 3rd floor right	52.00 m <sup>2</sup>	€6.15	€12.40	€644.80
12	Residential	Witzendorff 4th floor right back	38.00 m <sup>2</sup>	€13.16	€13.16	€500.08
13	Residential	Witzendorff 4th floor right	52.00 m <sup>2</sup>	€5.96	€12.40	€644.80
14	Residential	Nieders.ring ground floor left	66.00 m <sup>2</sup>	€12.05	€12.05	€795.30
15	Residential	Nieders.ring ground floor right back	71.12 m <sup>2</sup>	€5.98	€10.05	€714.76
16	Residential	Nieders.ring ground floor right	69.30 m <sup>2</sup>	€12.05	€12.00	€831.60
17	Residential	Nieders.ring 1st floor left	75.00 m <sup>2</sup>	€11.33	€11.33	€849.75
18	Residential	Nieders.ring 1st floor right back	72.00 m <sup>2</sup>	€5.35	€9.43	€678.96
19	Residential	Nieders.ring 1st floor right	72.00 m <sup>2</sup>	€5.42	€9.50	€684.00
20	Residential	Nieders.ring 2nd floor left	75.00 m <sup>2</sup>	€11.33	€11.33	€849.75
21	Residential	Nieders.ring 2nd floor right back	72.00 m <sup>2</sup>	€5.49	€9.56	€688.32
22	Residential	Nieders.ring 2nd floor right	72.00 m <sup>2</sup>	€5.28	€9.36	€673.92
23	Residential	Nieders.ring 3rd floor left	75.00 m <sup>2</sup>	€11.33	€11.33	€849.75
24	Residential	Nieders.ring 3rd floor right	72.00 m <sup>2</sup>	€5.35	€9.43	€678.96
25	Garages	Neighbouring property	Qty 5	Ø €60/p. space	€80.00	€400.00
<b>Total monthly gross profit:</b>						<b>€16,204.34</b>
<b>Annual gross profit:</b>						<b>€194,452.03</b>
./. Management costs						
<b>Operating costs</b>			Not applied			
<b>Repairs</b>			€11.59 /m <sup>2</sup>		1,451 m <sup>2</sup> space	€16,821.96
<b>Administrative expenses</b>			4.5% of annual gross profit			€8,750.34
<b>Rental void risk</b>			2.0% of annual gross profit			€3,889.04
<b>Totals:</b>			15.2% of annual gross profit			€29,461.34
<b>Net annual income for the property:</b>						<b>€164,990.69</b>

./. Land value interest				
Land value	(Price/m <sup>2</sup> x property size)	€ 330 /m <sup>2</sup>	1,578 m <sup>2</sup>	€520,740.00
Land value interest	(Land value x property yield)	Property yield: 2.20%		€11,456.28
<b>Annual net profit for building:</b>				<b>€153,534.41</b>
Building's income value				
Property yield	2.20			<b>€4,056,386.05</b>
Remaining economic lifespan	40 years			
Multiplier	26.42			
<b>Preliminary building's income value:</b>				<b>€4,056,386.05</b>
Land value				
Land value		€330 /m <sup>2</sup>	1,578.00 m <sup>2</sup>	<b>€520,740.00</b>
<b>Preliminary income value:</b>				<b>€4,577,126.05</b>

(The calculation is made with unrounded values)

The preliminary income value is **approx. €4,577,000.**

### 8.2.8 Special property-specific features

The special property-specific features as per Section 8 Para. 3 ImmoWertV are understood for example as economic over-aging, above-average maintenance condition, construction defects or damage and significant variances in income to those usually achievable in the market.

#### Rental guarantee

In Section 8.2.2 I have stated that the full amount of rent will only be received from 01 April 2020. Therefore, a monthly difference of € 3,698.63 must be deducted from the preliminary income market value.

./. Special property-specific features				
Lower rental income for 8 months		Difference:	€3,698.63	€29,589.07
<b>Income value (rounded):</b>				<b>€4,550,000.00</b>

This results in a income value of approx. **€4,550,000.**

### 8.3 Fair market value

Point 7.2 explains that the fair market value is derived from the current market value.

The value of a property to be used economically is primarily determined by its future potential uses and expectations. An economically reasonable market participant considers the property to be valued from the point of view of return.

A market adaptation is not required for the income value method as the method is influenced by value approaches that comply with the market. The key parameters determining value here are:

- Property yield
- Rent at market rates

A fair market value of about

**€4,550,000**

has been calculated.

In words: **four million five hundred and fifty thousand euros**

This valuation result corresponds to 23.4 times the annual gross income. The official committee of valuation experts for the region Hameln-Hanover published an average gross income multiplier of 17.5 on 31/12/2018. The range was between 10.8 and 25.0 times.

## 9. Final remark

I have produced this report to the best of my knowledge on the basis of careful examination, the documents provided and information issued.

Hamburg, 23rd September 2019

  
Klaus Wagner MRICS, REV



## Appendix (1) - Photo documentation

External view west

Witzendorffstraße



External view north

Niedersachsenring



Façade garden side



Stairwell



Sample kitchen



Sample bathroom





Room with balcony



Balcony

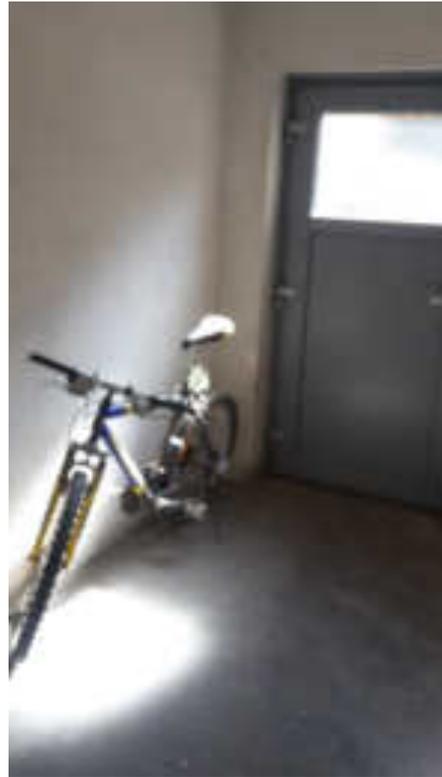


Ceiling



Cellar

With exit to garden



Access to cellar

From garden area



Exterior



Garages, 5 belonging to property on neighbouring plot



Access to neighbouring plot





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## General Terms and Contract Conditions

### Section 1: Validity

1. The legal relationship between the appraiser and his client (Principal) shall be governed by the following contractual conditions.
2. Any provisions of the Principal that deviate from this shall only become part of the contract if the Expert expressly acknowledges them in written form.

### Section 2: Mission

1. Acceptance of the order as well as agreements, assurances or collateral agreements made verbally, by telephone or by employees require written confirmation by the appraiser in order to be effective.
2. The subject and purpose of the expert opinion must be specified in writing when the order is placed.

### Section 3: Execution of the order

1. The assignment shall be performed unbiased and to the best of our knowledge and belief in accordance with the principles applicable to a publicly appointed and sworn appraiser.
2. The appraiser can only guarantee a certain success, in particular a result desired by the Principal, within the framework of objective and unbiased application of his expertise.
3. The appraiser shall deliver the report in person. Where necessary or expedient and the personal responsibility of the appraiser remains intact, he may avail himself of the assistance of expert staff in preparing the appraisal.
4. If it is necessary to call in experts from other fields in order to carry out the order properly, the Client shall commission them separately.
5. In all other respects, the appraiser shall be entitled to carry out or have carried out the necessary and customary examinations and tests at his dutiful discretion in order to process the order at the Client's expense. This includes in particular the making of enquiries, the carrying out of journeys and inspections as well as the taking of photographs and drawings or having them taken without the special consent of the Client being required. Whereas unforeseen investigations or investigations that are time and costly in relation to the purpose of the expert opinion become necessary, the prior consent of the Principal must be obtained.
6. The appraiser shall be authorised by the Principal to obtain from authorities and third parties the information necessary for the preparation of the appraisal and to conduct surveys. If necessary, the Principle must issue him with a special power of attorney for this purpose.
7. The appraisal must be provided within the agreed period.
8. The Principle will receive two written copies of the evaluation. Additional copies will be invoiced separately.
9. After completion of the order and payment of the agreed remuneration, the Expert shall return the documents provided to him by the Principal for the execution of the expert opinion without being asked.

### Section 4: Obligations of the AG

1. The Principal may not give the appraiser any instructions that could distort his actual findings or the result of his expert opinion.
2. The Principal shall ensure that the appraiser receives all information and documents (e.g. invoices, drawings, calculations, correspondence) necessary for the execution of the order free of charge and in good time. The appraiser shall be informed in good time and without special request of all events and circumstances which may be of recognisable significance for the rendering of the expert opinion.

### Section 5: Confidentiality of the expert

1. The appraiser is subject to an obligation to secrecy, which is punishable by law, in accordance with § 203 Para. 2 No. 5 StGB (German Criminal Code). Accordingly, it is also contractually prohibited to disclose, pass on or exploit the expert opinion itself or facts or documents that have been entrusted to it or otherwise become known to it in the course of its expert activities without authorisation. The obligation to secrecy covers all facts that are not obvious and applies beyond the duration of the contractual relationship.
2. This obligation to secrecy also applies to all persons working in the appraiser's company. The appraiser shall ensure that the confidentiality obligation is observed by the named persons.
3. The appraiser is authorised to disclose, pass on or use for his own purposes the knowledge gained during the expert opinion, if he is obliged to do so on the basis of statutory provisions or if his client expressly releases him in writing from the duty of confidentiality.

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4. Unless otherwise agreed, the Expert shall be permitted to pass on to third parties obvious facts of the contractual relationship as well as the name of the Principal as a reference.

#### **Section 6: Copyright protection**

1. The appraiser retains the copyright to the services provided by him, as long as they are copyrightable.
2. In this respect, the client may only use the expert opinion prepared within the scope of the order, including all lists, calculations and other details, for the purpose for which it is intended as agreed.
3. The Principal shall only be permitted to pass on the appraisal to third parties beyond this, to use it in any other way or to change or shorten the text with the appraiser's consent.
4. Publication of the expert opinion requires the consent of the expert in all cases. Reproductions are only permitted within the scope of the intended use of the expert opinion.

#### **Section 7: Fees**

1. The expert must receive a remuneration. The amount of the remuneration depends on the order.
2. In addition, incidental costs and expenses may be demanded in the amount actually incurred (against appropriate proof) or agreed upon (without proof).
3. The remuneration as well as the respectively accrued additional costs are plus the legal value added tax.

#### **Section 8: Payment - Default of payment**

1. The agreed fee is due upon receipt of the expert opinion by the Principal. It is permissible to send the expert opinion by post with simultaneous collection of the due remuneration by cash on delivery.
2. If the Principal is in default with the payment of the fee, the appraiser may, after setting a reasonable period of grace, withdraw from the contract and/or claim damages for non-performance pursuant to §§ 286 et seq., 280 et seq. of the German Civil Code (BGB). Subject to the assertion of further damages, interest on arrears in accordance with § 288 I BGB (German Civil Code) shall be paid in the event of default of payment. We reserve the right to assert further damages caused by delay.
3. If the Principal fails to pay an agreed advance payment or an agreed instalment despite being set a deadline with the threat of termination, the appraiser shall be entitled to withdraw from the contract and demand the agreed fee, but less any expenses saved. Unless the Principal can prove a higher share of saved expenses in an individual case, this shall be agreed at 40% of the fee for the services not yet rendered by the appraiser.
4. If the appraiser becomes aware of circumstances that endanger the creditworthiness of the Principal, he shall be entitled to demand immediate payment of the entire fee, setting a deadline and threatening termination.
5. The Principal may only offset against claims of the appraiser if the Principal's counterclaim is undisputed or a legally binding title exists. The Principle can only assert a right of retention if it is based on claims from the concluded contract.

#### **Section 9: Exceeding the deadline**

1. The period for the delivery of the expert opinion (cf. section 3 para. 7) begins on the working day following the date of conclusion of the contract. If the Expert requires documents of the Principal (cf. section 4 Para. 2) for the rendering of the expert opinion, the execution period shall be extended by the period of time until their receipt by the Contractor, if the Principal is obliged to provide them, otherwise by the period of time from their request by the Contractor until receipt of the documents. If the payment of an advance has been agreed, the period shall not begin to run until the documents or the advance have been received. The period shall also be extended by the period from receipt of the notice of the deadline until payment in accordance with section 8 no. 4 or no. 5.
2. If the delivery date is exceeded, the Principal may only withdraw from the contract or claim damages if the Expert is in default of performance or if it is impossible to perform for reasons for which the Expert is responsible.
3. The appraiser shall only be in default if he is responsible for the delay in delivery of the expert opinion. In the event of obstacles to delivery for which we are not responsible, such as cases of force majeure or illness, delivery shall not be delayed. The delivery period shall be extended by the period during which the impediment to performance for which we are not responsible continues. The Principle cannot derive any claims for damages from this. If such impediments to delivery make it completely impossible for the Expert to deliver the expert opinion, he shall be released from his contractual obligations. In this case too, the client shall not be entitled to claim damages.
4. In addition to delivery, the Principal may only demand compensation for damages caused by delay if intent or gross negligence can be proven against the appraiser.

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### **Section 10: Termination**

1. Client and appraiser may terminate the contract without notice at any time for good cause. Notice of termination must be given in written form.
2. Important reasons that entitle the client to terminate the contract include a breach of the obligations to provide objective, independent and impartial expert opinions.
3. Important reasons entitling the appraiser to terminate the contract include refusal of the Principal to provide the necessary cooperation; attempt by the Principal to exert undue influence on the appraiser which may distort the result of the Expert Opinion (cf. section 4 para. 1); if the Expert discovers after acceptance of the order that he lacks the necessary expertise to complete the order.
4. Otherwise, a termination of the contract is excluded.
5. If the contract is terminated for good cause for which the Expert is responsible, he shall only be entitled to remuneration for the partial performance rendered up to the time of termination to the extent that this is objectively usable by the Principal.
6. In all other cases, the Expert shall retain the entitlement to the contractually agreed remuneration, but less any expenses saved. Unless the Client can prove a higher share of saved expenses in an individual case, this shall be agreed at 40% of the remuneration for the services not yet rendered by the Expert.

### **Section 11: Warranty**

1. If the Principal discovers a defect after delivery of the expert opinion, he shall notify the appraiser of this defect without delay, otherwise the warranty claims for this defect shall expire.
2. If the expert opinion contains a defect, the Principal shall initially only be entitled to the rights to subsequent performance within a reasonable period of time (removal of the defect or new creation at the appraiser's discretion in accordance with cf. section 635, 636 BGB (German Civil Code)).
3. If the Expert fails to fulfil his obligation to provide supplementary performance within the deadline set, the Principal may reduce the remuneration in accordance with the provisions of section 638 II to IV BGB.
4. The limitation of warranty claims shall not apply in the cases of section 639 BGB (fraudulent concealment of a defect or assumption of a guarantee).
5. Warranty claims shall become statute-barred within 1 year from the end of the year of receipt of the expert opinion by the Principal, unless they have already been asserted in accordance with section 1 of this provision are excluded.

### **Section 12: Liability**

1. The appraiser shall only be liable for damages of the Principal - irrespective of the legal grounds - if he or his employees have caused the damages by a defective expert opinion intentionally or through gross negligence and for damages resulting from injury to life, limb and health, provided that these were caused intentionally or through negligence. All further claims for damages are excluded, unless they result from a violation of essential contractual obligations. This also applies to cases of subsequent performance.
2. The rights of the Principle from warranty according to section 11 are not affected by this. The claims for delay in delivery are conclusively regulated in section 9.
3. In the event of liability due to gross negligence, the amount of liability shall be limited to a maximum of 20 % of the determined value, but not more than 200,000 Euros.

### **Section 13: Place of performance and jurisdiction**

1. Place of performance is Hamburg
2. If the Principle is a registered trader, legal entity under public law or special fund under public law, Hamburg shall be the exclusive place of jurisdiction:
3. The same place of jurisdiction as in section 2 shall apply if the Client does not have a general place of jurisdiction in Germany, if he moves his place of residence or usual place of abode out of Germany after conclusion of the contract or if his place of residence or usual place of abode is not known at the time of delivering the action.

# Valuation report

On behalf of

Exporo Investment GmbH  
Sandtorkai 70  
20457 Hamburg

On the fair market value of the property

**Residential building with 2 commercially used units**  
**Vahrenwalder Straße 87**  
**30165 Hannover**

Klaus Wagner MRICS, REV  
Certified assessor for property valuation DIN EN ISO/IEC 17024  
Dipl. Sachverständiger (DIA), Immobilienökonom (ebs)

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- (3) Tenant list**
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## 1. Summary

Exporo Investment GmbH has been appointed to sell shares in Exporo Hannover Berlin GmbH, a 100% subsidiary of Exporo AG. Exporo Hannover Berlin GmbH purchased the property according to the information provided at a purchase price of €1,518,700. In order to prepare the prospectus, the fair market value of the property must be determined pursuant to Section 194 of the German Building Code (BauGB).

The property being valued holds one four storey apartment building constructed in 1963 with a total of 13 flats and two commercial units.

According to the tenant list, the residential area is around 648 m<sup>2</sup> in total, and the commercial units are 73 m<sup>2</sup>. Therefore, the property has a total rentable area of about 721 m<sup>2</sup>.

Address:	Vahrenwalder Str. 87, 30165 Hannover
Usage relevant to the valuation:	Residential and commercial
Planning law:	According to local development plan Nr. 149
Plot quality:	Land ready for construction
Type and extent of construction use:	Residential area for residential and commercial buildings (Wb, IV-V, GRZ 0.3)
Infrastructure condition:	No infrastructure costs (ebf)
Property size:	215 m <sup>2</sup>
Land value:	€ 600/m <sup>2</sup> bzw. rd. € 130,000
Year of construction:	1963 (notional 1972)
Remaining lifespan:	35 years
Property yield:	2.5 %
Usage or rental area:	720.86 m <sup>2</sup> , of which 647.86 m <sup>2</sup> residential 73 m <sup>2</sup> commercial
Key valuation date:	25 July 2019 (date of visit)
Annual gross profit:	Approx. € 87,000
Fair market value:	€ 1,710,000

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## 2. Order and order execution

Exporo Hannover Berlin GmbH, represented by Exporo Investment GmbH and Mr. Thomas Stadler, appointed me to produce a valuation report on the current market value of the property Vahrenwalder Straße 87 in 30165 Hannover in line with Section 194 BauGB.

To produce my valuation report, the client provided the following documents and information:

- Land register entry from Hanover Regional Court dated 21/06/2019
- Property map from 24/02/2019
- Excerpt from the list of public easements dated 16/06/2019
- Information from the register of contaminated sites and suspected sites of the Hanover region dated 26/06/2019
- Tenant list with rental areas, as of 28/06/2019
- Calculation of useable floor and living space dated 19/04/1962
- Living space calculation of the roof storey building project dated 06/11/1987
- Floor plans of the basement, 1st - 4th floor without date
- Building descriptions from the years 1962/63
- Draft construction contract without date

I assume that the explanations and information provided to produce the survey report are complete and accurate.

I have also made the following enquiries of my own:

- Information on the property market in Hanover from the official committee of valuation experts
- Information on rental prices for comparable residential and commercial properties from various established market participants and the “OnGeo” online database
- Online information from the city of Hanover on existing planning and construction law
- General information from the statistics department of the State Capital City Hanover and the State Statistical Office
- Information from the Federal Statistical Office
- General internet research

I visited the property being assessed on 25 July 2019 accompanied by Mr. Krasemann, the property manager. In addition to the exterior areas and general building facilities (cellar, roof, communal areas) I visited, as an example, the apartment on the 2nd floor on the right, which is currently being renovated by the tenant.



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**Key valuation date**

The key valuation date is 25 July 2019 (visit date).

I did not undertake any ground examinations with regard to potential contamination and other risks that could arise due to the characteristics of the ground. In addition, my valuation is not based on any investigations into the structural design, noise and heat protection, infestations by damaging animals and plants as well as pipe corrosion.

When carrying out the request and my responsibility, including for third parties, the order conditions attached to this report are decisive.

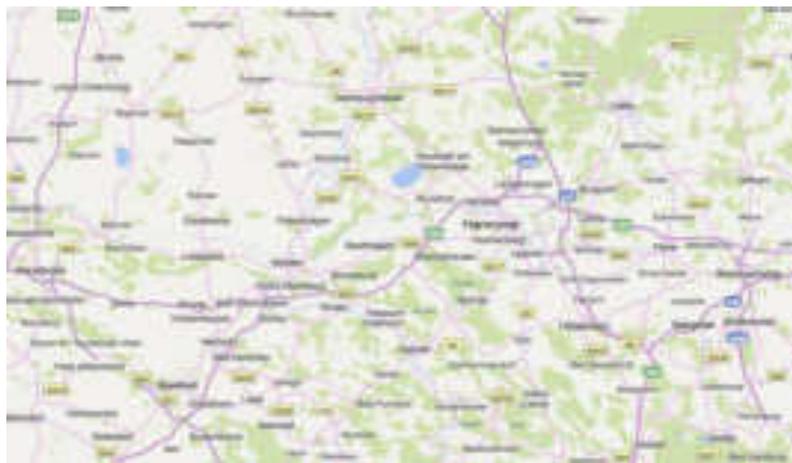
**3. Purpose of the valuation**

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## 4. Market and location analysis

### 4.1 Macro-location

Hanover is the state capital of Lower Saxony and is located between Wolfsburg and Minden in the Leine Valley. Alongside the surrounding district under a common local authority structure, the city forms the “Hanover Region”. It is part of the so-called Hanover – Braunschweig – Göttingen – Wolfsburg metropolitan region and represents an important business location.



www.openstreetmap.de

The main industries located here are primarily connected to car manufacturing and suppliers, food, energy services, banking, finance and insurance; well-known companies include Continental AG, VW commercial vehicles, Bahlsen, Harry Brot, Nord/LB, Hanoversche, TUI. However, universities and clinics are also important regional employers.

Hanover is also an internationally important trade fair city (Hanover Industrie Messe, Cebit etc.) and university/technical university location.

The urban area covers 20,415 ha, of which a good 35 % is land built-up.<sup>1</sup>

### Transport links

As a result of its topography and geographical location, Hanover is a transport hub where north-south and east-west rail and road routes cross.

Therefore the city is very easy to reach both by public transport and individual transport methods. National connections are provided via the A2 and A7 federal motorways as well as various main roads such as the L190 that partly crosses the urban area.

<sup>1</sup> cf. statistics department from the State Capital City Hanover: Urban area of the State Capital City Hanover in figures (as of: 1st January 2018)



In addition, after the serious destruction that occurred during the 2<sup>nd</sup> World War and as a result of its industrial and infrastructural importance, it was reconstructed as a city for cars with fast urban routes and ring roads to take the pressure off the central area.

Public transportation is provided in Hanover through the transport association Großraum-Verkehr Hanover (GVH) using urban trains (trams and underground), local rail routes and various bus lines.

The main station in Hanover (rail hub) also ensures comprehensive connections to the long-distance Deutsche Bahn network.

Hanover has an international airport in Langenhagen to the northern edge of the city with a passenger volume of just under 5.9 million PAX in 2017<sup>2</sup>, which is particularly important for the trade fair location.

The water connections via the Mittelland and Stich Canals and the River Leine, which provide four ports, make Hanover one of the most important inland port locations in Northern Germany.

The following table shows the distance to other important cities in Germany:

City	Approx. distance
Berlin	285 km
Bielefeld	90 km
Braunschweig	68 km
Celle	41 km
Göttingen	120 km
Hamburg	150 km

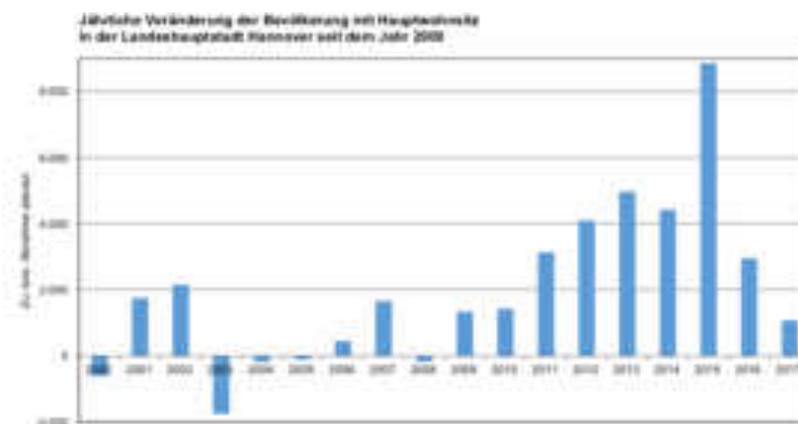
## Population development

The city of Hanover had over 545,000 inhabitants at the end of 2018 (only main residences taken into account).<sup>3</sup> In the period between 2012 and the end of 2017 alone, population growth was recorded at 4.3 % and there were just under 542,000 inhabitants.<sup>4</sup>

<sup>2</sup> Hannover Airport: Facts, figures and figures (homepage)

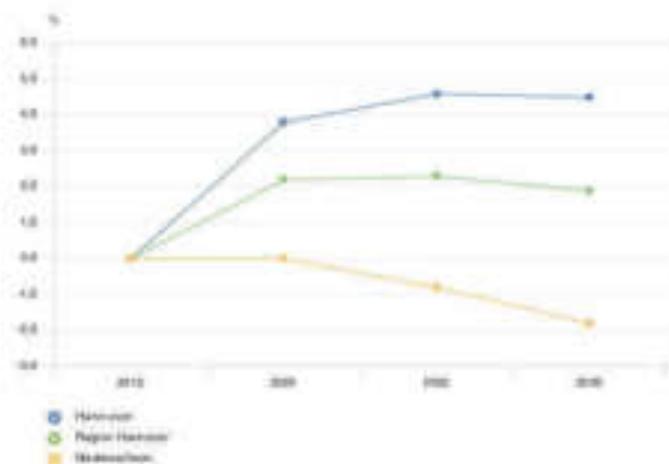
<sup>3</sup> Statistics department from the State Capital City Hanover: Hanover in numbers (as at Sep. 2019)

<sup>4</sup> Statistical reports by the State Capital City Hanover: "Structural data for the districts and boroughs 2018"



The population forecast assumes further growth up to 2030 of around 4.5 % (for comparison Lower Saxony: -1.9 %).<sup>5</sup>

*Forecast of population development up to 2030*



As a result of the positive migration balance, made up primarily by education migration, to date demographic change has not been characterised by falling resident numbers. At around 66 %, working age inhabitants (here: 18 to under 65 years) are the main age group in Hanover.<sup>6</sup>

### Compulsory social insurance

On the key date of 30/06/2018 in Hanover approx. 208,000 people (residents) were employed and paying social insurance and just under 325,000 as a place of employment. The positive commuter balance is more than 116,000 employees. In the city, there are just under 15,000 businesses with jobs that are subject to social insurance.<sup>7</sup>

<sup>5</sup> Demographic report for Hanover by the Bertelsmann Foundation

<sup>6</sup> Statistical reports by the State Capital City Hanover: "Structural data for the districts and boroughs 2018"

<sup>7</sup> cf. statistics from the Federal Agency for Employment: District data for employees subject to social insurance (as of 30/06/2018)

## Unemployment rate

The unemployment rate in the Hanover region as of 31/12/2018 was around 6.2 %, with around 38,930 people registered as unemployed. The percentage over recent years has fallen significantly (Dec 2017: 6.8 %; Dec 2016: 7.0 %) and therefore is similar to the rest of the nation. However, the unemployment rate is still significantly higher than the average of Lower Saxony (Dec 2018: 5.0 %) and Germany as a whole (Dec 2018: 4.9 %).<sup>8</sup>

## Purchasing power indicator

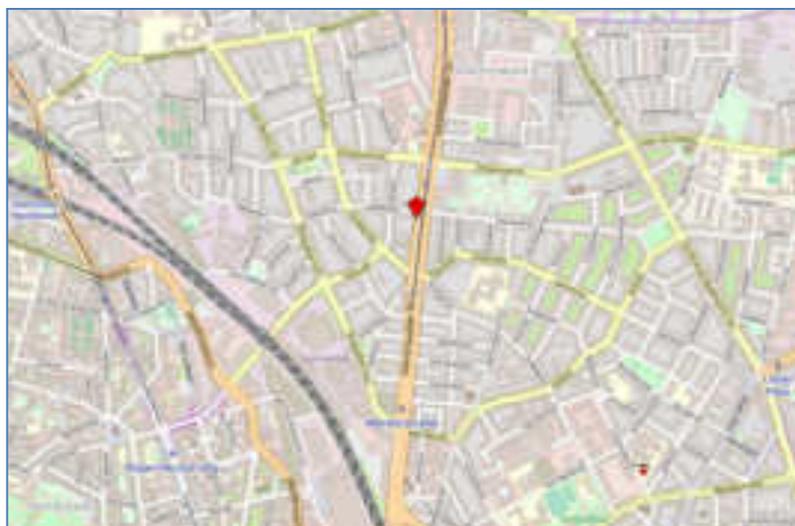
The purchasing power indicator is the most important indicator for the consumption potential of the population living in the relevant region. With a purchasing power indicator of 102.3 in 2019, the Hanover region is significantly above that of Lower Saxony (96.9) and slightly above the federal average (100).<sup>9</sup>

The retail centrality indicator for Hanover is 124.4 (as of 2018; national = 100) and indicates the significance of the city as a regional retail location.<sup>10</sup>

### 4.2 Micro-location

## Location

The property Vahrenwalder Str. 87 is located north of the city centre of Hanover (district 01 Mitte) in the Vahrenwald district, which together with the adjacent List to the east forms the district 02 Vahrenwald-List.



[www.openstreetmap.de](http://www.openstreetmap.de)

<sup>8</sup> cf. statistics from the Federal Agency for Employment

<sup>9</sup> cf. MB-Research: Purchasing power 2019 Germany

<sup>10</sup> cf. comfort Städtereport Berlin, April 2019

Vahrenwald-List is by far the district in Hanover with the largest population (70,720 inhabitants) and also has the highest population density (86 inhabitants/ha) in Hanover (average 27 inhabitants/ha).<sup>11</sup>

Vahrenwald, which is centred on Vahrenwalder Platz, is around 200 m to the south of the property being valued, adjoins the North District to the west with its commercial districts of Nordstadt and Hainholz. In the south, Vahrenwald ends at the main station and in the north at the Mittelland Canal.

### Traffic situation

The property is located on the Vahrenwalder Straße (L190), which is a north-south main traffic axis and a major arterial road in Hannover. In the property area, the street has multiple lanes, in the middle between the oncoming lanes there is a subway line above ground.

Via the Vahrenwalder Straße and also due to its proximity to the Niedersachsenring (Cityring-Anlage), the property is very well developed for motorised individual traffic. The east-west motorway A2 (Oberhausen - Berliner Ring) can be reached quickly via the Langenhagen junction at a distance of approx. 5 km and the A7 (north-south route Ellund - Füssen) can also be easily reached at Altwarmbüchen at a distance of approx. 14 km.

There are no parking spaces on the property and parking possibilities in public street space are also limited.

A very good alternative is the public transport as well as the long-distance traffic of the Deutsche Bahn. The main railway station (DB-Hauptbahnhof) Hanover is about 2 km away and can be reached within 8 minutes from the underground station Dragoner Straße (three stations) or within 5 minutes from the underground station Vahrenwalder Platz (two stations). The underground stations (lines 1+2+8) are about 100 m or 200 m away from the property and are both within walking distance. Line 18 also runs via the Werderstraße underground station (just under 650 m), which is located even further south. The link to the centre of Hanover and the rest of the city area by public transport is very good.

### Local shopping

The local supply situation can be rated as good overall due to the retail offering in the immediate vicinity. The central Vahrenwalder Platz in particular offers shops for daily needs (grocery discounter, bakery, drugstore, textile shop) and services (banks, hairdresser, dry cleaner), as well as smaller catering facilities (snack bar, café). But also approx. 850 m to the north of the

<sup>11</sup> Statistical reports by the State Capital City Hanover: "Structural data for the districts and boroughs 2018"



valuation object and thus just within walking distance, there are large-scale food retailers and discounters.

The selection is comprehensively supplemented by the urban pedestrian zone located a good 2.3 km to the south, e.g. Kröpcke Platz with its varied range of retailers. It can be reached for example within 15 minutes using the Niedersachsenring underground station.

### **Surrounding construction**

The surroundings of the property being valued is characterized by apartments built over several stories in enclosed buildings. The other uses permitted in the special residential area (WB), such as retail trade, are predominantly found in the ground floor areas of the residential and commercial buildings erected.

The residential development continues in particular to the east and north, whereby north of the Melanchthonstraße also a loosened up construction method is to be found. The northern part of the urban district is also marked by allotment garden colonies.

Connected commercial estates, on the other hand, can be found south of Hischestraße, where small commercial areas were defined in accordance with the local development plan No. 149 and southwest of the valuation property, about 550 m away, is the large commercial area of Continental AG and ContiTech AG between Philipsbornstraße and railway tracks. In this area, along Vahrenwalder Straße, you will also find the Hannover Technology Center and larger office buildings.

### **Adverse factors**

The property to be valued is next to the heavily trafficked L190-street, which is one of the main traffic axes and important arterial roads in Hanover.

In all other respects, however, the (noise) loads are comparable with neighbouring locations and less object-specific. Therefore, significant and value-relevant impairments could not be determined during the site inspection.

### **4.3 Market analysis**

### **Home market**

The home market in Hanover currently covers a stock totalling around 67,800 residential buildings, which provide just under 297,000 residential units and around 22.89 million m<sup>2</sup> of living space.<sup>12</sup>

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<sup>12</sup> Statistics department from the State Capital City Hanover: Hanover in numbers Homes 2018



### Buildings and homes in Hanover on 31st December 2017<sup>13</sup>

<b>Total homes</b>		<b>67,623</b>
of which homes for 1 and 2 families		40,095
<b>Flats total</b>		<b>295,357</b>
of which:		
	With 1 (studio) or 2 (1-bed) rooms	43,568
	With 3 or 4 rooms	179,509
	With 5 or more rooms	72,280
Residential area in flats (1,000 m <sup>2</sup> )		22,235
<b>Residential area per resident (m<sup>2</sup>)</b>		<b>41.9</b>

Around 27.5 % of homes in the urban area are older buildings constructed before 1950 (Vahrenwald-List approx. 38.5 %), around 12.6 % of residential units are in buildings constructed after 1990 (Vahrenwald-List approx. 7.4 %).

In Hanover, more than 54 % of private households consist of one person (Vahrenwald-List 59 %).

The Hanover home market remains characterised by strong excess demand such that some significant rent increases have been and are recorded. These are now for the period 01/12/2016 - 30/11/2021 subject to regulation in the form of a cap limit lowered in Hanover to 15 % and application of the rental price brake.

The city of Hanover produced a qualified rent index as of 2019<sup>14</sup>. This is the base for the new rental conditions (rental price brake) and the rent increases for existing tenants (cap limit 15 % max. application of normal local comparison rent).

<sup>13</sup> Statistics department from the State Capital City Hanover: Hanover in numbers Homes 2017

<sup>14</sup> State capital city Hanover Rent Index 2019 (Published by Region Hanover, FB Soziales)

### Rent index for the state capital city Hanover 2019

Bauherkategorie	bis 1918	1919 bis 1944	1945 bis 1949	1950 bis 1959	1960 bis 1969	1970 bis 1979	1980 bis 1989	1990 bis 1999	2000 bis 2018/2019
Wohnungsgröße	A	B	C	D	E	F	G	H	I
Private Wohnfläche	über 45 m <sup>2</sup>	1	7,11 5,10 - 8,84	7,10 5,30 - 8,20	6,74 5,00 - 8,41	6,10 4,70 - 8,10	6,01 4,60 - 8,00	7,04 5,20 - 8,50	
	41 m <sup>2</sup> bis unter 41 m <sup>2</sup>	2	5,82 4,90 - 7,21	6,26 5,16 - 8,15	6,52 5,30 - 8,12	6,11 5,30 - 6,87	6,46 5,60 - 7,97	6,91 6,20 - 7,70	8,98 8,60 - 11,11
	37 m <sup>2</sup> bis unter 37 m <sup>2</sup>	3	6,31 4,97 - 7,81	6,31 4,85 - 8,60	6,52 5,00 - 7,95	6,35 5,47 - 7,30	6,07 5,22 - 7,35	7,07 6,30 - 8,27	8,92 8,12 - 10,61
	33 m <sup>2</sup> und unter	4	6,58 5,84 - 7,82	6,67 4,96 - 7,80	6,57 5,22 - 7,70	6,58 5,67 - 7,70	6,10 5,22 - 7,46	6,76 6,30 - 7,30	8,57 8,00 - 10,61
Gemeinnützige Wohnfläche	über 45 m <sup>2</sup>	1			7,73 6,30 - 8,10	8,21 6,27 - 10,30	7,95 6,47 - 11,01	8,81 6,31 - 9,75	
	41 m <sup>2</sup> bis unter 41 m <sup>2</sup>	2	7,22 5,87 - 8,87	7,11 5,71 - 8,21	7,22 5,91 - 8,96	7,11 5,87 - 8,34	6,65 5,67 - 7,60	8,11 7,81 - 8,67	8,94 7,60 - 9,91
	37 m <sup>2</sup> bis unter 37 m <sup>2</sup>	3	7,26 5,71 - 9,10	6,99 5,57 - 8,57	7,10 5,90 - 8,20	7,41 6,00 - 8,90	7,00 6,10 - 8,10	7,65 6,80 - 8,41	9,37 8,90 - 10,11
	33 m <sup>2</sup> und unter	4	7,20 5,31 - 8,64	7,00 5,40 - 8,60	7,20 5,80 - 8,64	7,99 6,47 - 9,54	7,14 6,10 - 8,10	8,30 6,80 - 10,00	12,00 10,80 - 14,00

- Legende:  
 1. Zeile: Altbauwertlicher Mittel  
 2. Zeile: unter- und Oberwert der 4/5-Gruppe

Quas leerstehende Felder haben aufgrund einer geringen Anzahl von Mietverträgen nur eine bedingte Aussagekraft (10 bis 20 Mietverträge). In Leerfeldern könnte keine ausreichende Anzahl von Mietverträgen erhoben werden (weniger als 10 Fälle).

### Orientation map for residential areas in Hanover 2019



The Vahrenwald-List district is a residential location with average, occasionally good, areas (in particular the List area). Just under 84 % of homes were constructed before 1969, only around 7 % were constructed after 1990.

The supply situation in a 300 m circumference of the Vahrenwalder Str. 87 valuation property is emphasised by an OnGeo analysis for the period from October 2018 to March 2019:

It shows - as for Hanover in general - strong above-average demand for homes (index 197) with an average rent offered of €9.11 /m<sup>2</sup> /month (600 m circumference: €9.41 /m<sup>2</sup>/month; index 242).

The ranges for the rent offered depend on the specific address, location of the apartment in the rental property, year of construction, renovation status and fitting quality.

The range and average rent on offer for different flat sizes in a 300 m circumference are shown below:

Size	Offers in the 300m circumference of Vahrenwalder Str. 87		
	Number of offers	Rent per m <sup>2</sup> excl. utilities	Distribution interval (90%)
All rent offers	76	9,06 €	6,67 € - 11,13 €
Of which flats	76 (100%)	9,06 €	6,67 € - 11,13 €
<=30 m <sup>2</sup>	4 (5,3%)	10,08 €	9,09 € - 11,67 €
>30 - 60 m <sup>2</sup>	26 (34,2%)	8,80 €	6,67 € - 11,05 €
>60 - 90 m <sup>2</sup>	32 (42,1%)	9,17 €	6,58 € - 11,07 €
>90 - 120 m <sup>2</sup>	12 (15,8%)	9,35 €	7,00 € - 13,13 €
>120 - 160 m <sup>2</sup>	2 (2,6%)	6,88 €	6,88 € - 6,88 €
>160 m <sup>2</sup>	-	-	-

With the “2025 Hanover Housing Concept”, the city has presented options for reducing the pressure on the home market beyond rent regulation. Actions have been defined to create residential space and appropriate reserve areas and construction gaps identified; this also includes the conversion of areas available in the mid-term run.

### Rent level commercial space

The rental values for shop premises and ground level retail areas are subject to a very large range. According to IVD Nord, a distinction must be made between locations in the business core and those in the secondary core, in each case in 1a and 1b locations and according to the size of the rental units. For example, rents of between € 5.00/m<sup>2</sup> and € 15.00/m<sup>2</sup> are quoted for the secondary core, with a range of € 5.00/m<sup>2</sup> to € 8.00/m<sup>2</sup> for 1b locations.<sup>15</sup>

The image shows a screenshot of a real estate price index table. The table has multiple columns and rows, with a red box highlighting a specific row of data. The highlighted row contains numerical values across several columns, likely representing different metrics or categories related to the real estate market.

<sup>15</sup> IVD Nord Real Estate Price Index 2018



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For retail rental space that can be compared with the shop units in the property being valued in terms of location quality and size, the rental value is approx. € 8.00 /m<sup>2</sup> net cold.

According to an evaluation by OnGeo in relation to the property under evaluation, demand for commercial space within a radius of 300 m (index 271) was strongly above average in the period from October 2018 to March 2019. On the other hand, there were nine (evaluatable) space offers, five of which were retail spaces. The average net cold rent across all space offers is given as 10.01 €/m<sup>2</sup>/month.

In the same period, demand for commercial space within a radius of 600 m was also strongly above average (index 334) at an even higher level (average net cold rent of € 10.13/m<sup>2</sup>/month). However, it should be pointed out here that in this area commercial areas are also included which are not/are hardly comparable with the property being valued (e.g. office buildings, large rental units) and which contribute to the higher average rent.



## 5. Description of the property to be valued

### 5.1 Land register entry

#### Land register

According to the copy of the land register entry dated 21/06/2019, which I have based my expert opinion on, the property to be valued is entered in the land register of Vahrenwald with page 1430 at the district court of Hanover as follows:

File No. of properties	To File No. of properties	Cadastral district/plot	Business type and position	Size m <sup>2</sup>
2		18/68	Courtyard and building area Vahrenwalder Straße 87	111
4	1, 3	18/86/1	Courtyard and building area Vahrenwalder Straße 87	104
to 2, 4	Right to use the courtyard of the property Vahrenwald Flur 18 Plurstück 67/1, registered in the land register Hannover-Vahrenwald, transferred to pages 3148 to 3161, recorded here on 16 August 1984.			
to 2, 4	Fire wall sharing right to the property Vahrenwald Flur 18 Plurstück 67/1, registered in the land register Hannover-Vahrenwald, transferred to sheets 3148 to 3161. Here noted on 16 August 1984.			
to 2, 4	Window right to the property Vahrenwald Flur 18 Flurstück 67/1, registered in the land register Hannover-Vahrenwald, transferred to sheets 3148 to 3161. Here noted on 16 August 1984.			

#### Section I

The owner is Ulrich Meyer, born 18/12/1965, according to section I of the land register copy. Conveyed 09/07/2009 and registered 09/09/2009.

#### Section II

Running. No. 1 to 2): The property may only be provided with an arcade construction. The ground floor area thus left open is to be kept free for public use. As limited personal easement for the municipality of Hanover with the rank before all rights registered in the land register registered on 27 April 1962 on Hanover Vahrenwald page 290 and transferred here on 20 September 1962.

#### Section III

Miscellaneous land charges

Entries in sections II and III are not relevant for the value and are therefore not included in my valuation.

### 5.2 Land charges, pollution and listed building status

#### Land charges

As demonstrated by the information available to me from the land charge directory dated 12/06/2017 which I enclose as requested with my valuation, there are no land charges as defined by Section 81 of the Lower Saxony Building Code (NBauO) for the property being valued.

#### Pollution

According to information from 26/06/2019 of the Region Hannover, Department of Environment, there is no information available for the plot 86/1.



## Listed building status

The parcel 68, on the other hand, is accordingly noted as an old location / an area suspected of being contaminated, since a repair workshop was located here in 1989.

According to the information provided, there are no monument protection regulations for the property to be valued.

### 5.3 Plot description

The 215 m<sup>2</sup> plot of land on which the valuation is based comprises the plots 68 and 86/1 of cadastral district 18, Vahrenwald sub-district. It forms an overall regularly cut corner plot between Vahrenwalder Straße and Halkettstraße with a slight bulge at the south-western edge of the plot.

In the immediate vicinity of the property there are essentially several multi-storey residential buildings with retail use on the ground floor. While the residential area continues to the north and east in particular, there are already small commercial areas to the south of Hischestraße and, at a distance of about 550 m to the southwest, the large commercial area of Continental AG and ContiTech AG between Philipsbornstraße and railway tracks. The Technology Center Hannover and larger office buildings are also located in this area along Vahrenwalder Straße.

### 5.4 Building description

The following description is based on the knowledge gained when visiting the site. The descriptions refer to the dominant features in terms of fittings and execution. Variances may occur in some areas. No destructive investigations were undertaken.

#### 5.4.1 Year of construction, type and purpose

On the property to be valued there is a residential building with a full basement, built massively in 1963, with a total of 15 rental units, of which two are commercial on the ground floor. According to the tenant list, these comprise 73 m<sup>2</sup>, the living space on the upper floors a total of approx. 648 m<sup>2</sup>. According to the area calculation from 1987 regarding a building project, a good 46 m<sup>2</sup> of living space are attributable to the roof storey.

In accordance with the order, the further considerations are based on the tenant list submitted with a total of 720.86 m<sup>2</sup> of rental space.

The property has no parking spaces or significant open spaces.



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	5.4.2 Description of building and condition
<b>External walls</b>	Masonry plastered and painted;
<b>Roof</b>	Flat pitched saddle roof (purlin roof) with concrete tiles;
<b>Windows and external doors</b>	Plastic windows, insulated glazing, external doors made of glass/aluminium with doorbells and letterboxes;
<b>Internal walls and doors</b>	Solid and lightweight walls, partly plastered, partly wallpapered; wooden doors lacquered or veneered;
<b>Floors</b>	In the apartments laminate, tile flooring in kitchen and bathroom; staircase with terazzo flooring, partly tiles;
<b>Sanitary fittings</b>	Floors and walls tiled to about door height;
<b>Heating</b>	Gas heating system covering one floor for heating and hot water supply in the apartments;
<b>General status</b>	The property is well maintained in principle, but there is also a need for renovation of the facade, roof and interior, which is why according to the client the following measures will be implemented at short notice:
<b>Windows</b>	Installation of new windows as plastic windows in white, with double thermal insulation glass 4-16-4, insulating glazing UG=1.1. Installation of a window sill system consisting of aluminum window sill and sealing tape.
<b>Façade</b>	Installation of a thermal insulation composite facade from 140 mm thick insulation boards made of EPS on base rail, 140 mm/032 insulation board. Facade paint in white. Primer coat with silicone primer, intermediate coat and top coat with silicone facade paint. Installation of new downpipes. Embedding of a fabric corner protection rail format 10/10 as edge protection.
<b>Boiler</b>	Exchange of 8 existing gas fired combination boiler (older than 2002).
<b>Attic insulation</b>	Installation of Rigidur attic elements.

#### 5.4.3 Exterieur Features

The property is fully developed with the valuation object. Parking spaces are not available, nor are there any open spaces belonging to the property. The "circumnavigation" or access to the property in the rear area is made possible by the right of shared use of the yard (cf. 5.1.).

#### 5.5 Rental Agreement Situation

As of the valuation date, all rental units, i.e. both the 13 apartments and the two commercial units on the ground floor of the property, were rented.



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In accordance with the order, I base my valuation on the list of tenants (Annex 3). Accordingly, the agreed monthly rents for commercial space in the property average € 10.90 /m<sup>2</sup> (range from € 13.60 /m<sup>2</sup> to € 16.67 /m<sup>2</sup>). For the apartments the average is € 8.34 /m<sup>2</sup> (range from € 6.22 /m<sup>2</sup> to € 9.56 /m<sup>2</sup>).

The ratio of rental income from residential property (648 m<sup>2</sup>) to commercial property (73 m<sup>2</sup>) is currently around 83 % to around 17%.

#### 5.6 Summary

The property is a fully rented residential building with for the location typical retail units on the ground floor.

## 6. Area calculation

Using the floor plans received, the area calculations from the 1960s and the findings from my property inspection, I plausibilised the floor sizes of the building in accordance with the tenant and rental space list submitted.

Minor variations remain unconsidered by me. In my valuation, I use the spaces from the list of tenants (Annex 3) as the basis for my order.

A separate measurement was not carried out.

Rental Space List			
No.	type of use	Floor	Rental space (usable space)
1	Cafe/bar	ground floor	48.00 m <sup>2</sup>
2	Tailor's shop	ground floor	25.00 m <sup>2</sup>
3	Residential	1st floor right	51.25 m <sup>2</sup>
4	Residential	1. upper floor middle	36.02 m <sup>2</sup>
5	Residential	1st floor left	58.22 m <sup>2</sup>
6	Residential	2nd floor right	51.25 m <sup>2</sup>
7	Residential	2. upper floor middle	36.02 m <sup>2</sup>
8	Residential	2nd floor left	58.22 m <sup>2</sup>
9	Residential	3rd floor right	51.25 m <sup>2</sup>
10	Residential	3. upper floor middle	36.02 m <sup>2</sup>
11	Residential	3rd floor left	58.22 m <sup>2</sup>
12	Residential	4th floor right	51.25 m <sup>2</sup>
13	Residential	4. upper floor middle	36.02 m <sup>2</sup>
14	Residential	4th floor left	58.22 m <sup>2</sup>
15	Residential	roof storey	65.90 m <sup>2</sup>
<b>Total:</b>			<b>720.86 m<sup>2</sup></b>



## 7. Valuation principles

### 7.1 Preliminary methodological notes

#### Fair market value definition

In Section 194 of the German Construction Code (BauGB), the fair market value is defined as follows:

*“The fair (market) value is determined by the price that can be achieved at the time to which the evaluation refers in normal business operations according to the legal facts and actual characteristics, the other characteristics and location of the property or the other object subject to valuation without taking account of unusual or personal conditions.”*

The fair market value is referred to in expert circles as the “objective exchange value” or “objective value”. It is characterised as the most likely sales prices on the key valuation date.

#### Legal basis

The calculation of the fair market value is based on the following statutory principles whilst taking into account the relevant changes:

- German Building Code - Baugesetzbuch (BauGB)
- Property Valuation Calculation Regulations (ImmoWertV)

The relevant, most recent changes are also taken into account as additional legal and management principles and are of particular importance when calculating the fair market value:

- Income Value Guidelines (EW-RL)
- Depreciated Replacement Cost Value Guidelines (SW-RL)
- Normal Production Costs 2010 (NHK 2010)
- German Federal Town Planning Regulations (BauNVO)
- Regulations for Calculation of Factors Related to Residential Lettings (II. BV)
- German Civil Code (BGB)
- DIN 277/ 1987

#### Market Value

The German definition of the fair market value corresponds to the internationally recognised definition of “market value” by the *European Valuation Standards* (EVS) of the *The European Group of Valuers’ Association* (TEGoVA) and also to the valuation standards of the British *Royal Institution of Chartered Surveyors* (RICS).

## 7.2 Selection of valuation method

### Methodology standards

The calculation of the fair market value can, according to the German federal ordinance for real estate valuation (ImmoWertV) dated 19 May 2010, and the valuation guidelines permitted for use in the version dated 01 March 2006 (WertR 2006), be undertaken using the comparative value (Section 15 ImmoWertV), the income value (Sections 17 et seq ImmoWertV) or the depreciated replacement cost value method (Sections 21 et seq ImmoWertV). The circumstances of the individual case taking into account the customs in normal business relationships are key to selecting the method. The market value taking into account the situation of the property market is derived from the result of the selected method.

In practice, these provisions are usually applied as follows:

### Income value

The income value method is mainly used to determine the market value of properties for which the normal achievable income in the marketplace can be achieved or estimated. It is therefore in particular applied to rental properties, business premises and mixed use properties.

**Depreciated replacement cost** The depreciated replacement cost value method is mainly used for property the use of which does not generally depend on an income or if such cannot be determined precisely. It is therefore in particular selected for residential properties used by the owner.

### Comparative value

The comparative value method is mainly used to determine the land value and value of owner-occupied apartments (sometimes also houses).

### Summary

The property being valued is an apartment building. The participants in the property market or a potential buyer will assess the property to be valued primarily on the basis of the income that can be generated from this property. For this reason, the market value of the property is determined on the basis of the income value method.

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## 8. Valuation

### 8.1 Land value

#### 8.1.1 Preliminary methodological notes

In order to determine the value of the land (land value), purchase prices of comparable properties are to be used. In addition to or instead of these purchase prices, the determination of the land value in accordance with the Building Code can also be based on suitable land reference values (cf. §§ 196 ff. of the Building Code). The land value shall be determined as if the land were undeveloped.

Characteristics that influence the value are to be taken into account as supplements or deductions or by other means. The factors influencing the price include in particular the property's location, the rights and charges it is subject to, type and extent of construction use, property customization, construction status and soil characteristics. There may also be value reductions from effects on the property due to an economically/technically consumed substance, demolition requirement or other official regulations (e.g. listed building status).

#### 8.1.2 Land value calculation

#### Planning law

The valuation site is located in the planning district North 61.11 and is covered by the local development plan No. 149 of the City of Hanover. The so-called Implementation Plan 149, drawn up and adopted in 1959/60, focused on the regulation of escape routes and roadways for reconstruction after the destruction of the 2<sup>nd</sup> World War. Regarding the property use, it is defined as a special residential area (WB), buildable with up to five storeys.

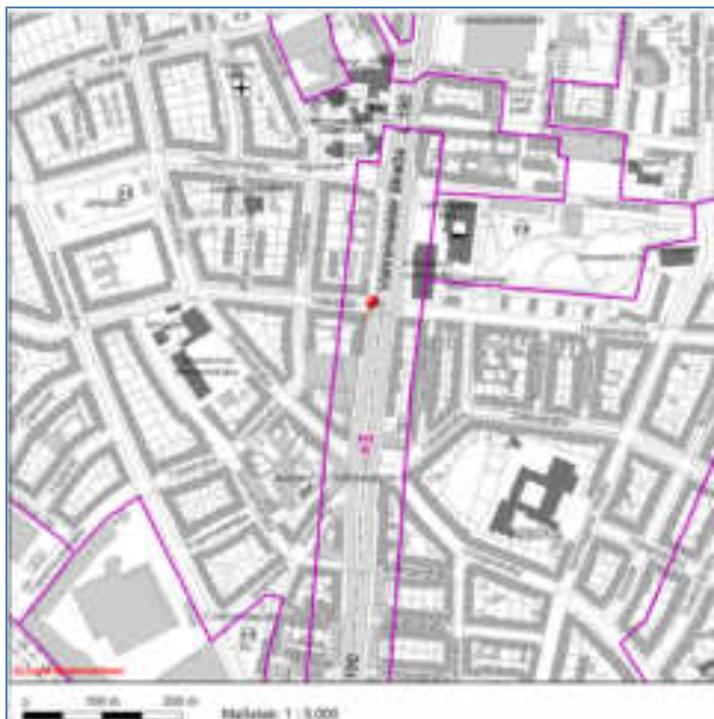
#### Property quality

The property can be used for construction under the public law regulations. It is characterized as land ready for construction.

#### Guideline land value

The official committee of valuation experts for the region Hameln-Hanover shows the following guideline land value for the property being valued as of the key date of 31/12/2018:

- **€ 600 /m<sup>2</sup>** for residential and commercial areas



A floor space indicator to which the land value refers is not indicated. The development within the standard ground value zone is to be regarded as typical for the location and is the basis for my evaluation. I do not consider an adjustment necessary.

#### Land value

On the basis of the approaches and assumptions explained, the following land value is calculated for the property:

Land value calculation	
Guideline land value:	€ 600 /m <sup>2</sup>
Derived land value:	€ 600 /m <sup>2</sup>
Property size:	215 m <sup>2</sup>
Supplement to/deductions from the guideline land value:	0,0 %
Modified guideline land value:	600 €/m <sup>2</sup>
<b>Total land value:</b>	<b>129,000 €/m<sup>2</sup></b>

(In the calculation, unrounded values are used for calculation.)

The land value is **approx. € 130,000**.

## 8.2 Income value

### 8.2.1 Preliminary methodological notes

The Income value is usually applied for purely commercial use, mixed or rented residential usage.

The method (described in Section 17 et seq ImmoWertV) is divided into two sections. The first is the land value calculation and the second is the income value of the building. For its calculation, management costs (e.g. loss of rent, administration and maintenance costs) are to be deducted from the income that can be achieved in line with market conditions. The land value interest (product of the land value and property yield) is deducted from the resulting gross income of the property. The result represents the net income element of the property investment. By capitalizing this net income of the property investment with the building net income multiplier, which is calculated from the remaining term and property yield, this results in the income value of the building. The land value and the income value of the building are totaled to establish the income value of the property being valued. Then various special, property-specific characteristics (such as value reduction for required investment due e.g. to construction defects or damage) are taken into account.

The separate calculation of the ground and building values is considered to be necessary because the land generates an income in terms of an eternal rent over the long-term whereas the building is subject to ageing processes and cannot generate a permanent income.

### 8.2.2 Income usually achievable in the marketplace

I have based my valuation on the rents guaranteed in the purchase agreement dated 01/11/2019 totaling € 7,263 per month. I have compared the total sum, which has not been broken down further to the individual rental units, with my analyses and research on the rental level in Hanover and consider this to be realistic.

### 8.2.3 Management costs

The management costs are usually costs incurred with regard to the property such as expenses for administration (administration costs), for the proper use of the property (operating costs), maintaining buildings (repair costs), the costs to balance out any rent voids and the costs of legally asserting payment, dissolving a rental relationship or clearance (potential rent void).

## Preliminary remarks



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Only those management costs that sustainably occur for proper management are recorded<sup>16</sup>. Depreciation and interest on loans are not part of the management costs. These costs and expenses are taken into account with the multiplier (capitalization factor for the net income).

#### **Operating costs**

The operating costs such as heating, cleaning and electricity and any other costs for centrally ordered services are usually charged as subsidiary costs and assigned to each tenant. This also applies to the present case and they are therefore not included in my valuation calculation.

#### **Rental void risk**

The rental void risk depends on the creditworthiness of the tenant/s, the contractual rental period and the re-rental risk. In the specialist literature<sup>17</sup>, a rate of 2 % of the annual gross rent is used for residential buildings and 4 % for commercial property. For my valuation, I consider 3.0 % of the annual gross rent to be appropriate.

#### **Repairs**

In Appendix 1 of the Current Market Value Regulations - ErtragswertR - a rate for ongoing repairs to residential properties of € 11.00 /m<sup>2</sup> (indexed: € 11.59 /m<sup>2</sup>) is recommended.

For commercial use, e.g. for offices, shops, practices etc., 100 % of the repair costs for residential use is also stated. I base my valuation therefore on total repair costs of € 11.59 /m<sup>2</sup>.

#### **Administrative expenses**

Administrative expenses can only be assigned to the tenants for commercial use. I base my valuation on management costs of 5 % of the usual gross profit as it is usual in the market. In this valuation case, this represents around € 4,357. If with reference to Section 26 Para. 2 and 3 and Section 41 Para. 2 II. BV an assumption is made for each (residential) unit of € 353 p.a. (indexed), this would result in around € 4,589.

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<sup>16</sup> cf. Section 19 ImmoWertV

<sup>17</sup> cf. Kleiber: Calculation of the current market value of properties, 6th edition 2010, P. 1803

## 8.2.4 Property yield

### Preliminary remark

The interest rate for the land value and calculation of the building income value is set based on the property yield.<sup>18</sup> This can be derived from several different factors such as the capital yield, ratios and conditions for investment funds and income changes from the property. It is determined by the type of construction and position of the property. Even if the property yield is comprised of a variety of factors, investigations have shown that it responds with relatively low sensitivity to variations in the individual factors - e.g. the capital market interest rate.<sup>19</sup> This is based on such matters as the fact that property investment as a result of its long-term character mostly balances out short-term market variations in the capital yield.<sup>20</sup>

The property yield is to be determined in line with the market depending on the type of property and location on the property market.

### Property yield

The official committee of valuation experts for the region Hameln-Hanover (GAA) derives as of 31/12/2018 an average property yield for apartment buildings of 1.8 %. The basis for this is a guideline land value of € 275 /m<sup>2</sup>, monthly net rent excluding utilities of € 6 /m<sup>2</sup> of residential space and an average construction condition.

The following values are to be taken into account as corrections to the property yield:

- Location in the state capital city Hanover: - 0.3 %
- Guide land value €550 /m<sup>2</sup>: - 0.5 %
- Rent € 10.00 /m<sup>2</sup>, residential space: + 0.6 %

This results in a correction value of - 0.2 % and therefore a modified property yield of 1.6 %.

The economic risks for the yield and value conditions that are taken into account in the level of the property interest rate are mainly determined by the expected, potential, long-term demand. This is affected in addition to the general market situation in particular by the following criteria:

- a. Micro-location/infrastructure/location quality (taking into account transport links by bus, rail and car)
- b. Property quality/risk (in particular other usage options, area size and technical infrastructure) as well as the

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<sup>19</sup> cf. Rössler/ Langner/ Simon/ Kleiber P. 209

<sup>20</sup> cf. Vogels P. 166 et seq

infrastructure and in particular the ability to get to the building and parking options

c. Property rental/vacancy situation and building economy.

### Level of property yield

The valuation property is a property in which residential use dominates. Based on the above considerations, I consider a property interest rate of 2.5 % to be appropriate.

### 8.2.5 Total and remaining lifespan

### Total lifespan

The usual total lifespan takes into account technical and economic aspects of the time a building is in place. It is measured using empirically calculated experience rates. The economic total lifespan corresponds to the period in which the property being valued can be reasonably used in economic terms.

In the NK 2010 an average economic total usage term for apartment blocks or residential homes with mixed use is stated at 70 years ( $\pm 10$ ).

### Remaining lifespan

The economic remaining lifespan as per Section 6 Para. 6 ImmoWertV is the period in which the building can still be used if there is proper maintenance and management. It also states there that repairs and modernisation that have been undertaken can extend the remaining lifespan. Therefore when calculating the economic remaining lifespan, the condition of the building and maintenance as well as the economic usage must be taken into account. The property being valued was completed in 1963 and has been maintained over time. Renovation and thermal refurbishment has been and currently is being undertaken. I have therefore based my valuation on a notional year of construction of 1984.

The remaining lifespan is in this case the difference between the usual total lifespan and the age of the building on the key date.

This results in the following remaining lifespan for the object being valued:

Calculation of the remaining lifespan	
Total lifespan	70
Notional year of construction applied	1984
Age of the building on the key valuation date	35
<b>Remaining lifespan</b>	<b>35</b>



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### 8.2.6 Present value factor

The formula for the present value factor is:

$$\text{Multiplier} = \frac{(1 + i)^n - 1}{i \times (1 + i)^n}$$

i = Property yield

n = Remaining lifespan in years

If you apply in the formula a remaining lifespan of 35 years and interest property rate of 2.5 %, this generates a multiplier of **23.15**.

## 8.2.7 Income value calculation

The preliminary income value for the property being valued is calculated as follows:

Annual gross profit						
No.	Type of use	Location inside the building	Rental area (Usable space)	Actual rent per m <sup>2</sup>	Actual rent	Target rent
1	Café/Bar	Ground floor	48.00 m <sup>2</sup>	16.67 €	800.16 €	-
2	Taylor's shop	Ground floor	25.00 m <sup>2</sup>	13.60 €	340.00 €	-
3	Residential	1st floor right	51.25 m <sup>2</sup>	10.34 €	529.93 €	-
4	Residential	1st floor middle	36.02 m <sup>2</sup>	10.69 €	385.05 €	-
5	Residential	1st floor left	58.22 m <sup>2</sup>	8.16 €	475.08 €	-
6	Residential	2st floor right	51.25 m <sup>2</sup>	9.56 €	489.95 €	-
7	Residential	2st floor middle	36.02 m <sup>2</sup>	9.02 €	324.90 €	-
8	Residential	2st floor left	58.22 m <sup>2</sup>	8.24 €	479.73 €	-
9	Residential	3st floor right	51.25 m <sup>2</sup>	6.83 €	350.04 €	-
10	Residential	3st floor middle	36.02 m <sup>2</sup>	7.03 €	253.22 €	-
11	Residential	3st floor left	58.22 m <sup>2</sup>	8.50 €	494.87 €	-
12	Residential	4st floor right	51.25 m <sup>2</sup>	7.51 €	384.89 €	-
13	Residential	4st floor middle	36.02 m <sup>2</sup>	9.02 €	324.90 €	-
14	Residential	4st floor left	58.22 m <sup>2</sup>	6.22 €	362.13 €	-
15	Residential	Roof Storey	65.90 m <sup>2</sup>	8.35 €	550.27 €	-
Actual total monthly gross profit:					6,545.11 €	
Target total monthly gross profit:						7,263.00 €
Target annual gross profit:						87,156.00 €
./. Management costs						
Operating costs			Not applied			
Repairs			11,59 €/m <sup>2</sup>	721 m <sup>2</sup> space		8,354.77 €
Administrative expenses			5 % of annual gross profit			4,357.80 €
Rental void risk			3 % of annual gross profit			2,614.68 €
Totals:			17,6 % of annual gross profit			15,327.25 €
Net annual income for the property:					71,828.75 €	
./. Land value interest						
Land value		(Price/m <sup>2</sup> x property size)	600 €/m <sup>2</sup>	215 m <sup>2</sup>		129,000.00 €
Land value interest		(Land value x property yield)	Property yield: 2,50%			3,225.00 €
Annual net profit for building:					68,603.75 €	
Building's income value						
Property yield		2.50 %				1,587,844.65 €
Remaining economic lifespan		35 Jahre				
Multiplier		23.15				
Preliminary building's income value:					1,587,844.65 €	
Land value						
Land value		(Price/m <sup>2</sup> x property size)	600 €/m <sup>2</sup>	215.00 m <sup>2</sup>		129,000.00 €
Preliminary income value:					1,716,844.65 €	

(The calculation is made with unrounded values)

The preliminary income value is **approx. € 1,717,000.**



### 8.2.8 Special property-specific features

The special property-specific features as per Section 8 Para. 3 ImmoWertV are understood for example as economic over-aging, above-average maintenance condition, construction defects or damage and significant variances in income to those usually achievable in the market.

#### Rental guarantee

In Section 8.2.2 I have stated that the full amount of rent will only be received from 01 November 2019. Therefore, a monthly difference of € 717.89 must be deducted from the preliminary income value.

./. Special property-specific features		
Lower rental income for 3 months	Difference: € 717.89	€ 2,153.68
	Income value (rounded):	€ 1,710,000.00

### 8.3 Fair market value

Point 7.2 explains that the fair market value is derived from the current market value.

The value of a property to be used economically is primarily determined by its future potential uses and expectations. An economically reasonable market participant considers the property to be valued from the point of view of return.

A market adaptation is not required for the income value method as the method is influenced by value approaches that comply with the market. The key parameters determining value here are:

- Property yield
- Rent at market rates

A fair market value of about

**€ 1,710,000**

has been calculated.

In words: **one million seven hundred ten thousand euros**

This valuation result corresponds to 19.6 times the annual gross income. The official committee of valuation experts for the region Hameln-Hanover published an average gross income multiplier of 17.5 on 31/12/2018. The range was between 10.8 and 25.0 times.

## 9. Final remark

I have produced this report to the best of my knowledge on the basis of careful examination, the documents provided, and information issued.

Hamburg, 23rd September 2019

Klaus Wagner MRICS, REV



## Appendix (1) - Photo documentation

Exterior view East;  
street front



Exterior west view;  
Rear facade



Kitchen; flat 3rd floor



Bathroom; flat 3rd floor



Room; flat 3rd floor



Shop window front; ground floor, shop 1



Shop front; ground floor, shop 2



Cellar



Outside, backwards





# Vermessungs- und Katasterverwaltung Niedersachsen

Gemeinde: Hannover, Landeshauptstadt  
Gemarkung: Vahrenwald  
Flur: 18 Flurstück: 68

# Liegenschaftskarte 1:1000 Standardpräsentation

Erstellt am 24.06.2019

N = 5805127

E = 32560091



E = 32549911

N = 5804907

Maßstab 1:1000 0 10 20 30 Meter

### Verantwortlich für den Inhalt:

Landesamt für Geoinformation und Landesvermessung Niedersachsen  
- Katasteramt Hannover - Stand: 22.06.2019  
Dorfstraße 19  
30519 Hannover

### Bereitgestellt durch:

Kanzlei Schiedat & Partner  
Rechtsanwalt und Notar  
Oskar-Winter-Straße 8  
30161 Hannover

### Zeichen:

Bei einer Verwertung für nichteigene oder wirtschaftliche Zwecke oder einer öffentlichen Wiedergabe sind die Allgemeinen Geschäfts- und Nutzungsbedingungen (AGNB) zu beachten; ggf. sind erforderliche Nutzungsrechte über einen zusätzlich mit der für den Inhalt verantwortlichen Behörde abzuschließenden Nutzungsvertrag zu erwerben.

EH	Mieter Tenant	Nutzungsart Type of use	Latest rent adjustment		Lage Location within the building	Wohn- / Nutzfläche Living space	Miete pro m² Rent per m2	Nettomiete (IST) p. m. Net rent	NK Vorauszahlung Advance payment of service charges	Mietrückstände per 25.07.2019 Rent arrears	Deposit Kautionsliste gem. per 28.06.2019	Kautionsart Deposit type
			Einzug Moving in date	Datum letzte Mieterhöhung								
1	Ozan Subay	Gewerbe Commercial	01.10.2018	-	EG links	48,00 m²	16,67 €	800,00 €	110,00 €	1.210,41 €	2.400,00 €	Kautionskonto Hausverwaltung Deposit account property management
2	Maria Kidas	Gewerbe Commercial	01.10.2013	-	EG rechts	25,00 m²	13,60 €	340,00 €	61,28 €	- €	660,00 €	Kautionskonto Hausverwaltung
3	Ozan Subay	Wohnen Residential	01.11.2018	-	1. OG links	51,25 m²	10,34 €	530,00 €	95,00 €	1.748,84 €	1.590,00 €	Kautionskonto Hausverwaltung
4	Arman Vafaei	Wohnen Residential	01.01.2019	-	1. OG Mitte	36,02 m²	10,69 €	385,00 €	95,00 €	- €	1.155,00 €	Kautionskonto Hausverwaltung
5	Kruse, Gürbüz	Wohnen Residential	01.11.2018	-	1. OG rechts	58,22 m²	8,16 €	475,00 €	110,00 €	- €	1.425,00 €	Kautionskonto Hausverwaltung
6	Tim Yannick Schneegans	Wohnen Residential	01.07.2019	-	2. OG links	51,25 m²	9,56 €	490,00 €	126,00 €	- €	1.470,00 €	Kautionskonto Hausverwaltung
7	Giannas	Wohnen Residential	01.07.2015	-	2. OG Mitte	36,02 m²	9,02 €	325,00 €	88,85 €	- €	1.215,00 €	Kautionskonto Hausverwaltung
8	Gaidai/ Drouche	Wohnen Residential	01.05.2018	-	2. OG rechts	58,22 m²	8,24 €	480,00 €	130,00 €	- €	1.440,00 €	Kautionskonto Hausverwaltung
9	Güven / Hartrumpf	Wohnen Residential	01.01.2016	-	3. OG links	51,25 m²	6,83 €	350,00 €	120,00 €	218,16 €	1.050,00 €	Kautionskonto Hausverwaltung
10	Christina Schmidt	Wohnen Residential	01.08.2003	01.07.2010	3. OG Mitte	36,02 m²	7,03 €	253,22 €	91,33 €	- €	- €	Kautionskonto Hausverwaltung
11	Ha Hoang	Wohnen Residential	01.07.2019	-	3. OG rechts	58,22 m²	8,50 €	495,00 €	142,00 €	- €	1.320,00 €	Kautionskonto Hausverwaltung
12	Nimmergut	Wohnen Residential	01.07.2015	-	4. OG links	51,25 m²	7,51 €	385,00 €	126,14 €	- €	1.155,00 €	Kautionskonto Hausverwaltung
13	Truong	Wohnen Residential	01.09.2018	-	4. OG Mitte	36,02 m²	9,02 €	325,00 €	85,00 €	- €	975,00 €	Kautionskonto Hausverwaltung
14	Peter Gebel	Wohnen Residential	01.07.2001	01.07.2010	4. OG rechts	58,22 m²	6,22 €	361,99 €	134,76 €	137,92 €	957,01 €	Kautionskonto Hausverwaltung
15	Nguyen/ Duyen	Wohnen Residential	01.07.2018	-	DG	65,90 m²	8,35 €	550,00 €	120,00 €	- €	1.650,00 €	Kautionskonto Hausverwaltung
<b>Gesamt Total:</b>						<b>720,86 m²</b>		<b>6.545,21 €</b>	<b>1.635,36 €</b>	<b>3.315,33 €</b>	<b>18.462,01 €</b>	
<b>Nettomiete kalt / warm p. a. Net rent:</b>								<b>78.542,52 €</b>				

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## General Terms and Contract Conditions

### Section 1: Validity

1. The legal relationship between the appraiser and his client (Principal) shall be governed by the following contractual conditions.
2. Any provisions of the Principal that deviate from this shall only become part of the contract if the Expert expressly acknowledges them in written form.

### Section 2: Mission

1. Acceptance of the order as well as agreements, assurances or collateral agreements made verbally, by telephone or by employees require written confirmation by the appraiser in order to be effective.
2. The subject and purpose of the expert opinion must be specified in writing when the order is placed.

### Section 3: Execution of the order

1. The assignment shall be performed unbiased and to the best of our knowledge and belief in accordance with the principles applicable to a publicly appointed and sworn appraiser.
2. The appraiser can only guarantee a certain success, in particular a result desired by the Principal, within the framework of objective and unbiased application of his expertise.
3. The appraiser shall deliver the report in person. Where necessary or expedient and the personal responsibility of the appraiser remains intact, he may avail himself of the assistance of expert staff in preparing the appraisal.
4. If it is necessary to call in experts from other fields in order to carry out the order properly, the Client shall commission them separately.
5. In all other respects, the appraiser shall be entitled to carry out or have carried out the necessary and customary examinations and tests at his dutiful discretion in order to process the order at the Client's expense. This includes in particular the making of enquiries, the carrying out of journeys and inspections as well as the taking of photographs and drawings or having them taken without the special consent of the Client being required. Whereas unforeseen investigations or investigations that are time and costly in relation to the purpose of the expert opinion become necessary, the prior consent of the Principal must be obtained.
6. The appraiser shall be authorised by the Principal to obtain from authorities and third parties the information necessary for the preparation of the appraisal and to conduct surveys. If necessary, the Principle must issue him with a special power of attorney for this purpose.
7. The appraisal must be provided within the agreed period.
8. The Principle will receive two written copies of the evaluation. Additional copies will be invoiced separately.
9. After completion of the order and payment of the agreed remuneration, the Expert shall return the documents provided to him by the Principal for the execution of the expert opinion without being asked.

### Section 4: Obligations of the AG

1. The Principal may not give the appraiser any instructions that could distort his actual findings or the result of his expert opinion.
2. The Principal shall ensure that the appraiser receives all information and documents (e.g. invoices, drawings, calculations, correspondence) necessary for the execution of the order free of charge and in good time. The appraiser shall be informed in good time and without special request of all events and circumstances which may be of recognisable significance for the rendering of the expert opinion.

### Section 5: Confidentiality of the expert

1. The appraiser is subject to an obligation to secrecy, which is punishable by law, in accordance with § 203 Para. 2 No. 5 StGB (German Criminal Code). Accordingly, it is also contractually prohibited to disclose, pass on or exploit the expert opinion itself or facts or documents that have been entrusted to it or otherwise become known to it in the course of its expert activities without authorisation. The obligation to secrecy covers all facts that are not obvious and applies beyond the duration of the contractual relationship.
2. This obligation to secrecy also applies to all persons working in the appraiser's company. The appraiser shall ensure that the confidentiality obligation is observed by the named persons.
3. The appraiser is authorised to disclose, pass on or use for his own purposes the knowledge gained during the expert opinion, if he is obliged to do so on the basis of statutory provisions or if his client expressly releases him in writing from the duty of confidentiality.

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4. Unless otherwise agreed, the Expert shall be permitted to pass on to third parties obvious facts of the contractual relationship as well as the name of the Principal as a reference.

#### **Section 6: Copyright protection**

1. The appraiser retains the copyright to the services provided by him, as long as they are copyrightable.
2. In this respect, the client may only use the expert opinion prepared within the scope of the order, including all lists, calculations and other details, for the purpose for which it is intended as agreed.
3. The Principal shall only be permitted to pass on the appraisal to third parties beyond this, to use it in any other way or to change or shorten the text with the appraiser's consent.
4. Publication of the expert opinion requires the consent of the expert in all cases. Reproductions are only permitted within the scope of the intended use of the expert opinion.

#### **Section 7: Fees**

1. The expert must receive a remuneration. The amount of the remuneration depends on the order.
2. In addition, incidental costs and expenses may be demanded in the amount actually incurred (against appropriate proof) or agreed upon (without proof).
3. The remuneration as well as the respectively accrued additional costs are plus the legal value added tax.

#### **Section 8: Payment - Default of payment**

1. The agreed fee is due upon receipt of the expert opinion by the Principal. It is permissible to send the expert opinion by post with simultaneous collection of the due remuneration by cash on delivery.
2. If the Principal is in default with the payment of the fee, the appraiser may, after setting a reasonable period of grace, withdraw from the contract and/or claim damages for non-performance pursuant to §§ 286 et seq., 280 et seq. of the German Civil Code (BGB). Subject to the assertion of further damages, interest on arrears in accordance with § 288 I BGB (German Civil Code) shall be paid in the event of default of payment. We reserve the right to assert further damages caused by delay.
3. If the Principal fails to pay an agreed advance payment or an agreed instalment despite being set a deadline with the threat of termination, the appraiser shall be entitled to withdraw from the contract and demand the agreed fee, but less any expenses saved. Unless the Principal can prove a higher share of saved expenses in an individual case, this shall be agreed at 40% of the fee for the services not yet rendered by the appraiser.
4. If the appraiser becomes aware of circumstances that endanger the creditworthiness of the Principal, he shall be entitled to demand immediate payment of the entire fee, setting a deadline and threatening termination.
5. The Principal may only offset against claims of the appraiser if the Principal's counterclaim is undisputed or a legally binding title exists. The Principle can only assert a right of retention if it is based on claims from the concluded contract.

#### **Section 9: Exceeding the deadline**

1. The period for the delivery of the expert opinion (cf. section 3 para. 7) begins on the working day following the date of conclusion of the contract. If the Expert requires documents of the Principal (cf. section 4 Para. 2) for the rendering of the expert opinion, the execution period shall be extended by the period of time until their receipt by the Contractor, if the Principal is obliged to provide them, otherwise by the period of time from their request by the Contractor until receipt of the documents. If the payment of an advance has been agreed, the period shall not begin to run until the documents or the advance have been received. The period shall also be extended by the period from receipt of the notice of the deadline until payment in accordance with section 8 no. 4 or no. 5.
2. If the delivery date is exceeded, the Principal may only withdraw from the contract or claim damages if the Expert is in default of performance or if it is impossible to perform for reasons for which the Expert is responsible.
3. The appraiser shall only be in default if he is responsible for the delay in delivery of the expert opinion. In the event of obstacles to delivery for which we are not responsible, such as cases of force majeure or illness, delivery shall not be delayed. The delivery period shall be extended by the period during which the impediment to performance for which we are not responsible continues. The Principle cannot derive any claims for damages from this. If such impediments to delivery make it completely impossible for the Expert to deliver the expert opinion, he shall be released from his contractual obligations. In this case too, the client shall not be entitled to claim damages.
4. In addition to delivery, the Principal may only demand compensation for damages caused by delay if intent or gross negligence can be proven against the appraiser.

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### **Section 10: Termination**

1. Client and appraiser may terminate the contract without notice at any time for good cause. Notice of termination must be given in written form.
2. Important reasons that entitle the client to terminate the contract include a breach of the obligations to provide objective, independent and impartial expert opinions.
3. Important reasons entitling the appraiser to terminate the contract include refusal of the Principal to provide the necessary cooperation; attempt by the Principal to exert undue influence on the appraiser which may distort the result of the Expert Opinion (cf. section 4 para. 1); if the Expert discovers after acceptance of the order that he lacks the necessary expertise to complete the order.
4. Otherwise, a termination of the contract is excluded.
5. If the contract is terminated for good cause for which the Expert is responsible, he shall only be entitled to remuneration for the partial performance rendered up to the time of termination to the extent that this is objectively usable by the Principal.
6. In all other cases, the Expert shall retain the entitlement to the contractually agreed remuneration, but less any expenses saved. Unless the Client can prove a higher share of saved expenses in an individual case, this shall be agreed at 40% of the remuneration for the services not yet rendered by the Expert.

### **Section 11: Warranty**

1. If the Principal discovers a defect after delivery of the expert opinion, he shall notify the appraiser of this defect without delay, otherwise the warranty claims for this defect shall expire.
2. If the expert opinion contains a defect, the Principal shall initially only be entitled to the rights to subsequent performance within a reasonable period of time (removal of the defect or new creation at the appraiser's discretion in accordance with cf. section 635, 636 BGB (German Civil Code)).
3. If the Expert fails to fulfil his obligation to provide supplementary performance within the deadline set, the Principal may reduce the remuneration in accordance with the provisions of section 638 II to IV BGB.
4. The limitation of warranty claims shall not apply in the cases of section 639 BGB (fraudulent concealment of a defect or assumption of a guarantee).
5. Warranty claims shall become statute-barred within 1 year from the end of the year of receipt of the expert opinion by the Principal, unless they have already been asserted in accordance with section 1 of this provision are excluded.

### **Section 12: Liability**

1. The appraiser shall only be liable for damages of the Principal - irrespective of the legal grounds - if he or his employees have caused the damages by a defective expert opinion intentionally or through gross negligence and for damages resulting from injury to life, limb and health, provided that these were caused intentionally or through negligence. All further claims for damages are excluded, unless they result from a violation of essential contractual obligations. This also applies to cases of subsequent performance.
2. The rights of the Principle from warranty according to section 11 are not affected by this. The claims for delay in delivery are conclusively regulated in section 9.
3. In the event of liability due to gross negligence, the amount of liability shall be limited to a maximum of 20 % of the determined value, but not more than 200,000 Euros.

### **Section 13: Place of performance and jurisdiction**

1. Place of performance is Hamburg
2. If the Principle is a registered trader, legal entity under public law or special fund under public law, Hamburg shall be the exclusive place of jurisdiction:
3. The same place of jurisdiction as in section 2 shall apply if the Client does not have a general place of jurisdiction in Germany, if he moves his place of residence or usual place of abode out of Germany after conclusion of the contract or if his place of residence or usual place of abode is not known at the time of delivering the action.