CORESTATE Capital Group

CORESTATE Capital Holding S.A.

A Leading Asset and Investment Manager

Annual Report 2017

Company Profile

CORESTATE Capital Holding S.A., headquartered in Luxembourg, is a fully integrated real estate investment manager and co-investor with roughly €22 billion in assets under management at year-end 2017, addressing all elements of the real estate investment lifecycle. Together with its subsidiaries, CORESTATE provides the full range of asset, fund, and property management services and related investment products for its clients, covering virtually all relevant real estate asset classes and investment vehicles. Income is generated through the Company's three segments (i) Real Estate Investment Management, (ii) Alignment Capital Management and (iii) Real Estate Operations and Warehousing. CORESTATE's client base consists of institutional and semi-institutional clients. The Group's key market is Germany with selected activities in other European countries such as Austria, Spain and Benelux countries. It operates principal offices in Germany, Switzerland and Spain. The Group employs 566 employees across 41 offices in 6 countries and is listed in the Prime Standard on the Frankfurt Stock Exchange.

Key Figures

	2017	2016
Revenues (€ million)	**161.7**	42.2
Aggregate Revenues & Gains (€ million)[1]	**195.0**	59.7
Adjusted EBITDA (€ million)[2]	**123.3**	23.1
Net Profit[3] (€ million)	**55.7**	15.4
Adjusted Net Profit[4] (€ million)	**93.3**	19.4
Earnings per Share (undiluted) (€)	**3.24**	1.47
Time weighted average number of shares outstanding during the period (undiluted)	**17,180,622**	10,498,703
Equity Ratio (%)	**38.6**	66.2
Net Debt/(Net Cash) (€ million)	**519.5**	(23.3)[5]
Alignment Capital Investments (€ million)[7]	**59.9**	35.7
Transaction volume (€ billion)	**2.0**	0.7
AuM at End of Period (€ billion)	**22**	16[6]
Number of Employees at End of Period	**566**	308

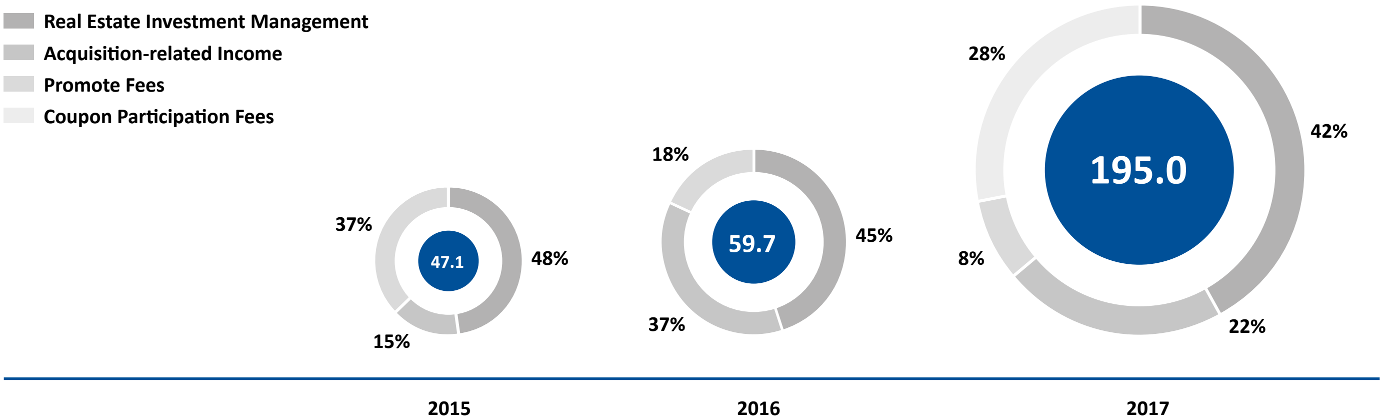
[1] Aggregate Revenues & Gains include Revenue from Real Estate Investment Management, Share of Profit and Loss from Associates and Joint Ventures, and Total Income from Real Estate Operations/Warehousing.
[2] EBITDA is adjusted for certain one-off items (e.g. costs for capital measures, corporate M&A related cost, share grant expense).
[3] net profit post minorities
[4] Adjusted Net Profit (ANP) is calculated based on the net profit for the period attributable to shareholders of the parent company, adjusted for certain one-off items net of (deferred) tax effects (e.g. costs for capital measures, corporate M&A related cost and share grant expenses, and costs for credit facilities provided by shareholders).
[5] including other non-current liabilities: Warehousing facility from SO Holding AG
[6] Full-time-equivalents, including Hannover Leasing Group. The completion of the Hannover Leasing Group transaction was subject to the conclusion of ownership control procedures by the Federal Financial Supervisory Authority (BaFin), which has been completed in H1/2017.
[7] Investment in Associates and Joint Ventures

A Leading
Real Estate Investment Manager in Europe

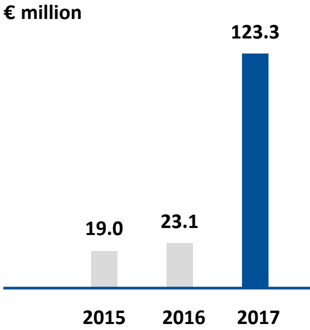
CORESTATE is the prime address for real estate investments and dedicated asset management in Germany and abroad. Our mission is to offer diversified and tailor-made investment products for our highly sophisticated investors. Our business is built on trust: As focused and flexible investment manufactory, we align our interests with those of our clients and adapt our business model to current real estate market dynamics. With our fully-loaded investment and management platform, we are ideally poised to become the leading listed investment manager and co-investor for real estate equity and debt in the European region, first and foremost in the German, Austrian and Swiss real estate market. We intend to achieve this by adopting a predominantly organic growth strategy, with bolt-on acquisitions where appropriate to enhance our product offering and investor base and expand our geographic reach. CORESTATE stands for competence, reliability and flexibility.

Our Performance

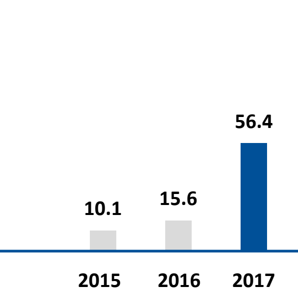
Aggregate Revenues and Gains[1]
€ million



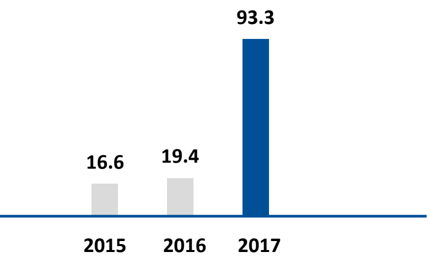
Adjusted EBITDA[2]
€ million



Net profit
€ million



Adjusted net profit[3]
€ million



[1] Aggregate Revenues & Gains include Revenue from Real Estate Investment Management, Share of Profit and Loss from Associates and Joint Ventures, Dividends from other Alignment Capital, and Total Income from Real Estate Operations/Warehousing.
[2] EBITDA is adjusted for certain one-off items (e.g. costs for capital measures, corporate M&A related cost, share grant expense).
[3] Adjusted Net Profit (ANP) is calculated based on the net profit for the period attributable to shareholders of the parent company, adjusted for certain one-off items net of (deferred) tax effects (e.g. costs for capital measures, corporate M&A related cost, share grant expenses, and costs for credit facilities provided by shareholders).

Significant Events in the Business Year 2017

Jan

19 _ Strengthened partnership with Bayerische Versorgungskammer (BVK) by acquiring micro-apartments in Hamburg including 179 units for an umbrella fund that was established for BVK in cooperation with Universal Investment

30 _ Expansion in the retail sector through investments in the amount of €125 million in 18 German retail properties in top shopping locations of German mid-sized towns

June

6 _ Exclusive mandate by an institutional fund for building up a residential properties portfolio

July

5 _ Acquisition of HFS Helvetic Financial Services AG and integration of Hannover Leasing Group

Aug

28 _ Establishment of serviced-apartments-fund for large German insurance company foreseeing micro-apartments in central locations in European major cities. Target volume of at least €200 million

Sept

7 _ CORESTATE gets mandate of Universal-Investment-Fund (BVK) for the Property and Facility Management of retail portfolio in the amount of €687 million, sold earlier this year to Universal Investment

12 _ Investments in high-street retail: 24 separate retail properties in top shopping locations throughout German mid-sized towns are acquired for €210 million

Oct

10 _ CORESTATE acquires ATOS Capital with approx. €2 billion in managed assets, adding expertise in the commercial properties sector

Nov

1 _ Listing on the Prime Standard of Deutsche Börse

6 _ First rating of BB+ obtained by Standard & Poor's with a stable outlook

21 _ Issuance of a convertible bond, due 2022 in an amount of €200 million

CORESTATE at a Glance

REAL ESTATE INVESTMENT PLATFORM
covering the entire investment lifecycle

ATTRACTIVE PRODUCT OFFERING
across all asset classes matching needs of all types of clients (institutional, semi-institutional (family-offices and ultra-high net worth individuals) and retail)

EXCELLENT ACCESS TO ASSETS
through strong sourcing capabilities (current pipeline of €6.0 billion)

STABLE/ LONG LASTING CLIENT-BASE
broad and diversified institutional and semi-institutiuonal clients base

APPROX. €22 BILLION
total assets under management (AuM)

APPROX. 85% RECURRING INCOME
is high and stable

566 EMPLOYEES IN 41 OFFICES IN 6 COUNTRIES
with direct access to local real estate markets

EXCELLENT TRACK RECORD AND ENORMOUS GROWTH POTENTIAL
thanks to business model

PROVEN ABILITY
to integrate newly acquired assets in a smooth and efficient manner

Content

To our Shareholders

Group Management Report

Corporate Governance Report

Consolidated Financial Statements and Notes

Annual Accounts and Notes

Dear Shareholders, Ladies and Gentlemen

This has been an eventful year that has opened a new chapter in our company's history. Thanks to our ability to balance organic growth with the smooth and efficient integration of new businesses, we have optimised our business model as a fully-integrated investment manager and have fulfilled all of the strategic and operational targets we set out to achieve in 2017. As anticipated, we closed the integration of Hannover Leasing in the second half of the year. Our acquisitions of Helvetic Financial Services and ATOS have contributed to the consolidation of the real estate market and extended our expertise to the real estate financing and commercial properties sector. By year-end, our assets under management increased by 7.9 times to approximately €22 billion. In total, we have handled 44 transactions in 2017 with an aggregate volume of 2.0 billion.

Delivered as promised

Looking back on the past financial year, thanks to organic growth and newly integrated businesses, we have significantly outperformed the targets set out in 2016. Revenues and gains increased by 227% to €195 million. Adjusted net profit rose by 380% to €93.3 million (previous year: €19.4 million) and net profit was 262% higher at €56.4 million (previous year: €15.6 million). Most importantly, we generated significant added value for our shareholders, our clients and our business partners, which, last but not least, is reflected by our share price development.

Fully fledged alongside the entire real estate investment lifecycle

CORESTATE covers the entire value chain – from origination to exit, securing high returns for our clients. We offer a range of diversified investment vehicles for our broad and diversified investor groups. Our all-encompassing and integrated approach sets us apart from our competitors. By co-investing in our products, we align our interests with those of our clients while at the same time generating fee-based income. Through our real estate operations and warehousing activities, we capitalise on investment opportunities and secure constant asset supply – covering both standing assets and development plots. In the last business year, we have achieved significant progress across our entire value chain. In just one year, we have significantly increased in size, thereby increasing our asset and capital sourcing capabilities, product offering, volume and variety of assets as well as our investor access. As a result of our acquisitions, CORESTATE now provides the full range of asset, fund, and property management services and related investment products to institutional, semi-institutional and private investors. Furthermore, thanks to the acquisition of Helvetic Financial Services, we are able to offer mezzanine real estate financing solutions and mezzanine debt funds, a meaningful addition to our portfolio.

Uplisting to the Prime Standard and access to debt capital markets

Looking back on the business year, two events deserve special mention: The first is our uplisting to the Prime Standard of the Frankfurt Stock Exchange that will increase our overall visibility and the marketability of our shares, resulting in better access to the capital market and improved communication with our investors. Our uplisting in combination with a →

significant increase in free float results in a considerable improved liquidity of our shares. The second event that deserves special mention is our assignment of a corporate credit rating by Standard & Poor's, providing us competitive advantage as the only real estate investment manager in Germany having obtained a corporate credit rating from an international rating agency. The rating is a key element in improving our access to capital under best conditions. We will be able to finance the Company in a more flexible and institutionalised way at lower funding costs, for example by issuing convertible or senior unsecured bonds, as we did in November of last year through the issuance of a convertible bond with a final aggregate amount of €200 million.

Positive Outlook for 2018

Through the optimisation of our scalable platform including our state-of-the-art IT infrastructure and our strengthened asset and capital sourcing capabilities, we are well positioned for 2018 and the years beyond. Our investment focus will continue to be aligned with client demand as well as real estate markets' dynamics. Given the current real estate environment, our investment focus will remain on high-street retail investments, commercial properties and micro-living in Germany and Spain as well as selected German residential opportunities. Thanks to expected cost and asset synergies within the Group, we have already raised our forecast for the financial year 2018. The strategic decisions and investments made in 2017 will result in a positive effect on our financial indicators. We expect adjusted net profit of €120–€130 million, an adjusted EBITDA of €155–€165million and total revenues of €230–€240 million with a large part stemming from our stable and predictable recurring fee income.

BB+ *(stable outlook)*

Long-term corporate rating
putting CORESTATE in an exceptional position among German real estate investment managers

We would like to thank the entire CORESTATE team for their commitment, dedicated work and contributions to driving our business forward and for constantly seeking new opportunities. Finally, we would like to thank all of our shareholders for your continued support.

Lars Schnidrig
Chief Financial Officer

Sascha Wilhelm
Chief Executive Officer

Thomas Landschreiber
Chief Investment Officer

Dear Shareholders, Ladies and Gentlemen

Micha Blattmann
Chairman of the Supervisory Board

2017 was another outstanding year for CORESTATE Capital Holding S.A., with groundbreaking M&A transactions, successful integration of acquired companies and the best financial results in the history of the Company.

During the financial year 2017, the Supervisory Board carefully performed all its duties and monitored the activities of the Management Board in accordance with legal requirements and the Articles of Association of CORESTATE Capital Holding S.A.. The Supervisory Board and the Management Board maintained close and regular contacts throughout the whole year. The Supervisory Board advised the Management Board on strategic and operational decisions as well as governance topics and decided on any matters requiring approval by the Supervisory Board. The Management Board reported regularly, promptly and extensively in verbal and written form to the Supervisory Board on any relevant business matter and the continuous performance of the CORESTATE Group. Furthermore, the Management Board informed the Supervisory Board on a regular basis about the future business strategy and the organizational direction of the Group. The Supervisory Board held in total 36 meetings during 2017 which reflects the high number of successful projects and activities undertaken by the Company during this year. Every member of the Supervisory Board attended all the meetings.

The Supervisory Board was actively involved in all strategic projects of Company, in particular in connection with the acquisition of Hannover Leasing, Helvetic Financial Services and Atos. Thanks to a strong focus on the integration process, the new CORESTATE companies are meanwhile already contributing to the Group's corporate development and economic results. Furthermore, throughout the business year the Management Board continuously informed the Supervisory Board on any other relevant business matter, growth activities and opportunities- both, organic growth and potential M&A opportunities.

In July 2017, Lars Schnidrig was appointed by the Supervisory Board to the Management Board as CFO of the Company. Before joining the CORESTATE Group, Lars Schnidrig held a senior management position at the DAX 30 company Vonovia SE and was Chairman of the Management Board of Vonovia Finance B.V. The Supervisory Board would like to thank Mr. Daniel Schoch for his achievements throughout his nine years as CFO. Daniel Schoch remained Senior Advisor of the Company and is responsible for the M&A activities within the CORESTATE Group.

The Supervisory Board has approved the financial statements of CORSTATE Capital Holding S.A. and the consolidated financial statements of the Group as prepared by the Management Board in its Supervisory Board Meeting as of March 12, 2017. The group auditor reported about the conducted audit of the consolidated financial statement of CORESTATE Capital Holding S.A. and the financial statement of CORESTATE Capital Holding S.A. to the supervisory board. The Supervisory Board is in agreement with the combined management report and, in particular, with the assessment of the future potential of the Group. The Board also supports the current dividend policy and the decisions concerning earnings retention by the Company.

The Supervisory Board would like to express our sincere thanks to all Shareholders for their continuous trust and the Management Board and all employees of the CORESTATE Group for their dedication and hard work in 2017.

Micha Blattmann
Chairman of the Supervisory Board

The Investment Manufactory

CORESTATE covers the entire real estate value chain. Because we believe in the quality and profitability of our assets and products, we demonstrate commitment as co-investor. Based on our strong and diversified investor and fundraising base as well as flexible investment structures, our business generates stable, predictable earnings and cash flows. Fees are generated across the entire real estate investment life cycle, the predominant part being recurring in nature. CORESTATE's business model is built on a strong backbone of a state-of-the-art IT infrastructure, well-established processes and an experienced management team that knows the market. Our platform makes it possible to integrate new assets as well as complementary businesses in an efficient way and at marginal cost. The Group is perfectly positioned within a favourable real estate market environment, paving the way for Europe-wide growth.

CORESTATE –

A Fully Integrated and Scalable Real Estate Investment & Management Platform

UNIQUE ASSET & CAPITAL SOURCING CAPABILITIES

Asset Sourcing

More on page 12

Capital Sourcing

More on page 14

EFFICIENT MANAGEMENT PLATFORM

Deal & Portfolio Structuring

Temporary On-Balance Sheet Warehousing
Off-Balance Sheet Structures

More on page 15

Holding Period

Fund Management
Asset Management
Development Management
Property & Facility Management
Project Monitoring (HFS)

Exit

Sale

TAILORED PRODUCT DESIGN FOR BROAD CLIENT BASE

Investment Vehicles

Institutional Funds
Club Deal Structures
Real Estate Debt Funds

More on page 16

Broad Client Base

Institutionals
Semi-institutionals
HNWI

More on page 17

STABLE & PREDICTABLE EARNINGS

Transaction Related Fees

Investment & Property Management Fees

Exit Fees

Scalable Platform

IT infrastructure
Experienced Management
Established Processes

More on page 18

Favourable Fee Structure

approx. 85% Recurring Fees

We generate income streams throughout the entire real estate investment lifecycle. With a unique deal pipeline and an expanding capital and client base, our business model offers significant growth potential.

UNIQUE ASSET SOURCING CAPABILITIES

Setting the Foundation for Balanced Growth

Thanks to global megatrends such as urbanisation and an increase in the number of households, the property markets in our target countries offer a huge potential for profitable and sustained growth. This applies, above all, to the area of micro apartments, but also holds true for the office, retail and commercial market segments. Starting from its strong position in Germany, Austria, Spain and Switzerland, CORESTATE will continue to source properties internationally.

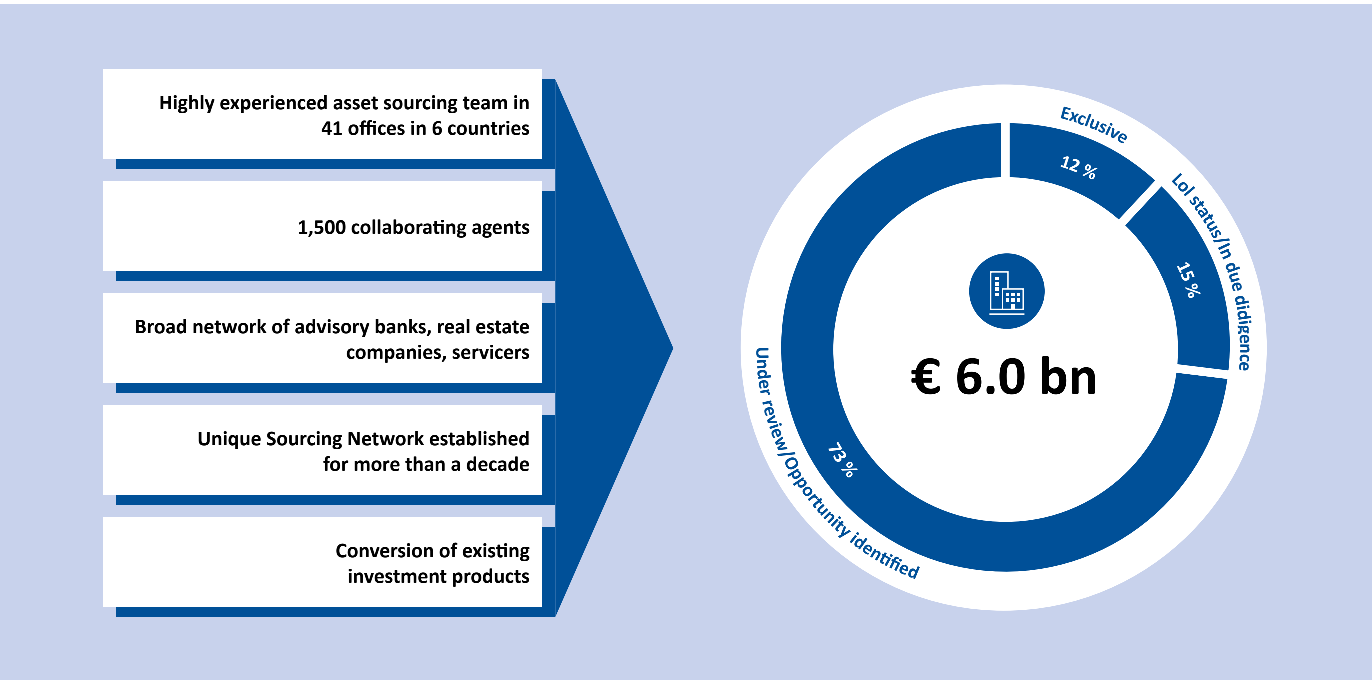
Last year's substantial acquisitions have broadened the pipeline significantly and have provided access to new investor groups. HL has increased our assets under management and offers great potential for the generation of new business. HFS provides synergy benefits in asset sourcing that will strengthen the pipeline in the long-term. Having ATOS in our portfolio, our asset sourcing capabilities have been complemented by expertise in the commercial real estate sector for the German and Austrian region. 215 assets in more than 150 cities, valued at roughly €1.6 billion, have been added to our asset portfolio. Thanks to the corporate credit rating obtained this year (see page 14) CORESTATE is in an advantageous position for further acquisitions and related asset sourcing, setting it apart from its competitors. For example, CORESTATE is currently in the process of sourcing new real estate investment products in Spain.

>1,500

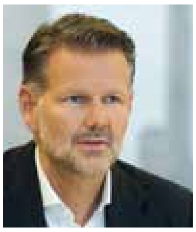
local agents
with direct access to the respective real estate markets

In parallel with its growing asset base and investor access, CORESTATE has strengthened its internal asset sourcing capabilities by expanding its teams for asset and property management, client services and organisation, as well as the departments for investments/transactions and accounting/controlling. Thanks to its dense network of more than 1,500 local real estate agents and a variety of established real estate firms, banks and insolvency →

STRONG & VISIBLE PIPELINE THANKS TO COMPLEMENTARY SOURCING PLATFORM



Kaiserlei: Being part of the umbrella-fund set up for Bayerische Versorgungskammer (BVK) together with Universal Investment worth €670 million, the high-rise property includes a Skylounge, a wellness area and a gym as well as underground parking for electric cars. The property is located right on the city limits of Offenbach and Frankfurt/Main and comprises 632 apartments with a combined living space of 31,500 sqm and 6,200 sqm of commercial space.



Thomas Landschreiber Chief Investment Officer of CORESTATE

"We continue to focus on the mega trend urbanization. We are today the most active market player when it comes to investments in the asset class of micro-living. Our projects in Austria show a high demand from international investors."

administrators, CORESTATE enjoys excellent access to local property markets. Our strong local footprint helps us to identify potential properties as soon as they appear in the market, often before they are publicly offered. With over 566 employees in 41 offices across six countries, CORESTATE has access to a strong international network.

As a result, CORESTATE has quality assets worth several billion Euros in its pipeline and will continue to develop additional projects organically. The pipeline is composed of exclusive mandates by institutional investors with usually high transaction volumes and seed assets that are later transformed into investment products. The sourcing process includes the identification of opportunities as well as thorough due diligence and review procedures. Depending on the investment, we involve external consultants, legal advisors, accountants and investment banks. Thanks to our co-investment approach, we align our interests with those of our clients. In addition to that, we are able to use our warehoused assets and convert them into new investment structures.

Thanks to our efficient platform, we have realised multiple meaningful transactions in 2017 that enrich our pipeline. In September, CORESTATE acquired a micro-living project in Vienna, Austria, from UBM Development AG. The acquisition took place through a "Forward Funding" deal structure. The project will be completed in spring 2019 and will include 131 fully furnished micro-apartments and offer extensive services.

In October, CORESTATE acquired one of Colognes landmarks, the former headquarters of perfume brand 4711. It is part of the Barthonia Forum, a 70,000 square metre mixed-use residential, commercial and retail area. The property will be restructured into an apartment hotel with a projected market value after realisation of approximately €60 million. The building will be part of a new product line of boarding houses valued at roughly €450 million.

UNIQUE CAPITAL SOURCING CAPABILITIES

Transformation of Balance Sheet and Financing Structure

The past business year has been another important year with regards to CORESTATE's position in the capital market. Since 2 November 2017, CORESTATE has been listed in the Prime Standard of the German Stock Exchange. On 6 November, Standard & Poor's assigned its first long-term corporate credit rating for CORESTATE making it the only property investment manager in Germany with a rating from an international ratings agency. The Company was awarded a BB+ rating with a stable outlook for long-term creditworthiness. The rating underlines CORESTATE's strong business model and secure position in the market. The rating will allow CORESTATE to leverage additional financing opportunities, especially bond placements, and reduces the company's capital expenditure. As a result of increased visibility and marketability of shares, CORESTATE will attract additional investors while at the same time demonstrating its commitment to comply with capital markets best practices and high transparency standards.

Following the uplisting, on 21 November, the Management Board of CORESTATE successfully issued a convertible bond, in a final aggregate nominal amount of €200 million. The bonds have been issued with a coupon of 1.375% per annum and will mature in 2022. The proceeds have mainly been used for the refinancing of existing debt as well as for general corporate purposes.

The biggest wood building of Hamburg: The student complex „Woodie", located in Hamburg-Wilhelmsburg, represents sustainable and environment-friendly architecture. Its exterior and interior is built out of high-quality wood and includes 371 student apartments.

€200mn

convertible bond
underlining CORESTATE's capital sourcing capabilities

DEAL & PORTFOLIO STRUCTURING

The Concept of Warehousing

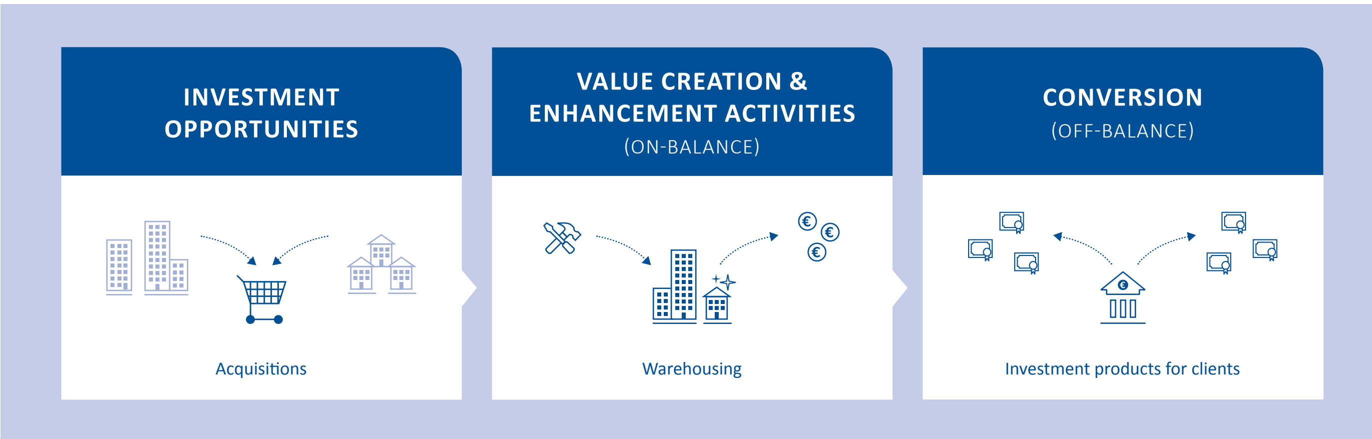
As one of the most famous „landmark buildings“, the city gate of Düsseldorf complements the skyline of Düsseldorf. The high-rise architecture is based on an environment-friendly building technology and ensures a modern working environment. Already in the year of its establishment in 1998, the building won the MIPIM-Award as “best office building” and “best building” as well as the “special jury price” as best building of the year.

Warehousing is the inclusion of properties into our own portfolio usually for a period between 3 to 9 months, before they are converted into an investment product. During the holding phase, we run active asset management activities to improve the properties’ value, preparing the asset for the later conversion into an investment product. Besides the income from the underlying asset operation, after conversion, CORESTATE receives a transfer premium over the initial purchase price. After successful conversion, the assets appear off-balance.

Warehousing brings advantage to our business in two respects: Firstly, warehousing allows us to offer investment products that are tailored to our investors’ requirements, especially our institutional investors that are looking for medium- and long-term investment products. Secondly, the secure asset supply allows us to adapt quickly and flexibly to changing market opportunities and investor demands.

Since our institutional client base is rising steadily, the concept of warehousing offers huge growth potential. Bearing in mind the increasing competition in the real estate markets as well as institutional clients’ demand for seed assets or portfolios, we will continue our warehousing activities in the future.

WAREHOUSING CONCEPT



DIVERSIFIED ASSET CLASSES AND

Investment Vehicles

CORESTATE's product portfolio includes a broad range of asset classes: Residential, office, high street retail, micro-living, other real estate and aviation.

The assets under management (AuM) totalled €22 billion out of which three quarters are core assets. Looking at the new investments in 2017, the acquired assets are 100% core and consist mainly of residential, office and high street retail.

HL has introduced special and closed-end public alternative investment funds (AIF) to CORESTATE's portfolio that are tailor-made to our clients' requirements. By including HFS, CORESTATE is able to provide mezzanine real estate financings and fund management to its customers. We believe the mezzanine fund business is highly complementary to our business. Our office and commercial real estate funds concentrate on top locations in German cities as well as the rest of Western and Central Europe. Thanks to the additions, our investors can choose from the following investment product offerings:

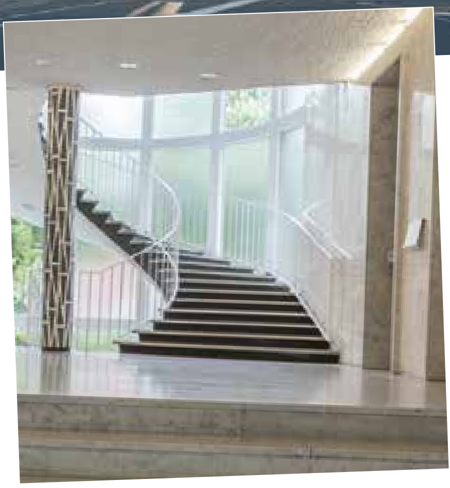
→ Managed Accounts
→ Club-Deals
→ Alternative Investment Funds (AIF): Closed-ended public AIF, open-ended AIF, closed-ended special AIF
→ Real Estate Mezzanine Financing and Fund Management

We are always seeking out additional products to complement our portfolio. At the same time we are proactive about sourcing new business opportunities and will expand our business focus when detecting new potentials.

CORESTATE's fully-loaded product portfolio includes all assets and risk types ranging from core to opportunistic asset classes. Our current investment portfolio includes:

In the heart of Magdeburg: Attractive High-Street-object in the city's pedestrian zone has been added to CORESTATE's High-Street-portfolio.

Asset class		Portfolio of €22 bn Share in %	New Investments 2017: € 1.3 bn Share in %
Residential Properties	We focus on new developments predominantly in Germany	30%	11%
Office	The focus is on core investments in A-cities throughout Germany and Benelux countries	22%	12%
High Street Retail	Our high street retail properties benefit from attractive recurrent dividend yields and are concentrated on German mid-sized cities	13%	70%
Micro-living Properties (student and business apartments)	Today, CORESTATE is the most active market player in the asset class of micro-living	3%	7%
Other Real Estate Assets	This category includes among others educational facilities, data centres and mixed-use assets	6%	0%
Aviation	52 aviation funds issued, thereof 47 successfully closed and 5 actively managed	3%	0%
Non-strategic assets	Media, infrastructure and other types are non-strategic assets in run-off mode	23%	0%



HL monument in Münster: Office and commercial building that has been placed on the monument list in 1994 thanks to its architecture, its prominent location and its proximity to the city's historical center and promenade.

TAILORED PRODUCT DESIGN

Broad Client Base

Increasing Demand from Institutional Investors

Our scalable platform for diversified asset and investment products allows us to appeal to a broader client base. It consists of institutional and semi-institutional investors as well as HNWI, comprising approximately 500 client contacts and 70,000 retail investors. The majority are institutional clients from Germany but we are actively seeking to reach out to more international investors such as pension funds, insurance carriers and sovereign wealth funds. Our local capital raising and client relationship teams located in our offices in Zurich, London, Frankfurt/Main and Singapore help us attract investors that reside overseas.

In 2017, we once again experienced growing demand from our institutional client base. Long-term and large-volume transactions for mostly institutional investors were complemented by alternative and innovative products for our semi-institutional clients.

In the past business year, CORESTATE succeeded in strengthening its strategic partnership with Bayerische Versorgungskammer (BVK). In April, the Company was mandated as investment advisor and asset manager through the sale of a retail portfolio in the amount of €687 million to Universal Investment, the fund manager of BVK. The retail portfolio comprises over 90 properties in top shopping locations of pedestrian areas in mid-sized cities. Furthermore, CORESTATE's subsidiaries were assigned the property and facility management of the retail portfolio. The portfolio is planned to be successively supplemented up to a value in the three-digit million Euro range. Moreover, in June 2017, the Company acquired an exclusive mandate with a large institutional fund aimed at building up a residential real estate portfolio.

These transactions highlight CORESTATE's ability to turn properties into investment products and gain long-term contracts with institutional investors. In the future, our asset and fund management processes will be increasingly supported by our subsidiaries that handle the entire property and facility management.

Scalable Platform

In the consolidation driven real estate market environment, our scalable platform has proven to be successful in the pursuit and the implementation of new investments. The fully integrated investment and management platform covers the entire value chain of a real estate investment. It offers room for innovation and fulfills investors' demand via a thorough and holistic approach. The Company is well positioned to grow at limited cost in terms of the investment product range (such as AIFM) and the client base (such as pension and wealth funds).

The platform enables us to boost organic growth while at the same time integrating newly acquired companies in a smooth and efficient manner and at marginal costs. CORESTATE's ability to integrate newly acquired companies is apparent in the successful integration and turnaround of Hannover Leasing, which has achieved its largest profits in almost a decade. CORESTATE will continue to play an active role in the consolidation of the real estate market. However, target companies must fulfill a set of criteria before taken into consideration for our platform: Most of all, they have to be a strategic fit to the CORESTATE's business model, add new product capabilities, strengthen CORESTATE's institutional footprint, and contribute to the Company's internationalisation and cross-selling potential. They must also be profitable, show a high amount of recurring income and produce a positive cash flow.

With the completion of the acquisitions, in July 2017, the Company has begun implementing a new organizational structure that aims to centralise its corporate functions. The centralisation is well on track and will lead to increased efficiency and consistency across CORESTATE's operations. The well-structured established processes are backed by strong support functions and shared services. A centralized enterprise resource planning (ERP) system and data management program (SAP) was implemented on a group-wide basis. New, streamlined software tools and a homogeneous IT infrastructure will support the group-wide management of assets and funds. A Key Account system helps to bundle Group-wide joint fund equity raising across multiple brands. We expect significant cross-selling synergy opportunities going forward.

The platform is supported by CORESTATE's management team which has long-term expertise in the real estate sector and a strong track-record in acquisitions, refinancing, asset management, project development and the sale of real estate portfolios. Through its Investment Committee, CORESTATE combines the expertise and market insights of top management with senior advisors and external experts, guiding its investors through a clear and comprehensive investment process.

approx.

€ 10.0 mn

adjusted net profit at HL in 2017, *underlining our ability to integrate new business in a smooth and efficient way*

Dresden: Being part of the VauVau deals including residential objects across five cities throughout Germany, the building next to the "Postplatz" of Dresden consists of 191 apartments, 262 parking spaces and 3.300 sqm commercial space. It is complemented by a bistro and restaurant.

The CORESTATE Share

Positive trend in share price and liquidity

The price of the shares of CORESTATE Capital Holding S.A. rose by 130% y-o-y and continue to outperform the development of SDAX (22%) and the DAX subsector real estate index (25%) as well as the real estate performance index DIMAX (22%). Moreover, trading volumes also increased. The average daily number of shares traded at the Frankfurt Stock exchange (XETRA) grew from 6,371 in the first quarter 2017, to 30,788 in the fourth quarter 2017, reflecting vastly enhanced share liquidity.

On 7 November, Deutsche Börse accepted our application for a segment change from Scale to Prime Standard. The uplisting will enhance the visibility of the Company's shares in the capital markets and opens the door to important indices. It further underscores the Company's positioning within the capital markets best practice. We expect the shares' liquidity to receive another boost.

Market capitalization above €1 billion

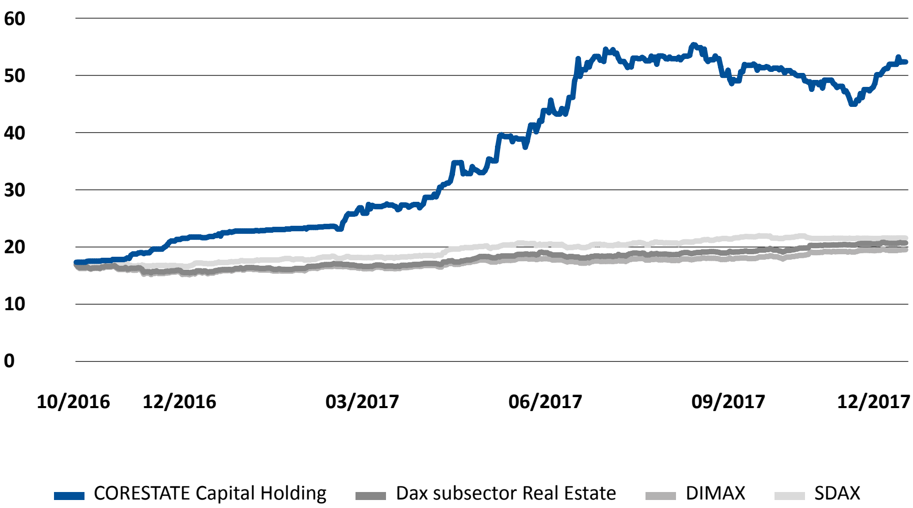
As of 31 December 2017, the amount of outstanding shares stood at 21,294,123 compared to 12,610,681 on 31. December 2016. The increase was due to a capital increase (996,318 shares) by shares against contribution in kind from authorised capital as part of the acquisition of HFS (7,365,256 shares) and ATOS (242,544 shares). Furthermore, 79,324 shares were issued as part of the compensation for the management.

The market capitalisation of CORESTATE as of XETRA-closing price of €53.43 of 29 December, amounted to €1.1 billion, bringing CORESTATE into the group of the largest listed Real Estate investment management companies in the German-speaking region. →

> € 1 bn

market capitalisation
making CORESTATE a leading listed real estate investment manager in Germany

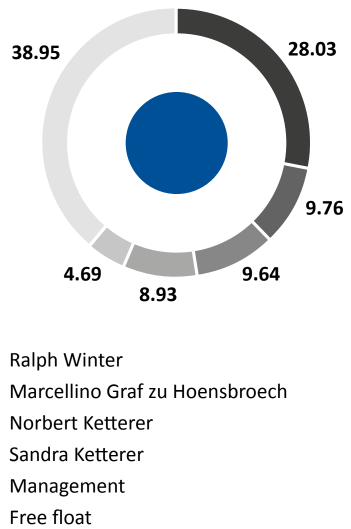
Share price development between 4 October 2016 and 31 December 2017
€



Financial calendar

27 April 2018	**Annual General Meeting**
15 May 2018	**Publication of 3-Month Financial Report**
14 August 2018	**Publication of Half-Year Financial Report**
6 September 2018	**Capital Markets Day**
13 November 2018	**Publication of 9-Month Financial Report**

Shareholder structure as of 20.12.2017
%



Shareholder structure as of 31 December 2017

The share capital of CORESTATE Capital Holding S.A. is divided into 21,294,123 ordinary shares. Ralph Winter as the largest shareholder held 28%. The free float amounts to 43% including the shares held by the management.

Basic share data

WKN/ISIN	**A141J3 / LU1296758029**
Ticker symbol/Reuters code	**CCAP**
Trading segment	**Prime Standard**
Stock exchange	**Frankfurt**
Type of stock	**No-par value bearer shares**
Number of shares	**21,294,123**
First day of Trading	**4 Oct 2016**
Share price as of 29 December 2017	**53.43 EUR**
Share price as of 30 December 2016	**23.20 EUR**
Change in percentage	**+130.3%**
Period high	**56.48 EUR**
Period low	**23.20 EUR**
Designated sponsor	**equinet Bank AG Oddo Seydler Bank AG**

Frequent communication with the capital market

Our uplisting in the Prime Standard of the German Stock Exchange goes hand-in-hand with our commitment to providing full transparency and acting in accordance with capital market best practices. Our goal is to stay in continuous exchange with analysts, potential investors and other stakeholders, maintaining relationships built on trust. Our investor relations website regularly provides earnings and press releases and informs about investor events. In the course of the annual earnings releases, the Company offers conference calls hosted by the Management. In 2018, our focus will be on further professionalising and intensifying our investor relations activities.

Group Management Report

Group Management Report

Preliminary Remarks

The management report and consolidated financial statements of CORESTATE Capital Holding S.A. (hereinafter "CORESTATE" or "the Company") cover the reporting period from 1 January 2017 until 31 December 2017, unless otherwise indicated. Information on market and product offering developments pertains to 31 December 2017, unless otherwise indicated.

Certain statements contained herein may be statements of future expectations and/or other forward-looking statements that are based on our current views and assumptions. These involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those expressed or implied in such statements. CORESTATE does not intend and does not undertake any obligation to revise these forward-looking statements.

For our remarks to Corporate Governance of the CORESTATE Group we refer to our Corporate Governance Report on page 30.

Company Background

CORESTATE is a public limited liability company (société anonyme) incorporated under Luxembourg law, with registered office at 4, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. The Company was registered with the Luxembourg Register of Commerce and Companies (Registre de Commerce et des Sociétés) under B 199 780 on 7 September 2015 and was originally established on 21 August 2015. CORESTATE Capital Holding S.A., Luxembourg does not have any branches.

Fully integrated
real estate manager

CORESTATE is one of the leading listed investment managers for real estate equity and debt in the German, Austrian and Swiss region of Europe headquartered in Luxembourg with market focus predominantly on Germany covering the entire lifecycle of investments in real estate. In our fully integrated business model we are active as co-investor and manager for our clients applying our experience and expertise to a wide range of real estate investment product offerings. Our business generates revenues from three segments, namely:

→ Real Estate Investment Management
→ Alignment Capital Management
→ Real Estate Operations and Warehousing.

In the Real Estate Investment Management segment our activities encompass the sourcing and acquisition of relevant real estate opportunities and investments, structuring and implementing investment products, performing management services for real estate investments held in separate vehicles established by respective clients together with Corestate and related to our Real Estate Investment Management Business (Investment Structures), as well as for assets held for warehousing purposes, i.e. assets which we acquire on our own balance sheet for a certain (short) term (typically 6 to 12 months) in order to convert them into investment products and – to a lesser extent – assets owned by non-client third parties, with the aim of actively value-enhancing and optimizing the assets and, ultimately, structuring the exit from such real estate investments. Our Alignment Capital Management segment is an integral part of our business model and serves to co-invest alongside our clients to align our interests with those of our clients. Our Real Estate Operations and Warehousing segment serves as a facilitating element for our products in which we warehouse real estate investment opportunities prior to converting or transferring them into an investment product tailor-made for clients.

The Group's key market is Germany, and it has selected activities in other European countries such as Austria, Spain and Benelux-countries. It operates principal offices in Germany, Switzerland, Spain, and Singapore, as well as a German network of branch offices of its property management platform CAPERA. As of 31 December 2017, the Group employed about 566 FTE (previous year: 308 FTE). As Real Estate Investment Manager CORESTATE does not have any Research and Development operations.

In the year under review, CORESTATE made significant additions to its real estate investment and management platform, expanding its product range to nearly all relevant real estate asset classes and investment vehicles with respect to equity and debt. The acquisitions increased CORESTATE Group's assets under management to approximately €22 billion by the end of the year and contributed to the noticeable growth of income streams throughout the business segments.

approx. € **22** *bn*

assets under management (AuM)
at year end 2017

On 5 July 2017, CORESTATE completed the acquisition of HFS Helvetic Financial Services (HFS) in order to expand its product offering to include mezzanine real estate financing and grow the Group's fund business. HFS is a leading provider of mezzanine financing in the German residential and commercial real estate market and also sub-advises numerous funds.

On 7 July 2017, CORESTATE completed the acquisition of Hannover Leasing Group (HL). HL is one of the leading asset managers and providers of asset-based investments in Germany. It offers closed public AIFs (alternative investment funds) as well as open-ended and closed-ended special AIFs as a licensed capital management company.

On 6 October 2017, CORESTATE completed the acquisition of ATOS Group, The ATOS Group provides the full range of asset and property management services with a strong focus on office and retail assets in Germany and Austria for both institutional and private/semi-institutional clients.

HL and HFS were included in the consolidated figures from July 2017 onwards. ATOS Group was included from September 2017 onwards.

The significant growth of CORESTATE's investment and management platform was accompanied by several capital measures.

Listing in

Prime Standard

of Frankfurt Stock Exchange

On 24 February 2017, the Company completed a capital increase from its authorized capital by issuing 996,318 new ordinary shares in the context of a private placement generating aggregate gross proceeds in the amount of approximately €22.7 million.

In effect as of the day of closing of the HFS acquisition (5 July 2017), CORESTATE's share capital was increased by the issuance of 7,365,256 new shares against contribution in kind from authorised capital. The new shares were purchased by the former HFS shareholders as part of the transaction financing. In addition, CORESTATE's share capital was increased by the issuance of 242,544 new shares against contribution in kind from authorized capital as part of the ATOS transaction.

The number of total outstanding shares increased to 21,294,123 shares, compared to 12,610,681 ordinary shares at year-end 2016. All shares were admitted to trading on the Frankfurt Stock Exchange (Prime Standard) on 2 November 2017. The listing in the Prime Standard segment of the Frankfurt Stock Exchange and the "BB+" rating obtained by the international rating agency Standard & Poor's will strengthen CORESTATE's access to capital and contribute to a balanced debt-maturity profile.

In addition to the capital increases, CORESTATE entered into a revolving credit facility agreement on 30 June 2017 with a syndicate of banks. The maximum available loan amount under the revolving credit facility is €40.0 million. On 1 July 2017, Corestate Capital Senior BondCo S.à r.l. entered into a €150.0 million loan agreement as borrower to partially finance the purchase price for the HFS Acquisition. On 21 November 2017, CORESTATE launched an offering of a convertible bond due 2022 in a final nominal amount of €200.0 million in order to refinance the bond that was launched in July 2017 (see material events after the reporting date). Due to our transactions carried out under art 32-3 (5bis) of the 10/08/1915 Law in relation to the allocation of free shares to staff we refer to section I.6.2 of our Notes. In Fiscal Year 2017 CORESTATE did not acquire own shares.

In connection with its balanced organic and acquisition-based growth, CORESTATE has made additions to its management team in order to drive the integration of the acquired entities and to adjust governance to the new size of the company. Lars Schnidrig has been appointed chief financial officer (CFO), effective 1 July. He replaced Daniel Schoch, who left the management board by mutual consent and continues to support the business as a senior advisor. On 12 September 2017, Philip La Pierre has been appointed new Co-Chief Investment Officer. In February 2018, the Supervisory Board appointed Dr Michael Bütter as successor to the incumbent Chief Executive Officer of CORESTATE, Sascha Wilhelm, as of 1 May 2018. Sascha Wilhelm will leave the Company as of 30 April 2018 in best mutual consent. Dr Bütter will be in charge of CORESTATE Group's strategy, international expansion including M&A activities including strategic investments and management of real estate investors and client relations.

In addition to management board adjustments, CORESTATE expanded key functions such as capital raising.

Since the beginning of December, Stefan Scherrer has been responsible for running and expanding the CORESTATE Shared Services platform. One of his main tasks is the integration of CORESTATE's different business units into a shared platform in order to realise planned synergies. These synergies stem from cost savings and, more importantly, the cross-selling of different asset classes to institutional investors. Furthermore, repackaging of assets from one investment product to another offers obvious advantages. A good example are development projects mezzanine-financed by HFS which are converted into real estate equity products.

Market Development

The market environment of CORESTATE's business remained widely unchanged compared to the previous year. The German real estate investment market, the Group's core market, was characterised by a continuously favourable low interest rate environment throughout Europe and comparatively high values of real estate portfolios in Germany. The global economy was still marked by high political and economic uncertainty which had a positive effect on the real estate market. Real estate investments provide relatively stable and predictable sources of income. Higher demand arose from large institutional investors such as pension schemes and insurers that were striving for alternative, stable and yielding investments as well as from a growing number of international investors. Furthermore, the German real estate market continues to be regarded as a "safe haven" for investors with a long-term perspective. As a result, the overall property prices and the value of real estate companies continued to rise.

Higher demand

from institutional and international investors

Product Offering

In 2017, CORESTATE further broadened its footprint as a top-level real estate investment and asset manager.

The Company pursues the strategy of converting existing assets into new investment structures, while at the same time acquiring new, high-quality real estate investment products. With the purchase of HFS, CORESTATE expanded its product offering to include mezzanine real estate financing solutions and real estate debt funds.

Overall, CORESTATE handled 44 transactions with a total volume of €2.0 billion, compared to 54 transactions and a total volume of €733 million in 2016.

Highlights 2017

Regarding its residential assets and in line with CORESTATE's strategic partnership with Bayerische Versorgungskammer (BVK), the Company acquired a micro-apartment asset with 179 units in Hamburg, Germany, at the beginning of the business year. The asset was purchased for the real estate umbrella fund, which was launched on the Luxembourg AIF-Platform of Universal Investment on behalf of BVK.

In June, CORESTATE received an exclusive mandate from a leading German insurance company to set up a German residential portfolio for a fund.

In August, CORESTATE launched a serviced apartment fund with a target volume of at least €200 million. The individual fund, managed on behalf of a large German insurance company, focuses primarily on fully equipped and furnished studio and one-bedroom apartments in central locations of major German and European cities. For the fund's first transaction, CORESTATE invested in the development of one of three residential tower blocks for a new construction project, TRIIIPLE, in Vienna, Austria. By 2020, the developer will have built 670 serviced apartments for young professionals and commuters, along with office and retail space. Besides handling the investment and asset management, CORESTATE was responsible for the property management of the buildings through a subsidiary. Together with another development project (Danube flats) the TRIIIPLE club deal investment was successfully divested in November 2017, resulting in attractive returns for investors.

In the framework of its international expansion, CORESTATE acquired a micro-living project in Vienna, Austria in a "forward funding" deal structure. To be completed in spring 2019, this project will feature 131 fully furnished micro-apartments and offer extensive services. Overall, three projects from the CORESTATE portfolio are now located in the Austrian capital.

Transactions – total volume:

€ 2.0 bn

In order to further grow business with respect to residential property in metropolitan areas and prospering cities throughout Germany, CORESTATE started the process of setting up an open-ended special AIF (Corestate Residential Germany Fund II) with a target volume of €300.0 million. Hannover Leasing Investment GmbH is mandated as the investment management company.

In the office sector, CORESTATE acquired one of Colognes landmarks in October 2017, the former headquarters of perfume brand 4711, to realize an apartment hotel project with a projected market value after realisation of approximately €60 million. Furthermore, Hannover Leasing acquired a fully let office complex in Amsterdam ('The Cloud') on behalf of an open-end real estate retail fund and a Finnish pension fund.

In the retail sector, CORESTATE continued to focus on centrally located high-street assets in German mid-sized cities. In April, CORESTATE obtained an investment and asset management mandate in connection with the sale of retail portfolios, comprising 90 properties in Germany, from BVK's fund manager Universal Investment. This was the biggest transaction so far for CORESTATE with a volume of €687 million. In September, CORESTATE acquired 24 separate retail properties in top shopping locations of pedestrian areas in medium-sized German cities such as Dresden, Essen, Heilbronn and Kaiserslautern. Key tenants include the fashion retailers H&M and Snipes, as well as chemist's chain Müller and supermarket chain REWE. The assets were acquired in individual transactions and structured in a new portfolio.

Key Financial Highlights

2017 was a strong business year and this was reflected in the Company's financial performance which was underpinned by the Group's strong organic growth and recurring income. Consolidated total revenues of the Group (including total revenues from real estate investment management, as well as net rental income and revenue from service charges) were up 283% compared to the previous year. The main drivers of this growth are the significantly increased assets under management through the addition of HL, HFS and ATOS, as well as the significantly higher transaction volume due to new and exclusive investment mandates that were granted to CORESTATE in 2017. Organically, assets under management increased to €1.2 billion. Revenue growth associated with asset and property management was nearly double that of the prior year. Two of the most significant investment products with the highest investment volumes were the strategic partnership with BVK and a German insurance company.

Including the share of profit or loss from associates and joint venture (€9.5 million, previous year: €5.3 million) as well as the net gain from selling property holding companies (€13.9 million, previous year: €12.2 million), the Group's aggregate revenues and gains increased by 227% to €195.0 million (previous year: €59.7 million).

The lion's share of CORESTATE's revenues from real estate investment can be attributed to recurring revenues contributing 85% of total revenue. Seed assets, meaning assets that are acquired in the warehousing phase, contributed €10.1 million to total revenues (2016: €1.4 million). The increase reflects the Company's intention to broaden its warehousing contingent and the successful sale of properties into investment vehicles. The 2017 figure also includes €53.7 million Revenue from Coupon Participation Fee – which is an additional revenue line item – related to the success fees HFS received under its fund management agreement with its existing debt funds.

Strong business performance

85%

recurring revenues

Adjusted EBITDA (excluding one-off-severance costs, acquisition related expenses and costs for management stock options) amounted to €123.3 million (2016: €23.1 million). Besides higher revenues, reasons for the increase were gains realized during the conversion of seed assets into investment products (€13.9 million) as well as the Group's share of profit from associates and joint ventures (€9.5 million) through the Company's alignment capital investments. In the business year 2017, the Group predominantly co-invested in high street-retail and micro-living related products. Among the different segments, the Real Estate Investment Management achieved the biggest EBITDA contribution, which was €100.8 million, after €17.6 million in the prior year. The sharp increase was mainly due to organic growth and the EBITDA contribution of HFS. The Alignment Capital Management segment rose by more than 600% to €18.3 million from €2.6 million, while Real Estate Operation/Warehousing delivered €19.0 million, up from €9.6 million.

In line with the first-time consolidation of HL and HFS and acquisition related one-off expenses, total expenses from Real Estate Investment Management (excluding financial expenses as well as depreciation and amortisation) went up by 119% compared to fiscal year 2016. The growth is mostly attributed to increased real estate investment management activities and the further expansion of the Group's property management business. Adjusted for one-off impacts, total expenses increased by €73.7 million (previous year: €33.9 million). Expenses also went up as a consequence of new hires in the investment and institutional client business segment. However, the increase of general and administrative expenses was limited by synergetic effects of the HL, HFS and ATOS Group acquisitions.

Net financial expenses of €20.8 million (previous year: €2.8 million) increased by 644% mostly due to the Group's higher financial debt in the framework of the acquisitions. Financial expenses of €29.8 million (previous year: €3.3 million) include expenses related to the Group's debt financing facilities, warehousing facility provided by SO Holding AG as well as the new revolving credit facility and the convertible bond issued in 2017.

Income tax expenses amount to €6.6 million and primarily include current income tax expenses of €11.4 million and deferred income taxes (€4.8 million).

The Group's adjusted net profit increased by 381% to €93.3 million (2016: €19.4 million). In addition to EBITDA adjustments, amortisation for the capitalized management contracts within the purchase price allocation ("PPA") of HL and HFS were eliminated in this figure. Including oneoff and PPA effects, the Group's net profit increased by 262% to €56.4 million, which translates on an undiluted basis into earnings per share of €3.24, which is 121% higher than in 2016 (€1.47).

Earnings per Share

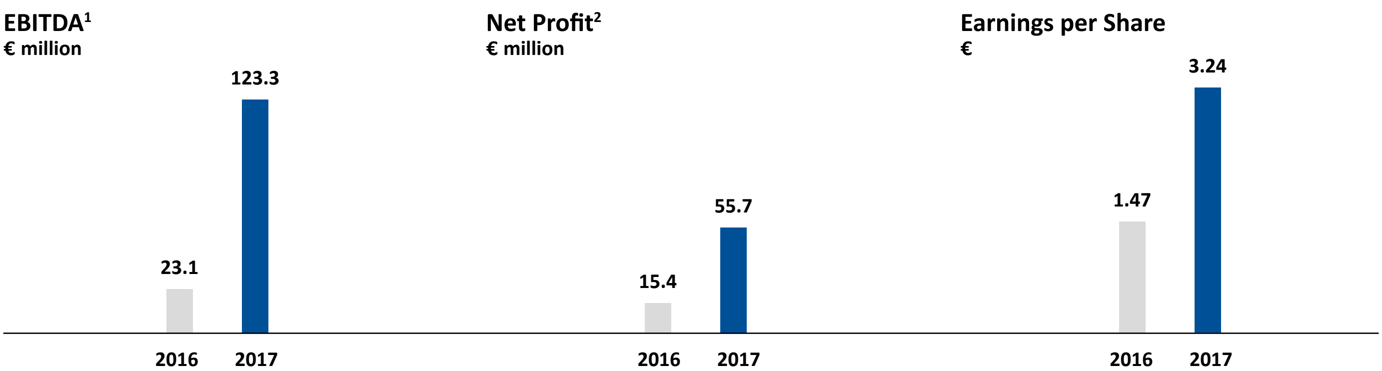
€ **3.24**
up 121 %

Balance sheet

The Group's total assets increased by €1,296.4 million to €1,427.0 million as at 31 December 2017 (previous year: €130.6 million). Effects of the consolidation of HFS, HL and ATOS Group, as well as the capital measures undertaken in 2017 are the main reasons for the change in the balance sheet. The share of alignment investments grew, on a net basis, from €35.7 million to 59.9 million as of December 31, 2017.

Total non-current assets amounted to €915.8 million as of 31 December 2017 (end of 2016: €45.0 million). Partly as a result of the acquisition of HL, intangible assets including goodwill contributed the largest part, amounting to €697.9 million. The consolidation of equity in HFS, HL and ATOS Group is included in the item "investment in associates and joint ventures" which increased to €59,9 million (end of 2016: €35.7 million).

EBITDA, Net Profit and Earnings per Share



[1] EBITDA is adjusted for certain one-off items (e.g. costs for capital measures, corporate M&A related cost, share grant expense).
[2] net profit post minorities

The increase in total current assets by 497% to €511.2 million (2016: €85.6 million) is mostly related to the rise in inventories resulting from increasing warehousing activities. Consolidation effects as well as higher trade and other receivables resulting from the organic business are also reflected in current assets. Cash and cash equivalents at year-end 2017 increased by 129% to €108.8 million (end of 2016: €47.5 million).

Total equity was nearly 6.4-fold the amount at the end of 2016, reaching €551.4, mainly due to the effects of the capital increases in February, July and October and the purchase price allocation in relation to the acquisitions. The equity ratio of CORESTATE was 38.6% as of 31 December 2017, compared with 66.2% at the end of 2016.

As of 31 December 2017, total non-current liabilities amounted to €541.6 million (2016: €24.0 million). The largest components were long-term financial liabilities to banks (€238.3 million) and other long-term Financial Liabilities including the €186 million convertible bond.

Current liabilities in the amount of €334.0 million mainly comprised short-term financial liabilities to banks (€132.3 million), trade payables of €14.8 million, other current liabilities of €75.9 million, current Income Tax Liabilities of €31.2 million as well as other Short-term Provisions of €42.8 million.

The rise in current and non-current liabilities is mainly related to the effects of the acquisitions and their financing.

The CORESTATE Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps/caps, to hedge its foreign currency risks and interest rate risks, respectively. For a detailed description of our hedging activities we refer to B.3.14.3 and F.22 of our Notes.

Material events after the reporting date

As of December 29, 2017, CORESTATE has repaid the aquisition loan that was launched in the framework of the HFS acquisition in July 2017 with a total amount of €150 million. The aquisition loan was refinanced by the convertible bond launched in November 2017. Through the repayment of the acquisition financing, besides the operative integration, the financial integration of HFS is widely completed. This will result in the reduction and optimization of capital costs.

Risk Management Report

The financial, earnings and asset position of CORESTATE is influenced by a variety of factors and risks that may impact the Company adversely. Furthermore, the Company's own business activities will influence the financial, earnings and asset position.

Therefore Corestate Capital has introduced a Group wide risk management system, taking the existing risk management systems of our acquired companies Hannover Leasing, HFS and ATOS into account. Corestate has decided to replace all existing software solutions by a new groupwide risk management software that fits better to the needs of the Group itself and all subsidiairies no matter if acting in the regulated or unregulated environment. The group has a structured process for the recognition of risks. Here all identified risks are classified whether the risk is low, medium or high. Depending on the classification of the risk mitigating measures are established on short notice or on a permanent basis. The classification of the existing risks is done on an annual basis.

The Group Chief Risk Officer, who is supported by local experts is responsible for maintaining the risk management System on Group level and reports to the Group board. For a detailed description of risks of the company we refer to I.4 in the Notes.

Business Development and Outlook

The Group management expects the market environment for real estate investments to remain widely unchanged compared to 2017. The low interest environment and the increasing demand from international investors will drive the Group's business forward, while the real estate market's continued consolidation could increase competition among real estate investment managers. Thanks to its broad and diversified product offering including mezzanine financing vehicles, CORESTATE is well positioned to generate revenues across multiple streams. The Company foresees an expansion of its business from a solid basis in Germany, across Europe more broadly. CORESTATE is well placed to continue its sustainable organic growth and to integrate potential bolt-on acquisitions.

Well positioned

for revenues accross multiple streams

For the financial year 2018, the Group expects a significant increase of its business activities, investment volumes, as well as income streams driven by its optimised operational structures and the consolidation of HL, HFS and ATOS Group. The acquisitions have significantly strengthened the Group's assets under management, its product offering and will enlarge the Company's client base. In particular, the Group is planning to launch additional high street and micro-living related investment products and focus on the implementation of managed accounts for BVK and other insurance companies. High-volume transactions and asset and property management mandates are expected to significantly contribute to the Group's growth in 2018. In line with increasing demand from institutional investors for tailor-made investment products, the Group will increase its seed assets and portfolios as well.

Based on the stable development of transaction volumes and a higher mezzanine financing volume, aggregate revenues and gains should increase to €230–€240 million. CORESTATE also expects a significant increase in management fees also due to full-year consolidation of the acquired companies. Revenue from coupon participation fees is also expected to exceed previous year's figures, based on an increase in fund volume. Promote fees realized by exits from investments products are also expected to show a strong growth.

The integration of HFS and HL as well as the planned reduction of office space used by HL are expected to be completed by mid-2018, the latter leading to a further improvement in the earnings position of HL. Depreciation and amortisation should exceed the previous year's figure mainly due to the PPA for the HL, HFS and ATOS Group.

As a result of asset sourcing and cost synergies across the Group, CORESTATE expects to achieve an adjusted EBITDA of €155–€165 million. Thanks to an improved financial result in connection with the replacement of a €150 million loan by a convertible bond, adjusted net income is expected to amount to €120–€130 million.

CORESTATE further expects that approximately 85% of expected aggregate revenues and gains will be derived from recurring fee income.

Lars Schnidrig	Sascha Wilhelm	Thomas Landschreiber
Chief Financial Officer	Chief Executive Officer	Chief Investment Officer

Corporate Governance Report

Corporate Governance Report

Corporate Governance

As a Luxembourg société anonyme, the Company is subject to the corporate governance regime as set forth in particular in the law of 10 August 1915 on commercial companies as amended. As a Company whose shares are listed on an EU regulated market, the Company is further subject to the law on the exercise of certain rights of the shareholders at general meetings of listed companies dated 24 May 2011, as amended.

As a Luxembourg société anonyme whose shares are exclusively listed on a regulated market in Germany (Prime Standard, Deutsche Börse Frankfurt am Main), the Company is not required to adhere to the Luxembourg corporate governance regime applicable to companies that are traded in Luxembourg or to the German corporate governance regime applicable to stock corporations organized in Germany. The Company has decided to set up its own principles of good corporate governance rather than to confirm the aforementioned corporate governance regimes in order to build up a corporate governance structure in line with its specific needs and interests.

The following provides an overview of the corporate governance of the Company.

<u>Internal control systems and risk management</u>

The Company maintains for financial reporting purposes, an internal control system and risk management designed to ensure that information required to be disclosed is recorded, processed, summarized and reported as appropriate in compliance with the relevant applicable rules and regulations. The Company's internal control system and risk management are designed to provide reasonable assurance of achieving their objective.

The objective of the internal accounting control system at CORESTATE is to avoid the risk of material misstatements in accounting, to identify significant incorrect assessments, and to ensure compliance with the relevant accounting regulations. This involves a central accounting function and Groupwide standardization of accounting policies, as well as the regular performance and documentation of preventive and exploratory controls. The Company has implemented an ongoing controlling method to monitor the incurring costs accurately at any point in time. Suitable organizational measures such as the separation of functions and control review, regular analyses of key figures by financial control and procedural instructions (account assignment manual, inventory procedures) ensure the proper preparation of financial reporting. A standardized procedure is guaranteed by a number of Group-wide specifications and directives.

Management of the Company

According to the articles of incorporation of the Company, the Company is managed by the management board under the supervision of the supervisory board. The management board of the Company must be composed of at least two members and the supervisory board of at least three members.

The supervisory board of the Company set up an audit committee. The audit committee is responsible for the consideration and evaluation of the auditing and accounting policies of the Company and its financial controls and systems.

The Company has established an Investment Committee (the "Investment Committee") through which the Company connects its top management with senior advisors and external experts jointly offering additional experience, expertise and real estate market insights. The Investment Committee comprises the management team (i.e. the members of the Company's Management Board) and an expert team covering all deal and market relevant know-how and reflecting the entire business range of the Company. Such expert team holds a session intensely discussing the pros and cons of a deal which was qualified before as eligible for final assessment by the Investment Committee. Subsequently, the management team of the Company comes to a final decision regarding the execution of a deal or modification of a deal before entering into the execution phase. External experts have no voting right, the decision is subject to the veto or approval, respectively, by the Management Board or Supervisory Board, respectively, of the Company. Standard conflict rules apply to the decision making process within the Investment Committee.

Further details on the composition and purpose of the management board and the supervisory board are described in the section I.6 "Related Party Information"

The annual general meeting shall be held, in accordance with Luxembourg law, in Luxembourg at the address of the registered office of the Company or at such other place within the municipality of the registered office, specified in the convening notice of the meeting, on the last Friday of April of each year at 10.00 a.m. Luxembourg time. If such a day is not a business day in Luxembourg, the annual general meeting shall be held on the following business day, at the same hour.

The management board and the supervisory board of the Company may convene a general meeting. They are obliged to convene it so that it is held within a period of one month, if shareholders representing one-tenth of the capital require this in writing, with an indication of the agenda.

Each share entitles its holder to one vote at the general meeting of the Company and there are no special control rights attaching to the shares. The right of a shareholder to participate in a general meeting and exercise voting rights attached to his/her/its shares are determined by reference to the number of shares held by such shareholder at midnight (00:00) on the day falling fourteen days before the date of the general meeting.

A shareholder may act at any general meeting by appointing another person, who need not be a shareholder, as its proxy in writing, subject to the applicable legal provisions. Copies of written proxies that are transmitted by telefax or e-mail may be accepted as evidence of such written proxies at a general meeting.

Further details can be found in the articles of incorporation of the Company which are publicly available on www.corestate-capital.com under "Investor Relations", "Corporate Governance".

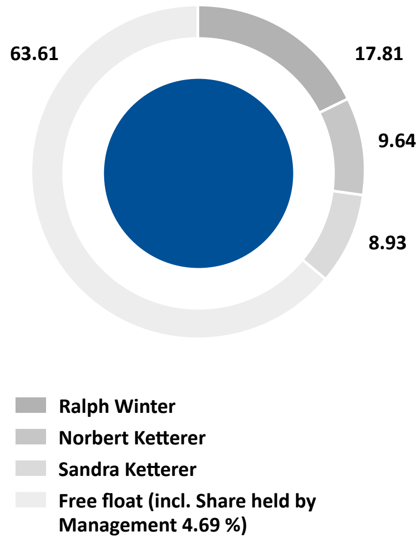
Disclosure pursuant to article 11 of the Luxembourg law on takeovers of 19 May 2006

The information required by article 10.1 of Directive 2004/25/EC on takeover bids which has been implemented by article 11 of the Luxembourg law on takeovers of 19 May 2006 is set forth here below:

A. For information regarding the structure of capital, reference to www.corestate-capital.com under "Investor Relations", "Shareholder Structure" where the shareholding structure chart is updated regularly.
B. The articles of incorporation of the Company do not contain any restriction on the transfer of the shares of the Company.
C. The Company has issued a single category of shares (ordinary shares) and the Company's shareholding structure showing each shareholder owning 5% or more of the Company's capital share as of 27 February 2018 is available on www.corestate-capital.com under "Investor Relations", "Shareholder Structure".

D. The control rights of any shares issued in connection with employee share schemes are exercised directly by the respective employees.
E. The articles of incorporation of the Company do not contain any restrictions on voting rights.
F. There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/109/EC (Transparency Directive).
G. Rules governing the appointment and replacement of board members and the amendment of the articles of incorporation of the Company:
   - The management board members are appointed by the supervisory board, or in the case of a vacancy, by way of a decision of the remaining management board members until the next supervisory board meeting.
   - Management board members serve for 3 years and are eligible for re-appointment.
   - Management board members may be removed with or without cause and/or replaced, at any time, by a resolution adopted by the supervisory board.
   - Resolutions to amend the articles of incorporation of the Company may only be passed in a general meeting where at least one half of the share capital is represented and the agenda indicates the proposed amendments to the articles and, as the case may be, the text of those which pertain to the purpose or the form of the Company. If the quorum is not reached, a second general meeting may be convened in accordance with applicable law. Such convening notice shall reproduce the agenda and indicate the date and the results of the previous general meeting. The second general meeting shall deliberate validly regardless of the proportion of the capital represented. At both meetings, resolutions, in order to be passed, must be carried by at least two-thirds of the votes expressed at the relevant general meeting.
H. Power of the management board:
   - The Company is managed by a management board under the supervision of a supervisory board.
   - The management board is vested with the broadest powers to perform or cause to be performed any actions necessary or useful in connection with the purpose of the Company.
   - All powers not expressly reserved by the law of 10 August 1915 on commercial companies as amended, or by the articles of incorporation of the Company to the general meeting or to the supervisory board fall within the authority of the management board.
   - Certain transactions and measures are subject to the prior approval of the supervisory board on the terms set out in the articles of incorporation of the Company.
   - The management board is also authorized to appoint a person, either a director or not, to the exclusion of any member of the supervisory board, for the purposes of performing specific functions at every level within the Company
   - The management board may also appoint committees or sub-committees in order to deal with specific tasks, to advise the management board or to make recommendations to the management board and / or, as the case may be, the general meeting, the members of which may be selected either from among the members of the management board or not, to the exclusion of any member of the supervisory board.
   - The management board does not have currently any authority to buy back shares under the articles of incorporation or a buy-back program.
I. There are no significant agreements to which the Company is party and which take effect alter or terminate upon a change of control of the Company following a takeover bid.
J. There are no agreements between the Company and its management board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Shareholder structure as of 27.02.2018
%



Consolidated Financial Statements and Notes

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF CORESTATE CAPITAL HOLDING S.A., LUXEMBOURG

€ thousand	Notes 2017	31.12.2017	31.12.2016
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	F.1	30,668	1,235
Long-term Receivables	F.6	37,827	–
Other Intangible Assets	F.2	141,016	930
Goodwill	F.3	556,861	–
Investment in Associates and Joint Ventures	F.4	59,929	35,747
Other Financial Instruments	F.5	72,183	2,217
Long-term Loans to Associates	F.7	6,808	2,493
Deferred Tax Assets	F.8	10,526	2,363
Total Non-Current Assets		**915,818**	**44,985**
Current Assets			
Advance Payments for Property Purchase Prices		–	1,305
Inventories	F.9	268,258	15,905
Receivables from Associates	F.10	18,874	8,263
Receivables from Joint Venture		–	1,031
Trade Receivables	F.11	32,141	5,271
Other short-term Receivables		1,774	1,530
Current Income Tax Assets		853	730
Other Short-term Assets	F.13	63,948	3,376
Restricted Cash	F.14	745	700
Cash and Cash Equivalents	F.14	108,830	47,509
		495,422	**85,619**
Assets held for Sale	F.15	15,785	–
Total Current Assets		**511,207**	**85,619**
Total Assets		**1,427,025**	**130,605**

€ thousand	Notes 2017	**31.12.2017**	31.12.2016
EQUITY AND LIABILITIES			
Equity			
Share Capital	F.16	1,597	946
Other Reserves	F.17	493,616	69,699
Net Profit/(Loss) for the Period		55,717	15,396
Subtotal Capital Accounts of shareholders of parent company		*550,930*	*86,040*
Non-controlling Interests	F.18	503	405
Total Equity		**551,433**	**86,446**
Non-Current Liabilities			
Other long-term Provisions	F.19	6,205	–
Long-term Financial Liabilities to Banks	F.20	238,262	14,126
Other Long-term Financial Liabilities	F.21	243,030	–
Long-term Derivatives	F.22	4,941	–
Deferred Tax Liabilities	F.23	18,630	0
Other non-current Liabilities	F.24	30,534	9,831
Total Non-Current Liabilities		**541,601**	**23,957**
Current Liabilities			
Other Short-term Provisions	F.25	42,884	–
Short-term Financial Liabilities to Banks	F.26	132,278	4,004
Other Short-term Financial Liabilities	F.27	15,509	–
Short-term Derivatives		3,394	–
Short-term Liabilities to Associates		2,209	948
Trade Payables	F.28	14,795	7,266
Current Income Tax Liabilities	F.29	31,201	1,050
Other Current Liabilities	F.30	75,937	6,934
		318,206	**20,202**
Liabilities directly associated with the Assets held for Sale	F.31	15,785	–
Total Current Liabilities		**333,991**	**20,202**
Subtotal Liabilities		**875,592**	**44,159**
Total Equity and Liabilities		**1,427,025**	**130,605**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

€ thousand	Notes 2017	Financial Year 2017	Financial Year 2016
Revenue from Acquisition Related Fees	G.1	30,016	9,615
Revenue from Asset and Property Management	G.2	52,539	25,336
Revenue from Sales Fees		900	–
Revenues from Coupon Participation Fees	G.3	53,689	–
Revenue from Promote Fees realised	G.4	14,456	5,817
Total Revenue from Real Estate Investment Management		*151,600*	*40,769*
Management Expenses		(50,814)	(23,167)
Total Expenses from Real Estate Investment Management	G.5	*(50,814)*	*(23,167)*
Total Earnings from Real Estate Investment Management		**100,786**	**17,601**
Share of Profit or Loss from Associates and Joint Ventures	G.6	*9,498*	*5,255*
Dividends from other Alignment Capital	G.7	*9,877*	–
Expenses from Management of Associates and Joint Ventures	G.8	*(1,088)*	*(2,637)*
Total Earnings from Alignment Capital Management		**18,286**	**2,617**
Net Rental Income	G.9	9,224	1,078
Revenue from Service Charges		889	364
Net Gain from Selling Property Holding Companies	G.10	13,916	12,244
Total Income from Real Estate Operations / Warehousing		*24,028*	*13,685*
Expenses from Real Estate Operations / Warehousing	G.11	*(5,029)*	*(4,044)*
Total Earnings from Real Estate Operations / Warehousing		**18,999**	**9,641**
General and Administrative Expenses	G.12	(35,400)	(9,963)
Other Income		2,010	147
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)		**104,682**	**20,044**
Depreciation and Amortisation		(20,866)	(374)
Earnings before Interest and Taxes (EBIT)		**83,816**	**19,670**
Financial Income	G.14	8,951	514
Financial Expenses	G.15	(29,778)	(3,315)
Earnings before Taxes (EBT)		**62,989**	**16,870**
Income Tax Expense		(6,634)	(1,313)
Net Profit/(Loss) for the Period		**56,355**	**15,556**
of which attributable to equity holders of parent company		*55,717*	*15,396*
of which attributable to non-controlling interests	F.18	*638*	*160*
Total Revenues[1]		**161,712**	**42,210**
Total Expenses[2]		**(92,331)**	**(39,811)**

[1] not including Share of Profit or Loss from Associates and Net Gain from Selling Property Holding Companies
[2] excluding Financial Expenses and Depreciation and Amortisation

€ thousand	Notes 2017	**Financial Year 2017**	Financial Year 2016
Earnings per Share (in €):			
Basic, Profit for the Year attributable to Ordinary Equity Holders of the Parent	I.1	3.24	1.47
Diluted, Profit for the Year attributable to Ordinary Equity Holders of the Parent	I.1	3.24	1.46
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):			
Exchange differences on translation for foreign operations		(361)	
Income tax effect		90	
Net (loss)/gain on cash flow hedges		516	
Income tax effect		(11)	
Net (Loss)/Gain on Available-for-sale Financial Assets		(4,462)	
Income Tax Effect		297	–
Net other Comprehensive Loss to be Reclassified to Profit or Loss in Subsequent Periods		(3,931)	–
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):			
Remeasurement Gains (Losses) on Defined Benefit Plans		(19)	455
Income Tax Effect		3	(66)
Net other Comprehensive Income/(Loss) not to be Reclassified to Profit or Loss in Subsequent Periods		(17)	388
Other Comprehensive Income/(Loss) for the Period, Net of Tax		**(3,948)**	**388**
Total Comprehensive Income for the Period, Net of Tax		**52,407**	**15,945**
of which attributable to equity holders of parent company		*52,002*	*15,784*
of which attributable to non-controlling interests		*405*	*160*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY 2017 TO 31 DECEMBER 2017

€ thousand	Notes 2017	Share Capital	Additional Capital Paid In	Retained Earnings	Other Revaluations
Closing Balance of Capital Accounts as at 31 December 2015 (audited)		**195**	–	**24,482**	**(190)**
Profit for the period		–	–	–	–
Other comprehensive income		–	–	–	388
Total Comprehensive Income for the Period		–	–	–	388
Issue of new capital		751	42,860	–	–
Share issuance expense		–	(1,049)	–	–
Acquisition of Non-controlling interests		–	–	(181)	–
Equity-settled share-based payment		–	–	338	–
Distributions	F.17	–	(6,618)	–	–
Reclassification/others		–	–	9,668	–
Closing Balance of Capital Accounts as at 31 December 2016 (audited)		**946**	**35,193**	**34,307**	**199**
Profit for the period		–	–	–	–
Other comprehensive income		–	–	–	(3,709)
Total Comprehensive Income for the Period		–	–	–	(3,709)
Issue of new capital		645	415,600	–	–
Share issuance expense		–	(433)	–	–
Issue of convertible bonds		–	–	9,718	–
Acquisition of Non-controlling interests		–	–	(415)	–
Equity-settled share-based payment		6	–	1,153	–
Distributions	F.17	–	(13,607)	–	–
Reclassification/others		–	–	15,610	–
Closing Balance of Capital Accounts as at 31 December 2017 (audited)		**1,597**	**436,754**	**60,373**	**(3,511)**

Other Reserves	Net Profit/(Loss) for the Period	Subtotal Capital accounts of Majority Shareholders	Non-controlling interests in Paid-In Capital and Capital Reserve	Non-controlling interests in Profit for the period	Non-controlling interests	**Total Equity**
24,292	**9,656**	**34,143**	**(218)**	**431**	213	**34,356**
–	15,396	15,396	–	160	160	15,556
388	–	388	–	–	–	388
388	15,396	15,784	–	160	160	15,945
42,860	–	43,611	–	–	–	43,611
(1,049)	–	(1,049)	–	–	–	(1,049)
(181)	–	(181)	37	–	37	(144)
338	–	338	–	–	–	338
(6,618)	–	(6,618)	–	–	–	(6,618)
9,668	(9,656)	12	427	(431)	(5)	7
69,699	**15,396**	**86,040**	**245**	**160**	**405**	**86,446**
–	55,717	55,717	–	638	638	56,355
(3,709)	–	(3,709)	–	(239)	(239)	(3,948)
(3,709)	55,717	52,008	–	399	399	52,407
415,600	–	416,245	–	–	–	416,245
(433)	–	(433)	–	–	–	(433)
9,718	–	9,718	–	–	–	9,718
(415)	–	(415)	(35)	–	(35)	(450)
1,153	–	1,159	–	–	–	1,159
(13,607)	–	(13,607)	(52)	–	(52)	(13,659)
15,610	(15,396)	214	(372)	158	(214)	–
493,616	**55,717**	**550,930**	**(214)**	**718**	**503**	**551,433**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

€ thousand	Notes 2017	Financial Year 2017	Financial Year 2016
Earnings before Taxes (EBT)		**62,989**	**16,870**
Adjustments:			
Amortisation of intangible assets		19,048	95
Depreciation of property, plant and equipment		1,810	276
Equity-settled share-based payment		1,159	338
Effect from valuation on derivatives		(1,217)	–
Net loss / (gain) on disposal of property, plant and equipment		–	44
Net loss / (gain) on disposal of intangible assets		55	3
Finance costs		21,851	317
Interest income		(4,161)	(92)
Provisions		(6,968)	47
Share of results from Associates and Joint Ventures		(9,498)	(5,255)
Total adjustments		*22,078*	*(4,227)*
Operating cash flows before changes in working capital		**85,067**	**12,643**
Changes in working capital:			
Increase from sale of inventories		22,721	44,523
Decrease from purchase of inventories and advance payments		(90,990)	(61,262)
Changes in receivables and other assets that are not attributable to investing activities		(103,933)	8,204
Changes in liabilities that are not attributable to financing activities		107,734	21,161
Total changes in working capital		*(64,468)*	*12,626*
Cash flows from operations		**20,599**	**25,269**
Income taxes received / (paid)		(5,208)	(1,424)
Net cash flows from operating activities		**15,391**	**23,845**
Acquisition of Subsidiaries (Share purchase price net of cash balance at date of acquisition)		(173,980)	-
Outflow for Alignment Capital Investments (Associates and Loans)		(46,027)	(27,688)
Inflow from repayment of Alignment Capital Investments (Associates and Loans)		18,586	3,274
Inflow from profit realised of Alignment Capital Investments		26,193	10,237
Proceeds from disposal of property, plant and equipment		4,024	–
Purchase of financial instruments		27,860	–

€ thousand	Notes 2017	Financial Year 2017	Financial Year 2016
Purchase of property, plant and equipment		(577)	(858)
Additions to intangible assets		(1,692)	(489)
Net cash flows generated from / (used in) investing activities		**(145,613)**	**(15,524)**
Proceeds from Issuance of New Share Capital		22,718	43,611
Share issuance expense		(594)	(1,049)
Proceeds from additional equity		–	1
Dividend payments		(13,607)	(6,550)
Distributions paid to non-controlling interests		(8,157)	(68)
Issue of convertible bonds		196,077	–
Sale/(Acquisition) of non-controlling interests		(450)	(144)
Proceeds from loans and borrowings		189,692	28,003
Repayment of loans and borrowings		(176,008)	(33,983)
Interest Paid		(21,851)	(2,423)
Interest Received		3,767	43
Net cash flows (used in) / from financing activities		**191,587**	**27,441**
Net increase in cash and cash equivalents		*61,366*	*35,762*
Cash and cash equivalents at begin of Period	F.14	**48,209**	**12,447**
Net increase in cash and cash equivalents		61,366	35,762
Cash and cash equivalents at end of Period	F.14	**109,575**	**48,209**

Notes to the Consolidated Financial Statements of CORESTATE Capital Holding S.A., Luxembourg

A. CORPORATE INFORMATION

CORESTATE Capital Holding S.A. (hereafter "CCH SA" or "the Company") is a limited liability company (société anonyme) incorporated under Luxembourg law, with registered office at 4, Rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. The Company was registered with the Luxembourg Register of Commerce and Companies (Registre de Commerce et des Sociétés) under number B 199 780 on 7 September 2015.

CCH SA was established on 21 August 2015 for an unlimited period of time.

In 2017 CCH SA had several capital increases (refer to note F.16.1).

The Company applied for the admission of its shares to trading on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) on 30 October 2017. Commencement of trading (Notierungsaufnahme) of the Shares on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurt Wertpapierbörse) took place on 2 November 2017.

ISIN/WKN/Common Code/Ticker Symbol

International Securities Identification Number (ISIN)	LU1296758029
German Securities Code (Wertpapierkennnummer, WKN)	A141J3
Common Code	129675802
Trading Symbol	CCAP

Therefore, the Company's shares (31.12.2017: 21,294,123 ordinary shares) are quoted on an European regulated stock exchange (as defined by art. 4 paragraph (1) point 14 of the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments) which essentially increased the reporting and publishing requirements. All costs incurred in connection with the up-listing are recognised as "General and Administrative Expenses" in the profit and loss account (refer to note G.12).

CCH SA is a real estate investment manager specialising in the creation and subsequent realisation of real estate related investments in Europe for private and institutional clients. CCH SA and its subsidiaries (the Group) are active as a co-investor and asset and property manager and are focused on residential and commercial (primarily retail and office) real estate as well as microliving projects. Geographically, the Group primarily concentrates on the German market but also is selectively active in other attractive markets in Europe such as Austria and Spain. Its investment product offering covers the full range of the risk/return curve, i.e. from value-add/opportunistic to core, and, in each case, is tailor made to the specific requirements of its clients. As a key element of its business model, the Group is actively warehousing certain real estate in order to seize opportunities both in competitive situations as well as in order to establish seed portfolios for institutional products. As per 31 December 2017, the Group employs about 566 FTE (previous year 308 FTE) real estate experts across 41 offices in 6 countries, providing direct access to local markets.

The Group focuses on three key business segments (see Note D) being

- Real Estate Investment Management
- Alignment Capital Management
- Real Estate Operations and Warehousing

The consolidated financial statements of CORESTATE Capital Holding S.A. and its subsidiaries (the Group) for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the Management Board on 12 March 2018. The consolidated financial statements are subject to approval by the Annual General Meeting.

The consolidated financial statements of CORESTATE Capital Holding S.A. are published according to the provisions of the Luxembourg Law and the exchange rules of the Frankfurt Stock Exchange. They will be available on the Company's website and at the Company's offices at 4, Rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg.

In accordance with Luxembourg Company Law, the annual financial statements (in accordance with Luxembourg GAAP) of the Company will also be filed with the Companies Register and an extract will be published in the Recueil Electronique des Sociétés et Association.

B. SIGNIFICANT ACCOUNTING POLICIES

B.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards "(IFRS)" adopted by in the European Union ("EU") for the year ended 31 December 2017.

The following new standards, interpretations and amendments to existing standards and interpretations are applicable for the first time for financial years beginning on 1 January 2017:

- IAS 7 Disclosure Initiative – Amendments to IAS 7 (Effective date: 1 January 2017). Except for additional disclosures, this amendment does not have any impact on the Group's Consolidated Financial Statements.
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (Effective date: 1 January 2017). This amendment does not have any impact on the Group's Consolidated Financial Statements.
- IFRS 17: "Insurance Contracts", issued in May 2017, not yet endorsed,expected initial application in fiscal year 2021.
- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 from Annual Improvements Cycle−2014-2016.

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets, financial liabilities through profit or loss and derivative financial instruments have been measured at fair value.

The consolidated financial statements are presented in Euros, which is the presentation currency of the Group and the functional currency of the parent company and all subsidiaries which were fully consolidated. All values are rounded to the nearest thousand Euros (k€), except where otherwise indicated. The use of automatic data processing equipment can lead to rounding differences in the addition of rounded amounts or percentage rates, therefore some of the total sums disclosed in the accounts may not add up. The consolidated financial statements also provide comparative information in respect of the previous period.

Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this consolidated financial statements, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available, but has been rounded to or equals zero.

B.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of CCH SA and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

B.3 Summary of significant accounting policies

The accounting policies described in the following are applied for preparing the consolidated financial statements of the Group including its Associates.

B.3.1 Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquisition. For each business combination, the Group measures the non-controlling interests in the acquisition at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses or management expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

B.3.2 Investment in Associates and Joint Ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its Associates and Joint Ventures (in the segment Alignment Capital Investments) are accounted for using the equity method.

Under the equity method, the investment in an Associate or a Joint Venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the Associate or the Joint Venture since the acquisition date. Goodwill relating to the Associate is included in the carrying amount of the investment and is not tested for impairment individually.

The Statement of profit or loss reflects the Group's share of the results of operations of the Associate or Joint Venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the Associate or Joint Venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the Associate or Joint Venture are eliminated to the extent of the interest in the Associate or Joint Venture.

The aggregate of the Group's share of profit or loss of an Associate or a Joint Venture is shown in Share of Profit or Loss form Associates/Joint Ventures on the face of the consolidated statement of profit and loss.

The financial statements of the Associate or Joint Venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Typically, adjustments are made to account for the investment properties held by the Associates/Joint Ventures at fair value rather than at cost (see B.3.11).

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its Associate or Joint Venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the Associate or the Joint Venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate or the Joint Venture and its carrying value, and then recognises the loss as Share of profit/(loss) of an Associate/Joint Venture in the statement of profit and loss.

Upon loss of significant influence, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Associate or the Joint Venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

B.3.3 Current versus non-current classification

The Group presents assets and liabilities in its statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

B.3.4 Fair value measurement

The Group measures some financial instruments such as derivatives and some non-financial assets such as investment properties in associates at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following Notes:

Disclosures for valuation methods, significant estimates and assumptions	Notes E
Disclosures of fair value measurement hierarchy	Note E
Investment properties	Note B.3.11
Investment in unquoted equity shares (AFS)	Note E
Financial instruments (including those carried at amortised cost)	Note I.5.2

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (comparable transactions)
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (Valuation models)

For assets and liabilities that are measured at fair value on a recurring basis in the financial statements, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Executive Management Committee ("EMC") determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets. The EMC comprises the chief executive officer, the chief investment officer, and the chief financial officer.

External valuers are involved for valuation of significant assets, such as investment properties and derivative financial instruments. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the EMC analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the EMC verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The EMC, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

B.3.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

B.3.5.1 Sale of completed property

The transfer of ownership of a property occurs when all significant risks and returns have been transferred to the buyer. For conditional exchanges sales are recognised only when all the significant conditions are satisfied.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For sale of real estate property, transfer of ownership usually occurs when all rights and obligations are transferred to the purchaser.

B.3.5.2 Fees

Fees from the operating business of the Group, such as Acquisition Related Fees, Asset and Property Management Fees, coupon participation fees and Sales Fees, are recognised with reference to the relevant individual contractual terms and on accrual basis.

Acquisition Related Fees and Sales Fees relate to fees earned in relation to the acquisition or divestment of real estate assets by the Associates or third parties. Acquisition related fees amount to 1.0% and 1.5% of the purchase price of the underlying assets of the portfolio, and in certain situations also a lump-sum onboarding fee amounting to up to 500 k€ is agreed with the clients. These fees are paid for sourcing and structuring of the transaction, conducting the due diligence, administrating and supervising the step-by step acquisition of the real estate asset or the establishment of real estate products and are typically received and paid at the conclusion of the transaction documentation. These fees are recognised in profit or loss when the respective services are rendered.

Asset Management Fees are determined in a range of 0.35% and 0.60% of the value of the real estate assets of the Projects and third-party assets managed. These fees are recognised on an accrual basis over the time when the services are rendered, and differ between investment products offered to private clients and those offered to institutional clients.

Property Management Fees are derived from the provision of property management services. These fees are also recognised on an accrual basis over the time when the services are rendered.

In certain Projects, CC AG is entitled to receive a Promote fee (Note G.4) between 15% and 20% of the net project returns at the end of the life of the fund as consideration for services provided in connection with the sale of the properties. Net project returns are defined as operating income, aggregate proceeds from sales and re-financing proceeds, in each case net of all principal repayments, working capital requirements and after any debt service, and in each case actually incurred on a cash basis relating to the Transaction, and irrespective of whether these will be paid by way of capital repayment, dividends or by any other means to the Investors.

The claim for the Promote fee is only recognised when the relevant transaction documentation resulting in a net project return has been validly entered into, and the transaction has been closed and becomes payable after all investor commitments have been fully repaid to the investors. The Promote fee is basically being paid out as a disproportional profit allocation.

Coupon Participation Fees are generated through sustainable and significant excess returns of HFS product above a certain pre-agreed hurdle rate.

B.3.5.3 Rental income

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue. Contingent rental income is recognised when it arises.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease.

Income arising from expenses recharged to tenants (in particular Revenue from Service Charges) is recognised in the period in which the respective services are rendered.

Service and management charges and other such receipts are recorded separately gross of the related costs, as the directors concluded that the Group acts as a principal in this respect.

B.3.5.4 Net Gain from Selling Property Holding Companies

Net Gain from Selling Property Holding Companies comprises the proceeds from selling real estate holding companies less selling costs less carrying value of the assets and liabilities. Such real estate holding companies were established to purchase investment property for the sale in the ordinary course of business in the course of the Group's warehousing activities.

If the sale of the real estate property is structured as a "share deal", the gain is recognised when the relevant real estate holding company is deconsolidated from the Group.

B.3.5.5 Share of Profit or Loss from Associates and Joint Ventures

Share of Profit or Loss from Associates reflects the Group's share of the results of operations of the Associate or the Joint Venture using the equity method as well as gains and losses from the disposal of shares in Associates or Joint Venture. The periodic results of operations of the Associates or the Joint Ventures typically includes the recurring result from rental operations as well as results from sales of real estate assets and potential fair value adjustments of the underlying properties, net of costs, financial expenses and taxes. Share of Profit or Loss from Associates is presented as a separate line item in the statement of profit and loss, and reflects the income generated from the Group's alignment capital investments.

B.3.5.6 Dividends from other Alignment Capital

Dividends from other Alignment Capital reflect the Group's share of the cash distribution of the investment.

B.3.5.7 Financial Income and Financial Expenses

Finance Income comprises interest income from bank balances and loans granted, dividend income and gains on the disposal of AFS financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method (EIR-method). Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend. Dividend income is included in Share of Profit or Loss from Associates and in Dividends other Alignment Capital in the statement of profit and loss.

Financial Expenses comprise mainly interest expenses on financial liabilities, fees incurred in connection with the arrangement of debt facilities, foreign currency gains and losses and impairment losses recognised on financial assets (other than trade receivables).

B.3.6 Taxes

B.3.6.1 Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

B.3.6.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, Associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

B.3.7 Foreign currencies

The Group's presentation currency is the Euro (€), which is the presentation currency of the Group and the functional currency of the parent company and all subsidiaries which were fully consolidated. The Group's performance and its liquidity management is evaluated in Euro. Therefore, the Euro is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

B.3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Software 3 to 5 years
- Asset Management Agreements 2 to 17 years
- Corporate brand "YOUNIQ" 14 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

B.3.9 Property, plant and equipment

Property, plant and equipment is recognized at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Owner-occupied buildings 33 to 50 years
- Cars 3 to 5 years
- IT equipment 2 to 3 years
- Office equipment 3 to 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on sale of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is presented net in the income statement.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

B.3.10 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

B.3.10.1 Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease; all other leases are classified as operating leases.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

B.3.10.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. As of year-end, except for four warehousing assets three located in Germany and on the Netherlands as well as the Car Leasing contracts of the acquired Hannover Leasing Group, the Group acts only as a lessor in regard to its office sub-lease agreements.

B.3.11 Investment properties

Investment Properties are only held indirectly as at Equity Investment and are shown in Investment in Associates and Joint Ventures.

Investment properties as the main assets of the Associates are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on a periodic evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee (Red Book).

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

B.3.12 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to distribute. Costs to sell are the incremental costs directly attributable to the disposal of asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

B.3.13 Inventories

Inventories comprise assets held for sale in the normal course of our warehousing business, assets that are manufactured for such sale or that are used in the course of the production of products or the provision of services. Within the Group real estate properties of segment "Real Estate Operations and Warehousing" are recorded as inventory properties if they were acquired with the intention of selling these within the normal business cycle. In this respect, the "normal business cycle" to a degree significantly exceeds a 12-month period in the case of inventory properties so those assets are reported as short-term assets in the consolidated statement of financial position item even though they will probably be held for more than one year. Inventories are primarily related to the Group's warehousing activities.

Inventories are valued at the lower of cost and net realisable value.

The costs include freehold and leasehold rights for land, amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventory recognized in profit and loss on disposal is determined with reference to the specific costs incurred on the property sold.

B.3.14 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

B.3.14.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables or AFS financial assets. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in following categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised costs is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the income statement in financial expenses.

Available-for-sale ("AFS") financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the income statement in financial expenses.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Further disclosures relating to impairment of financial assets are also provided in the following notes F.3.

Financial assets carried at amortised costs

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income (recorded as financial income in the income statement) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to financial expenses in the income statement.

AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from OCI and recognised in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

B.3.14.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss" (financial liabilities at FVTPL) or as "Financial Liabilities at cost".

All financial liabilities are recognised initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and other liabilities, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at cost

After initial recognition, interest-bearing payables, loans and other liabilities are subsequently measured at amortised cost. Using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are subsequently measured at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Convertible Bond

Based on the conditions of a Convertible Bond the issuer needs to evaluate if the Convertible includes an equity and debt component (IAS 32.28). The Convertible Bond is made up of the issued bond and a written call option for own shares.

The Bond is considered as a financial liability following IAS 32.11. Initial measurement of the Bond is at fair value less transaction costs IAS 39.43. Subsequent measurement is at amortised costs based on the effective interest method.

B.3.14.3 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps/caps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative (both in separate line items in the statement of financial position).

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the statement of profit or loss as cost of sales.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as a finance cost.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as interest rate swaps/caps for its exposure to volatility in the interest rates. The ineffective portion relating to foreign currency contracts is recognised in financial expenses and the ineffective portion relating to interest rate swaps/caps is recognised in other financial income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

B.3.14.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

B.3.15 Borrowing costs

All borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

B.3.16 Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

B.3.17 Cash distribution to equity holders of the parent

The Company recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Luxembourg, a distribution is authorised when it is approved by the annual general meeting of shareholders (refer to Note F.16) or in case of an interim dividend, by the Management Board as per the articles of incorporation of the Company and subject to the conditions of the corporate law of Luxembourg. A corresponding amount is recognised directly in equity.

B.3.18 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financial expense.

Restructuring provisions

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

B.3.19 Employee benefits

Total personnel expenses amounted to k€ 40,666 in the 2017 financial year (previous year k€ 20,775).

B.3.19.1 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or contractual obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

B.3.20 Share-based payments

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled trans actions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note I.1).

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a binomial model.

B.3.21 Structured Products

Structured products are defined as contracts that consist of a host contract and one or more embedded derivatives. An embedded derivative is an integral component of the structured product and cannot be traded separately.

Subject to certain preconditions, IAS 39 specifies that embedded derivatives must be separated from the associated host contract (bifurcation) and treated as independent derivatives for accounting purposes unless the entire structured product is measured at fair value through profit and loss.

In the Corestate Group, non-trading financial instruments requiring bifurcation, the fair value option is used.

B.4 New Standards issued but not yet effective

New standards and interpretations as well as amendments to existing standards and interpretations are usually not applied by the Group before the effective date.

Interpretations and amendments to existing standards that will be effective for financial years beginning after 1 January 2018, and which have not been applied in preparing these consolidated financial.

IFRS 15 – Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. On 12 April 2016, clarifying amendments were issued that have the same effective date as the standard itself. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group will apply IFRS 15 and corresponding clarifying amendments for the financial year starting on 1 January 2018. Corestate applies the new standard retrospectively only to the most current period with the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings on 1 January 2018, i.e. the annual reporting period that includes the date of initial application ("modified retrospective approach"). In this context, the Group makes use of the practical expedients provided and applies IFRS 15 only to contracts that are not completed contracts at 1 January 2018, the date of initial application.

The Group had initiated a group-wide implementation project in order to identify and analyse the effects of the initial application of IFRS 15.

While providing more guidance on revenue recognition, IFRS 15 requires entities to make a number of judgments that might result in entities recognizing revenue differently than they have in the past. In general, investment managers might be particularly affected by the following requirements of the five-step model:

- identifying who is the customer in the contract, e.g., identifying whether the ultimate customer is the fund that is being managed or the underlying investors in the fund;
- identifying a contract with a customer, e.g., identifying whether partnership agreements qualify as a contract in accordance with IFRS 15;
- identifying distinct performance obligations, e.g. whether multiple service obligations within a single contract constitute more than one performance obligation;
- determining the transaction price, e.g., estimating variable consideration and considering the constraint; and
- capitalisation of costs obtaining a contract, e.g. certain sales commissions.

Based on the results from the implementation project, the new requirements of IFRS 15 on the accounting for variable consideration will change the revenue recognition pattern for some contracts with performance-based fees that depend on meeting or exceeding pre-determined hurdle rates. IFRS 15 requires to estimate such variable consideration which, considering the constraint, will generally lead to an earlier recognition of revenue where it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur once uncertainty is resolved. Consequently, this will result in a first time adoption effect of IFRS 15 that may increase the opening balance of retained earnings by an amount of approximately up to €m 10 as of 1 January, 2018.

- IFRS 9 Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group will adopt IFRS 9 in the fiscal year beginning on 1 January 2018 and, in accordance with the transition options, currently expects that comparative information on classification, measurement and impairment according to IFRS 9 for prior periods will not be restated. Resultant transition effects will be reported in general in retained earnings. The new hedge accounting rules will be applied prospectively. While the Group has not yet completed its detailed analysis of IFRS 9, adoption of the standard is not expected to have a major impact on the consolidated financial statements. Regarding the classification of financial assets, the Group does not expect that parts of trade accounts receivable, currently accounted for exclusively at amortized cost, will in the future be recognized at fair value through other comprehensive income. Equity instruments which are recognized at amortized cost are expected to be recognized at fair value in profit or loss in the future. To implement the new rules on impairment, suitable models are being developed in particular to determine the expected loss rates for trade accounts receivable. The Group currently intends to apply the simplified impairment model under IFRS 9 and report lifetime expected losses for all trade accounts receivable and contract assets. The reporting of expected losses under the new model is expected to result in earlier recognition of impairment losses. The Group currently assumes that all existing designated hedges meet the requirements of IFRS 9 and can be continued. It is currently being assessed whether the hedging of components will be possible in some cases in the future. The option of reporting hedge costs in connection with designated hedges initially in other comprehensive income will probably be used. This could further reduce the already low hedge ineffectiveness.

  In January 2016, IASB published IFRS 16 "Leases" (EU effective date: 1 January 2019). IFRS 16 replaces IAS 17 "Leases" and the associated interpretations. According to the new regulations, lessees are required to account for all leases in the form of a right of use, and a corresponding leasing liability. A lease contract exists if the fulfilment of the contract depends on the use of an identifiable asset and the customer simultaneously acquires control of this asset. The presentation in the income statement is essentially a finance lease transaction, so that the right of use usually depreciates on a straight-line basis and the leasing liability is updated using the effective interest method. Leases with a total term of a maximum of twelve months, and leases of so called low value assets are excluded from this principle. For lessors, the rules of IFRS

16 differ very little from those of IAS 17. Application of the new standard is mandatory for fiscal years beginning on or after 1 January 2019. Earlier application is permitted as long as IFRS 15 is also applied. As a Group relating to the real estate sector, most of the Group's leases are operating leases under which it is the lessors. The Group is a lessee in regard with the lease of office premises and equipment as well as cars (refer to note I.9). Therefore, the application of IFRS 16 will have the following effects on the presentation of the Group's financial position and earnings performance: With regard to the minimum rental payments from operating leases reported under commitments, the adoption of the new standard will lead to an increase in non-current assets due to recognition of rights of use. Accordingly financial debt will increase due to recognition of the corresponding liabilities. In addition the classification of expenses from these leases will change because IFRS 16 replaces the current straight-line expenses for operating leases with depreciation of the rights of use and interest expense for the liabilities. In addition under IFRS 16 the principal portion of lease payments is reported under cash flows from financing activities, meaning that operating cash flow will improve. The Group has launched a Groupwide project to implement the new standard. A reliable estimate of the quantitative impact on the consolidated financial statements cannot yet be made. The current operating lease volume is shown in note I.9.1.

- IFRS 10 and IAS 28 Amendment – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (EU effective date: indefinitely postponed): This amendment is not expected to have any impact on the Group's financial statements.

The following new standards were issued by the International Accounting Standards Board (IASB) and are expected to be of relevance for the Group. These are not yet effective in the EU and hence have not been applied in preparing these consolidated financial statements:

- Amendments to IFRS 2 "Share-based Payment": "Classification and Measurement of Share-based Payment Transactions", issued in June 2016, not yet endorsed, expected initial application in fiscal year 2018/2019
- Annual Improvements to IFRSs 2014-2016 Cycle, issued in December 2016: not yet endorsed, expected initial application in fiscal years 2017/2018 and 2018/2019, respectively
- IFRIC 22: "Foreign Currency Transactions and Advance Consideration", issued in December 2016, not yet endorsed, expected initial application in fiscal year 2018/2019
- Amendments to IAS 40: "Transfers of Investment Property", issued in December 2016, not yet endorsed, expected initial application in fiscal year 2018/2019
- IFRIC 23: "Uncertainty over Income Tax Treatments", issued in June 2017, not yet endorsed, expected initial application in fiscal year 2019/2020
- Amendments to IFRS 9 "Financial Instruments", issued in October 2017, not yet endorsed, expected initial application in fiscal year 2019/2020
- Amendments to IAS 28: "Investments in Associates and Joint Ventures", issued in October 2017, not yet endorsed, expected initial application in fiscal year 2019/2020

C. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes

Financial risk management and policies	Notes I.4
Sensitivity analyses disclosures	Notes I.5

C.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

C.1.1 Consolidation and Associates

Generally entities are classified as Associates in case the Group holds more than 20% and less than 50% of the voting rights. However, the Group classifies entities as an Associate also if it considers that it has a significant influence on such entity based on the underlying investment documentation.

If the entity holds less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated.

Significant influence is usually evidenced in one or more of the following ways:

- Representation on the board of directors or equivalent governing body of the investee
- Participation in policy-making processes, including participation in decisions about dividends or other distributions
- Material transactions between the entity and its investee
- Interchange of material personnel (typically third-party investors do not participate in any formal roles as they only appear in their function as financial investors)
- Provision of essential technical information (The Group entered into an asset management agreement with all parties involved. A significant part of these asset management services is to provide the investee with the Group's expertise which also involves technical information (i.e. market information, asset management, business plan expertise)

C.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

C.2.1 Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair value. One of the most significant estimates relates to the determination of the fair value of these asset and liabilities. Trademarks were valued based on the relief from royalty method, which required an estimation of the relevant revenues, average royalty rate and discount rate. Management contracts' value was determined based on a multi-period excess earnings method which relied on sales forecast and EBITDA. Land, buildings and equipment were independently appraised using income capitalisation approach where the major assumptions comprised market rent and a yield. The fair of the financial assets was determined using discounted cash flows except for marketable financial assets that were valued at market price. These evaluations are linked closely to the assumptions made by the EMC regarding the future performance of the assets concerned and any changes in the discount rate applied (see Note F.3.).

C.2.2 Recoverability of Goodwill and Trademarks

The Group tests annually and in addition if any indicators exist, whether goodwill and trademarks have suffered an impairment loss. The recoverable amount of the respective cash-generating unit has to be estimated which is the greater of the fair value less costs to sell and the value in use. The determination of the value in use involves making adjustments and estimates related to the projection and discounting of future cash flows. Although the EMC believes the assumptions used to calculate recoverable amounts are appropriate, any unforeseen changes in these assumptions could result in impairment charges to goodwill which could adversely affect the future financial position and operating results (see Note F.3.).

C.2.3 Success fee

In some Projects, the Group is entitled to receive a success fee ("Promote fee") equalling to 15% to 20% of the net project returns. The claim for the Promote fee is only recognised when the relevant transaction documentation resulting in a net project return has been validly entered into, and becomes only payable after all investor commitments have been fully repaid to the investors. At this time, it is probable that the Promote fee will flow to the Group. Success fees represent a compensation for the Group's investment management services rendered in relation to a particular investment, and predominantly is an element in the fee pattern of investment products for private clients. In case, certain amounts of the net project return are withheld at closing of a transaction for escrow purposes, the payment of the pro-rated Promote fee is also deferred until the amounts in escrow are released G.4.

C.2.4 Valuation of Investment properties of Associates or Joint Ventures

The fair value of investment property as the main assets of the Associates or Joint Venture is determined by using recognised valuation techniques. Such fair value measurement has a significant impact on the Group's Investment in Associates and Joint Ventures. The valuation technique comprises mainly the income method (DCF based).

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including estimated rental income and an exit or terminal value.

This involves the projection of future cash flows which are discounted by a market-derived discount rate in order to determine the property's present value. The fair value measurement of investment property is considered to be Level 3.

Main key input parameters under the level 3 valuation models include:

- Discount rate
- Cap-rate
- Market rents
- Vacancy rate (current/long-term)
- Fluctuation rate
- Annual rent adaptation
- Maintenance costs
- Inflation rate
- Costs to sell

The net cash flow for the planning period is discounted to the valuation date using an appropriate discount rate for each property.

The discount rate is used to forecast future cash flows into perpetuity following the ten year planning period (as it is assumed that properties are held for a 10 year period). The individual capitalisation rate is based on each property's discount rate in year 10, which accounts for all potential risks related to a property.

Key input parameters may vary depending on the real estate property usage (i.e. commercial or residential building, student homes and developments), on the location and condition of the property and the current market trends.

If the property market or general economic situation develops negatively, there is a risk that the measurements might have to be adjusted. If the real estate assets have to be impaired, this would have a negative effect on the Group's Investment in Associates, Loans to Associates and Receivables from Associates.

The following sensitivity analysis shows how the Group's Investment in Associates, Loans to Associates and Joint ventures would have been affected if the relevant property value of the Associates or Joint ventures increased/decreased by 5% and 10% (as a result of changes in the main key input parameters stated above):

Sensitivity analysis to determine the change in Investments in Associates

€ thousand	Property value (+10%)	Property value (+5%)	**Carrying value 31 Dec 2017**	Property value (–5%)	Property value (–10%)
Project:					
LIVER	17,830	16,900	15,970	15,040	14,109
REGIA[4)]	11,391	11,391	11,391	11,391	11,391
HIGHSTREET VII	6,799	6,435	6,053	5,631	5,142
HIGHSTREET VI	6,046	5,684	5,321	4,883	4,345
HIGHSTREET PII	4,293	3,971	3,649	3,320	2,852
TURICUM[3)]	2,839	2,839	2,839	2,839	2,839
OLYMPIC[3)]	2,046	2,046	2,046	2,046	2,046
FLIGHT 47[4)]	1,781	1,781	1,781	1,781	1,781
ANNAPURNA[3)]	1,473	1,473	1,473	1,473	1,473
HARBOUR[3)]	1,298	1,298	1,298	1,298	1,298
4711[3)]	1,260	1,260	1,260	1,260	1,260
CONDOR[3)]	1,226	1,226	1,226	1,226	1,226
TURBO FRA	1,384	1,259	1,135	1,010	886
ACROSS[3)]	1,132	1,132	1,132	1,132	1,132
ISABELA[3)]	838	838	838	838	838
KING[3)]	651	651	651	651	651
FLIGHT 48[4)]	531	531	531	531	531
DONALD	560	520	479	439	399
VOLARE[4)]	358	358	358	358	358
ROSE[3)]	270	270	270	270	270
ENERGY[2)]	94	94	94	94	94
HABANA[4)]	61	61	61	61	61
CLG[1)]	53	53	53	53	53
Total	**64,214**	**62,071**	**59,910**	**57,626**	**55,035**

1) Initial at–equity valuation at cost or without investment property
2) Investment properties are sold, only undistributed profits
3) Investment properties under construction (measured at cost)
4) Associate with other assets than investment property (measured at cost)

Sensitivity analysis to determine the change in Joint Ventures

€ thousand	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2017	Property value (–5%)	Property value (–10%)
Project:					
MARBURG[1)]	15	15	15	15	15
SCORE[1)]	4	4	4	4	4
Total	**19**	**19**	**19**	**19**	**19**

[1)] Initial at–equity valuation at cost or without investment property

Sensitivity analysis to determine the change in Investments in Associates

€ thousand	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2016	Property value (–5%)	Property value (–10%)
Project:					
4711[3)]	1,466	1,466	1,466	1,466	1,466
ACROSS[3)]	1,149	1,149	1,149	1,149	1,149
ANNAPURNA[3)]	1,519	1,519	1,519	1,519	1,519
DANUBE[3)]	2,050	2,050	2,050	2,050	2,050
DONALD[1)]	226	226	226	226	226
ENERGY[2)]	108	108	108	108	108
Harbour[3)]	1,331	1,331	1,331	1,331	1,331
HIGHSTREET I	4,618	4,039	3,495	2,841	2,235
HIGHSTREET II	4,029	3,740	3,450	3,160	2,805
HIGHSTREET IV	5,761	5,389	5,016	4,644	4,232
HIGHSTREET PI	5,765	5,361	4,946	4,420	3,877
HIGHSTREET PII[1)]	3,358	3,358	3,358	3,358	3,358
HIGHSTREET V	1,574	1,448	1,292	1,134	964
HIGHSTREET VI[1)]	5,145	5,145	5,145	5,145	5,145
ROSE[3)]	322	322	322	322	322
TURBO FRA	995	900	805	711	616
OTHERS	64	64	64	64	64
Total	**39,480**	**37,615**	**35,744**	**33,649**	**31,469**

[1)] Initial at-equity valuation at cost or without investment property
[2)] Investment properties are sold, only undistributed profits
[3)] Investment properties under construction (measured at cost)

Sensitivity analysis to determine the change in Joint Ventures

€ thousand	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2016	Property value (–5%)	Property value (–10%)
Project:					
SCORE[1)]	4	4	4	4	4
Total	**4**	**4**	**4**	**4**	**4**

1) Initial at–equity valuation at cost or without investment property

C.2.5 Other provisions

The recognition and measurement of other provisions are based on the estimation of the probability of a future outflow of resources as well as empirical values and the circumstances known at the reporting date. This means that the actual later outflow of resources may differ from the other provisions Note refer F.19 and F.25.

C.2.6 Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note I.6.3.

C.3 Business combinations

In 2017, the Group accounted for the following business combinations:

k€	Business Combination: subgroup of Hannover Leasing GmbH & Co. KG	Business Combination: GENOST Consulting GmbH	Business Combination: HFS Helvetic Financial Services AG	Business Combination: subgroup of Atos Capital GmbH	TOTAL Business Combinations
Acquisition date	7.7.2017	5.7.2017	5.7.2017	6.10.2017	
Total Cost of the combination	31,620	1,000	619,784	25,754	678,157
thereof purchase prices (cash)	31,620	1,000	239,000	13,008	284,628
thereof other consideration transferred	–	–	380,784	12,746	393,529
Directly attributable acquisition costs	1,284	–	7,450	302	9,037
Number of shares acquired	n/a	1	5,000	n/a	
Voting rights acquired (%)	94.90%	100.00%	100.00%	100.00%	
Property, plant & equipment	34,476	65	21	102	34,664
Intangible assets	37,552	4	114,827	4,749	157,132
Shares in subsidiaries	4,860	–	–	–	4,860
Shares in associates	54,288	–	–	–	54,288
Other financial instruments	102,717	–	52,842	–	155,559
Inventories	86,714	–	–	–	86,714
Receivables	21,404	207	1,772	934	24,317
Receivables from affiliated companies	39	–	–	–	39
Current tax assets	64	–	–	–	64
Other assets	36,243	77	13,929	369	50,617
Cash and cash equivalents	36,150	565	17,169	1,980	55,863
Deferred tax assets	3,497	–	1,300	–	4,797
Total assets	**418,003**	**919**	**201,860**	**8,133**	**628,915**
Deferred tax liability	4,601	–	14,297	1,529	20,427
Derivatives	10,068	–	–	–	10,068
Financial liabilities due to banks	256,120	–	40,546	–	296,666
Other provisions	53,744	4	398	2,148	56,294
Current tax liabilities	18,639	4	6,086	–	24,729
Liabilities from affilitated companies	–	–	–	–	–
Trade payables	6,485	4	1,596	220	8,305
Other (financial) liabilities	50,829	355	38,839	185	90,208
Total liabilities	**400,486**	**367**	**101,762**	**4,083**	**506,697**
Fair value of net assets acquired	**17,518**	**551**	**100,098**	**4,051**	**122,218**
Non–controlling interests	890	–	–	–	890
Recognized Goodwill	**15,024**	**449**	**519,686**	**21,703**	**556,861**
Realized bargain purchase ("lucky buy")	**(32)**	**–**	**–**	**–**	**(32)**
Revenues generated since acquisition date	**17,916**	**–**	**67,873**	**3,392**	**89,181**
Profit / (loss) since acquisition date	**8,028**	**(25)**	**41,691**	**1,307**	**51,000**

To expand and diversify of the Group's product range and to improve the Group's access to new sources of capital, on 15 December 2016 (date of purchase contract), the Group purchased a 94.9% stake in Hannover Leasing GmbH & Co. KG, Pullach/Germany (together with its subsidiaries, the "**sub-group Hannover Leasing**"). Sub-group Hannover Leasing is one of the leading asset managers and providers of asset-based investments in Germany, and offers closed public AIFs (alternative investment funds) as a licensed capital management company. Since it was founded in 1981, the company has succeeded in raising equity capital of around EUR 9.9billion from private and institutional investors for over 200 closed investments Sub-group Hannover Leasing's investments are focused primarily on real estate opportunities on the domestic and overseas markets, as well as public infrastructure projects. In recent years, sub-group Hannover Leasing generated predominantly long-term contracted sales from established fund structures. The total investment volume of assets under management comes to around EUR 13.6billion. The acquisition of sub-group Hannover Leasing was completed for the most part on 7 July 2017 (acquisition date) and regarding the aforementioned minority sharehold-ing on 12 July 2017. Landesbank Hessen-Thüringen Girozentrale (Helaba) remain as a minority share-holder with a 5.1% stake in Hannover Leasing GmbH & Co. KG.

The fair values of the identifiable assets and liabilities as at the date of acquisition are presented in the table above.

The fair value of the trade receivables amounts to k€ 21,404 which equals its gross amount. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of k€ 15,024 comprises the value of expected market synergies arising from the acquisition. Goodwill is allocated entirely to the Real Estate Investment Management segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, sub-group Hannover Leasing contributed k€ 17,916 of revenue and k€ 8,028 to profit of the Group. If the combination had taken place at the beginning of the year, revenue would have been k€ 36,236 and loss for the Group would have been k€18,462 (ceteris paribus).

The purchase consideration is presented in the table above. No contingent consideration has been agreed.

Transaction costs of k€ 1,284 were expensed and are included in general and administrative expenses.

Furthermore, with the purchase of **HFS Helvetic Financial Services AG**, Wollerau/Switzerland ("HFS") on 1 July 2017, the Group expanded its product offering to include mezzanine real estate financing solutions and, simultaneously, complemented the Group's fund business by adding access to mezzanine debt funds. The acquisition of HFS Helvetic Financial Services AG was completed on 5 July 2017 (acquisition date). HFS Helvetic Financial Services AG is one of the leading providers of mezzanine financing (a hybrid of debt and equity financing which gives the lender under certain conditions the right to convert to an equity interest in the borrowing company in case of default) in the German residential and commercial real estate market and also sub-advises numerous funds. Following the acquisitions (as defined below), the Group is in a position to provide the full range of asset, fund, and property management services and related investment products (managed accounts, closed-ended funds, so called club deals (meaning that a group of investors pools its equity to make a joint investment), real estate special-AIFM, open-ended funds) to the Group's clients, covering all major real estate asset classes, including retail, residential, micro living, office, hotels and aviation assets and all relevant investment products, including real estate mezzanine financing.

The fair values of the identifiable assets and liabilities as at the date of acquisition are presented in the table above.

The fair value of the trade receivables amounts to k€1,772 which equals its gross amount. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of k€519,686 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Real Estate Investment Management segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, sub-group HFS contributed k€67,873 of revenue and k€41,691 to profit of the Group. If the combination had taken place at the beginning of the year, revenue would have been k€ 80,492 and profit for the Group would have been k€47,544 (ceteris paribus).

The purchase consideration is presented in the table above. No contingent consideration has been agreed. The total purchase price of k€ 619,784 was paid in cash (k€ 239,000; thereof by taking out new loans in the amount of totally k€ 207,918) and the issuance of shares (k€ 380,784; refer to notes F.16 and F.17).

The Company issued 7,365,256 ordinary shares as consideration for the 50% interest in HFS. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which was €51.70 per share. The fair value of that portion of the consideration given was therefore k€380,784.

Transaction costs of k€7,450 were expensed and are included in general and administrative expenses. The attributable costs of the issuance of the shares of k€0 have been charged directly to equity as a reduction in share premium.

To strengthen the Group's expertise in the commercial real estate sector, on 28 September 2017, CCH SA purchased Atos Capital GmbH, Hamburg/Germany (together with its subsidiaries, the "**sub-group ATOS**"), a real estate company specializing in the investment, asset and property management of commercial properties in Germany and Austria. The acquisition of sub-group ATOS was completed on 6 October 2017. Sub-group ATOS provides the full range of asset and property management services with a strong focus on office and retail assets for both institutional and private/semi-institutional clients. Sub-group ATOS managed a portfolio of around 215 assets in more than 150 cities valued at approximately EUR 1.58 billion as of 30 September 2017.

The fair values of the identifiable assets and liabilities as at the date of acquisition are presented in the table above.

The fair value of the trade receivables amounts to k€934 which equals its gross amount. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of k€21,703 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Real Estate Investment Management segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, sub-group ATOS contributed k€3,392 of revenue and k€1,307 to profit of the Group. If the combination had taken place at the beginning of the year, revenue would have been k€ 11,836 and profit for the Group would have been k€2,208 (ceteris paribus).

The purchase consideration is presented in the table above. No contingent consideration has been agreed. The total purchase price of k€ 25,754 was paid in cash (k€ 13,008) and the issuance of shares (k€ 12,746; refer to notes F.16 and F.17).

The Company issued 242,544 ordinary shares as consideration for the 50% interest in ATOS. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which was €52.55 per share. The fair value of that portion of the consideration given was therefore k€12,746.

Transaction costs of k€302 were expensed and are included in general and administrative expenses. The attributable costs of the issuance of the shares of k€0 have been charged directly to equity as a reduction in share premium.

The business combination of GENOST Consulting was immaterial.

D. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its assets and services and has three reportable segments, as follows:

- Real Estate Investment Management
- Alignment Capital Management
- Real Estate Operations and Warehousing

The segment definition and reporting in the Group corresponds to internal reporting to the operating decision-maker and is based on operating business divisions (“management approach”). The operating decision-maker is the EMC.

The Group generates the major part of its revenues and income in Germany, because the Group and/or its Associates/Joint Ventures are primarily concentrated on the German real estate market.

D.1 Real Estate Investment Management

The Group acts as a real estate investment manager, and covers every stage of the lifecycle of a real estate investment. As an integral part of its investment philosophy, the Group has an in-depth understanding of the details and dynamics of the underlying real estate assets and markets, and focuses on value creation by way of hands-on management. The services provided by the Group throughout the lifecycle of an investment mainly include

- the origination, structuring and execution of investment products tailored to the needs of its clients and in line with regulatory requirements,
- ongoing and day-to-day asset, fund and property management over the holding period as well as
- management of the realization of the investment product through multiple exit channels (asset-by-asset sales, portfolio sales, auctions, etc.).

Along the real estate investment lifecycle, the Group generates a variety of fees such as acquisition-related fees, management fees, coupon participation fees, as well as success fees (Promote fees). Such fees are typically based on the volume of the underlying assets under management and the management performance measured as cash profits generated for the clients from the underlying investment product.

D.2 Alignment Capital Management

A key element of the business model of the Group are alignment capital investments, in particular investment products for its semi-institutional/ private clients. Typically, such alignment capital investments range between 5% and 10% (with certain exceptions for particular transactions) of the total equity capital invested into an investment product. As a result, in addition to the fee-based income generated through its real estate investment management services; the Group also participates in the performance of the investment products by way of dividend payments, and realizes capital gains upon successful exit from the investment products.

D.3 Real Estate Operations and Warehousing

As a complementary element to its real estate investment and alignment capital management, the Group also engages in identifying and securing real estate investment opportunities prior to converting/transferring them into an investment product tailor-made for investors (Warehousing). By acquiring such assets for its own account and balance sheet, the Group is able to secure asset supply especially in competitive market situations, and build up seed portfolios in particular for institutional clients while setting up and structuring the investment product for the clients in parallel. Warehousing provides the Group with a key competitive advantage. Over the holding period, the Group is managing the assets, implements value enhancement measures and receives/consolidates the income from the underlying real estate operations. Upon transfer/conversion into an investment structure/product, the Group typically realizes a margin over the initial purchase price (warehousing gain/premium).

D.4 Segment information

Segment Information for the period from 1 January 2017 to 31 December 2017

€ thousand	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/ Warehousing	Total Segments	Adjustments and eliminations	Consolidated Financial Statements
Revenues:						
Revenues	151,600	–	10,112	**161,712**	–	161,712
Inter-segment revenues	–	–	–	**–**	–	–
Total revenues	151,600	–	10,112	**161,712**	–	161,712
Income/expenses						
Expenses from Real Estate Investment Management	(50,814)	–	–	**(50,814)**	–	(50,814)
Share of profit or loss from Associates and Joint Ventures	–	9,498	–	**9,498**	–	9,498
Dividends from other Capital Alignments	–	9,877	–	**9,877**	–	9,877
Expenses from Management of Associates and Joint Ventures	–	(1,088)	–	**(1,088)**	–	(1,088)
Net Gain from Selling Property Holding Companies	–	–	13,916	**13,916**	–	13,916
Expenses from Real Estate Operations	–	–	(5,029)	**(5,029)**	–	(5,029)
General and Administrative Expenses	–	–	–	**–**	(35,400)	(35,400)
Depreciation & Amortisation	(17,377)	–	–	**(17,377)**	(3,488)	(20,866)
Financial Income	–	–	–	**–**	8,951	8,951
Financial Expenses	(12,868)	–	(1,066)	**(13,934)**	(15,844)	(29,778)
Other income/expenses and taxes	–	–	–	**–**	(4,624)	(4,624)
Segment Profit	**70,540**	**18,286**	**17,934**	**106,760**	**(50,405)**	**56,355**
Total Assets (31 December 2017)	**842,474**	**196,096**	**287,378**	**1,325,949**	**101,076**	**1,427,025**
Total Liabilities (31 December 2017)	**85,719**	**13,111**	**251,357**	**350,187**	**525,405**	**875,952**
Other disclosures						
Investment in associates	–	59,910	–	59,910	–	59,910
Investment in joint ventures	–	19	–	19	–	19
Segment investments	1,224	45,577	6	46,807	–	47,845

Segment Information for the period from 1 January 2016 to 31 December 2016

€ thousand	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/ Warehousing	**Total Segments**	Adjustments and eliminations	Consolidated Financial Statements
Revenues:						
Revenues	40,769	–	1,441	**42,210**	–	42,210
Inter-segment revenues	–	–	–	–	–	–
Total revenues	40,769	–	1,441	**42,210**	–	42,210
Income/expenses						
Expenses from Real Estate Investment Management	(23,167)	–	–	(23,167)	–	(23,167)
Share of Profit or Loss from Associates and Joint Ventures	–	5,255	–	5,255	–	5,255
Expenses from Management of Associates and Joint Ventures	–	(2,637)	–	(2,637)	–	(2,637)
Net Gain from Selling Property Holding Companies	–	–	12,244	12,244	–	12,244
Expenses from Real Estate Operations	–	–	(4,044)	(4,044)	–	(4,044)
General and Administrative Expenses	–	–	–	–	(9,963)	(9,963)
Depreciation & Amortisation	–	–	–	–	(374)	(374)
Financial Income	–	–	–	–	514	514
Financial Expenses	–	–	–	–	(3,315)	(3,315)
Other income/ expenses and taxes	–	–	–	–	(1,167)	(1,167)
Segment Profit	**17,601**	**2,617**	**9,641**	**29,860**	**(14,304)**	**15,556**
Total Assets (31 December 2016)	**9,374**	**70,189**	**19,612**	**99,175**	**(31,430)**	**130,605**
Total Liabilities (31 December 2016)	**7,798**	**9,980**	**14,812**	**32,590**	**11,568**	**44,159**
Other disclosures						
Investment in associates	–	35,744	–	35,744	–	35,744
Investment in joint venture	–	4	–	4	–	4
Segment investments	1,536	26,561	–	28,097	–	28,407

No operating segments have been aggregated to form the above reportable operating segments.

The Group operates currently with a focus on Germany, Austria, United Kingdom, Switzerland and Spain. The Group has segmented its capital allocation by geographical area based on the location of the properties in its Real Estate Investment Management as well as Real Estate Operations/Warehousing business. The following table sets forth the Group's capital allocation (comprising Investment in Associates or Joint Ventures, Long-term Loans to Associates, Receivables from Associates or Joint Ventures and Inventories) and revenues by geography for the periods indicated:

Geographical Segment Information (Secondary Segments)

€ thousand	**2017**	2016
Capital Allocation	**353,868**	**64,744**
Germany	263,092	60,095
The Netherlands	62,600	–
UK	17,260	–
Austria	4,423	2,305
Spain	3,286	2,343
Switzerland	3,207	–
Revenues	**161,712**	**42,210**
Germany	151,087	37,078
The Netherlands	3,148	–
Austria	2,998	4,340
Switzerland	2,336	–
UK	1,271	–
Luxembourg	462	–
Spain	336	792
Czech Republic	75	–

The Group's revenues comprise the revenue from segment Real Estate Investment Management (acquisition and sales fees, Asset and Property Management fees, Coupon Participation fees and realised Promote fees) as well as the net rental income and the revenues from service charges from segment Real Estate Operations and Warehousing.

The EMC monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The Group's General and Administrative Expenses, and Income Taxes (including Deferred and Current Taxes) are managed on a Group basis and are not allocated to operating segments.

The following Projects and customers account for more than 10% of consolidated revenue. These revenues are completely recognised in the segment Real Estate Investment Management and, mainly relate to Coupon Participation Fees and Promote Fees.

Information about Projects and customers with more than 10% of the Group's revenues

€ thousand	**2017**	2016
Stratos II & IV	79,848	–
Project TURBO VIE	–	4,936

Capital expenditure consists of additions of property, plant and equipment, intangible assets and Investments in Associates and Joint Ventures.

E. FAIR VALUE OF ASSETS AND LIABILITIES

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of available inputs. The Group has determined the following Fair Value Hierarchies:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (comparable transactions)
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (Valuation models)

As in previous year the Group's fair value measurements of assets and liabilities are all within Level 3.

The EMC considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen. Any changes in valuation methods are discussed and agreed with the Group's board of directors.

F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

F.1 Property, Plant and Equipment

Property, Plant and Equipment

Financial Year € thousand	Land and buildings	Office and other equipment	Assets under operating lease	Cars	**2017 Total**	2016 Total
Acquisition cost						
As of 1 January	0	2,087	0	87	2,174	1,304
Changes from Business combinations and sales of subsidiaries	26,732	1,272	6,685	–	34,689	0
Additions	52	525	–	–	577	914
Disposals	(15)	(119)	(3,889)	–	(4,024)	(44)
As of 31 December	**26,769**	**3,766**	**2,795**	**87**	**33,416**	**2,174**
Amortisation and impairment losses						
As of 1 January	0	903	0	36	939	662
Depreciation charge for the year	300	608	873	29	1,810	276
As of 31 December	**300**	**1,511**	**873**	**65**	**2,748**	**939**
Total (Carrying amount)	**26,469**	**2,255**	**1,923**	**22**	**30,668**	**1,235**

Land and buildings (owner-occupied by subgroup Hannover Leasing) with a carrying amount of K€ 26,469 (31.12.2016: k€ 0) are subject to a first charge to secure some of the Group's bank loans.

Office and other equipment is mainly part of the Group's property management company CAPERA Immobilien Service GmbH ("CAPERA"), the Alternative Investment Fund Manager Corestate Capital Fund Management S.à r.l. and the Asset Management Company CORESTATE Capital Advisors GmbH.

The fleet of motor vehicles for rental purposes is shown as assets under operating lease. The disposals result from sales in connection with expired leasing contracts.

F.2 Other intangible assets

Intangible Assets

Intangible assets include mainly Trademarks (EUR 46.5 million) and Asset Management contracts (EUR 90.8 million) acquired through business combinations. The Asset Management contracts have useful lives between 2 and 17 years; the weighted average useful life is 5,3 years. The Trademarks have indefinite useful lives. As at 31 December 2017, Asset management contracts and Trademarks were tested for impairment as part of the annual impairment testing of CGUs of Real Estate Investment Management segment (see Note F.3), resulting no impairment losses.

Financial Year € thousand	2017 Total	2016 Total
Acquisition cost		
As of 1 January	1,219	289
Changes from Business combinations and sales of subsidiaries	157,132	–
Additions	2,056	933
Disposals	(55)	(3)
Currency translation effects	–	–
As of 31 December	**160,352**	**1,219**
Amortisation and impairment losses		
As of 1 January	289	193
Amortisation for the year	19,048	95
Disposals	–	–
As of 31 December	**19,336**	**289**
Total (Carrying amount)	**141,016**	**930**

F.3 Goodwill

Goodwill

Financial Year € thousand	2017 Total	2016 Total
Acquisition cost		
As of 1 January	0	0
Changes from Business combinations	556,861	–
Additions	3	–
Disposals	–	–
Currency translation effects	–	–
As of 31 December	**556,865**	**0**
Amortisation and impairment losses		
As of 1 January	0	0
Impairment for the year	3	–
Disposals	–	–
As of 31 December	**3**	**0**
Total (Carrying amount)	**556,861**	**0**

The Goodwill results from the following business combinations during the financial year 2017 (refer to note C.3):

Goodwill – Detailed composition

€ thousand	31 Dec 2017 Total	31 Dec 2016 Total
HFS Helvetic Financial Services AG	519,686	–
Sub–group of ATOS Capital GmbH	21,703	–
Sub–group of HANNOVER LEASING GmbH & Co. KG	15,024	–
GENOST Consulting GmbH	449	–
Others	–	–
Total	**556,861**	**–**

Goodwill acquired through business combinations (see Note C.3) was fully allocated to the CGUs of Real Estate Investment Management, which is also an operating and reportable segment, for impairment testing.

The Group performed its annual impairment test in December 2017.

Impairment Test INPUT

€ million	Discount Rate
HFS Helvetic Financial Services AG	8.40%
Sub-group of ATOS Capital GmbH	8.32%
Sub-group of HANNOVER LEASING GmbH & Co. KG	7.05%

The Group determines whether goodwill and other intangibles assets with indefinite useful lives (Trademarks) are impaired at least on an annual basis. Since Trademarks are do not generate largely independent cash flows, they form part of the assets within the respective CGUs which are tested for impairment. The impairment test requires an estimation of the value in use of the cash-generating units to which the goodwill and trademarks are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units (within Real Estate Investment Management segment) and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In the segment Real Estate Investment Management, we assume growth in the Real Estate Investment Management segment for Hannover Leasing and ATOS of in average 10% p.a. and for HFS of 7% p.a.. The discount rate applied to cash flows within the five year amounted to 7.05% for Hannover Leasing, 8.32% for ATOS and 8.40% for HFS. Periods beyond the five-year period are extrapolated using a 1 % growth rate. The Goodwill and trademark of ATOS would be impaired if the pre-tax discount rate increases by 1.7 percentage points.

As a result of this analysis, no impairment needs to be recognised as of December 31, 2017.

F.4 Investments in Associates and Joint Ventures

Investments in Associates – Overview

Project	Name of associate	Country of incorporation	Place of business	Economic participation quote* 31 Dec 2017	31 Dec 2016
4711	Venloer4711 AIF 1 S.à r.l. and Venloer4711 AIF 2 S.à r.l.	Luxembourg	Germany	10.1%	10.1%
ACROSS	ACROSS TopCo 1 S.à r.l. and ACROSS TopCo 2 S.à r.l.	Luxembourg	Germany	10.0%	10.0%
ANNAPURNA	Iberian HoldCo III , S.L.	Spain	Spain	10.3%	10.3%
BEN	CORESTATE IREI Holding S.A.	Luxembourg	Germany	sold	22.4%
BERRY	Corestate Berry HoldCo S.à r.l. in liquidation (i.L.)	Luxembourg	Germany	10.8%	10.8%
CADMUS	CADMUS Verwaltungsgesellschaft mbH	Pullach	Germany	49.0%	0.0%
CLG	CLG Facility Management GmbH	Germany	Germany	49.0%	49.0%
CONDOR	Con 2 AIF S.à r.l.	Luxembourg	Austria	10.0%	0.0%
DANUBE	Corestate VIE Developments S.à r.l.	Luxembourg	Austria	sold	9.7%
DONALD	Müller 34 GmbH	Frankfurt am Main	Germany	5.1%	5.1%
ENERGY	Corestate Energy HoldCo S.à r.l. i.L.	Luxembourg	Germany	10.7%	10.7%
FLIGHT 47	HANNOVER LEASING Flight Invest 47 GmbH & Co. KG	Pullach	Germany	26.0%	0.0%
FLIGHT 48	HANNOVER LEASING Flight Invest 48 GmbH & Co. KG	Pullach	Germany	35.3%	0.0%
HABANA	HABANA Verwaltungsgesellschaft mbH	Pullach	Germany	49.0%	0.0%
HARBOUR	HARBOUR AcquiCo 1 AIF S.à r.l. and HARBOUR AcquiCo 2 AIF S.à r.l.	Luxembourg	Germany	14.8%	14.8%
HIGHSTREET I	Corestate Highstreet TopCo Limited and Highstreet TopCo II Limited	Guernsey	Germany	sold	12.3%
HIGHSTREET II	Corestate Highstreet II TopCo Limited and Highstreet II AcquiCo Limited	Guernsey	Germany	sold	8.2%
HIGHSTREET IV	Highstreet IV TopCo Limited	Guernsey	Germany	sold	9.5%
HIGHSTREET PI	Highstreet Premium I TopCo Limited and Highstreet Premium I AcquiCo Limited	Guernsey	Germany	sold	10.0%
HIGHSTREET PII	Highstreet Premium II TopCo Limited	Guernsey	Germany	10.0%	10.0%
HIGHSTREET V	Highstreet V TopCo Limited and Highstreet V AcquiCo Limited	Guernsey	Germany	sold	3.5%
HIGHSTREET VI	Corestate Highstreet VI TopCo Limited and Corestate Highstreet VI AcquiCo Limited	Guernsey	Germany	10.0%	10.0%
HIGHSTREET VII	Highstreet VII TopCo Limited and Highstreet VII AcquiCo Limited	Guernsey	Germany	6.2%	n.a.
ISABELA	Iberian HoldCo I SL	Madrid	Spain	10.5%	n.a.
KANADA	KANADA HAUS Verwaltungsgesellschaft mbH	Pullach	Germany	100.0%	0.0%
KING	KING AIF 1 S.à r.l. and KING AIF 2 S.à r.l.	Luxembourg	Germany	10.0%	n.a.
LIVER	Liver HoldCo Limited	Guernsey	Great Britain	43.2%	n.a.

Project	Name of associate	Country of incorporation	Place of business	Economic participation quote* 31 Dec 2017	Economic participation quote* 31 Dec 2016
OLYMPIC	Olympic AIF 1 S.à r.l. and Olympic AIF 2 S.à r.l.	Luxembourg	Germany	10.0%	n.a.
PALMYRA	PALMYRA Verwaltungs GmbH & Co. Vermietungs KG	Luxembourg	Germany	sold	n.a.
REGIA	REGIA Verwaltungsgesellschaft mbH	Pullach	Germany	49.0%	0.0%
ROSE	ROSE PropCo S.à r.l.	Luxembourg	Germany	5.4%	5.4%
SAILING	Sailing HoldCo I S.à r.l.	Luxembourg	Germany	5.2%	5.2%
SQUIRREL	Squirrel AcquiCo I S.à r.l.	Luxembourg	Germany	5.7%	5.7%
T6	T6 HoldCo S.à r.l.	Luxembourg	Germany	19.1%	19.1%
TURBO FRA	TURBO FRA GmbH (until Dec 2015: Corestate Turbo FRA HoldCo S.à r.l.)	Luxembourg	Germany	10.0%	10.0%
TURBO VIE	Corestate Turbo HoldCo S.à r.l.	Luxembourg	Austria	7.9%	7.9%
TURICUM	TURICUM AIF S.à r.l.	Luxembourg	Switzerland	5.5%	0.0%
VITU	VITU TopCo Limited	Guernsey	Germany	5.1%	5.1%
VOLARE	VOLARE Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach	Germany	100.0%	0.0%

*Participation quota according to Joint Venture and Co-Investment Agreement

Investments in Joint Venture – Overview

Project	Name of associate	Country of incorporation	Place of business	Economic participation quote* 31 Dec 2017	Economic participation quote* 31 Dec 2016
Marburg	GRO Marburg GmbH	Frankfurt am Main	Germany	50.0%	n.a.
SCORE	SCORE S.à r.l.	Luxembourg	Luxembourg	50.0%	50.0%

Investments in Associates and Joint Ventures – Movement in carrying value
Period ended 31 December 2017 (€ thousand)

Project	1 Jan 2017	Changes from business combinations and sales of subsidiaries	Additions/ Transfers	Share of profit/(loss) for the period	Dividends and capital repayments received in cash	Disposals/ Transfers	Currency translation adjustments	31 Dec 2017
ACROSS	1,149	–	–	(17)	–	–	–	1,132
ANNAPURNA	1,519	–	–	(47)	–	–	–	1,473
BEN	0	–	–	0	–	(0)	–	–
BERRY	0	–	–	–	–	–	–	–
CLG	53	–	–	–	–	–	–	53
CONDOR	–	–	1,320	(94)	–	–	–	1,226
DANUBE	2,050	–	–	400	(2,450)	–	–	0
DONALD	226	–	–	254	–	–	–	479
ENERGY	108	–	–	(14)	–	–	–	94
FLIGHT 47	–	1,418	–	501	–	–	(137)	1,781
FLIGHT 48	–	725	–	(44)	–	–	(150)	531
HABANA	–	32	–	29	–	–	–	61
HARBOUR	1,331	–	–	(33)	–	–	–	1,298
HIGHSTREET I	3,495	–	–	1,745	(5,240)	(0)	–	0
HIGHSTREET II	3,450	–	–	603	(4,053)	(0)	–	0
HIGHSTREET IV	5,016	–	–	966	(5,982)	–	–	0
HIGHSTREET PI	4,946	–	–	1,351	(6,297)	–	–	0
HIGHSTREET PII	3,358	–	147	369	(225)	–	–	3,649
HIGHSTREET V	1,292	–	–	658	(1,950)	–	–	0
HIGHSTREET VI	5,145	–	(0)	176	–	–	–	5,321
HIGHSTREET VII	–	–	16,246	268	–	(10,461)	–	6,053

Project	1 Jan 2017	Changes from business combinations and sales of subsidiaries	Additions/ Transfers	Share of profit/(loss) for the period	Dividends and capital repayments received in cash	Disposals/ Transfers	Currency translation adjustments	31 Dec 2017
ISABELA	–	845	–	(7)	–	–	–	838
KING	–	–	700	(49)	–	–	–	651
LIVER	–	–	19,557	2,780	–	(6,367)	–	15,970
OLYMPIC	–	2,046	–	–	–	–	–	2,046
PALMYRA	–	40,635	–	(626)	–	(40,009)	–	0
PHOENIX	0	–	–	–	–	–	–	0
REGIA	–	11,449	–	282	(340)	–	–	11,391
ROSE	322	–	–	(15)	(38)	–	–	270
SAILING	0	–	–	–	–	–	–	0
SQUIRREL	0	–	–	–	–	–	–	0
T6	0	–	500	(500)	–	–	–	0
TURBO FRA	805	–	–	329	–	–	–	1,135
TURBO VIE	0	–	–	–	–	–	–	0
TURICUM	–	–	4,365	(33)	–	(1,493)	–	2,839
VITU	11	–	–	(8)	(3)	–	–	0
VOLARE	–	29	–	329	–	–	–	358
4711	1,466	–	(151)	(55)	–	–	–	1,260
Associates, total	**35,744**	**57,179**	**42,685**	**9,498**	**(26,577)**	**(58,331)**	**(287)**	**59,910**
MARBURG	0	–	15	–	–	–	–	15
SCORE	4	–	–	–	–	–	–	4
Joint Venture, total	**4**	**–**	**15**	**–**	**–**	**–**	**–**	**19**
Total	**35,747**	**57,179**	**42,700**	**9,498**	**(26,577)**	**(58,331)**	**(287)**	**59,929**

Investments in Associates and Joint Ventures – Movement in carrying value
Period ended 31 December 2016 (€ thousand)

Project	1 Jan 2016	Additions	Share of profit/(loss) for the period	Dividends and capital repayments received in cash	Disposals	31 Dec 2016
ACROSS	–	1,202	(52)	–	–	1,149
ANNAPURNA	–	1,542	(22)	–	–	1,519
BEN	5,082	878	1,619	(7,578)	–	0
CLG	–	53	–	–	–	53

Project	1 Jan 2016	Additions	Share of profit/(loss) for the period	Dividends and capital repayments received in cash	Disposals	31 Dec 2016
DANUBE	1,260	790	–	–	–	2,050
DONALD	820	–	(168)	–	(426)	226
ENERGY	108	–	–	–	–	108
HARBOUR	–	1,355	(24)	–	–	1,331
HIGHSTREET I	7,011	50	(332)	(3,234)	–	3,495
HIGHSTREET II	2,979	–	471	–	–	3,450
HIGHSTREET IV	4,308	–	709	–	–	5,016
HIGHSTREET PI	18	3,965	963	–	–	4,946
HIGHSTREET PII	–	3,471	(77)	–	(36)	3,358
HIGHSTREET V	–	1,500	(208)	–	–	1,292
HIGHSTREET VI	–	5,081	145	–	(81)	5,145
ROSE	–	331	(8)	–	–	322
SQUIRREL	38	–	(38)	–	–	0
T6	3,495	–	–	(3,495)	–	0
TURBO FRA	899	–	(94)	–	–	805
TURBO VIE	3,161	–	169	(3,330)	–	0
4711	–	1,475	(9)	–	–	1,466
VITU	11	–	142	(142)	–	11
Associates, total	**29,189**	**21,692**	**3,204**	**(17,798)**	**(543)**	**35,744**
IBERIAN Advisors	25	–	–	–	(25)	0
SALUTE	29	–	2,051	–	(2,080)	0
SCORE	4	–	–	–	–	4
Joint Ventures, total	**58**	**–**	**2,051**	**–**	**(2,105)**	**4**
Total	**29,247**	**21,692**	**5,255**	**(17,798)**	**(2,649)**	**35,747**

Concerning the reconciliation to the profit and loss statement we refer to Notes G.6.

The following table sets out key financial information for the projects the Group has invested in.

Key Financial Information of the Group's Investments in Associates in 2017 (by Projects)

€ thousand	HIGHSTREET VI	HIGHSTREET VII	HIGHSTREET PII	TURBO FRA
Investment Property	107,400	167,200	95,600	36,600
Other non-current assets	394	1,273	146	–
Cash (restricted and free cash)	8,047	35,401	1,588	817
Other current assets	9,749	7,499	5,041	46
Non-current financial liabilities	(68,037)	(101,742)	(60,485)	(17,288)
Other non-current liabilities	(552)	(1,641)	(865)	(7,960)
Current financial liabilities	(561)	(15)	(4)	–
Other current liabilities	(2,932)	(11,002)	(3,797)	(868)
Equity	**53,508**	**96,973**	**37,223**	**11,348**
Revenues	6,178	5,788	8,551	1,600
Net Operating Income from rental operations	4,686	(481)	3,561	1,090
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	(881)	(292)	(187)	–
Profit/(loss) from changes in valuation of Investment Property	1,907	10,223	3,586	4,219
Interest income	–	–	–	–
Interest expenses	(669)	(446)	(696)	(235)
Income tax expense or income	(523)	(1,475)	(813)	(1,511)
Profit/(loss) from continuing operations	2,199	5,174	4,415	3,294
Total comprehensive income	2,199	5,174	4,415	3,294

DONALD	ANNAPURNA	HARBOUR	4711	ACROSS	KING	LIVER
23,100	18,904	9,651	20,470	15,092	10,539	58,562
–	120	–	–	–	0	–
1,263	1,784	1,098	1,637	1,067	1,375	10,738
543	582	298	488	425	185	(33)
(13,137)	(5,474)	–	(6,750)	(6,020)	(3,739)	(32,890)
(2,428)	–	–	–	–	–	2,050
(129)	(15)	–	(0)	–	(0)	(489)
(940)	(951)	(805)	(1,813)	(133)	(818)	(1,955)
8,272	**14,951**	**10,241**	**14,032**	**10,431**	**7,541**	**35,984**
332	–	42	237	20	–	3,063
103	(44)	(11)	107	(56)	(33)	1,149
17	3	(1)	(59)	–	(19)	(375)
7,607	–	–	–	–	–	10,450
–	0	–	–	–	–	0
(85)	–	(1)	(8)	(1)	(54)	(830)
(2,428)	–	(11)	(10)	(9)	(11)	(1,770)
4,976	(457)	(224)	(552)	(143)	(459)	7,966
4,976	(457)	(224)	(552)	(143)	(459)	7,966

Key Financial Information of the Group's Investments in Associates in 2017 (by Projects)

€ thousand	OLYMPIC	CONDOR	TURICUM	ISABELA
Investment Property	n/a	13,253	29,260	5,823
Other non–current assets	n/a	–	4,252	–
Cash (restricted and free cash)	n/a	868	16,501	1,041
Other current assets	n/a	1,813	3,716	1,080
Non–current financial liabilities	n/a	–	–	–
Other non–current liabilities	n/a	–	–	–
Current financial liabilities	n/a	–	–	–
Other current liabilities	n/a	(2,834)	(836)	(743)
Equity		**13,100**	**52,892**	**7,202**
Revenues	n/a	–	–	–
Net Operating Income from rental operations	n/a	(13)	–	–
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	n/a	(687)	(406)	–
Profit/(loss) from changes in valuation of Investment Property	n/a	–	–	–
Interest income	n/a	–	–	–
Interest expenses	n/a	–	(29)	–
Income tax expense or income	n/a	1	(13)	–
Profit/(loss) from continuing operations	n/a	(891)	(552)	(71)
Post tax profit/(loss) from discontinuing operations	n/a	–	–	–
Other comprehensive income	n/a	–	–	–
Total comprehensive income	n/a	(891)	(552)	(71)

Remark: Financial Statements for the new acquiered Project OMYMPIC were not available at this time.

CADMUS	FLIGHT 47	FLIGHT 48	HABANA	KANADA	REGIA	VOLARE
–	–	–	–	–	–	–
184,153	20,227	18,313	849	9,970	11,082	14,429
494	1,199	1,017	187	1,053	24	108
2	2,294	2,315	28	1,209	345	314
(188,923)	(6,752)	(142)	(936)	(5,000)	–	–
(59,270)	(3,468)	(3,418)	–	–	–	–
(1,630)	–	–	–	(10,205)	–	(14,142)
(54)	(313)	(7,663)	(3)	(607)	(24)	(342)
(65,229)	**13,187**	**10,423**	**124**	**(3,580)**	**11,426**	**368**
–	–	–	–	–	–	–
	4,136	4,137		2,434		6
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	366	382	1	1		297
(10,473)	(486)	(494)		(547)	(1)	(242)
(9,952)	(794)	(585)	(0)	(37)	(3)	(21)
3,000	(122)	(2,153)	67	(1,445)	7	251
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–

Key Financial Information of the Group's Investments in Associates in 2016 (by Projects)

€ thousand	HIGHSTREET I	HIGHSTREET II
Investment Property	141,990	102,662
Other non–current assets	221	153
Cash (restricted and free cash)	5,213	6,913
Other current assets	4,010	1,572
Non–current financial liabilities	(88,938)	(65,707)
Other non–current liabilities	(29,387)	(3,582)
Current financial liabilities	(48)	(79)
Other current liabilities	(4,519)	(1,526)
Equity	**28,542**	**40,405**
Revenues	11,360	6,114
Net Operating Income from rental operations	6,678	4,148
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	(390)	(97)
Profit/(loss) from changes in valuation of Investment Property	(1,997)	6,622
Interest income	–	–
Interest expenses	(2,919)	(722)
Income tax expense or income	(175)	(1,390)
Profit/(loss) from continuing operations	(3,252)	6,479
Post tax profit/(loss) from discontinuing operations	–	–
Other comprehensive income	–	–
Total comprehensive income	(3,252)	6,479

	HIGHSTREET IV	HIGHSTREET V	HIGHSTREET VI	HIGHSTREET PI	HIGHSTREET PII
	110,528	93,228	23,471	119,800	90,569
	216	808	–	250	–
	8,704	3,323	28,377	7,704	4,554
	6,923	7,339	1,320	3,182	839
	(68,533)	(64,921)	–	(72,768)	(60,431)
	(2,036)	(1,152)	–	(3,445)	(383)
	(173)	(849)	–	(1,522)	(3)
	(3,923)	(5,504)	(2,258)	(3,743)	(1,322)
	51,705	**32,273**	**50,910**	**49,459**	**33,822**
	5,022	2,131	–	8,375	670
	3,596	631	(8)	4,801	448
	(371)	(3,082)	(15)	(977)	(51)
	9,704	420	–	4,818	–
	–	–	2	0	–
	(437)	(332)	–	(918)	(54)
	(1,771)	(1,021)	–	(1,127)	(27)
	8,627	(5,196)	(89)	4,032	(768)
	–	–	–	–	–
	–	–	–	–	–
	8,627	(5,196)	(89)	4,032	(768)

Key Financial Information of the Group's Investments in Associates in 2016 (by Projects)

€ thousand	TURBO FRA	DONALD
Investment Property	27,800	6,207
Other non–current assets	–	–
Cash (restricted and free cash)	1,200	1,796
Other current assets	11	292
Non–current financial liabilities	(13,426)	(4,437)
Other non–current liabilities	(6,452)	–
Current financial liabilities	(274)	–
Other current liabilities	(805)	(562)
Equity	**8,054**	**3,296**
Revenues	1,744	–
Net Operating Income from rental operations	1,215	–
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	(79)	–
Profit/(loss) from changes in valuation of Investment Property	(928)	–
Interest income	–	5
Interest expenses	(243)	(195)
Income tax expense or income	140	–
Profit/(loss) from continuing operations	(314)	(698)
Post tax profit/(loss) from discontinuing operations	–	–
Other comprehensive income	–	–
Total comprehensive income	(314)	(698)

ANNAPURNA	HARBOUR	4711	ACROSS
12,813	8,170	–	13,766
–	–	–	–
2,252	3,211	14,673	2,654
435	167	–	348
–	–	–	(6,020)
–	–	–	–
–	–	–	(0)
(95)	(1,084)	(89)	(174)
15,406	**10,465**	**14,584**	**10,573**
–	–	–	162
(52)	–	–	109
(72)	(48)	(44)	(6)
–	–	–	–
–	–	–	–
–	(0)	(2)	(89)
–	–	–	(1)
(219)	(160)	(91)	(424)
–	–	–	–
–	–	–	–
(219)	(160)	(91)	(424)

F.5 Other Financial Instruments

Other Financial Instruments – Overview

€ thousand	**31 Dec 2017**	31 Dec 2016
Equity instruments (classified as Available for sale)	51,374	2,217
Shares in other equity investments	360	0
Long-term receivables Finance Lease	6,333	–
Other financial assets	14,116	–
Total	**72,183**	**2,217**

Equity instruments (classified as Available for sale)

Financial Year € thousand	**2017 Total**	2016 Total
As of 1 January	2,217	31
Changes from Business combinations and sales of subsidiaries	74,808	1
Additions	1,237	2,185
Transfers	(15,830)	–
Disposals	(6,135)	–
Fair Value adjustment (p/l)	(10)	–
Fair Value adjustment (OCI)	(4,912)	–
As of 31 December	**51,374**	**2,217**

Long-term receivables Finance Lease

Financial Year € thousand	**2017 Total**	2016 Total
As of 1 January	–	–
Changes from Business combinations and sales of subsidiaries	6,783	–
Disposals	(449)	–
As of 31 December	**6,333**	**–**

Other financial assets

Financial Year € thousand	2017 Total	2016 Total
As of 1 January	–	–
Changes from Business combinations and sales of subsidiaries	15,163	–
Additions	149	–
Disposals	(1,192)	–
Impairment	(4)	–
As of 31 December	**14,116**	**–**

The change from Business combination is mainly driven by the acquisition of HFS and sub-group Hannover Leasing in July 2017. The major part of the change related to a security deposit for one of the managed Fund.

F.6 Long-term Receivables

Long-term Receivables

€ thousand	31 Dec 2017	31 Dec 2016
Long-term loans to others	3,355	–
Long-term Loans to third parties	34,472	–
Total	**37,827**	**–**

F.7 Long-term Loans to Associates

Long-term Loans to Associates

€ thousand	31 Dec 2017	31 Dec 2016
Loans granted by sub-group Hannover Leasing	6,148	–
Loans granted to Project TURBO FRA	659	643
Loan granted to Project HIGHSTREET PREMIUM I	–	1,849
Total	**6,808**	**2,493**

F.8 Deferred Tax Assets

Deferred Tax Assets

€ thousand	31 Dec 2017	31 Dec 2016
Deferred Tax Assets	**11,926**	**2,363**
from tax loss carryforward	4,952	1,752
from temporary differences on accruals	2,310	–
from temporary differences on liabilities	1,756	241
from temporary differences on shares in subsidiaries	1,099	–
from temporary differences on properties	927	–
from at-equity valuation of Associates	557	–
from temporary differences on receivables	290	13
from valuation of other assets	35	–
from temporary differences on share-based payments	–	342
from temporary differences on pensions	–	15
less Deferred Tax Liabilities	**(1,400)**	**–**
Total	**10,526**	**2,363**

The tax loss carry-forward regarding corporation tax is based on the loss of the period of CCH SA. As a result of the Luxembourg tax reform 2017 (voted by the Luxembourg Parliament on 14 December 2016) a tax rate of 26.01% (previous year 27.08%) was used to calculate these deferred taxes. Further, the Group has determined that it cannot recognise deferred tax assets of other Group companies on tax losses carried forward in the amount of EUR 0 (previous year EUR 0).

F.9 Inventories

Inventories

Financial Year € thousand	2017 Total	2016 Total
Acquisition cost		
As of 1 January	15,905	39,216
Sale of property holding companies	(44,384)	(86,561)
Changes from business combinations	86,714	–
Additions	213,423	63,251
Disposals	(3,400)	–
As of 31 December	**268,258**	**15,905**

Write-downs to net realisable value		
As of 1 January	–	–
As of 31 December	**–**	**–**
Total (Carrying amount)	**268,258**	**15,905**

Inventories comprise real estate properties of segment "Real Estate Operations and Warehousing" which are to be converted into client investment products by way of selling them into independent investment structures (real estate properties held for trading purposes).

Changes from business combinations comprise the inventory properties of sub-group Hannover Leas-ing (Properties located in Münster/Germany k€ 20,714, Pullach/Germany k€ 3,400 and Utrecht/Netherlands k€ 62,600).

The sale of property holding companies comprise real estate holding entities which were mainly sold to project HIGHSTREET VII through share deals (in this context 3 properties with a total amount of k€ 44,169 were sold).

The additions mainly comprise the acquisition (through various asset deals) of commercial properties located in midsize-cities in Germany (Project HIGHSTREET VII, k€ 44,169) and a property located in Homburg/Germany (Project HIGHSTREET VIII, k€ 5,042) as well as the acquisition of Project Stadttor Düsseldorf (k€ 162,842). In previous year the additions comprised properties located in Kron-berg/Germany (Project CROWN, k€ 15,690), Frankfurt am Main/Germany (Project ACROSS, k€ 10,175), Bocholt (Project HIGHSTREET VI, k€ 21,989) and Madrid/Spain (Project ANNAPURNA, k€ 11,862) as well as from the acquisition of a plot of land located in Berlin (Project DONALD, k€ 2,870). Except for Project CROWN such assets were converted into investment products and sold to inde-pendent investment structures (refer to Note I.8).

In December 2017 the office building located in Pullach/Germany was sold for a sales price of k€ 4,625.

In accordance with existing loan agreements, inventories totalling k€ 263,215 (previous year: k€ 15,690) are pledged as security and are related to the Projects Stadttor Düsseldorf and CROWN as well as to the Properties located in Münster/Germany and Utrecht/Netherlands only.

According to the underlying business plan, all real estate assets classified as inventories shall be sold in the normal business cycle respectively once the targeted lease up is completed.

F.10 Receivables from Associates

Receivables from Associates of k€ 18,874 (previous year k€ 8,263) mainly result from acquisition and onboarding fees in accordance with the underlying Joint Venture and Co-Investment Agreements in connection with the structuring and implementation of the projects as well as asset management fees for ongoing projects.

F.11 Trade Receivables

Trade receivables of k€ 32,141 (previous year k€ 5,271) result from various fee income streams generated by the Group's Real Estate Investment Management Business with third party clients and receivables from renting activities.

As of 31 December 2017 cumulative impairment losses of k€ 822 (prior year: k€ 1) are recognized for doubtful accounts.

F.12 Other short-term Receivables

Other short-term Receivables

€ thousand	**31 Dec 2017**	31 Dec 2016
Receivables from sub-group Hannover Leasing	1,461	–
Notary escrow account	1	836
Remaining additional purchase price	–	445
Others	312	249
Total	**1,774**	**1,530**

F.13 Other Short-term Assets

Other Short-term Assets

€ thousand	31 Dec 2017	31 Dec 2016
Short-term loans	51,551	–
Prepaid Expenses	8,563	581
Short-term receivables from other taxes (VAT)	1,980	904
Prepayments associated with the acquisition of Hannover Leasing Group	–	1,600
others	1,854	291
Total	**63,948**	**3,376**

The composition of the short-term loans is as following:

Other short-term Assets (short-term loans)

€ thousand	Nominal amount	Interest rate	Face value as of 31 Dec 2017	Face value as of 31 Dec 2016
Loan to Immobilienbet. am Kennedydamm in Düsseldorf mbH	17,000	20.000%	17,028	–
Loan to Omega	14,700	23.000%	15,292	–
Loan to Acron AG (US$)	10,000	10.0%–12.0%	8,743	–
Loan to AdaMas Trust GmbH	10,000	20.000%	7,820	–
Loan to PRS Family Trust GmbH	1,000	23.000%	1,737	–
Others	n/a	n/a	931	–
Total			**51,551**	**–**

F.14 Restricted Cash, Cash and Cash Equivalents

Restricted Cash (k€ 745; previous year: k€ 700) and Cash and Cash Equivalents (k€ 108,830; previous year: k€ 47,509) in the consolidated Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. The Group has included restricted cash as well as cash and cash equivalents as they are considered an integral part of the Group’s cash management.

Restricted cash of k€ 745 (previous year k€ 700) is in relation to Project DONALD (previous year cash on CAPEX accounts), and reflects a security deposit agreed under the transaction documentation.

F.15 Assets held for Sale

In September 2017, the Group exercised its put-options to sale the minority stakes in ACRON AG in January 2018 (Segment Real Estate Investment Management). The negotiated sales price amounts to kEuro 15,785 which is equal to the current book value. Therefore no profit or loss result from reversal of the transaction. The minority stakes together with the purchase price liability (refer to note F.31) build a dis-posal group.

F.16 Share Capital

F.16.1 Share Capital

Share Capital

€ thousand	**2017**	2016
As of 1 January	946	195
Issue of share capital (in cash from private placement)	75	190
Issue of share capital (contribution in cash)	–	555
Issue of share capital (from exercise of share options)	6	6
Capital increase through a contribution in kind	571	–
As of 31 December	**1,597**	**946**

(Until 23 December 2015: Share capital of CORESTATE Capital AG)

The Company's share capital is set at € 1,597,058.85, represented by 21,294,123 shares, all of which are fully paid up. All Shares are dematerialized shares without a par value (Dematerialized shares are only represented by a record in a securities account. Ownership in the Shares is established by such inscription in a securities account.). The Shares are freely transferable in accordance with the legal requirements for shares in dematerialized form, that is, through book-entry transfers. There are no prohibitions on disposals or restrictions with respect to the transferability of the Shares. All Shares are subject to and governed by Luxembourg law.

Each Share carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights.

All Shares carry the same dividend rights. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Shares in proportion to their interest in the Company's share capital.

The share capital of the Company has developed fiscal year 2017 as follows:

On 23 February 2017, CORESTATE Capital Holding S.A. has completed its capital increase from authorized capital against cash contributions announced from € 945,801.14 by a nominal amount of € 74,723.86 to € 1,020,525.00. The newly issued 996,318 ordinary shares (the "New Shares") were placed with domestic and international institutional investors outside the United States at a price of € 22.80 per share, resulting in gross proceeds of € 22,716,050.00. The New Shares are entitled to dividends as of 01 January 2016 and rank pari passu with the existing shares of the Company. The New Shares were included to trading in the Entry Standard segment of the Frankfurt Stock Exchange on 27 February 2017. Starting on 01 March 2017, the shares are traded in the newly created market segment "Scale" of the Frankfurt Stock Exchange, which has replaced the Entry Standard segment. The delivery of the New Shares and settlement of the transaction occurred on 28 February 2017.

On 5 July 2017, the Company completed a capital increase from its authorized capital against non-cash contributions from EUR 1,020,525.00 and 13,606,999 ordinary shares to EUR 1,572,919.25 and 20,972,255 ordinary shares by issuing 7,365,256 new ordinary shares to Norbert Ketterer, Christoph Meyer, Marcellino Graf zu Hoensbroech and Sandra Ketterer for an aggregate subscription price of EUR 331,436,520. Such capital increase was made in connection with the acquisition of HFS Helvetic Financial Services AG (refer to note F.16 and F.17).

On 11 July 2017, the Company completed a capital increase from its authorized capital against cash contributions from EUR 1,572,919.25 and 20,972,255 ordinary shares to EUR 1,574,456.70 and 20,992,755 ordinary shares by issuing 20,500 new ordinary shares to Mr Daniel Schoch for an aggregate subscription price of EUR 1,537.50.

As part of the acquisition of sub-group ATOS (refer to note F.16 and F.17), on 6 October 2017 the Company's share capital was increased from EUR 1,574,456.70 and 20,992,755 ordinary shares by the issuance of 242,544 new shares against contribution in kind from the Company's authorized capital. This increased the amount of the Company's outstanding shares to 21,235,299 equalling a share capital of EUR 1,592,647.50.

On 19 October 2017, the Management Board of the Company authorized the issuance of 58,824 new shares without par value to Mr Thomas Landschreiber, for an aggregate subscription price of EUR 4,412 (entirely contributed to the share capital account), in order to bring the share capital of the Company from an amount of EUR 1,592,647.50, up to a new amount of EUR 1,597,059.50, represented by 21,294,123 shares without par value.

As at 31 December 2017, there are 2,000 convertible bonds with a principal amount of Euro 100,000 each issued by the Company (refer to Note F.21).

F.16.2 Authorised capital

The authorised capital of the Company was originally set at EUR270,525.00 represented by a maximum of 3,607,000 shares without par value. If fully exercised this authorised capital would be added to the existing issued share capital of the Company and result in an aggregate issued share capital of Euro 1,020,525.00 represented by 13,607,000 shares without par value.

On 28 April 2017, the Company's annual general meeting resolved a new authorized capital in an amount of EUR 2,000,000, represented by a maximum of shares of 26,666,666 without par value. If fully exercised this authorized capital would be added to the existing issued share capital of the Company and result in an aggregate issued share capital of EUR 3,020,525) represented by 40,273,666 shares without par value.

Pursuant to article 5.5 of the Articles of Association, the Management Board is authorized (subject in principle to the prior approval of the Supervisory Board, except as regards the issuance of shares in the context of the initial public offering), during a period starting on 28 April 2017, and expiring on the fifth anniversary of such date, to increase the current share capital up to the amount of the authorized capital, in whole or in part from time to time, (i) by way of issuance of shares in consideration for a payment in cash, (ii) by way of issuance of shares in consideration for a payment in kind and (iii) by way of capitalization of distributable profits and reserves, including share premium and capital surplus, with or without an issuance of new shares.

The Management Board is authorized to determine the terms and conditions attaching to any subscription and issuance of shares pursuant to the authority granted under article 5.5 of the Articles of Association, including by setting the time and place of the issue or the successive issues of shares, the issue price, with or without a share premium, and the terms and conditions of payment for the shares under any documents and agreements including, without limitation, convertible loans, option agreements or stock option plans.

The Management Board is also authorized to issue convertible bonds, or any other convertible debt instruments, bonds carrying subscription rights or any other instruments entitling their holders to subscribe for or be allocated with shares, such as, without limitation, warrants, under the authorized capital.

The Management Board may withdraw or limit the preferential subscription rights of the shareholders under the authorized capital in accordance with the Articles of Association.

As per 31 December 2017, 8,643,442 shares representing a share capital increase of EUR 651,258.11 have been issued by the management board out of the authorized share capital and as such, an amount of EUR 1,423,465.50 represented by up to 18,979,542 shares without nominal value remains available as authorized capital.

F.17 Other reserves

The composition and development of the other reserves is shown in the consolidated Statement of Changes in Equity.

The shareholders' share of profits is determined based on their respective interests in the Company's share capital. In a Luxembourg public limited liability company (société anonyme), resolutions concerning the distribution of dividends for a given financial year, and the amount thereof, are adopted by the annual general meeting of shareholders related to such financial year.

The annual general meeting of shareholders decides on the allocation of the annual profit, if any. In accordance with the Company's Articles of Association, every year at least 5% of the annual net income (based on the local statutory financial statements) of the Company has to be set aside in order to build up the "legal reserve". To comply with the legal standards in Luxembourg, the Management Board will propose to the Company's annual shareholders' meeting in 2018 to allocate an amount of Euro 94,580.11 (10% of the subscribed share capital) from the financial year 2016 into the legal reserve.

The remaining balance of the net profit is at the disposal of the annual general meeting of shareholders. The general meeting of shareholders may also allocate net profits to reserves other than the legal reserve, and, subject to compliance with all legal requirements, such reserves are available for distribution by a decision of the general meeting of shareholders.

On 5 August 2016 and 31 August 2016, respectively, the general meeting of shareholders approved the distribution of an amount of € 6,000,000 (€ 0.62 per ordinary share) and € 550,000 (€ 0.06 per ordinary share) out of the freely distributable reserves ("other reserves") of the Company to the existing shareholders.

No dividend distribution may be decided by the annual general meeting of shareholders when, on the closing date of the last financial year, the net assets as set out in the annual accounts are, or following such distribution would become, lower than the amount of the subscribed share capital plus the legal reserve or any other reserves that may not be distributed by virtue of the Articles of Association.

On 28 April 2017, the Company's annual general meeting resolved to pay a distribution for the financial year ended 31 December 2016 amounting to EUR 13,606,999.00 (corresponding to EUR 1.00 per issued share) out of the freely distributable reserves of the Company to the existing shareholders.

The private placement dated 28 September 2016 resulted in a cash capital increase allocated to the other reserves in an amount of € 42,860,091.39.

The private placement dated 23 February 2017 results in a cash capital increase allocated to the other reserves in an amount of € 22,641,326.14 less share issuance expenses of € 432,810.79.

From the issuance of new shares in connection with the acquisition of HFS Helvetic Financial Services AG and the acquisition of sub-group ATOS result an increase of the capital reserve in an amount of € 380,231,341.00 respectively € 12,727,496.20.

From equity-settled share-based payments result an increase of the capital reserve in an amount of € 1,152,996.71 in the financial year 2017 (prior year: € 338,000.00).

F.18 Non-controlling Interests

The net profit/loss of non-controlling interests for the year 2017 amounts to totally k€ 638 (previous year k€ 160).

The shareholdings of non-controlling sharholders in Hannover Leasing Group amount to 5.1% and of Palmyra to 15.1%. Hannover Leasing Group paid out dividends to non-controlling shareholders in the amount of EUR 3.6 million and for Palmyra of EUR 4.5 million in the fiscal year 2017.

The following financial information relates to Hannover Leasing Group and Palmyra as a major subsidiary in with non-controlling shareholdings:

	HL Group	**Palmyra**
NON-CURRENT ASSETS	198,699	11
CURRENT ASSETS	106,796	162,867
Cash and cash equivalents	33,095	11,170
NON-CURRENT LIABILITIES	(158,353)	(80,880)
CURRENT LIABILITIES	171,430)	(37,776)
Net assets	**8,807**	**55,392**
Profit for the Period	**7,618**	**373**
Thereof attributable to non-controlling shareholders	409	70
Cash Flows	(3,055)	(2,770)
Dividends	3,573	4,536

F.19 Other long-term Provisions

Other long-term Provisions – Detailed composition

€ thousand	1 Jan 2017	Additions from business combinations	Utlilization	Reversals	Transfer	Additions	31 Dec 2017
Threatened losses Media funds	–	4,537	–	–	(520)	–	4,017
Guarantees and other commitments	–	1,953	–	–	–	–	1,953
Archiving costs	–	200	–	–	–	35	235
Total	–	6,690	–	–	(520)	**35**	**6,205**

The provision for threatened losses for Media Funds include future incurring costs for financing exposures for Media Funds and are expected to be paid over the next 7 years.

F.20 Long-term Financial Liabilities to Banks

Long-term Financial Liabilities to Banks

€ thousand	Nominal amount	Maturity	Interest rate	**Face value as of 31 Dec 2017**	Face value as of 31 Dec 2016
Rüsselsheimer Volksbank eG	10,500	30.06.2021	Euribor plus margin	8,788	9,073
Deutsche Hypothekenbank AG	65,500	30.06.2024	3.100	70,458	–
Landesbank Hessen-Thüringen	10,000	30.08.2020	5.250	11,657	–
Landesbank Hessen-Thüringen	7,500	26.08.2019	3.140	1,500	–
Landesbank Hessen-Thüringen	4,000	15.03.2024	3.065	2,691	–
Landesbank Hessen-Thüringen	3,000	02.01.2025	2.960	2,362	–
Landesbank Hessen-Thüringen	510	15.01.2029	3.260	273	–
Landesbank Hessen-Thüringen	6,769	31.03.2023	3.966	6,818	–
Landesbank Hessen-Thüringen	10,437	31.08.2020	Euribor plus margin	3,061	–
Landesbank Hessen-Thüringen	8,850	30.12.2023	4.415	8,459	–
Landesbank Hessen-Thüringen	12,600	30.09.2022	4.330	10,863	–
Landesbank Hessen-Thüringen	52,804	31.08.2020	Libor plus margin	15,539	–
Landesbank Hessen-Thüringen	7,686	30.12.2023	3.730	7,623	–
Postbank AG	31,508	31.05.2023	Euribor plus margin	33,939	–
Sparkasse Münsterland Ost	9,227	30.05.2027	1.550	9,754	–
Kreissparkasse Starnberg	2,100	30.10.2019	4.600	1,541	–
Kreissparkasse Starnberg	10,000	30.06.2019	4.970	7,586	–
BIL Bank	40,000	30.06.2020	Euribor plus margin	34,000	–
Schwyzer Kantonalbank Lombard Fixed–Term	max. CHF 10m	30.06.2020	Euribor plus margin	–	5,053
others	n/a	n/a	n/a	1,350	–
Total				**238,262**	**14,126**

Financial liabilities to banks with a remaining term of more than one year are presented as long-term financial liabilities to banks. In 2017, all liabilities with a maturity in 2018 were reclassified as short-term financial liabilities to banks (see Note F.26).

On 30 June 2017, the Company as borrower and CCAG and Corestate Capital Advisors GmbH (Germany) as original obligors entered into a revolving credit facility agreement (the "Revolving Credit Facility Agreement"), as amended and restated on 7 August 2017, with a syndicate of banks arranged by Banque Internationale à Luxembourg (hereafter the "BIL Bank"). The maximum available loan amount under the Revolving Credit Facility Agreement is EUR 40.0 million. The term of the Revolving Credit Facility Agreement is three years. The loan amount can be utilized for general corporate purposes and in particular to support the growth of the Company.

On 31 December 2017, the Revolving Credit Facility Agreement was utilised in an aggregate amount of EUR 34 million.

The loan bears interest rate which is based on 3-months Euribor plus a margin. The loan is secured by, inter alia, a share pledge over the shares in the main subsidiaries of the company.

The following financial covenants have been agreed: leverage ratio and gearing ratio. The test date of the financial covenants is the last day of each financial year respectively financial half-year. The fist testing date was on 31 December 2017.

As per 31 December 2017 the total undrawn amounts under the credit facility financed by BIL Bank amount to EUR 6.0 million.

Beginning of October 2017 the Group acquired a major stake in an asset located in Düsseldorf (Stadttor) which consists of 28,700 sqm of office space financed by the Deutsche Hypothekenbank AG (EUR 70.5 million).

There were neither delays nor defaults in the loan repayment and interest payments in the financial year 2017.

F.21 Other Long-term Financial Liabilities

Other Long-term Financial Liabilities

€ thousand	**31 Dec 2017**	31 Dec 2016
Convertible bonds	186,359	–
Bond (interest 3.5% p.a.; 2016 – 2021)	30,500	–
Junior Bond	19,661	–
Loan from SO Holding AG	6,510	–
Total	**243,030**	**–**

Convertible bonds

The Company has issued unsubordinated and unsecured convertible bonds in the aggregate principal amount of Euro 200 million. The bonds are issued in bearer form with a principal amount of EUR 100,000 each, which rank pari passu among themselves. The Group used the net proceeds for the refinancing of existing debt as well as for general corporate purposes.

Key facts of the convertible bonds

ISIN	DE000A19SPK4
WKN	A19SPK
Issue volume (in Euro)	200,000,000.00
Maturity	28.11.2022
Coupon	1.38%
Rating	S&P: BB+
Issue price	100.00%
Next interest payment day	28.05.2018
Nominal (in Euro)	100,000.00
Underlying	Corestate Capital Holding S.A. Share
Conversion price (in Euro)	61.96
Initial conversion premium	27.50%
Conversion period	08.01.2018–10.10.2022
Issue date	21.11.2017
Clearing house	Clearstream Frankfurt

The Bonds with a maturity of 5 years were issued at 100% and will be redeemed at 100% of their principal amount, unless previously converted or repurchased and cancelled. The Bonds were placed with a coupon of 1.375% per annum, payable semi-annually in arrear and the conversion price was set to EUR 61.9580, representing a premium of 27.5% above the reference share price. The settlement of the bonds took place on the 21 November 2017.

The Bond has an Equity- and Debt component. The Equity component has an amount of EUR 9.72 million and reflects the value of the conversion right (written call option).

The Company as the issuer may, on giving not less than 30 nor more than 60 days' prior notice to the bondholders, redeem all, but not some only, of the outstanding bonds with effect from the redemption date (which shall be no earlier than 19 December 2020). However, such notice may only be given if the share price on each of not less than 20 trading days during an observation period of 30 consecutive trading days is equal to or exceeds 130% of the conversion price in effect on each such trading day.

The issuer grants to each bondholder the right (the "conversion right") to convert each bond in whole, but not in part, at the conversion price into settlement shares on any business day during the conversion period (period from 8 January 2018 to the earlier of the following days: the 35th Business Day prior to the maturity date or if the bonds are redeemed by the issuer the 10th Business Day prior to the redemption date).

Others

Following the HFS Acquisition, the Group acquired the corporate bond of HFS Helvetic Financial Services AG (International Securities Identification Number (ISIN): DE000A186WC7, German Identification Number (Wertpapierkennnummer; WKN): A18 6WC) that was issued on 4 October 2016 with an aggregate principal amount of up to EUR 100 million. The bonds have a fixed coupon of 3.5% per annum, the interest payment date being 15 December of each year (the first interest payment date being 15 December 2017). The term of the bonds ends on 4 October 2021. So far, an amount of EUR 30.5 million has been drawn under the bond.Also on 1 July 2017, Corestate Capital Junior BondCo S.à r.l. as borrower entered into a EUR 18.9 million (Luxembourg law governed) loan agreement with Mr. Norbert Ketterer as lender. The purpose of the facility was to partially finance the purchase price for the HFS Acquisition and has an interest rate of 8% per annum. The loan was disbursed by way of conversion of the relevant part of the purchase price.As of 9 June 2016 the Group has established a € 25.0 million revolving loan facility for the financing of acquisition or development of real estate assets in the European Union, the UK and Switzerland in the course of the Group's warehousing activities with SO Holding AG as lender. SO Holding AG is a company related to one of the Group's longstanding private clients. The facility has a term of four years and bears interest at a rate of 8% p.a. on drawn amounts. A commitment fee of 8% p.a. applies with respect to all undrawn amounts. The loan is secured by share pledges over the borrowers under the facility and by a pledge over an interest reserve account in Luxembourg, in which the Group deposits on a monthly basis 1/12 of the annual interest and commitment fee payable under the loan agreement. The loan agreement provides for various customary covenants and events of default. A cancellation right in respect of the entire facility is triggered, inter alia, if a party which is not majority-owned or controlled by Mr Ralph Winter acquires 50% or more of the share capital of the Company or can exercise 50% of more of the voting rights in the Company.

F.22 Derivatives

Derivatives

€ thousand	Type	Initiation	Maturity	National amount	Currency	Swap rate	**Fair value 31 Dec 2017**	**Fair value 31 Dec 2016**
Long-term interest derivatives				–			302	–
VANESSA KG	cash flow	27.08.2010	31.08.2020	0	USD	3.520%	302	–
Long-term currency derivatives				–			4,639	–
HL Wachstums-werte Europa VIII GmbH & Co. KG	cash flow	31.12.2020	31.05.2023	29,811	EUR	5.475%	4,639	–
Total long-term derivatives with negative fair values				**–**			**4,941**	**–**
Short-term interest derivatives				–			555	–
HANNOVER LEASING GmbH & Co. KG	cash flow hedge		31.03.2018	12,000	EUR	4.750%	153	–
HL Wachstumswerte Europa VIII GmbH & Co. KG	cash flow hedge	31.12.2020	31.05.2023	29,811	EUR	5.475%	402	–
Short-term currency derivatives				–			2,839	–
HANNOVER LEASING GmbH & Co. KG	cash flow hedge	01.09.2011	31.12.2018	0	CHF	3.820%	1,621	
HANNOVER LEASING GmbH & Co. KG	cash flow hedge	01.09.2011	31.12.2018	0	CHF	3.820%	1,219	
Total short-term derivatives with negative fair values				**–**			**3,394**	**–**

The Group enters into derivatives only for hedging purposes. These are cash flow hedges.

The hedged risk is the change in the cash flows of the "variable rate" underlying transactions (refinancing loans) by changing the market interest rate level. The hedge is mainly Payer Swaps.

The changes in value of the hedged item are to a large degree offset by those in the hedging instrument (prospective effectiveness test or assumption of effectiveness) and the current gains and losses fall in a range between 80% and 125% (retrospective effectiveness test). If a hedge is no longer effective, it is reversed.

F.23 Deferred Tax Liabilities

Deferred Tax Liabilities

€ thousand	31 Dec 2017	31 Dec 2016
Deferred Tax Liabilities	**20,030**	**–**
from temporary differences on financial assets	16,385	–
from at-equity valuation of Associates	1,543	–
from temporary differences on real estates	989	–
from temporary differences on liabilities	737	–
from temporary differences on receivables	371	–
from temporary differences on accruals	5	–
less Deferred Tax Liabilities	**(1,400)**	**–**
Total	**18,630**	**–**

F.24 Other non-current Liabilities

Other non-current Liabilities

€ thousand	31 Dec 2017	31 Dec 2016
Obligations to group-external limited partners of subgroup Hannover Leasing	15,144	–
Obligations to group-external limited partners of Project Stadttor Düsseldorf	10,422	–
Liabilities from employee benefits	2,023	1,840
Bond 1 issued to UNIVERSAL INVESTMENTS LUXEMBOURG S.A.	1,100	1,100
Bond 2 issued to UNIVERSAL INVESTMENTS LUXEMBOURG S.A.	740	740
Long-term liabilities from finance leases subgroup Hannover Leasing	336	–
Bonds of sub-group Hannover Leasing	220	–
Warehousing facility from SO Holding AG (including accrued interests)	–	6,050
others	549	102
Total	**30,534**	**9,831**

Obligations to group-external limited partners comprise the portion of non-controlling interests in German commercial partnerships. The Group considers that it has the obligation to repay all limited partners interests in the respective entity as soon as possible if the limited partner demand for that. Therefore, such limited partners interests do constitute a financial liability as per IAS 32.

Liabilities from employee benefits result from the annual MCIF contribution (refer to Note I.6.2).

F.25 Other Short-term Provisions

Other long-term Provisions – Detailed composition

€ thousand	1 Jan 2017	Additions from business combinations	Utlilization	Reversals	Reversals	Additions	31 Dec 2017
Litigation costs	–	25,555	(997)	–	–	–	24,558
Restructering	–	11,715	(68)	(1,365)	–	376	10,658
Human resource area	–	1,650	–	–	–	250	1,900
Tax law procedures	–	1,000	–	–	–	–	1,000
Threatened losses	–	2,500	(2,500)	–	520	–	520
Risks from Funds	–	560	(71)	(98)	–	–	391
Other provisions	–	4,069	(212)	–	–	–	3,857
Total	**–**	**47,049**	**(3,848)**	**(1,463)**	**520**	**626**	**42,884**

Sub-group Hannover Leasing recorded a restructuring provision in the course of the acquisition by the Group. The provision relates principally to the elimination of certain of its service lines. The restructuring plan was drawn up and announced to the employees of Sub-group Hannover Leasing before acquisition by the Group. The restructuring is expected to be completed by 2018.

F.26 Short-term Financial Liabilities to Banks

Short-term Financial Liabilities to Banks

€ thousand	Nominal amount	Interest rate	**Face value as of 31 Dec 2017**	Face value as of 31 Dec 2016
Schwyzer Kantonalbank Lombard Fixed-Term		Euribor plus margin	–	3,734
Deutsche Hypothekenbank AG	35,000	Euribor plus margin	37,356	–
Lombardkredit Notenstein	10,000	Libor plus margin	10,000	–
Landesbank Hessen-Thüringen Girozentrale	25,500	Euribor plus margin	13,500	–
Landesbank Hessen-Thüringen Girozentrale	26,650	2.000	21,581	–
Landesbank Hessen-Thüringen Girozentrale	15,000	3.380	15,000	–
Landesbank Hessen-Thüringen Girozentrale	12,150	5.000	7,724	–
Landesbank Hessen-Thüringen Girozentrale	7,500	3.140	1,308	–
Landesbank Hessen-Thüringen Girozentrale	11,100	2.000	11,100	–
Landesbank Hessen-Thüringen Girozentrale	1,690	1.285	1,690	–
Landesbank Hessen-Thüringen Girozentrale	2,368	1.285	2,368	–
Landesbank Hessen-Thüringen Girozentrale	10,437	Euribor plus margin	1,280	–
Landesbank Hessen-Thüringen Girozentrale	52,804	Libor plus margin	5,324	–
Others (each loan < €1.0 million)	n/a	n/a	4,049	270
Total			**132,278**	4,004

Short-term financial liabilities to banks reflect loans with a maturity within the next 12-months from the reporting date as well as interest accrued and due within the next 12-months on both long-term and short-term financial liabilities.

F.27 Other Short-term Financial Liabilities

Other Short-term Financial Liabilities

€ thousand	**31 Dec 2017**	31 Dec 2016
Bridge loan from SO Holding AG	15,309	–
Interests from convertible bonds	200	–
Total	**15,509**	**–**

The bridge loan from SO Holding is used to finance the acquisition of the majority of shares in PALMYRA Verwaltungs GmbH & Co. Vermietungs KG (Project Stadttor Düsseldorf).

F.28 Trade payables

Accounts payable (k€ 14,795; previous year: k€ 7,266) mainly consist of amounts due to external service providers as well as capital raising agents.

F.29 Current Income Tax Liabilities

Current Income Tax Liabilities

€ thousand	31 Dec 2017	31 Dec 2016
German Income taxes	18,351	95
Swiss corporate Income taxes	12,294	684
Luxembourg Income taxes	309	116
German trade taxes	246	95
Austrian corporate Income taxes	–	61
Others	–	0
Total	**31,201**	**1,050**

F.30 Other Current Liabilities

Other Current Liabilities

€ thousand	31 Dec 2017	31 Dec 2016
Purchase price obligations to Norbert Ketterer	39,000	–
Short-term liabilities from other taxes (VAT, stamp duty)	9,891	1,871
Liabilities from employee benefits	7,036	4,115
Financing liabilities towards subsidiaries not consolidated	4,326	–
Other liabilities subgroup HL	4,302	–
Deferred income	3,452	13
Others	7,930	936
Total	**75,937**	**6,934**

Liability to Norbert Ketterer results from the purchase of shares in the new acquired subsidiary HFS Helvetic Financial Services AG. The remaining purchase price payment in the amount of EUR 39.0 million is due for payment in July 2018.

Liabilities from employee benefits relate to expected bonus payments of the relevant Group companies for current financial year (payable in April 2017) including such portion of the bonus to be contributed to the Group's MCIF scheme for members of the EMC as well as certain other employees.

Prepayments received comprise advance payments from certain third party management agreements.

F.31 Liabilities directly associated with the Assets held for sale

The purchase price amount due to Norbert Ketterer (kEuro 15,785) related to HFS shareholding in ACRON AG. Subsequent to 31 December 2017, this amount was settled by transferring the shares back to Norbert Ketterer (refer to note F.15).

G. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

G.1 Revenue from Acquisition Related Fees

Revenue from Acquisition Related Fees

€ thousand	**2017**	2016
Revenue from Acquisition Fee	18,107	8,814
Revenue from Exit/Sales Fee	13,247	–
Revenue from Onboarding Fee	799	1,000
Revenue from other Acquisition Related Fees	17	–
Rebates / Commitment Fees (Agency Fees)	(2,154)	(199)
Total	**30,016**	**9,615**

G.2 Revenue from Asset and Property Management

Revenue from Asset and Property Management

€ thousand	**2017**	2016
Revenue from Property Management Fee	17,983	11,847
Revenue from Asset Management Fee	18,171	13,246
Revenue from Sales Fee from third parties	3,127	90
Revenue from Development Fee	1,314	–
Revenue from Equity Commitment Fee	87	–
Revenue Other Fees	11,857	152
Total	**52,539**	**25,336**

G.3 Revenue from Coupon Participation Fees

Revenue from Coupon Participation Fees

€ thousand	**2017**	2016
Revenue from Coupon Participation Fees	53,689	–
Total	**53,689**	**0**

G.4 Revenue from Promote Fees realized

The Promote fee realised primarily relates to Projects HIGHSTREET I, II; IV; V and HIGHSTREET Premium I, i.e. the sale of various commercial buildings to the BVK Fund (previous year: Projects BEN and TURBO VIE). Furthermore, the Project DANUBE was sold in 2017.

Success capital introduction fees are capital raising commissions agreed with third party equity broker upon commitment of the relevant equity investments by the clients, and linked to the actual performance of the underlying investment.

G.5 Total Expenses from Real Estate Investment Management

Expenses from Real Estate Investment include both personnel and overhead expenses (e.g. rent and leasing expenses, IT and telecommunication expenses, travel expenses, Legal and other advisory fees) relating to the Group's Real Estate Investment Management activities.

Personnel expenses account for k€ 24,709 (previous year: k€ 13,559) and overhead expenses account for k€ 26,105 (previous year: k€ 9,608).

G.6 Share of Profit or Loss from Associates

Share of Profit or Loss from Associates and Joint Ventures

€ thousand	**2017**	2016
Share of profit/(loss) from Associates for the year/net of tax	9,498	3,204
Share of profit/(loss) from Joint Ventures for the year/net of tax	–	2,051
Total	**9,498**	**5,255**

Share of profit/loss for the year comprises the Group's share of the results of operations of the Associate or the Joint Venture using the equity method as well as gains and losses from the disposal of shares in Associates or Joint Venture (reference is made to Notes B.3.5.5 and F.4).

G.7 Dividends from other Alignment Capital

Mainly result out of a dividend payment with regards to two Projects of Hannover Leasing Group.

G.8 Expenses from Management of Associates and Joint Ventures

Expenses from Management of Associates include both personnel and overhead expenses allocated to the Management of Associates. Such allocation is based on the pro-rated management fees incurred on the group's alignment investment in the relevant projects (k€ 1,000; previous year: k€ 546).

In addition, for the financial year 2016, this line item included k€ 2.099 expense incurred in relation to the wind-down of the joint venture with various companies of the Grupo Villar Mir in the course of restructuring the Group's go-to-market approach in Spain.

G.9 Net Rental Income

Net Rental Income

€ thousand	2017	2016
Net Rental Income from properties classified as inventories	**9,224**	**1,078**
Property located in Pullach	2,715	–
Property located in Düsseldorf	1,927	–
Property located in Utrecht	1,864	–
Property located in Königstein	1,487	738
Property located in Bremerhaven	751	–
Property located in Münster/Germany	479	–
Property located in Bocholt	–	339
Total	**9,224**	**1,078**

G.10 Net Gain from Selling Property Holding Companies

Net Gain from Selling Property Holding Companies

€ thousand	2017	2016
Project HIGHSTEEET VII	3,114	–
Project DONALD	1,892	1,623
Project OLYMPIC	1,852	–
Project 4711	1,352	–
Project KING	1,350	–
Project CONDOR	1,350	–
Project TURICUM	1,197	–
Project ISABELA	981	–
Project LIVER	292	–
Project HIGHSTREET PI	–	5,268
Project HIGHSTREET VI	–	1,385
Project ANNAPURNA	–	1,382
Project ACROSS	–	1,337
Project HARBOUR	–	1,241
others	536	10
Total	**13,916**	**12,244**

The gains from selling property holding companies reflect the realized margin from the Group's warehousing activities. The increase is driven by a substantial pick-up in warehousing activity and volume.

At the time of the sale of a Property Holding Company all assets and liabilities get deconsolidated and the control of the company is transferred to the purchaser.

G.11 Expenses from Real Estate Operations/Warehousing

Expenses from Real Estate Operations/Warehousing include expenses in relation to the operation of the assets while in warehouse (k€ 4,831; previous year 980).

G.12 General and Administrative Expenses

General and Administrative Expenses include both personnel and overhead expenses not allocated to either Expenses from Real Estate Investment Management, Expenses from Management for Associates or Expenses from Real Estate Operations.

In general the increase of Expenses in 2017 is mainly driven by the acquisition and acquisition related costs of HFS, ATOS and Hannover Leasing. Personnel expenses account for k€ 10,701 (previous year: k€ 4,471) and increased due to the growing size (especially the business combinations in 2017) and complexity of the Group's operations and extension to serve institutional clients also. The administra-tive expenses (including up-listing/IPO costs) account for k€ 24,699 (previous year: k€ 5,492).

G.13 Depreciation and Amortisation

Depreciation and Amortisation

€ thousand	**2017**	2016
Intangible assets – scheduled depreciation	(19,048)	(95)
Property, plant and equipment – scheduled depreciation	(1,810)	(276)
Others	(8)	(3)
Total	**(20,866)**	**(374)**

Depreciation and Amortisation is mainly driven by the amortisation of the capitalized management contracts of HFS and Hannover Leasing.

G.14 Financial Income

Financial Income

€ thousand	**2017**	2016
Interest income	4,098	382
SWAP valuation income	1,614	–
Foreign currency income	1,035	–
Other financial income	2,204	133
Total	**8,951**	**514**

G.15 Financial Expenses

Financial Expenses

€ thousand	2017	2016
Interest expenses	(20,145)	(1,017)
Prepayment penalties for HFS Acquisition Loan	(3,637)	–
Impairment losses on loans	(2,826)	(1)
Effects from consolidation	(831)	130
SWAP valuation expenses	(737)	–
Foreign currency expenses	(474)	(44)
Bank Charges	(277)	(106)
Loss from disposal of financial assets	(146)	–
Financing Fees	(74)	(125)
Interest expenses from lease agreements	(28)	–
Interest expenses from related parties	–	(1,860)
Others	(604)	(293)
Total	**(29,778)**	**(3,315)**

Interest expenses relate in an amount of k€ 12,126 to a loan facility of Euro 150 million granted by Thalos used to finance part of the purchase price of HFS. The loan beared an interest rate of 11 % per annum and was redeemed on 29 December 2017. The interest expenses also include compensa-tions from the premature repayment of this loan.

Regarding the composition of interest expenses from related parties we refer to Note I.6.

H. INCOME TAX EXPENSES

A breakdown of income tax is shown below:

Income tax (expense) / benefit

€ thousand	2017	2016
Current income tax expense	(11,429)	(904)
Deferred taxes	4,795	(409)
Total	**(6,634)**	**(1,313)**

The deferred taxes mainly result from temporary differences in the recognition of assets and liabilities of sub-group Hannover Leasing and CCAG/ HFS Helvetic Financial Services AG and from the capitalisation of deferred tax assets on tax loss carry-forwards of CCH SA (refer to Note F.8).

The company has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of k€ 101,098 (k€ 13,419), respectively in the fiscal 2016 and 2017 because the earnings are intended to be permanently reinvested in the subsidiaries.

Current income tax expense is broken down by country as set out in the table below. While income taxes in Germany are taxes on income generated by operating subsidiaries Corestate Capital Advisors GmbH and sub-group Hannover Leasing as well as the property management business of Capera, Swiss income tax is primarily driven by stamp duties incurred upon the sale of various subsidiaries as well as the swiss "Kantonal- und Gemeindesteuer".

Current income tax (expense) / benefit (broken down by region)

€ thousand	**2017**	2016
Income tax Switzerland	(8,258)	(434)
Income tax Germany	(2,908)	(357)
Income tax Luxembourg	(260)	(60)
Income tax other countries	(3)	(54)
Total	**(11,429)**	**(904)**

Tax rate reconciliation

The tax reconciliation statement below describes the relationship between the effective tax expense/benefit as recorded in the Group's Income Statement and the originally expected tax expenses based on the consolidated Earnings before Taxes (EBT) according to IFRS by applying the statutory income tax rate of 27.08% (previous year 29.22%) for CCH SA in Luxembourg.

According to IAS 12, the effective tax expense/benefit for the accounting period consists of current taxes on income and profit and of deferred taxes.

Tax rate reconciliation

€ thousand	**2017**	2016
Consolidated Earnings before Taxes (EBT) according to IFRS	62,989	16,870
Luxembourg statutory income tax rate for CCH SA	27.080%	29.220%
Projected income tax (gain) / burden	**17,057**	**4,929**
Adjustments in respect of current income tax of previous years	233	(79)
Effect from changes in tax rates	(87)	136
Effect from write-off of deferred tax assets	1,712	764
Effect from permanent differences	1,850	430
Effect from different tax rates	(8,432)	(803)
Effect from dividends and other income exempt from taxation	(6,050)	(4,067)
Effects from consolidation	25	–
Other differences	327	4
Income tax reported in the Group's income statement	**6,634**	**1,313**
Effective tax rate	10.53%	7.79%

Changes in tax rates of deferred tax assets results from the adjustment of the Luxembourg corporate income tax rate from 29.22% to 27.08% as well as write-off of unusable tax losses. Effects from dividends and other tax exempt income relate to both warehousing margins as well as capital gains realized upon sale of certain alignments investments and Promote fees which are not taxable.

Other comprehensive income includes total of k€ 390 (k€–60) deferred taxes. Of this amount, k€ 90 (k€ 0) relates to exchange differences on translation of foreign operations, k€ –11 (k€ 0) relates to net loss on cash flow hedges, k€ 297 (k€ 0) relates to net gain on available-for-sale financial assets and k€ 3 (k€ –66) relates to other effects.

I. OTHER INFORMATION

I.1 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding is calculated as follows:

Calculation of weighted average number of ordinary shares (undiluted)

	2017		2016	
	number of shares	**days**	number of shares	days
Shares at the beginning of the period	**12,610,681**	**365**	**9,742,300**	**366**
Issue of new shares (in cash) on 31 August 2016	–	0	257,700	122
Issue of new shares (including DS Authorised Capital) (in cash) on 28 September 2016	–	0	2,610,681	94
Issue of new shares (in cash) on 27 February 2017	996,318	308	–	
Issue of new shares (contribution in kind) on 4 July 2017	7,365,256	181	–	
Issue of new shares (DS Authorised Capital) on 11 July 2017	20,500	174	–	
Issue of new shares (contribution in kind) on 10 October 2017	242,544	83		
Issue of new shares (TL Authorised Capital) on 19 October 2017	58,824	74		
Shares at the end of the period	**21,294,123**		**12,610,681**	
Weighted average number of shares for the period	**17,180,622**		**10,498,703**	

Calculation of weighted average number of shares (diluted)

	2017	2016
	number of shares	number of shares
New shares from the exercise of share-based payments	39,216	127,452
Average stock price since 4 October 2016 (€/share)	19.86	19.86
Total value of new shares from the exercise of share-based payments (in €)	778,829.76	2,531,196.72
Exercise price of new shares (€/share)	14.65	12.32
Difference between stock price and exercise price (in €)	204,142.88	961,089.87
Calculation of fictitious bonus shares	10,279	48,393
Weighted average number of shares for the period	**17,190,901**	**10,547,096**

Earnings per share, both undiluted as well as undiluted are calculated as follows:

Earnings per share (undiluted)

€ thousand	2017	2016
Profit attributable to ordinary equity holders of the parent:		
Continuing operations	55,717	15,396
Discontinued operations	–	–
Profit attributable to ordinary equity holders of the parent for basic earnings	**55,717**	15,396
Weighted average number of ordinary shares (undiluted):	–	–
Share capital	17,180,622	10,498,703
Shares in participation capital (Certificates)	–	–
Weighted average number of ordinary shares (total)	**17,180,622**	**10,498,703**
Earnings per share	**3.24 €**	**1.47 €**

Earnings per share (diluted)

€ thousand	2017	2016
Share capital	**17,190,901**	**10,547,096**
Shares in participation capital (Certificates)	**–**	–
Weighted average number of ordinary shares (total)	**17,190,901**	**10,547,096**
Earnings per share (diluted)	**3.24 €**	**1.46 €**

Further, the utilisation of the remaining additional authorised capital approved by the Annual General Meeting of the Company (refer to Note F.15.2) will lead to a further dilution of earnings per share in future.

I.2 Capital management

The Group's policy is to maintain a strong capital base in order to maintain investor, creditor, and general capital markets confidence, and to support the ongoing development and growth of the Group for further maximising shareholder value. Shareholder value is measured both in terms of earnings per share and related share price development as well as running dividend yield.

For the purpose of the Group's capital management, capital includes share capital and all other equity reserves attributable to the shareholders of the parent.

The Group proactively manages its capital structure and makes necessary adjustments by either changing dividend pay-outs, returning capital to shareholders or issuing new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

I.3 Commitments and contingencies

I.3.1 Capital commitments

As of 31 December 2017, the Group has outstanding capital commitments for Project HIGHSTREET PREMIUM II (k€ 825).

I.3.2 Guarantees and contingent liabilities

The Corestate Group's contingent liabilities and other obligations are mainly potential future payment obligations of the Group attributable to guarantees that have been provided. The figures shown reflect potential liabilities that the guarantees are called upon.

Contingent Liabilities

€ thousand	**2017**	2016
Obligations under guarantees and warranty agreements	4,298	–
loan commitment	8,320	–
remargining	393	–
Capital commitments for debts of joint ventures	281	–
Total Loss Contingencies	**13,292**	**–**

I.4 Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and receivables, trade and other payables with the main purpose of financing the Group's operations. The Group has loan, trade and other receivables, as well as cash and cash equivalents directly resulting from its operations. The Group also holds available-for-sale investments and enters into derivative transactions if necessary. The Group is exposed to credit risk, liquidity risk and interest rate risk.

The overarching risk management system, which is designed in line with the size of the Group, is geared towards the unpredictable nature of developments on the financial markets and aims to minimise potential negative effects on the Group's financial position. The Group identifies measures and hedges financial risks at regular intervals.

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risk. The Group's EMC oversees the management of these risks to ensure that an appropriate balance between risk and control is achieved.

The EMC reviews and agrees policies for managing each of these risks which are summarised below.

I.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short and long-term debt obligations with floating interest rates.

In the case of variable-rate (loan) liabilities, there is an interest rate risk insofar as the interest rate for the loans raised is usually linked to the EURIBOR reference rate (European Interbank Offered Rate).

At the reporting date the interest rate profile of the Group's interest bearing liabilities is shown in Note F.20 and F.26. All financial assets – with the exception of loans to shareholders and Associates – are non-interest bearing.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Except for a minor portion of its cost base, which is denominated in CHF and USD, the Group does not have any foreign currency risk relating to financial instruments.

I.4.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities which, in turn, are dependent on the operating performance of the underlying investments. Such operating performance is very closely monitored by the Group's asset, property, and financial management teams.

The carrying amount of the Group's financial assets represents the maximum credit exposure.

I.4.3 Liquidity risk

The Group monitors its risk of a shortage of funds using a recurring liquidity planning tool which is updated on a monthly basis. For short-term liquidity risks an efficient net working capital management is in place.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Maturities of financial liabilities (31 December 2017)

€ thousand	Closing Balance 31 Dec 2017	< 1 year	1 to 5 years	> 5 year
Bank loans	370,540	135,679	159,576	87,187
Short-term Liabilities to Associates	2,209	2,209	–	–
Trade payables	14,795	14,795	–	–
Other current financial liabilities	75,937	73,581	–	2,355
Current financial liabilities	**463,480**	**226,264**	**159,576**	**89,543**

Maturities of financial liabilities (31 December 2016)

€ thousand	Closing Balance 31 Dec 2016	< 1 year	1 to 5 years	> 5 year
Bank loans	18,130	3,718	15,444	–
Short-term Liabilities to Associates	948	948	–	–
Trade payables	7,266	7,266	–	–
Other current financial liabilities	16,664	9,387	7,775	2,484
Current financial liabilities	**43,007**	**21,319**	**23,219**	**2,484**

With the exception of some personnel-related liabilities (mostly MCIF) as well as bank loans and other financial liabilities resulting from the warehousing facility provided by SO Holding AG, financial liabilities are expected to be settled within twelve months of the end of the reporting period.

The EMC is of the opinion that the Group is in a position to meet the payment obligations in the next twelve months from the date of these consolidated financial statements.

I.5 Financial instruments

Financial instruments can be classified as original or derivative financial instruments. Original financial instruments on the assets side include receivables and cash and cash equivalents. Original financial assets are shown at amortised costs. On the liabilities side, original financial instruments include liabilities valued at amortised cost. Derivative financial instruments such as caps and swaps are shown at fair value.

Where default risks are identifiable for financial assets these risks are recognised as impairment losses.

I.5.1 Sensitivity analysis for variable rate instruments

In the event of a change in the interest rate by 100 basis points (“bps”), the annual interest expense from the variable-rate bank loans would increase or decrease by approximately k€ 1,633 (previous year: k€ 181) – based on the value of the loans as of the end of the reporting period.

I.5.2 Fair value

The following table shows financial assets and liabilities by measurement categories and classes. Finance lease receivables and liabilities, Cash and cash equivalents as well as derivatives that qualify for hedge accounting are also included although they are not part of any IAS 39 measurement category:

			Measurement in accordance with					
			IAS 39				IAS 17	
€ thousand	IAS 39 Category	**Carrying amount 31 Dec 2017**	Amortised cost	Fair value recognised through profit and loss	Fair value recognised directly in equity (OCI)	not applicable	Amortised cost	**Fair value 31 Dec 2017**
Other Financial Instruments	LaR/Afs	72,183	14,475	–	51,374	–	6,333	72,183
Long-term Receivables	LaR	37,827	37,827	–	–	–	–	37,827
Long-term Loans to Associates	LaR	6,808	6,808	–	–	–	–	6,808
Short-term Loans to Associates	LaR	18,874	18,874	–	–	–	–	18,874
Trade Receivables	LaR	32,141	32,141	–	–	–	–	32,141
Other short-term Receivables	LaR	1,774	1,774	–	–	–	–	1,774
Other Short-term Assets	LaR	63,948	63,057	–	–	–	890	63,948
Restricted Cash	n/a	745	–	–	–	745	–	745
Cash and Cash Equivalents	n/a	108,830	–	–	–	108,830	–	108,830
Total financial assets		**343,130**						**343,130**
Long-term Financial Liabilities to Banks	FLAC	238,262	238,262	–	–	–	–	238,262
Other Long-term Financial Liabilities	FLAC	243,030	243,030	–	–	–	–	243,030
Long-term Derivatives	n/a	4,941	–	–	4,941	–	–	4,941
Other non-current Liabilities	FLAC/ FLaFV	29,985	27,962	2,023	–	–	–	29,985
Short-term Financial Liabilities to Banks	FLAC	132,278	132,278	–	–	–	–	132,278
Other Short-term Financial Liabilities	FLAC	15,509	15,509	–	–	–	–	15,509
Short-term Derivatives	n/a	3,394	–	–	3,394	–	–	3,394
Short-term Liabilities to Associates	FLAC	2,209	2,209	–	–	–	–	2,209
Trade payables	FLAC	14,795	14,795	–	–	–	–	14,795
Other current liabilities	FLAC	75,937	75,160	–	–	–	776	75,937
Total financial liabilities		**760,339**						**760,339**

(List of abbreviations: Afs = Available for sale; LaR = Loans and Receivables; FLAC = Financial Liability at cost; FLaFV = Financial Liability at Fair Value)

€ thousand	IAS 39 Category	**Carrying amount 31 Dec 2016**	Armortised cost	Fair value recognised through pro-fit and loss	Fair value recognised directly in equity (OCI)	not applicable	**Fair value 31 Dec 2016**
Other financial instruments	Afs	2,217	–	–	2,217	–	2,217
Receivables from associates	LaR	10,756	10,756	–	–	–	10,756
Receivables from joint ventures	LaR	1,031	1,031	–	–	–	1,031
Trade receivables	LaR	5,271	5,271	–	–	–	5,271
Other short–term receivables	LaR	1,530	1,530	–	–	–	1,530
Other short–term assets	LaR	3,376	3,376	–	–	–	3,376
Cash and cash equivalents	n/a	48,209	–	–	–	48,209	48,209
Total financial assets		**72,389**					**72,389**
Other non–current liabilities	FLaFV	9,730	7,889	1,840	–	–	9,730
Long–term financial liabilities to banks	FLAC	14,126	14,126	–	–	–	14,126
Short–term liabilities to banks	FLAC	4,004	4,004	–	–	–	4,004
Short–term liabilities to associates	FLAC	948	948	–	–	–	948
Trade payables	FLAC	7,266	7,266	–	–	–	7,266
Other current liabilities	FLAC/FLaFV	6,934	6,934	–	–	–	6,934
Total financial liabilities		**43,007**					**43,007**

(List of abbreviations: Afs = Available for sale; LaR = Loans and Receivables; FLAC = Financial Liability at cost; FLaFV = Financial Liability at Fair Value)

The carrying amounts of trade accounts receivable, other current receivables as well as cash and cash equivalents equal their fair values.

The fair value of loans equals the present value of expected cash flows which are discounted on the basis of interest rates prevailing on the balance sheet date. Available-for-sale financial assets primarily include equity and debt instruments. They are in general measured at fair value, which is based to the extent available on market prices as of the balance sheet date.

I.6 Related party information

A party is generally considered to be related if such party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Note I.7 provides information about the Group's structure, including details of the subsidiaries and the holding Company. CCH SA has identified these Group companies as well as the following entities and persons as related parties:

Major shareholders and shareholders' related entities

- Ralph Winter
- Thomas Landschreiber
- Daniel Schoch
- Micha Blattmann
- Urs Felder
- Azteca Hoding AG
- Blattmann Advokatur & Notariat
- Felur Swiss Treuhand AG
- Flygon Holding LLC
- Norbert Ketterer
- Marcellino Hoensbroech
- Thalos investment platform s.a
- Vicenda Asset Management AG
- W5 Group AG
- W5 Group GmbH
- W5 Group LLC

Ralph Winter is a senior advisor to CCH SA through a consultancy agreement between W5 Group AG and CCH SA. W5 Group AG and W5 Group LLC are both investment advisory firms wholly-owned by Ralph Winter. Flygon Holding LLC as well is wholly-owned by Ralph Winter and is an investment vehicle which holds all of the shares indirectly owned by Ralph Winter in the Company. Thomas Landschreiber is and Daniel Schoch was (until 14 July 2017) a member of the Company's board of management (EMC) while Micha Blattmann and Urs Felder are members of the Company's supervisory board. Blattmann Advokatur & Notariat ist Micha Blattmann law firm while Felur Swiss Treuhand AG is tax Swiss tax advisory firm wholly-owned by Urs Felder.

CCH SA Key Management Personal:

- Sascha Wilhelm (Chief Executive Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 21 August 2015
- Thomas Landschreiber (Chief Investment Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 21 August 2015
- Lars Schnidrig (Chief Financial Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 01 July 2017
- Daniel Schoch (Chief Financial Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – from 21 August 2015 until 14 July 2017

The members of the Management Board were appointed by the Supervisory Board for a term until 31 December 2018 with respect to Thomas Landschreiber, and 31 December 2019 with respect to Daniel Schoch and Sascha Wilhelm, respectively.

Lars Schnidrig (44) had been appointed as Chief Financial Officer of CORESTATE Capital Holding S.A. effective 01 July 2017. The service agreement with Lars Schnidrig has a duration of 3 years.

Daniel Schoch departed from the board of CORESTATE Capital Holding S.A. as per 14 July 2017; he continued to support the CORESTATE Group as a senior adviser.

On 6 February 2018 the Supervisory Board of CORESTATE Capital Holding S.A. appointed Dr Michael Bütter as successor to the incumbent Chief Executive Officer, Sascha Wilhelm as of 1 May 2018. Sascha Wilhelm will leave the Company as of 30 April 2018. Dr Bütter will be in charge of CORESTATE Group's strategy, international expansion including M&A activities including strategic investments and management of real estate investors and client relations. Dr Bütter is currently a member of the extended board of Scout24 AG as well as CEO of Immobilien Scout GmbH.

In addition to the individually agreed base salary and annual bonus payments, under their service agreements, the Management Board members are entitled to ancillary benefits that include, among other things, payment of remuneration in case of sickness or death for a certain period, contributions to private health insurance as well as D&O and E&O insurance coverage at usual market terms. The Company reimburses all travelling costs and incidental expenses.

Members of the Supervisory Board:

The Supervisory Board must be composed of at least three individuals, and currently consists of the following members:

- Micha Blattmann (Chairman, Manager, whose professional address is General-Guisan Strasse 15, CH-6300 Zug/Switzerland) – since 23 September 2015
  Micha Blattmann is also Partner at the hedge fund Vicenda Asset Management AG, Zug. He serves as an Executive Director at Vicenda Group AG. He held various positions within capital markets divisions of international investment banks, including senior advisor of the Strategic Cross Asset Solutions Group of Merrill Lynch Capital Markets and Senior Advisor of the Equity and Commodity Risk Management Team for institutional clients of UBS AG. He has been Chairman of the Supervisory Board at CORESTATE Capital Holding S.A. since September 23, 2015. He serves as Non-Executive Director at BRCH Holding AG, Azteca Holding AG, AZC Capi-tal SACV, Desarollo Vivienda MK1 S.A.P.I. De C.V., FCM Investments AG, Limedo Business Ltd, BVI and Thalos Investment Platform S.A. He previously worked as lawyer at Bär & Karrer and Andersen Legal. He is admitted lawyer and is practicing in his law firm Blattmann Advokatur & Notariat, Neuheim. Mr. Blattmann holds a Licentiate of Law from the University of Zurich and a Master of Laws (LL.M.) from University of California-Los Angeles, School of Law. He is ad-mitted to the bar of the Higher Court of the Canton of Zug, Switzerland.
- Urs Felder (self-employed tax and accounting Expert, whose professional address is at FELUR Swiss Treuhand AG, Sihlamtsstrasse 5, CH-8001 Zurich/Switzerland) – since 21 August 2015
- Ulrich Plett (Chairman of the Audit Committee, Wirtschaftsprüfer, whose professional address is Clausewitzstr. 7, D-10629 Berlin/Germany) – since 23 September 2015

At the Company’s annual general meeting held on 28 April 2017, it was resolved to extend the mandates of the above listed members of the Supervisory Board until the annual general meeting of shareholders of the Company held in 2020.

The mandates of the following individuals have expired in the reporting period or the prior financial year, respectively.

- Andreas Wirz (Architect, member of the Executive board of Intershop Holding AG, whose professional address is at Intershop Holding AG, Puls 5 – Giessereistrasse 18, Postbox 1601, CH-8031 Zurich/Switzerland) – since 21 August 2015 until 30 June 2016
- Thomas Zinnöcker (Diplom-Kaufmann, whose professional address is Philipp-Strasse 3, D-44803 Bochum/Germany) – from 23 September 2015 until 10 March 2016

In its meeting held on 14 December 2017, the Supervisory Board resolved to establish an audit com-mittee. With effect from 02 November 2017, the Supervisory Board elected among its members Mr Blattmann, Mr Plett and Mr Felder as members of the audit committee.

The Supervisory Board members are entitled to receive an annual fee of kEuro 25 plus VAT (if any). The deputy chairman of the Supervisory Board is entitled to receive an annual fee of kEuro 37.5 plus VAT (if any) and the chairman of the Supervisory Board of kEuro 50 plus VAT (if any). The annual fee is payable within 10 days after the end of each financial year. In addition to the annual fee, each member of the Supervisory Board is entitled to Euro 750 for each meeting such member attends in person (physically or via phone). The Supervisory Board Members are also reimbursed of all reasonable and properly documented costs incurred as part of their mandate, and benefit from a market-standard D&O insurance entered into by the Company.

In the supervisory board meeting on 10 March 2016 the members decided to reduce the annual fee by 50% retrospectively.

In 2017, a total fee of kEuro 181 (previous year kEuro 72) is recognised.

Associates (Co-Investments)

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

The Group invests typically between 5% and 10% in its investment products for private clients as alignment capital investment. Since the Group provides comprehensive real estate investment management services to such investments structures, these investment structures in each case qualify as an Associate under the IFRS regime. The revenues generated with such Associates are based on market-standard Joint-Venture and Co-Investments Agreements (JVCIA) as well as various asset and property management agreements and are entered into with and approved by its clients. Note F.4 provides an overview of the Group’s Investment in Associates.

I.6.1 Transactions with shareholders and shareholder related entities

The following table sets out all payments made to shareholders and shareholders’ related entities made by the Group in the period 1 January 2017 through 31 December 2017. Hence, such amounts do not necessarily reconcile with the Consolidated Income Statement for the financial year 2017.

Transactions with shareholders and shareholder's related entities

€ thousand	**2017**	2016
Fees paid to W5 Group GmbH/W5 Group LLC under consultancy agreements	(584)	(514)
Cost reimbursements to W5 Group GmbH/W5 Group LLC	(333)	(248)
Transaction Costs W5 Group in connection with the acquisition of HFS	(5,000)	–
Transaction Costs W5 Group in connection with the acquisition of ATOS	(11,7)	–
Transaction Costs W5 Group in connection with the ACRON transaction	(48)	–
Transaction Costs Vicenda in connection with the acquisition of HFS	(1,405)	–
Transaction Costs Vicenda in connection with the Credit Line	(400)	–
Rental Costs to Vicenda	(13)	–
Payments made to Thalos in connection with the acquisition of HFS	(514)	–
Loan granted by Thalos	(150,000)	–
Agio granted by Thalos	1,500	–
Repayment Loan to Thalos	150,000	–
Interest paid to Thalos	(12,126)	–
Payments made in connection with the acquisition of Hannover Leasing Group	–	(1,689)
Rental income from sublease with Azteca Holding	9	–
Interests expenses from shareholder loans	(742)	(2,504)
Proceeds from loans granted by shareholders	(18,918)	8,000
other Liabilities to shareholders	(39,000)	–
Repayment of loans granted by shareholders	–	(35,814)
Sale of Shares in Subsidiaries or Associates to shareholders	–	(4,982)
Repayments of loans granted to shareholders	–	855
Interests income on loans granted to shareholders	–	6
Dividends (including capital repayments) paid to shareholders	(13,607)	(6,484)
Rental income from sublease with W5 Group	–	7
Reimbursement Projekt ISAR from W5 Group	75	–
Other Reimbursement from W5 Group	4	–
Payments to Daniel Schoch according to agreement from 07.07.2017	(78)	–

Fees and cost reimbursements paid to W5 Group AG/W5 Group LLC are payments made in relation to the underlying consultancy agreements. Under such agreements, the various companies wholly-owned by Ralph Winter rendered services with respect to general strategic advisory, capital raising and private client relations as well as investment product sourcing.

I.6.2 Transactions with Key Management Personnel

Transactions with Key Management Personnel and members of Supervisory Board

€ thousand	2017	2016
Short–term employee benefits	(2,178)	(2,086)
Service Agreement termination benefits	(932)	–
share–based payment benefits	(3,359)	–
Compensation payments	(263)	–
Remuneration to members of the supervisory board	(181)	(72)
Payments to member of the supervisory board	(242)	(234)
EMC Bonus Awards contributed to MCIF	(449)	(421)
Reimbursement from key management Personnel	11	–

Short-term employee benefits relate the payment of the annual base salary agreed under the service agreements with the members of the EMC as well as the cash component of the annual bonus award of the EMC members.

The EMC members as well as certain other employees have a minority interest (Limited Partner) in Corestate MCIF GmbH & Co. KG (MCIF). All profits of MCIF are distributable to these Limited Partners (disproportionate profit distribution).Under the MCIF scheme, the EMC members but also certain other key personnel are required to contribute up to one third of the annual bonus (as compensation element for their service for the respective financial year) to CORESTATE MCIF GmbH & Co. KG as a deferred bonus payment (annual MCIF contribution). MCIF invests alongside the Group in alignment capital investments, thereby serving as a retention instrument for the plan participants since the annual MCIF contribution becomes payable to the participants only after three years, and is further subject to good and bad leaver provisions. Profits generated by MCIF, however are immediately distributed to the participants pro rata their participations in the underlying alignment capital investment.

Compensation of members of the Supervisory Board includes both the annual fees as well as cost reimbursements incurred. In 2017, a total Supervisory Board compensation of k€ 181 (previous year k€ 72) was recognised.

I.6.3 Share-based payments

Members of the Group' s Management Board receive remuneration in the form of share-based payments, whereby the members render services as consideration for equity instruments (equity-settled transactions). Some members of Group's Management Board are granted so called phantom stocks, which are settled in cash (cash-settled transactions).

Equity-settled transactions

Upon occurrence of the listing on October 4, 2016 of the Company's shares on the Frankfurt stock ex-change, the members of the EMC were granted a special payment on the basis of the individual ser-vice agreements in form of shares in the company (so-called "share-based payment") in an aggregate amount of k€ 2,167. Such share-based payments are part of the Management Board's remuneration. In addition, the related wage tax and fringe benefits such as social security contributions are to be borne by the Company (refer to note I.6).

The share-based compensation granted will only be forfeited under certain circumstances (i.e. when the Company terminates the service agreement for cause or the service agreement is terminated upon request of the member of the ECM during the relevant current term). In turn, the share grants indi-vidually agreed for each member of the EMC vest over various periods linked to the term of the under-lying service agreement.

The fair value of such share grants is calculated as € 17.00 per share less projected dividend pay-ments per share during the relevant vesting period, and is amortized (i.e. recognised through profit and loss) based on the vesting periods individually agreed for each member of the ECM. The total ex-pense recognized through profit and loss in relation to such share grants to the EMC in the financial year 2016 was k€ 547, and also includes wage taxes and related social security contributions. A corre-sponding deferred tax asset amounting to k€ 148 was also recognized through profit and loss.

Movements during the year

The following table illustrates the number and movements in synthetic equity-settled stock options during the year, as well as the grant date and the remaining term of the option:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Grant date	October 4, 2016	October 4, 2016	October 4, 2016	October 4, 2016	October 4, 2016
Granted stock options	58,824	14,706	14,706	19,608	19,608
Remaining term of the option	0 years	0 years	0 years	2 years	3 years
Outstanding at 1 January 2017	58,824	14,706	14,706	19,608	19,608
Granted during the year	0	0	0	0	0
Forfeited during the year	0	4.456	4.456	0	0
Exercised during the year	58,824	10,250	10,250	0	0
Expired during the year	0	0	0	0	0
Cancelled during the year	0	0	0	0	0
Outstanding at 31 December 2017	0	0	0	19,608	19,608
Exercisable at 31 December 2017	0	0	0	0	0

Cash-settled transactions

In 2017 the group has issued synthetic cash-settled stock options to selected management personnel. The options grant the right to receive cash payment at exercise of the option which amounts to the difference between the stock price at exercise date and the exercise price. The options are only exercisable after a waiting period of 3 years for Tranche 1, 2 and 4, and 2 years for Tranche 3 after the contractual grant date. The grant of stock options under Tranche 2 depends on the market capitalization of the com-pany at year end 2018. The feature is reflected within the calculation of the option price. The stock option plan is classified as cash-settled share-based payment transaction in accordance with IFRS 2.

Movements during the year

The following table illustrates the number and movements in synthetic cash-settled stock options during the year, as well as the grant date and the remaining term of the option:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date	July 7, 2017	July 7, 2017	July 26, 2017	July 26, 2017
Granted stock options	9,359	10,594*	1,818	3,636
Remaining term of the option	8.0 years	9.0 years	3.6 years	4.6 years
Outstanding at 1 January 2017	0	0	0	0
Granted during the year	9,359	10,594	1,818	3,636
Forfeited during the year	0	0	0	0
Exercised during the year	0	0	0	0
Expired during the year	0	0	0	0
Cancelled during the year	0	0	0	0
Outstanding at 31 December 2017	9,359	10,594	1,818	3,636
Exercisable at 31 December 2017	0	0	0	0

*The final number granted under Tranche 2 depends on the stock price of the company at the year end 2018.

Valuation model and input parameters

The fair value of the synthetic stock options is measured using a monte carlo option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the plans granted at the measurement date

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Share price on the measurement date (€)	53.43	53.43	53.43	53.43
Life of the option on the grant date (years)	8.0	9.0	4.0	5.0
Exercise price (€)	42.74	n.a.**	38.51	38.51
Expected dividend yield (%)	4.75	4.75	4.75	4.75
Risk-free interest rate (%)	0.40	0.53	−0.27	−0.11
Expected volatility of the share price (%)	24.37	28.58	21.51	21.05
Option value (€)	9.18	6.72	11.17	10.38

** The exercise price of the options under Tranche 2 depends on the stock price of the company at the year end 2018.

The beneficiary may exercise the options between the end of the waiting period and the end of the term of the option on the condition that the employment contract has not been terminated and nei-ther the beneficiary nor the company has notified in writing the termination of the employment contract by that date.

For the stock option valuation the contractual life of the options and the possibility of early exercise were considered in the monte carlo model.

The risk-free interest rate is the implied yield currently available on Luxembourg government issues with a remaining term equal to the term of the options.

The future volatility for the lives of the options was estimated based on historical volatilities also con-sidering the management's expectation of future market trends.

The expense resulting from the share-based payment transactions is recognized during the vesting period on a pro-rata-basis with a corresponding increase in provision. Furthermore, the amount recognized is based on the best available estimate of the number of options expected to vest and is revised, if subsequent information indicates that the number of options expected to vest differs from previous estimates.

The expense recognized during 2017 and 2016 is shown in the following table:

€ thousand	**2017**	2016
Expense arising from cash-settled share-based payment transactions	27.5	0
Total expense arising from share-based payment transactions	27.5	0

I.6.4 Transactions with Associates (Co-Investments) and Joint Ventures (cooperation with local partners)

The terms and condition agreed with Associates for the services of the Group are negotiated and set out in the underlying documentation for each investment product entered into with the respective clients (JVCIA, management agreements etc.). Hence, such terms and conditions are considered to be at arm's length.

Transactions with Associates (Co-Investments)

€ thousand	2017	2016
Revenue from Aquisition Related Fees	8,499	9,615
Revenue from Asset and Property Management	8,322	9,629
Revenue from Sales Fees	–	–
Revenue from Promote Fees realized	16,978	6,699
Proceeds from Selling Property Holding Companies	13,916	12,244
Interest income from Associates	–	136
Interest expenses from Associates	–	–

Balances with Associates (Co-Investments)

€ thousand	2017	2016
Receivables from Associates	18,874	8,263
Receivables from Joint Venture	–	1,031
Loans granted from Associates	–	2,493
Liabilities to Associates	2,209	948
Liabilities from Joint venture partners	–	–
Liabilities to related parties	57,918	–

We refer to Notes F.7 and F.10 for further details on the receivables, liabilities and other transactions with Associates or Joint Ventures.

I.7 Group entities

CCH SA is the parent company of the Group.

The consolidated financial statements include basically all companies which the group controls, i.e. typically for which CCH SA owns, directly or indirectly through subsidiaries, more than half of the voting power. There are no restrictions regarding Cash or Dividend Payments from such subsidiaries.

Except for CORESTATE MCIF GmbH & Co.KG (Note I.6.2) the equity interest is equal to the voting rights.

Group entities

		31 Dec 2017	31 Dec 2016
Name	Seat and Country of incorporation	% equity interest	% equity interest
Corestate Capital Holding S.A.	**Luxembourg**	**Parent Company**	**Parent Company**
ACROSS HoldCo S.à r.l. (Highstreet VI PropCo II S.à r.l.)	Luxembourg	100.00%	100.00%
AF ATHENA GmbH	Frankfurt am Main/Germany	100.00%	n.a.
Bayreuth Student Home AcquiCo II S.à r.l.	Luxembourg	100.00%	100.00%
CAP FinCo S.à r.l.	Luxembourg	100.00%	100.00%
CAP HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Ben HoldCo GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	n.a.

Name	Seat and Country of incorporation	31 Dec 2017 % equity interest	31 Dec 2016 % equity interest
CORESTATE Capital Advisors (Singapore) Pte. Ltd.	Singapore	100.00%	100.00%
CORESTATE Capital Advisors GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE CAPITAL AG	Zug/Switzerland	100.00%	100.00%
CORESTATE Capital Beteiligungs Verwaltung GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE CAPITAL Fund Management S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Capital Junior BondCo S.à r.l.	Luxembourg	100.00%	n.a.
CORESTATE Capital Partners GmbH (CORESTATE Capital Finance GmbH)	Zug/Switzerland	100.00%	100.00%
CORESTATE Capital Partners UK Limited	London/United Kingdom	100.00%	n.a.
Corestate Capital Sales Holding S.à r.l. (Highstreet II PropCo III S.à r.l.)	Luxembourg	100.00%	100.00%
Corestate Capital Senior BondCo S.à r.l.	Luxembourg	100.00%	n.a.
CORESTATE Capital Transactions AG	Zug/Switzerland	100.00%	100.00%
Corestate CAPTIVE PropCo V S.à r.l.	Luxembourg	100.00%	100.00%
CORESTATE CIV GmbH	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Condor PropCo GmbH	Vienna/Austria	100.00%	100.00%
Corestate Condor TopCo GmbH (Platin 1315. GmbH)	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Investment 1 S.à r.l.	Luxembourg	100.00%	100.00%
CORESTATE Investors (Europe) GmbH (CORESTATE Capital Developments GmbH)	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Sailing HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Shelf II S.à r.l	Luxembourg	100.00%	n.a.
Corestate Student Home Holding S.à r.l.	Luxembourg	100.00%	100.00%
Corestate ZGE Feeder GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
Crown PropCo GmbH	Frankfurt am Main/Germany	100.00%	100.00%
Dalia HoldCo AIF S.à r.l.	Luxembourg	100.00%	n.a.
Dalia HoldCo I S.L	Madrid/Spain	100.00%	n.a.
Dalia PropCo I S.L	Madrid/Spain	100.00%	n.a.
DONALD HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Energy AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
Frankfurt Student Home AcquiCo II S.à r.l.	Luxembourg	100.00%	100.00%
GENOST Consulting GmbH	Leipzig/Germany	100.00%	n.a.
Grindel AcquiCo II S.à r.l.	Luxembourg	100.00%	100.00%
Hannover Leasing Verwaltungsgesellschaft mbH	Pullach/Germany	100.00%	n.a.
HFS Helvetic Financial Services AG	Wollerau/Switzerland	100.00%	n.a.
Highstreet Premium II AcquiCo Limited	Guernsey	100.00%	n.a.

Name	Seat and Country of incorporation	31 Dec 2017 % equity interest	31 Dec 2016 % equity interest
Highstreet Premium II PropCo III S.à r.l.	Luxembourg	100.00%	n.a.
Highstreet VIII AcquiCo Ltd.	Guernsey	100.00%	100.00%
Highstreet VIII HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Highstreet VIII PropCo I S.à r.l. (Highstreet VII PropCo II S.à r.l.)	Luxembourg	100.00%	n.a.
Highstreet VIII PropCo II S.à r.l.	Luxembourg	100.00%	100.00%
Highstreet VIII PropCo III S.à r.l. (Project AcquiCo II S.à r.l.)	Luxembourg	100.00%	n.a.
Highstreet VIII TopCo Ltd.	Guernsey	100.00%	100.00%
Iberian HoldCo II S.L.	Madrid/Spain	100.00%	100.00%
Iberian Investment II HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Iberian PropCo II S.L.	Madrid/Spain	100.00%	100.00%
Isabela HoldCo AIF S.à r.l. (Iberian Investment I HoldCo S.à r.l.)	Luxembourg	100.00%	100.00%
ISAR Beteiligungsverwaltungs GmbH	Frankfurt am Main/Germany	100.00%	100.00%
ISARTAL Beteiligungsverwaltungs GmbH	Frankfurt am Main/Germany	100.00%	100.00%
King HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
LOMBARDO Verwaltungsgesellschaft mbH	Pullach/Germany	100.00%	n.a.
Mainz Student Home AcquiCo II S.à r.l.	Luxembourg	100.00%	100.00%
Marburg HoldCo S.à r.l. (Corestate Shelf I S.à r.l.)	Luxembourg	100.00%	n.a.
Marburg TopCo Ltd	Guernsey	100.00%	n.a.
MicroLiving Service zwei GmbH (CAPERA Immobilien Service GmbH)	Vienna/Austria	100.00%	100.00%
Müller34 Student Home Projektentwicklung– und Verwaltung GmbH	Frankfurt am Main/Germany	100.00%	100.00%
PALMYRA Verwaltungs GmbH & Co. Verm. KG S.e.n.c	Luxembourg	100.00%	n.a.
PALMYRA Verwaltungs GmbH & Co. Vermietungs KG	Pullach/Germany	100.00%	n.a.
Potsdam Student Home AcquiCo II S.à r.l.	Luxembourg	100.00%	100.00%
Project AcquiCo I S.à r.l.	Luxembourg	100.00%	n.a.
Project AcquiCo III S.à r.l.	Luxembourg	100.00%	n.a.
Project AcquiCo IV S.à r.l.	Luxembourg	100.00%	n.a.
RECAP FinCo II S.à r.l. (Highstreet VI PropCo IV S.à r.l.)	Luxembourg	100.00%	100.00%
RECAP FinCo III S.à r.l.	Luxembourg	100.00%	100.00%
RECAP FinCo IV S.à r.l. (CC SH HoldCo 01 S.à r.l.)	Luxembourg	100.00%	100.00%
RECAP FinCo S.à r.l.	Luxembourg	100.00%	100.00%
RECAP FinCo V S.à r.l. (Project 13 HoldCo S.à r.l.)	Luxembourg	100.00%	100.00%
RECAP FinCo VI S.à r.l.	Luxembourg	100.00%	n.a.
ROSE HoldCo S.à r.l. (Highstreet V PropCo III S.à r.l.)	Luxembourg	100.00%	100.00%
SQUIRREL AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%

Name	Seat and Country of incorporation	31 Dec 2017 % equity interest	31 Dec 2016 % equity interest
Stadttor Düsseldorf AcquiCo S.à r.l. (Corestate PropCo Shelf II S.à r.l.)	Luxembourg	100.00%	n.a.
TRIIIPLE HoldCo GmbH	Frankfurt am Main/Germany	100.00%	n.a.
TRIIIPLE TopCo GmbH	Frankfurt am Main/Germany	100.00%	n.a.
TURBO FRA AcquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
UPARTMENTS Real Estate GmbH (MicroLiving Service GmbH)	Leipzig/Germany	100.00%	100.00%
VITU AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE MCIF GmbH & Co. KG	Frankfurt am Main/Germany	86.67%	86.67%
CORESTATE MCIF Germany GmbH & Co. KG	Frankfurt am Main/Germany	83.87%	n.a.
Soest HoldCo S.à r.l. (Corestate Shelf HoldCo 2 S.à r.l. – Soest)	Luxembourg	81.80%	81.80%
CAPERA Immobilien Service GmbH	Neu–Isenburg/Germany	80.00%	70.00%
Corestate SAND HoldCo S.à r.l.	Luxembourg	69.74%	69.74%
1 2 3 6 Vermögensverwaltung GmbH (CORESTATE Co Investment Verwaltungs GmbH)	Frankfurt am Main/Germany	Insolvency	100.00%
Corestate Capital Vorratsgesellschaft mbH 1	Frankfurt am Main/Germany	Insolvency	100.00%
Corestate Capital Vorratsgesellschaft mbh EINS & Co. KG	Frankfurt am Main/Germany	Insolvency	100.00%
Corestate Condor HoldCo GmbH	Vienna/Austria	sold	100.00%
Highstreet VII PropCo III S.à r.l. (Highstreet VIII PropCo I S.à r.l.)	Luxembourg	sold	100.00%
Highstreet VII PropCo V S.à r.l. (Corestate TopCo Shelf II S.à r.l.)	Luxembourg	sold	100.00%
Iberian HoldCo I S.L.	Madrid/Spain	sold	100.00%
Iberian PropCo I S.L.	Madrid/Spain	sold	100.00%
Iberian Investment I TopCo Ltd.	Guernsey	sold	100.00%
King PropCo S.à r.l.	Luxembourg	sold	100.00%
Venloer4711 PropCo S.à r.l. (Project 13 PropCo S.à r.l.)	Luxembourg	sold	100.00%
Corestate TopCo Shelf I S.à r.l.	Luxembourg	sold	n.a.
Isabela HoldCo AIF II S.à r.l.	Luxembourg	sold	n.a.
Olympic AIF 1 S.à r.l.	Luxembourg	sold	n.a.
Olympic AIF 2 S.à r.l.	Luxembourg	sold	n.a.
QBC Eta SP Immomanagement GmbH	Vienna/Austria	sold	n.a.
QBC Immobilien GmbH & Co. Eta KG	Vienna/Austria	sold	n.a.
TRIIIPLE HoldCo S.à r.l.	Luxembourg	sold	n.a.
TURICUM AIF S.à r.l.	Luxembourg	sold	n.a.

Group entities (subgroup Hannover Leasing)

Name	Seat and Country of incorporation	31 Dec 2017 % equity interest	31 Dec 2016 % equity interest
Hannover Leasing GmbH & Co. KG	**Pullach/Germany**	**94.90 %**	**n.a.**
Accontis GmbH Finanzanlagen und Beteiligungen	Frankfurt am Main/Germany	94.90%	n.a.
AKANTHUS Verwaltungsgesellschaft mbH	Pullach/Germany	89.21%	n.a.
BASSANO Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	n.a.
BERYTOS Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	n.a.
CAMPANULA Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	n.a.
Delta Vermietungsgesellschaft mbH	Pullach/Germany	94.90%	n.a.
DIV Deutsche Immobilienfonds GmbH	Pullach/Germany	94.90%	n.a.
DIV Grundbesitzanlage Beteiligungs GmbH & Co. KG	Frankfurt am Main/Germany	94.90%	n.a.
Freizeitgeräte Leasing GmbH	Pullach/Germany	94.90%	n.a.
FRICTION Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	n.a.
Galena Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	n.a.
GELIMER Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	86.43%	n.a.
GORDION Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	n.a.
HANNOVER LEASING Automotive GmbH	Pullach/Germany	84.15%	n.a.
HANNOVER LEASING Belgien Beteiligungs GmbH & Co. KG	Pullach/Germany	94.90%	n.a.
Hannover Leasing Beteiligungs GmbH & Co. KG	Pullach/Germany	94.90%	n.a.
HANNOVER LEASING Denkmal Münster GmbH & Co. KG	Pullach/Germany	94.90%	n.a.
HANNOVER LEASING Investment GmbH	Pullach/Germany	94.90%	n.a.
HANNOVER LEASING Private Invest Beteiligungs GmbH	Pullach/Germany	86.62%	n.a.
Hannover Leasing Private Invest Beteiligungs GmbH	Pullach/Germany	94.90%	n.a.
HANNOVER LEASING Private Invest II GmbH & Co. KG	Pullach/Germany	86.62%	n.a.
HANNOVER LEASING Treuhand GmbH	Pullach/Germany	94.90%	n.a.
HANNOVER LEASING Wachstumswerte Europa Beteiligungsgesellschaft mbH	Pullach/Germany	94.90%	n.a.
HANNOVER LEASING Wachstumswerte Europa VI GmbH & Co. KG i.L.	Pullach/Germany	94.90%	n.a.
HANNOVER LEASING Wachstumswerte Europa VIII GmbH & Co. KG	Pullach/Germany	47.49%	n.a.
HANNOVER–LEASING Treuhand–Vermögensverwaltung GmbH	Pullach/Germany	94.90%	n.a.
HERSCHEL Verwaltungsgesellschaft mbh	Pullach/Germany	94.90%	n.a.
KERA Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	n.a.
MERIT Beteiligungsgesellschaft mbH	Pullach/Germany	94.90%	n.a.
NIGRESCO Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	n.a.
NOVELLINO Geschäftsbesorgungs GmbH & Co. Verwaltungs KG	Pullach/Germany	94.90%	n.a.

Name	Seat and Country of incorporation	31 Dec 2017 % equity interest	31 Dec 2016 % equity interest
ORION Verwaltungsgesellschaft mbH & Co. Beteiligungs KG	Pullach/Germany	94.90%	n.a.
PERNILLA Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	n.a.
SINGULI Verwaltungsgesellschaft mbH	Pullach/Germany	62.63%	n.a.
VANESSA Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	n.a.

I.8 Deconsolidation

During the financial year 2017, the following companies were deconsolidated, primarily in relation to the Group's warehousing activities. Hence, the total effect from consolidation (k€12,948) reflects the gross margin generated from warehousing in 2017.

€ thousand	Project LIVER	Project 4711	Project KING	Project HIGH–STREET VII	Project TURICUM	Project CONDOR	Project OLYMPIC	Project ISABELA	Project DONALD	Others	**Total**
Date of sale											
Total proceeds from sale	341	7,891	5,025	8,677	2,820	11,355	4,107	8,241	1,892	2,694	**53,044**
thereof sales prices (cash)	341	8,042	5,175	3,405	–	11,505	4,271	8,346	2,359	2,682	**46,126**
thereof contingent consideration	–	–	–	–	2,912	–	24	–	–	–	**2,936**
thereof other consideration transferred	–	(151)	(150)	5,272	(92)	(150)	(187)	(105)	(467)	12	**3,982**
Shares in subsidiaries	75	–	–	–	–	–	–	–	–	–	**75**
Advance Payments for Property Purchase Prices	–	201	–	5,966	–	–	–	–	–	–	**6,167**
Inventories	–	25	190	44,169	–	10,025	–	–	–	–	**54,409**
Receivables	–	–	–	717	1,563	31	–	50	–	877	**3,239**
Receivables from affiliated companies	11	–	–	(0)	–	–	–	–	–	106	**117**
Other assets	11	1,314	763	48,803	–	1	2,374	4	–	33,654	**86,925**
Cash and cash equivalents	2	5,211	2,945	22,120	62	77	27	7,212	–	784	**38,439**
Deferred tax assets	–	–	–	–	–	–	–	–	–	75	**75**
Total assets	**100**	**6,750**	**3,898**	**121,775**	**1,626**	**10,134**	**2,401**	**7,266**	**–**	**35,495**	**189,445**
Deferred tax liability	–	–	–	–	–	–	–	–	–	760	**760**
Financial liabilities due to banks	–	–	–	0	–	–	–	–	–	29,802	**29,802**

€ thousand	Project LIVER	Project 4711	Project KING	Project HIGH–STREET VII	Project TURICUM	Project CONDOR	Project OLYMPIC	Project ISABELA	Project DONALD	Others	Total
Other provisions	–	–	–	–	1	–	1	–	–	–	**2**
Current tax liabilities	–	–	–	1	0	–	–	–	–	–	**1**
Liabilities from affilitated companies	32	–	–	26,788	–	–	6	–	–	78	**26,904**
Trade payables	18	206	223	1,776	1	129	122	7	–	28	**2,509**
Other liabilities	0	5	–	87,648	–	–	17	0	–	1,701	**89,371**
Total liabilities	**50**	**212**	**223**	**116,212**	**3**	**129**	**146**	**7**	**–**	**32,369**	**149,349**
Fair value of net assets sold	**50**	**6,539**	**3,675**	**5,563**	**1,623**	**10,005**	**2,255**	**7,260**	**–**	**3,126**	**40,096**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Gain / (loss) from deconsolidation	**292**	**1,352**	**1,350**	**3,114**	**1,197**	**1,350**	**1,852**	**981**	**1,892**	**(432)**	**12,948**
Revenues generated until deconsolidation	**–**	**–**	**–**	**1,044**	**–**	**–**	**–**	**–**	**–**	**1,175**	**2,219**
Profit / (loss) until date of deconsolidation	**–**	**–**	**–**	**(239)**	**(6)**	**3**	**(166)**	**(29)**	**–**	**581**	**143**

The following companies were deconsolidated in the financial year 2016:

€ thousand	Project PREMIUM I	Project DONALD	Project ANNA PURNA	Project HARBOUR	Project HIGH-STREET VI	Project ACROSS	Others	Total
Date of sale	Jan/Febr. 2016	March 2016	Dec 2016	Dec 2016	Dec 2016	March 2016		
Total proceeds from sale	5,273	6,811	2,258	3,672	1,746	7,296	287	**27,343**
thereof sales prices (cash)	5,858	6,601	2,961	3,932	1,878	7,444	112	**28,786**
Voting rights sold (%)	**100**	**100**	**100**	**100**	**100**	**100**		
Goodwill	–	2,117	–	–	–	–	–	**2,117**
Advance Payments for Property Purchase Prices	1,000	–	–	–	–	–	0	**1,000**
Inventories	39,216	3,294	11,862	26	21,989	10,175	–	**86,561**
Receivables	340	–	–	–	78	–	–	**418**
Other assets	35	96	336	30	45	16	26	**583**
Cash and cash equivalents	3,097	832	2,705	2,402	444	1,851	439	**11,770**
Total assets	**43,687**	**6,339**	**14,903**	**2,458**	**22,556**	**12,042**	**465**	**102,450**
Financial liabilities due to banks	17,380	–	–	–	–	6,020	0	**23,400**

€ thousand	Project PREMIUM I	Project DONALD	Project ANNA PURNA	Project HARBOUR	Project HIGH-STREET VI	Project ACROSS	Others	Total
Other provisions	–	5	–	–	–	–	–	**5**
Current tax liabilities	5	1	–	–	–	–	3	**9**
Liabilities from affilitated companies	24,434	512	7	–	–	–	1	**24,953**
Trade payables	1,340	511	79	26	1,569	61	71	**3,657**
Other liabilities	5230	123	13,941	–	20,626	2	112	**35,327**
Total liabilities	**43,681**	**1,151**	**14,026**	**26**	**22,195**	**6,083**	**187**	**87,351**
Fair value of net assets sold	**6**	**5,188**	**876**	**2,432**	**361**	**5,959**	**278**	**15,099**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Gain / (loss) from deconsolidation	**5,268**	**1,623**	**1,382**	**1,241**	**1,385**	**1,337**	**10**	**12,244**
Revenues generated until deconsolidation	**–**	**–**	**–**	**–**	**339**	**–**	**–**	**339**
Profit / (loss) until date of deconsolidation	**6**	**(6)**	**(2)**	**–**	**132**	**(13)**	**(52)**	**65**

I.9 Leasehold contracts

I.9.1 Operating lease commitments — Group as lessee

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

Detailed schedule of lease contracts as per December 31, 2017 (Group as Lessee)

€ thousand	lease payment (per month) (incl. VAT, k€)	minimum lease payments <1 year (incl. VAT, k€)	minimum lease payments 1–5 years (incl. VAT, k€)	minimum lease payments >5 years (incl. VAT, k€)
Rental agreement	265	2,876	8,370	213
Lease agreement relating to office equipment	123	984	649	1
Car Lease	49	558	350	0
Total operating lease	**437**	**4,418**	**9,369**	**214**
Total finance lease	**n/a**	**785**	**338**	**0**
Total	**n/a**	**5,203**	**9,707**	**214**

Detailed schedule of lease contracts as per 31 December 2016 (Group as Lessee)

I.9.2 Operating lease commitments — Group as Lessor

With the exemption of sub-lease agreements, the Group is not a lessor.

Detailed of lease contracts as per 31 December 2017 (Group as Lessor)

	lease payment (per month) (incl. VAT, k€)	minimum lease payments <1 year (incl. VAT, k€)	minimum lease payments 1–5 years (incl. VAT, k€)	minimum lease payments >5 years (incl. VAT, k€)
Sub-lease agreements	3	32	128	0
Total finance lease	**3**	**32**	**128**	**0**

Detailed schedule of lease contracts as per 31 December 2016 (Group as Lessor)

Description of lease contract	lease payment (per month) (incl. VAT, k€)	minimum lease payments <1 year (incl. VAT, k€)	minimum lease payments 1–5 years (incl. VAT, k€)	minimum lease payments >5 years (incl. VAT, k€)
Sub-lease agreement regarding real estate in Leipzig	1	15	10	0
Sub-lease agreement regarding real estate in Leipzig	1	11	8	0
Total	**2**	**26**	**17**	**0**

The Group (as the lessor) has concluded agreements regarding letting of four warehousing property three located in Germany and one in the Netherlands. Such long-term lease agreements concern commercial real estate and usually have remaining terms of lease of between 1 and 5 years. Various lease agreements contain a clause according to which the rent can be increased depending on the change of the CPI (consumer price index). A few contracts with a fixed lease term have an option right to extend the lease term. None of the lease contracts contain a pre-emption right.

The minimum lease payments (net rental income), under the assumption of a twelve month notice period and lease expiry date, of k€ 4,007 (source: internal forecast) will be generated from the existing contracts on the reporting date.

The Group is not subject to any relevant restrictions on financing, dividends or other leasing agreements as a result of its financing operating leases, whether as lessor or lessee.

I.10 Report on Business Relationships with Structured Entities

Disclosures on unconsolidated structured entities

The fund business and other operating activities of the Group companies give rise to various business relationships with structured entities within the meaning of IFRS 12. A structured entity is an entity that has been designed so that the exercise of voting or similar rights under company law is not the dominant factor in deciding who controls the entity as defined by IFRS 10.

The unconsolidated structured entities with which the Corestate has business rela-tionships are fund divided into the asset classes' media, real estate, rail vehicles and large-scale facilities.

The extent of the structured entities is based on the amount of historical fund as-sets under management and as of 31 December 2017 the extent of the unconsolidated structured entities of the Corestate are as follows:

€ thousand	Media	Real estate	Rail vehicles	Large-scale plants	Total
Fund volume	**2,124,668**	**637,167**	**277,026**	**188,314**	**3,227,175**

The following table shows the book value and as of 31 December 2017 advances to unconsolidated structured entities within the meaning of IFRS 12:

€ thousand	Media	Real estate	Rail vehicles	Large-scale plants	Total
Other financial instruments	888	613	–	26	1,527
Total assets	**888**	**613**	**–**	**26**	**1,527**
Financial income	26	–	–	–	26
Revenue from Asset and Property Management	1,007	62	26	253	1,348
Total Revenues	**1,033**	**62**	**26**	**253**	**1,374**

Disclosures on consolidated structured entities

If a structured entity is includes in the basis of consolidation in accordance with IFRS 10, the business relationships with other consolidated entities are subject to the normal consolidation requirements. As of 31 December 2017, three structured entities were consolidated in accordance with IFRS 10 and affect all real estate funds. Corestate participates in these companies with equity and loan grants. In this context, two guarantees amounting to a total of € 8.7m.

Sponsored unconsolidated entities in which the Corestate holds no shares as at the reporting date.

As a sponsor Hannover Leasing Group has often been involved in incorporating and marketing a large number of structured entities. Structured entities are considered sponsored by Hannover Leasing Group if they can be associated with and supported by Hannover Leasing Group.

From transactions with unconsolidated entities in which the Corestate holds no shares as at the reporting date, Corestate generated in financial year 2017 the following revenues:

€ thousand	Media	Real estate	Rail vehicles	Large-scale plants	Total
Revenue from Asset and Property Management	**235**	**410**	**154**	**–**	**799**

I.11 Significant events after the reporting date (subsequent events)

- Luxembourg, 6 February 2018- The Supervisory Board of CORESTATE Capital Holding S.A. ("CORESTATE") appoints Dr Michael Bütter as successor to the incumbent Chief Executive Officer, Sascha Wilhelm as of 1 May 2018 of CORESTATE. Sascha Wilhelm will leave the Company as of 30 April 2018 in best mutual consent. Dr Bütter will be in charge of CORESTATE Group's strategy, international expansion including M&A activities including strategic investments and management of real estate investors and client relations. Save for the matters set out above, there have been no material events since the reporting date which could have a significant effect on the net assets, financial position or results of operations of the Group.
- In January 2018 the Group transferred the shares of ACRON AG to Norbert Ketterer (refer to note F.31)

CORESTATE Capital Holding S.A., Luxembourg, 12 March 2018

Sascha Wilhelm	Lars Schnidrig	Thomas Landschreiber
Chief Executive Officer	Chief Financial Officer	Chief Investment Officer

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
Corestate Capital Holding S.A.
4, rue Jean Monnet
L-2180 Luxembourg

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Corestate Capital Holding S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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a) Business combinations

Description

During the financial year ended 31 December 2017, the Group completed significant acquisitions that resulted in the Group acquiring controlling interest in Hannover Leasing GmbH & Co. KG ("HL Group"), HFS Helvetic Financial Services AG ("HFS") and Atos Capital GmbH ("ATOS Group"). Management concluded that these acquisitions qualified as business combinations in accordance with IFRS 3 "Business combinations". The business combination accounting required the Group to determine the fair value of considerations transferred and the fair value of assets and liabilities acquired.

We considered the business combinations to be a key audit matter as these are significant transactions during the year, which required significant management judgement regarding the allocation of the purchase price to the assets and liabilities acquired. This exercise required management to identify assets and liabilities acquired, including identifiable intangible assets, and to determine their fair value, which involved significant estimates and judgements.

Auditor's response

As part of our audit procedures on the business combinations, we read the purchase agreements to obtain an understanding of the transactions and key terms and assessed whether the appropriate accounting treatment has been applied to these transactions. We assessed the valuation of the considerations paid; traced payments made during 2017 to bank statements and traced share issuances to the share register. We assessed management's identification of the acquired assets and liabilities, including identifiable intangible assets, based on our understanding of the transactions and of the acquired businesses of HL Group, HFS and ATOS Group. We involved our internal specialist to assess the valuation methodologies used by management in the fair valuation of acquired assets and liabilities and to assess the reasonableness of management's valuation assumptions such as revenue forecasts, projected EBITDA, royalty rates and discount rates by comparing these assumptions to source data and market data. We also assessed the adequacy of the related disclosures in the consolidated financial statements regarding these business combinations.

b) Impairment test of the goodwill and other intangible assets with indefinite useful lives

Description

As part of the business combinations, the Group has recorded goodwill and other intangible assets with indefinite useful lives, such as trademarks, amounting in total to EUR 603,361 thousand and representing more than 42% of the total Group's consolidated assets as of 31 December 2017. Goodwill and trademarks with indefinite useful life are subject to an annual impairment test.

We considered the annual impairment test for goodwill and trademarks to be a key audit matter because the assessment process is complex, involves significant management judgement and is based on assumptions that are affected by projected cash flows, growth rates, discount rates and overall future market and economic conditions. Based on the impairment test, including sensitivity tests, management concluded that no impairment of goodwill and trademarks was necessary.

Auditor's response

Our audit procedures included a reconciliation of the projected EBITDA in the management's impairment test models to the management's 2018 financial forecasts and the management's three-year business plan and an assessment of the mathematical accuracy of the calculations. We involved our internal specialist to assess the valuation methodologies used by management in the annual impairment test and to assess the reasonableness of the management's assumptions such as the determination of free cash flows based on the projected EBITDA, growth rates and weighted average cost of capital by comparing these assumptions to the source data and market data. We also assessed the adequacy of the disclosures in the consolidated financial statements concerning those key assumptions to which the outcome of the impairment test is most sensitive.

c) Fair value of investment properties held by associates

Description

The Group has significant investments in associates amounting to EUR 59,910 thousand as of 31 December 2017. The main activity of the Group's associates is developing or holding investment properties that represent therefore their main assets.

The investments in associates are accounted for using the equity method. In accordance with the Group accounting policies, the investment properties owned by associates are initially recognised at cost and subsequently measured at fair value at each reporting date. Thus, the Group's share in the net assets and financial performance of the associates is significantly impacted by the fair value of investment properties that they own. The fair values are determined based on a periodic valuation performed by accredited independent valuers applying a valuation model recommended by the International Valuation Standards Committee (Red Book).

The valuation of the investment properties is a significant estimate and is underpinned by a number of factual inputs and assumptions. The valuation is inherently subjective due to, among other factors, the individual nature of each property, the location and the estimate of expected cash flows generated by future rentals. The valuers apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the fair value.

Auditor's response

As part of our audit procedures over the valuation of investment properties owned by Group's associates, we evaluated the competence, independence and capabilities of the valuers and read the terms of engagement of the valuers to determine whether there were any matters that might have affected their objectivity or limited the scope of their work. For a sample of the valuations, we traced the inputs used in the valuation process to corresponding lease agreements and other relevant documentation. We involved our real estate specialist to assist us in assessing the methodologies and assumptions used by the valuers. In particular, we assessed whether the valuation methods applied by the valuers are appropriate for the purpose of the valuation of the underlying investment properties. We also considered the assumptions used by the valuers in their valuation models including the capitalisation, discount and terminal yield rates by comparing them against available market data. We assessed the adequacy of the disclosures in the consolidated financial statements in relation to the valuation of the investment properties held by associates.

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Other information

The Management Board is responsible for the other information. The other information comprises the information included in the Group management report and the corporate governance report but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and of those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. 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 these consolidated financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 opinion. 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 control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Conclude on the appropriateness of Management Board's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Building a better
working world

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 28 April 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The Group management report, which is the responsibility of the Management board, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying corporate governance report on pages 30 to 33 is the responsibility of the Management Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

We provided the following permitted services in addition to the statutory audit:

- Issuance of contribution in kind reports in the context of the articles 26-1 and 32-1 (5) of the Law of 10 August 1915 on commercial companies, as amended;

- Issuance of a report on the compilation of pro forma consolidated financial information;

- Issuance of a report on the compilation of prospective financial information;

- Issuance of a comfort letter in connection with the prospectus related to proposed admission to trading of the existing ordinary shares of the Company.

Other matter

The corporate governance report includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings , as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Pavel Nesvedov

Luxembourg, 12 March 2018

Annual Accounts and Notes

Annual Accounts as at 31 December 2017

CORESTATE Capital Holding S.A.
(Société Anonyme),
4, Rue Jean Monnet
L-2180 Luxembourg,
Grand Duchy of Luxembourg

Subscribed capital: Euro 1,597,059.50
R.C.S. Luxembourg: B 199 780

Annual Accounts
of CORESTATE Capital Holding S.A., Luxembourg

BALANCE SHEET
FINANCIAL YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

€ thousand	Notes	2017	2016
ASSETS			
A. Subscribed capital unpaid		**–**	**–**
I. Subscribed capital not called		–	–
II. Subscribed capital called but unpaid		–	–
B. Formation expenses		**–**	**–**
C. Fixed assets		**746,716**	**51,915**
I. Intangible assets	C.1	1,041	112
1. Costs of development		–	–
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were		329	112
a) acquired for valuable consideration and need not be shown under C.I.3	C.1	329	112
b) created by the undertaking itself		–	–
3. Goodwill, to the extent that it was acquired for valuable consideration		–	–
4. Payments on account and intangible assets under development	C.1	711	–
II. Tangible assets		–	–
1. Land and buildings		–	–
2. Plant and machinery		–	–
3. Other fixtures and fittings, tools and equipment		–	–
4. Payments on account and tangible assets in the course of construction		–	–
III. Financial assets	C.2	745,675	51,803
1. Shares in affiliated undertakings	C.2.1	708,221	41,241
2. Loans to affiliated undertakings	C.2.2	21,429	2,558
3. Participating interests	C.2.3	14,080	6,154
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	–	–	–
5. Investements held as fixed assets	–	–	–
6. Other loans	C.2.4	1,945	1,849

€ thousand	Notes	2017	2016
D. Current assets		**58,105**	**43,387**
I. Stocks		–	–
1. Raw materials and consumables		–	–
2. Work in progress		–	–
3. Finished goods and goods for resale		–	–
4. Payments on account		–	–
II. Debtors	C.3	27,981	10,306
1. Trade debtors	C.3.1	1,819	166
a) becoming due and payable within one year		1,819	166
b) becoming due and payable after more than one year		–	–
2. Amounts owed by affiliated undertakings	C.3.2	13,527	827
a) becoming due and payable within one year		13,527	827
b) becoming due and payable after more than one year		–	–
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	C.3.3	6,114	6,958
a) becoming due and payable within one year		6,114	6,958
b) becoming due and payable after more than one year		–	–
4. Other debtors	C.3.4	6,520	2,355
a) becoming due and payable within one year		6,520	2,355
b) becoming due and payable after more than one year		–	–
III. Investments		–	–
1. Shares in affiliated undertakings		–	–
2. Own shares		–	–
3. Other investments		–	–
IV. Cash at bank and in hand		30,124	33,080
E. Prepayments	C.4	**4,349**	**87**
Total Assets		**809,170**	**95,388**

BALANCE SHEET
FINANCIAL YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

€ thousand	Notes	2017	2016
CAPITAL, RESERVES AND LIABILITIES			
A. Capital and reserves	C.5	**413,821**	**74,085**
I. Subscribed capital	C.5.1	1,597	946
II. Share premium account	C.5.3	417,640	65,731
III. Revaluation reserve		–	–
IV. Reserves	C.6	–	–
1. Legal reserve	C.6.1	–	–
2. Reserve for own shares	C.6.2	–	–
3. Reserves provided for by the articles of association		–	–
4. Other reserves, including the fair value reserve		–	–
a) other available reserves		–	–
b) other non available reserves		–	–
V. Profit and loss brought forward	C.7	7,408	(6,482)
VI. Profit or loss for the financial year		(12,824)	13,890
VII. Interim dividends		–	–
VII. Capital investment subsidies		–	–
B. Provisions	C.8	**2,966**	**2,646**
1. Provisions for pensions and similar obligations			
2. Provisions for taxation	C.8.1	–	3
3. Other provisions	C.8.2	2,966	2,643
C. Creditors	C.9	**390,775**	**18,461**
1. Debenture loans		200,200	–
a) Convertible loans	C.9.1	200,200	–
i) becoming due and payable within one year		200	–
ii) becoming due and payable after more than one year		200,000	–
b) Non convertible loans		–	–
i) becoming due and payable within one year		–	–
ii) becoming due and payable after more than one year		–	–

€ thousand	Notes	2017	2016
2. Amounts owed to credit institutions	C.9.2	34,120	–
a) becoming due and payable within one year		120	–
b) becoming due and payable after more than one year		34,000	–
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks		–	–
a) becoming due and payable within one year		–	–
b) becoming due and payable after more than one year		–	–
4. Trade creditors	C.9.3	2,212	1,111
a) becoming due and payable within one year		2,212	1,111
b) becoming due and payable after more than one year		–	–
5. Bills of exchange payable		–	–
a) becoming due and payable within one year		–	–
b) becoming due and payable after more than one year		–	–
6. Amounts owed to affiliated undertakings	C.9.4	92,410	16,760
a) becoming due and payable within one year		43,809	5,421
b) becoming due and payable after more than one year		48,601	11,339
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	C.9.5	210	–
a) becoming due and payable within one year		210	–
b) becoming due and payable after more than one year		–	–
8. Other creditors	C.9.6	61,624	591
a) Tax authorities		6,780	591
b) Social security authorities		–	–
c) Other creditors		54,843	–
i) becoming due and payable within one year		54,843	–
ii) becoming due and payable after more than one year		–	–
D. Deferred income	C.10	**1,608**	**196**
Total (Capital, Reserves and Liabilities)		**809,170**	**95,388**

PROFIT AND LOSS ACCOUNT
FINANCIAL YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

€ thousand	Notes	2017	2016
PROFIT AND LOSS ACCOUNT			
1. Net turnover	D.1	**23,273**	**8,900**
2. Variation in stocks of finished goods and work in progress		**–**	**–**
3. Work performed by the undertaking for its own purposes and capitalised		**–**	**–**
4. Other operating income	D.2	**2,125**	**589**
5. Raw materials and consumables and other external expenses		**–**	**–**
a) Raw materials and consumables		–	–
b) Other external expenses		–	–
6. Staff costs	D.3	**(2,043)**	**(481)**
a) Wages and salaries		**(2,006)**	**(481)**
b) Social security costs		(37)	–
i) relating to pensions		–	–
ii) other social security costs		(37)	–
c) Other staff costs		–	–
7. Value adjustments		**(62)**	**(662)**
a) in respect of formation expenses and of tangible and intangible fixed assets		(62)	(12)
b) in respect of current assets		–	(650)
8. Other operating expenses	D.4	**(25,480)**	**(9,846)**
9. Income from participating interests	D.5	**6,710**	**17,788**
a) derived from affiliated undertakings		6,710	17,788
b) other income from participating interests		–	–

€ thousand	Notes	2017	2016
10. Income from other investments and loans forming part of the fixed assets		**–**	**–**
a) derived from affiliated undertakings		–	–
b) other income not included under a)		–	–
11. Other interest receivable and similar income	D.6	**345**	**265**
a) derived from affiliated undertakings		250	156
b) other interest and similar income		95	110
12. Share of profit or loss of undertakings accounted for under the equity method		**–**	**–**
13. Value adjustments in respect of financial assets and of investments held as current assets		**–**	**–**
14. Interest payable and similar expenses	D.7	**(17,686)**	**(2,760)**
a) concerning affiliated undertakings		(16,153)	(2,388)
b) other interest and similar expenses		(1,532)	(372)
15. Tax on profit or loss	D.8	**(3)**	**3**
16. Profit or loss after taxation		**(12,819)**	**13,796**
17. Other taxes not shown under items 1 to 16		**(5)**	**94**
18. Profit or loss for the financial year		**(12,824)**	**13,890**

Notes to the Annual Accounts of CORESTATE Capital Holding S.A., Luxembourg for the period from 1 January 2017 to 31 December 2017

A. CORPORATE INFORMATION

CORESTATE Capital Holding S.A. (hereafter “CCH SA” or “the Company”) is a public limited liability company (Société Anonyme) incorporated under Luxembourg law, with registered office at 4, Rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. The Company was registered with the Luxembourg Register of Commerce and Companies (Registre de Commerce et des Sociétés) (the “Companies Register”) under number B 199 780 on 7 September 2015.

CCH SA was established on 21 August 2015 for an unlimited period of time. The Company’s financial year starts on 1 January and ends on 31 December of each year.

Following a private placement raising Euro 43 million gross proceeds (refer to notes C.5.1 and C.5.3) and structured as cash capital increase a listing of CORESTATE Capital Holding S.A. took place on 4 October 2016 (first day of trading). All 12,610,681 ordinary shares in dematerialized form (ISIN LU1296758029/WKN A141J3) existing at that time, were admitted for trading on the Frankfurt Stock Exchange via the non-regulated Entry Standard.

The Company applied for the admission of its shares to trading on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) on 30 October 2017. Commencement of trading (Notierungsaufnahme) of the Shares on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurt Wertpapierbörse) took place on 2 November 2017.

ISIN/WKN/Common Code/Ticker Symbol

International Securities Identification Number (ISIN)	LU1296758029
German Securities Code (Wertpapierkennnummer, WKN)	A141J3
Common Code	129675802
Trading Symbol	CCAP

Therefore, the Company’s shares (31.12.2017: 21,294,123 ordinary shares) are quoted on an European regulated stock exchange (as defined by art. 4 paragraph (1) point 14 of the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments) which essentially increased the reporting and publishing requirements. All costs incurred in connection with the listing and the later uplisting are recognised as “other operating expenses” in the profit and loss account (refer to note D.4).

The Company also prepares consolidated financial statements in accordance with the International Financial Reporting Standards (“IFRS”), as adopted by the European Union, which are published according to the provisions of the Luxembourg Law and the exchange rules of the Frankfurt Stock Exchange. The Company is included in its consolidated accounts.

The main activity of the Company is as following:

Pursuant to article 4 of the Company’s Articles of Association, the purpose of the Company is (i) the acquisition, holding and disposal, in any form, by any means, whether directly or indirectly, of participations, rights and interests in, and obligations of, Luxembourg and foreign companies or other assets including but not limited to real estate assets, (ii) the acquisition by purchase, subscription, or in any other manner, as well as the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind (including notes or parts or units issued by Luxembourg or foreign mutual funds or similar undertakings) and receivables, claims or loans or other credit facilities and agreements or contracts relating thereto, and (iii) the ownership, administration, development and management of a portfolio of assets (including, among other things, the assets referred to in (i) and (ii) above).

The Company may borrow in any form. It may enter into any type of loan agreement and it may issue notes, bonds, debentures, certificates, shares, beneficiary parts, warrants and any kind of debt or equity securities including under one or more issuance programmes. The Company may lend funds including the proceeds of any borrowings and/or issues of securities to its subsidiaries, affiliated companies or any other company. The Company may also give guarantees and grant security interests over some or all of its assets including, without limitation, by way of pledge, transfer or encumbrance, in favour of or for the benefit of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other company. The Company may enter into, execute and deliver and perform any swaps, futures, forwards, derivatives, options, repurchase, stock lending and similar transactions. The Company may generally use any techniques and instruments relating to investments for the purpose of their efficient management, including, but not limited to, techniques and instruments designed to protect it against credit, currency exchange, interest rate risks and other risks. The descriptions above are to be construed broadly and their enumeration is not limiting. The Company's purpose shall include any transaction or agreement which is entered into by the Company, provided it is not inconsistent with the foregoing matters. In general, the Company may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its purpose. The Company may carry out any commercial, industrial, and financial operations, which are directly or indirectly connected with its purpose or which may favour its development.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B.1 Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention.

Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002 (as amended), determined and applied by the Board of Managers. In this context, the new Luxembourg Law of 18 December 2015 was also taken into account. The new Luxembourg Law, which is applicable to financial years beginning on or after 1 January 2016, have mainly an impact on the Company's presentation of the annual accounts and amendments in the notes to the Company's accounts. Furthermore, the material concept was introduced and defined as the level of information whose omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the Company's annual accounts. The materiality of individual items must be assessed in the context of other similar items. The new Luxembourg Law clarifies that immaterial information should not be subject to the presentation and disclosure requirements enforced by the Accounting law.

The figures for the year ended 31 December 2016 relating to the following items have been reclassified to ensure comparability with the figures for the year ended 31 December 2017: An amount of kEuro 67 previously shown under "Other creditors" has been reclassified to "Other debtors" (kEuro 63) and "Trade creditors" (kEuro 4). Further, there was a reclassification of a loan within the line item "Amounts owed to affiliated undertakings" from long-term liabilities into short-term liabilities in an amount of k€ 380. These reclassifications neither impact the net equity as of 31 December 2016 nor the result for the year then ended.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Management Board to exercise their judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. The Management Board believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The annual accounts are presented in thousand Euros. All values in these notes are rounded to the nearest thousand Euros (kEuro), except where otherwise indicated. The use of automatic data processing equipment can lead to rounding differences in the addition of rounded amounts or percentage rates, therefore some of the total sums disclosed in the accounts may not add up.

Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this financial statements, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available, but has been rounded to or equals zero.

B.2 Significant accounting policies

The accounting policies and main valuation rules applied by the Company are the following:

B.2.1 Formation expenses

The formation expenses and subsequent share capital issue expenses of the Company are directly charged to the profit and loss account of the period in which they incurred.

B.2.2 Intangible assets

Historical cost model

Intangible assets are valued at purchase price including the expenses incidental thereto or at production costs, less cumulated depreciation amounts written of and value adjustments. These value adjustments are not continued if the reasons for which the value adjustments were have ceased to apply.

The depreciation rates and methods applied are as follows:

Intangible assets

	Depreciation rate p.a.	Depreciation method
IT-software	33.333%	linear; pro rata temporis
Homepage	33.333%	linear; pro rata temporis
Licence	20.000%	linear; pro rata temporis

B.2.3 Financial assets

Historical cost model

Shares in affiliated undertakings and Participating interests are recorded at their acquisition price, including the expenses incidental thereto. They are subject to value adjustments in case of permanent impairment in value. These value adjustments are not maintained if the reasons for making them have ceased to exist.

Long-term loans and claims held as fixed assets are stated at acquisition costs plus capitalised interests less reimbursements to date. A value adjustment is made when the net realisable value is lower than the net book value. These value adjustments are not maintained if the reasons for making them have ceased to exist.

B.2.4 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

B.2.5 Cash at bank and cash in hand

Cash is valued at their nominal value.

B.2.6 Foreign currency translation

The Company maintains its books and records in Euro.

Transactions expressed in currencies other than Euro are translated into Euro at the exchange rate effective at the time of the transaction.

Formation expenses and long-term assets expressed in currencies other than Euro are translated into Euro at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year/period.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. Unrealised exchange losses are recorded in the profit and loss account; realised exchange gains and losses are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account whereas the net unrealised exchange gains are not recognised.

B.2.7 Prepayments

This asset item includes financing fees and expenditures incurred during the financial year but relating to a subsequent financial year.

Financing fees are amortised on a straight-line basis over the duration of the related debt.

B.2.8 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges which have their origin in the financial year under review or in a previous financial year, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

<u>Provision for taxation</u>

Current tax provision

Provisions for taxation corresponding to the difference between the tax liability estimated by the Com-pany and the advance payments for the financial years are recorded under the caption “Tax authorities within other creditors”.

B.2.9 Debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt based on a linear / actuarial method.

B.2.10 Net turnover

The net turnover comprises the amounts derived from the sale of products and the provision of services falling within the Company’s ordinary activities, after deductions of sales rebates and value added tax and other taxes directly linked to the turnover.

C. NOTES TO THE BALANCE SHEET

A detailed statement of changes in fixed assets is attached as appendix 1 of the notes.

C.1 Intangible Assets

The movements for the period are as follows:

Intangible Assets

Financial Year 2017 € thousand	Concessions, patents, licences, trade marks and similar rights and assets, if they were acquired for valuable consideration	Payments on account and intangible fixed assets under development	**Total**
Gross book value			
Opening balance as of 1 January 2017	125	0	125
Additions for the period	333	657	990
Transfers for the period	(54)	54	0
Closing balance as of 31 December 2017	**404**	**711**	**1,115**
Accumulated value adjustments			
Opening balance as of 1 January 2017	12	0	12
Depreciation change for the year	62	–	62
Closing balance as of 31 December 2017	**74**	**0**	**74**
Net book value – closing balance	**329**	**711**	**1,041**
Net book value – opening balance	112	–	112

A detailed statement of changes is attached in appendix 1 of the notes.

C.2 Financial Assets

The movements for the period are as follows:

Financial Year 2017 € thousand	Shares in affiliated undertakings	Loans to affiliated undertakings held as fixed assets	Participating interests	Other loans held as fixed assets	**Total**
Gross book value					
Opening balance as of 1 January 2017	41,241	2,558	6,154	1,849	51,803
Additions for the period	671,125	32,983	6,261	96	710,465
Disposals for the period	(2,479)	(14,113)	–	–	(16,592)
Transfers for the period	(1,666)	–	1,666	–	–
Closing balance as of 31 December 2017	**708,221**	**21,429**	**14,080**	**1,945**	**745,675**
Accumulated value adjustments					
Opening balance as of 1 January 2017	–	–	–	–	–
Closing balance as of 31 December 2017	**–**	**–**	**–**	**–**	**–**
Net book value – closing balance	**708,221**	**21,429**	**14,080**	**1,945**	**745,675**
Net book value – opening balance	41,241	2,558	6,154	1,849	51,803

Undertakings in which the Company holds at least 20% of the share capital or in which it is a general partner are as follows:

Undertakings as of 31 December 2017

			31 December 2017		
Name of the undertaking	Registered office and Country of incorporation	Ownership (in%)	Last balance sheet date	Net equity at the balance sheet date of the company concerned (€ thousand)	Profit or loss for the last financial year (€ thousand)
CORESTATE CAPITAL AG (herafter "CCAG")	Zug/ Switzerland	100.00%	31.12.2017	50,582	15,945
RECAP FinCo S.à r.l.	Luxembourg	100.00%	31.12.2017	5,581	(26)
RECAP FinCo IV S.à r.l. (formerly CC SH HoldCo S.à r.l.)	Luxembourg	100.00%	31.12.2017	3,801	(63)
RECAP FinCo V S.à r.l.	Luxembourg	100.00%	31.12.2017	8,015	1,472
Corestate Student Home Holding S.à r.l.	Luxembourg	100.00%	31.12.2017	455	(43)
CORESTATE Capital Fund Management S.à r.l.	Luxembourg	100.00%	31.12.2017	1,608	492
CORESTATE Capital Sales Holding S.à r.l.	Luxembourg	100.00%	31.12.2017	190	(29)
RECAP FinCo III S.à r.l.	Luxembourg	100.00%	31.12.2017	38	(8)
ROSE HoldCo S.à r.l. (formerly Highstreet V PropCo III S.à r.l.)	Luxembourg	100.00%	31.12.2017	(20)	11
RECAP FinCo II S.à r.l. (formerly Highstreet VI PropCo IV S.à r.l.)	Luxembourg	100.00%	31.12.2017	1,465	15
Müller 34 Student Home Projektentwicklung- und Verwaltungs GmbH	Luxembourg	100.00%	31.12.2017	(6)	(19)
ISARTAL Beteiligungsverwaltungs GmbH (formerly Platin 1413. GmbH)	Frankfurt am Main/Germany	100.00%	31.12.2017	19	(5)
ISAR Beteiligungsverwaltungs GmbH	Frankfurt am Main/Germany	100.00%	31.12.2017	46,862	(661)
King HoldCo S.à r.l.	Luxembourg	100.00%	31.12.2017	5,115	1,445
Corestate ZGE Feeder GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	31.12.2017	6	0
HFS Helvetic Financial Services AG	Wollerau/ Switzerland	100.00%	31.12.2017	58,067	55,176
ATOS Capital GmbH	Hamburg/ Germany	100.00%	31.12.2017	2,376	902
Stadttor Düsseldorf AcquiCo S.à r.l.	Luxembourg	100.00%	31.12.2017	6,941	(1,189)
Isabela HoldCo AIF S.à r.l.	Luxembourg	100.00%	31.12.2017	1,100	968
Corestate Capital Senior BondCo S.àr.l.	Luxembourg	100.00%	31.12.2017	59	(66)
Corestate Capital Junior BondCo S.àr.l.	Luxembourg	100.00%	31.12.2017	88	(37)
Dalia HoldCo AIF S.à r.l.	Luxembourg	100.00%	31.12.2017	37	(18)
Corestate Condor PropCo GmbH	Frankfurt am Main/Germany	100.00%	31.12.2017	7	(6)

Name of the undertaking	Registered office and Country of incorporation	Ownership (in%)	31 December 2017 Last balance sheet date	Net equity at the balance sheet date of the company concerned (€ thousand)	Profit or loss for the last financial year (€ thousand)
CORESTATE Capital Advisors GmbH	Frankfurt am Main/Germany	100.00%	31.12.2017	(531)	147
RECAP FinCo VI S.à r.l.	Luxembourg	100.00%	31.12.2017	1,884	1,855
Triiiple TopCo GmbH	Frankfurt am Main/Germany	100.00%	31.12.2017	18	(7)
Corestate PropCo Shelf I S.à r.l.	Luxembourg	100.00%	31.12.2017	6	(6)
Highstreet Premium II PropCo III S.à r.l.	Luxembourg	100.00%	31.12.2017	(7)	(19)
Projekt AcquiCo I S.à r.l.	Luxembourg	100.00%	31.12.2017	12	0
Highstreet VIII PropCo I S.à r.l. (formerly Highstreet VII PropCo II S.à r.l.)	Luxembourg	100.00%	31.12.2017	(22)	(34)
Projekt AcquiCo III S.à r.l.	Luxembourg	100.00%	31.12.2017	12	0
Projekt AcquiCo IV S.à r.l.	Luxembourg	100.00%	31.12.2017	12	0
Corestate Shelf II S.à r.l.	Luxembourg	100.00%	31.12.2017	12	0
SCORE S.à r.l.*)	Luxembourg	50.00%	31.12.2017	n.a.	n.a.

Remark: *) Financial Statements for the company were not available.
Remark: All information relating to the undertakings based on preliminary unaudited Financial Statements prepared under local GAAP or for group reporting purposes.

To expand and diversify of the CORESTATE Group's product range and to improve the Group's access to new sources of capital, on 15 December 2016, CCH SA purchased through its subsidiary ISAR Beteiligungsverwaltungs GmbH a 94.9% stake (including the subsequent related purchase of a minority shareholding, which was acquired by means of the exercise of a call-option on 21 December 2016) in Hannover Leasing GmbH & Co. KG, Pullach/Germany (together with its subsidiaries, the **"HL Group"**) for a preliminary purchase price of kEuro 31,588. In addition, ISAR Beteiligungsverwaltungs GmbH granted a bridge loan of k€ 16,500 to HL Group. HL Group is one of the leading asset managers and providers of asset-based investments in Germany, and offers closed public AIFs (alternative investment funds) as a licensed capital management company. Since it was founded in 1981, HL Group has succeeded in raising equity capital of around EUR 9.9billion from private and institutional investors for over 200 closed investments. HL Group's investments are focused primarily on real estate opportunities on the domestic and overseas markets, as well as public infrastructure projects. In recent years, HL Group generated predominantly long-term contracted sales from established fund structures. The total investment volume of assets under management comes to around EUR 13.6billion. The acquisition of HL Group was completed for the most part on 7 July 2017 and regarding the aforementioned minority shareholding on 12 July 2017. Landesbank Hessen-Thüringen Girozentrale (Helaba) will remain as a minority shareholder with a 5.1% stake in Hannover Leasing GmbH & Co. KG.

Furthermore, with the purchase of **HFS Helvetic Financial Services AG**, Wollerau/Switzerland ("HFS") on 1 July 2017, CCH SA expanded its product offering to include mezzanine real estate financing solutions and, simultaneously, complemented the Group's fund business by adding access to mezzanine debt funds. The acquisition of HFS was completed on 5 July 2017. HFS is one of the leading providers of mezzanine financing (a hybrid of debt and equity financing which gives the lender under certain conditions the right to convert to an equity interest in the borrowing company in case of default) in the German residential and commercial real estate market and also sub-advises numerous funds. Following the acquisitions (as defined below), the Group is in a position to provide the full range of asset, fund, and property management services and related investment products (managed accounts, closed-ended funds, so called club deals (meaning that a group of investors pools its equity to make a joint investment), real estate special-AIFM, open-ended funds) to the Group's clients, covering all major real estate asset classes, including retail, residential, micro living, office, hotels and aviation assets and all relevant investment products, including real estate mezzanine financing. The total purchase price of kEuro 570,437 consisted of a cash component of kEuro 239,000 (thereof by taking out new loans in the amount of totally kEuro 207,918) and share issuance (kEuro 331,437). Additional acquisition-related costs amounted to kEuro 6,168.

To strengthen the Group's expertise in the commercial real estate sector, on 28 September 2017, CCH SA purchased Atos Capital GmbH, Hamburg/Germany (together with its subsidiaries, the **"ATOS Group"**), a real estate company specializing in the investment, asset and property management of commercial properties in Germany and Austria. The acquisition of ATOS Group was completed on 6 October 2017. ATOS Group provides the full range of asset and property management services with a strong focus on office and retail assets for both institutional and private/semi-institutional clients. ATOS Group managed a portfolio of around 215 assets in more than 150 cities valued at approximately EUR 1.58 billion as of 30 September 2017. The total purchase price of kEuro 25,017 was paid in cash (kEuro 13,009) and the issuance of shares (kEuro 12,008). Additional acquisition-related costs amounted to kEuro 501.

C.2.1 Shares in affiliated undertakings

A detailed composition of shares in affiliated undertakings and a statement of changes are attached in appendix 1 of the notes.

C.2.2 Loans to affiliated undertakings

A detailed composition of loans to affiliated undertakings and a statement of changes are attached in appendix 1 of the notes.

Loans to affiliated undertakings held as fixed assets – key facts

€ thousand	Start date	Maturity (years)	Interest rate	collateral	31 Dec 2017	31 Dec 2016
CORESTATE Capital Advisors GmbH	01.02.2017	5	0.000%	unsecured	11,797	–
Isabela HoldCo AIF S.à r.l.	20.10.2017	5	0.000%	unsecured	7,220	–
ISAR Beteiligungsverwaltungs GmbH	22.09.2017	5	1.000%	unsecured	1,303	–
CORESTATE Capital Sales Holding S.à r.l.	24.10.2016	5	3.000%	unsecured	480	214
Corestate Capital Partners GmbH	24.02.2017	5	0.000%	unsecured	300	–
Corestate Student Home Holding S.à r.l.	08.02.2017	5	0.000%	unsecured	267	–
CORESTATE Capital Advisors (SG) Pte. Ltd.	03.03.2017	5	0.000%	unsecured	31	–
CORESTATE Capital Investors (Europe) GmbH	15.02.2017	5	0.000%	unsecured	30	–
King HoldCo S.à r.l.	22.02.2017	5	0.000%	unsecured	1	–
CORESTATE CAPITAL AG	31.12.2016	5	3.000%	unsecured	–	2,344
Total					**21,429**	**2,558**

C.2.3 Participating interests

A detailed composition of participating interests and a statement of changes are attached in appendix 1 of the notes.

The Company typically invests between 5% and 15% in its investment products structured for its semi-institutional and private clients as alignment capital investment. Since CCH SA provides comprehensive real estate investment management services to, and is acting as asset manager for such investments structures (also referred to as "Projects"), these investment structures qualify as a participating interests under Lux GAAP. The revenues generated with such participating interests are based on market-standard Joint-Venture and Co-Investments Agreements (JVCIA) as well as Asset Management Agreements (AMA), and are entered into with and approved by its clients.

C.2.4 Other loans held as fixed assets

The loan of kEuro 1,800 (plus accrued interests) granted to Project HIGHSTREET PREMIUM I was used to finance certain working capital requirements of the structure. The unsecured loan is repayable in full as per 31 March 2021. Fixed interest rate is charged at 5% per annum.

The unsecured loan of kEuro 4 (plus accrued interests) granted to Annapurna AIF S.à r.l. is repayable in full as per 27 December 2021.

C.2.5 Impairment review of shares in affiliated undertakings and participating interests

The Management Board considered factors that could give rise of the impairment of the financial fixed assets and is of the opinion that no permanent impairment exists. For HL Group, HFS and ATOS Group acquired during the second half of the financial year 2017, the impairment analysis was based on the purchase price allocations derived from business combination accounting performed for the purpose of preparing the consolidated Financial Statements of the Company in accordance with IFRS as adopted by EU.

For the remaining investments into subsidiaries and participating interests impairment analysis is mainly based on the current equity value of the respective entities and their hidden reserves, where applicable, assuming market values of underlying properties.

C.3 DEBTORS

Debtors are mainly composed of:

Debtors

€ thousand	**31 Dec 2017**	31 Dec 2016
Trade debtors	1,819	166
Amounts owed by affiliated undertakings	13,527	827
Amounts owed by untertakings with which the undertaking is linked by virtue of participating interests	6,114	6,958
Other debtors	6,520	2,355
Total	**27,981**	**10,306**

C.3.1 Trade debtors

Trade debtors (kEuro 1,819; previous year kEuro 166) include various fee income streams generated by the Company's Real Estate Investment Management Business with third party clients.

C.3.2 Amounts owed by affiliated undertakings

Amounts owed by affiliated undertakings

€ thousand	**31 Dec 2017**	31 Dec 2016
Receivables from delivery and service relations	13,318	451
Loan to CORESTATE Capital Sales Holding S.à r.l. (including accrued interests)	53	50
Loan to Marburg TopCo Ltd. (including accrued interests)	32	–
Loan to CORESTATE Capital Advisors GmbH Sucursal En Espana (including accrued interests)	31	–
Receivables from Across HoldCo S.à r.l.	30	30
Loan to Triiiple TopCo GmbH (including accrued interests)	28	–
Receivables from ROSE HoldCo S.à r.l.	13	13
Loan to Highstreet VIII HoldCo S.à r.l. (including accrued interests)	12	–
Loan to Isabela HoldCo AIF S.à r.l. (including accrued interests)	12	–
Loans to CORESTATE Capital Fund Management S.à r.l.	–	200
Receivables from delivery and service relations with Venloer4711 PropCo 01 S.à r.l.	–	65
Loan to Corestate ZGE Feeder GmbH & Co. KG (including accrued interests)	–	18
Total	**13,527**	**827**

C.3.3 Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests

Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests

€ thousand	**31 Dec 2017**	31 Dec 2016
Receivables from Project HIGHSTREET VII	2,016	–
Receivables from Project 4711	1,384	1,384
Receivables from Project Olympic	1,205	–
Receivables from Project King	668	–
Receivables from Project Condor	503	–
Receivables from Project Turicum	338	–
Receivables from Project HIGHSTREET VI	–	1,976
Receivables from SCORE S.à r.l.	–	1,031
Receivables from Project HARBOUR	–	819
Receivables from Project ANNAPURNA	–	793
Receivables from Project HIGHSTREET V	–	705
Receivables from Project ROSE	–	250
Total	**6,114**	**6,958**

The other amounts owed by undertakings with which the undertaking is linked by virtue of participating interests mainly result from acquisition and onboarding fees in accordance with the underlying Joint Venture and Co-Investment Agreements in connection with the structuring and implementation of the projects.

C.3.4 Other debtors

Other debtors

€ thousand	31 Dec 2017	31 Dec 2016
VAT receivables	5,255	86
Third party receivables	630	–
Income tax receivable from Swiss withholding tax resulting from dividend payments of CCAG	600	600
Deposits	35	14
Prepayments in connection with the acquisition of Hannover Leasing	–	1,600
Prepayments in connection with the foundation of new subsidiaries	–	50
others	–	5
Total	**6,520**	**2,355**

VAT receivables mainly result from transactions with third parties located in the EU zone. Such transactions are subject to the reverse charge method. CCH SA has input tax rebate claims against the Luxembourgish tax authorities from these value added taxes ("VAT").

The third party receivables comprise a loan of kEuro 618 (including accrued interests) granted to LUX Structure Service S.à r.l., Luxembourg, based on the loan agreement dated 16 May 2017 and amendment from 12 December 2017. The loan was used to finance the acquisition of companies. The unsecured loan is repayable in full as per 16 May 2018. Fixed interest rate is charged at 18.89% per annum.

A tax refund reclaim of kEuro 600 results from dividend payment received from CCAG in 2016.

In previous year, other debtors mainly comprised prepayments in connection with the contemplated acquisition of Hannover Leasing GmbH & Co. KG (initial payment of kEuro 600 and refundable acquisi-tion costs of kEuro 1,000 vesting upon closing of the transaction).

C.4 PREPAYMENTS

Prepayments

€ thousand	31 Dec 2017	31 Dec 2016
Transaction costs bonds	3,932	–
Transaction costs Banque Internationale à Luxembourg ("BIL Bank")	262	–
Insurance costs	64	63
Accommodation and tickets	62	–
Contribution	27	–
others	2	24
Total	**4,349**	**87**

C.5 CAPITAL AND RESERVES

Capital accounts

€ thousand	Subscribed Capital	Share Premium	Profit and Loss brought forward	Profit or loss for the financial year	Total
As of 31 December 2015	**195**	**29,421**	**–**	**(6,482)**	**23,133**
Transfer of profit or loss	–	–	(6,482)	6,482	**–**
Issue of subscribed capital (contribution in cash)	555	–	–	–	**555**
Issue of subscribed capital (in cash from private placement)	190	42,860	–	–	**43,050**
Issue of subscribed capital (from exercise of share options)	6	–	–	–	**6**
Distributions	–	(6,550)	–	–	**(6,550)**
Profit/(loss) for the period	–	–	–	13,890	**13,890**
As of 31 December 2016	**946**	**65,731**	**(6,482)**	**13,890**	**74,085**
Transfer of profit or loss	–	–	13,890	(13,890)	**–**
Issue of subscribed capital (contribution in kind)	571	342,874	–	–	**343,445**
Issue of subscribed capital (in cash from private placement)	75	22,641	–	–	**22,716**
Issue of subscribed capital (from exercise of share options)	6	–	–	–	**6**
Distributions	–	(13,607)	–	–	**(13,607)**
Profit/(loss) for the period	–	–	–	(12,824)	**(12,824)**
As of 31 December 2017	**1,597**	**417,640**	**7,408**	**(12,824)**	**413,821**

C.5.1 Subscribed capital

The Company's share capital was set at Euro 945,801.14, represented by 12,610,681 shares, all of which are fully paid up. All Shares are dematerialized shares without a par value (Dematerialized shares are only represented by a record in a securities account; ownership in the shares is established by such inscription in a securities account). The Shares are freely transferable in accordance with the legal requirements for shares in dematerialized form, that is, through book-entry transfers. There are no prohibitions on disposals or restrictions with respect to the transferability of the Shares.

Each Share carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights.

All Shares carry the same dividend rights. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Shares in proportion to their interest in the Company's share capital.

As of the incorporation of the Company on 21 August 2015 the Company had a share capital of Euro 35,000.00, divided into 1,750,000 shares with a nominal value of Euro 0.02 each. The Company has been incorporated pursuant to contributions in cash made by Ralph Winter, who subscribed to 1,124,108 shares, Thomas Landschreiber, who subscribed to 117,032 shares, Intershop Holding AG, which subscribed to 491,232 shares, Christine Winter, who subscribed to 11,333 shares and Silke Hechler (née Otto), who subscribed to 6,295 shares. All the shares had been subscribed at their nominal value, being Euro 0.02.

The share capital of the Company has developed as follows:

By resolution of the shareholders of the Company passed at an extraordinary general meeting of shareholders as of 23 September 2015, the share capital was increased by an aggregate amount of one hundred fifty-nine thousand eight hundred forty-six Euro (Euro 159,846.00) in order to bring it from Euro 35,000.00 represented by 1,750,000 shares, up to a new amount of Euro 194,846.00, represented 9,742,300 shares, through the creation and issuance of 7,992,300 shares of the Company, with a nominal value of Euro 0.02 each. This capital increase was implemented through a contribution in kind of the shareholders' shares (Namensaktien) and participation certificates (Participationsscheine) in CCAG, having a total contribution value of Euro 29,580,846.00 allocated as follows among the shareholders. Shares in CCAG and participations in CCAG were treated equally.

- Ralph Winter contributed all his 87,200 shares in CCAG and 23,691 participation shares in CCAG against the issuance of 5,133,850 new shares in the Company.
- Thomas Landschreiber contributed all his 8,319 shares in CCAG and 3,226 participation shares in CCAG against the issuance of 534,500 new shares in the Company.
- Intershop Holding AG contributed all its 37,276 shares in CCAG and 11,183 participation shares in CCAG against the issuance of 2,243,450 new shares in the Company.
- Christine Winter contributed all her 1,118 participation shares in CCAG against the issuance of 51,750 new shares in the Company, and
- Silke Hechler (née Otto) contributed all her 621 participation shares in CCAG against the issuance of 28,750 new shares in the Company.

The extraordinary General Meeting of the shareholders of CORESTATE Capital Holding S.A. held on 31 August 2016 resolved to convert all issued and unissued shares of the Company, having a nominal value of Euro 0.02 each, into shares without nominal value. Further, by resolution of the shareholders of the Company passed at an extraordinary general meeting of shareholders on 31 August 2016, the share capital was increased by an aggregate amount of Euro 555,154.00 in order to bring it from its current amount of Euro 194,846 represented by 9,742,300 shares, up to a new amount of Euro 750,000.00, represented by 10,000,000 shares, through the creation and issuance of 257,700 new shares of the Company, without par value. This capital increase was implemented through a contribution in cash in an aggregate amount of Euro 555,154.00, contributed by the shareholders as follows:

- Ralph Winter contributed Euro 512,434.00 in cash against the issuance of 237.870 new shares in the Company,
- Thomas Landschreiber contributed Euro 37,122.00 in cash against the issuance of 17,232 new shares in the Company,
- Christine Winter contributed Euro 3,598.00 in cash against the issuance of 1,670 new shares in the Company, and
- Silke Hechler (née Otto) contributed Euro 2,000.00 in cash against the issuance of 928 new shares in the Company.

On 28 September 2016, the management board of the Company has authorised the issuance to new investors of 2,532,354 new shares without par value for an aggregate subscription price of Euro 189,926.61 (to be entirely recorded in the share capital account), in order to bring the share capital of the Company from an amount of Euro 750,000.00 up to a new amount of Euro 939,926.61 represented by 12,532,354 shares without par value (the Private Placement Authorised Capital Issuance). The Private Placement Authorised Capital Issuance was implemented through a contribution in cash in an aggregate amount of Euro 189,926.61 and a contribution in cash dedicated to the Company's capital share premium account amounting to Euro 42,860,091.39, in both cases effected by the investors taking part in the private placement. The issue price amounted to Euro 17 per share.

On 28 September 2016, the management board of the Company has also authorised the issuance to Mr Daniel Schoch of 78,327 new shares without par value for an aggregate subscription price of Euro 5,874.53 (to be entirely contributed to the share capital account), in order to bring the share capital of the Company from an amount of Euro 939,926.61 up to a new amount of Euro 945,801.14 represented by 12,610,681 shares without par value (the DS Authorised Capital).

On 23 February 2017, CORESTATE Capital Holding S.A. has completed its capital increase from authorized capital against cash contributions announced from Euro 945,801.14 by a nominal amount of Euro 74,723.86 (approximately 7.9% of the current share capital) to Euro 1,020,525.00. The newly issued 996,318 ordinary shares (the "New Shares") were placed with domestic and international institutional investors outside the United States at a price of Euro 22.80 per share, resulting in gross proceeds of Euro 22,716,050.00. The New Shares are entitled to dividends as of 1 January 2016 and rank pari passu with the existing shares of the Company. The New Shares were included to trading in the Entry Standard segment of the Frankfurt Stock Exchange on 27 February 2017. Starting 1 March 2017, the shares were traded in the newly created market segment "Scale" of the Frankfurt Stock Exchange, which was replaced the Entry Standard segment as of 1 March 2017. The delivery of the New Shares and settlement of the transaction occurred on 28 February 2017.

On 4 July 2017, the Company completed a capital increase from its authorized capital against non-cash contributions from Euro 1,020,525.00 and 13,606,999 ordinary shares to Euro 1,572,919.25 and 20,972,255 ordinary shares by issuing 7,365,256 new ordinary shares to Norbert Ketterer, Christoph Meyer, Marcellino Graf zu Hoensbroech and Sandra Ketterer for an aggregate subscription price of Euro 331,436,520.00. Such capital increase was made in connection with the acquisition of HFS.

On 11 July 2017, the Company completed a capital increase from its authorized capital against cash contributions from Euro 1,572,919.25 and 20,972,255 ordinary shares to Euro 1,574,456.70 and 20,992,755 ordinary shares by issuing 20,500 new ordinary shares to Mr Daniel Schoch for an aggregate subscription price of Euro 1,537.50.

As part of the ATOS Group acquisition, on 6 October 2017 the Company's share capital was increased from Euro 1,574,456.70 and 20,992,755 ordinary shares by the issuance of 242,544 new shares against contribution in kind from the Company's authorized capital. This increased the amount of the Company's outstanding shares to 21,235,299 equalling a share capital of Euro 1,592,647.50.

On 19 October 2017, the Management Board of the Company authorized the issuance of 58,824 new shares without par value to Mr Thomas Landschreiber, for an aggregate subscription price of Euro 4,412.00 (entirely contributed to the share capital account), in order to bring the share capital of the Company from an amount of Euro 1,592,647.50, up to a new amount of Euro 1,597,059.50, represented by 21,294,123 shares without par value.

As of 31 December 2017, 21,294,123 ordinary shares in dematerialized form, each without par value (valeur nominale) and with full dividend rights from 1 January 2017, are admitted to trading on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse).

C.5.2 Authorised capital

The authorised capital of the Company was originally set at Euro 270,525.00 represented by a maximum of 3,607,000 shares without par value. If fully exercised this authorised capital would be added to the existing issued share capital of the Company and result in an aggregate issued share capital of Euro 1,020,525.00 represented by 13,607,000 shares without par value.

On 28 April 2017, the Company's annual general meeting resolved a new authorized capital in an amount of Euro 2,000,000.00), represented by a maximum of shares of 26,666,666 without par value. If fully exercised this authorized capital would be added to the existing issued share capital of the Company and result in an aggregate issued share capital of Euro 3,020,525.00) represented by 40,273,666 shares without par value.

Pursuant to article 5.5 of the Articles of Association, the Management Board is authorized (subject in principle to the prior approval of the Supervisory Board, except as regards the issuance of shares in the context of the initial public offering), during a period starting on 28 April 2017, and expiring on the fifth anniversary of such date, to increase the current share capital up to the amount of the authorized capital, in whole or in part from time to time, (i) by way of issuance of shares in consideration for a payment in cash, (ii) by way of issuance of shares in consideration for a payment in kind and (iii) by way of capitalization of distributable profits and reserves, including share premium and capital surplus, with or without an issuance of new shares.

The Management Board is authorized to determine the terms and conditions attaching to any subscription and issuance of shares pursuant to the authority granted under article 5.5 of the Articles of Association, including by setting the time and place of the issue or the successive issues of shares, the issue price, with or without a share premium, and the terms and conditions of payment for the shares under any documents and agreements including, without limitation, convertible loans, option agreements or stock option plans.

The Management Board is also authorized to issue convertible bonds, or any other convertible debt instruments, bonds carrying subscription rights or any other instruments entitling their holders to subscribe for or be allocated with shares, such as, without limitation, warrants, under the authorized capital.

The Management Board may withdraw or limit the preferential subscription rights of the shareholders under the authorized capital in accordance with the Articles of Association.

As per 31 December 2017, 8,643,442 shares representing a share capital increase of Euro 651,258.11 have been issued by the management board out of the authorized share capital and as such, an amount of Euro 1,423,465.50 represented by up to 18,979,542 shares without nominal value remains available as authorized capital.

C.5.3 Share premium and similar premiums

The private placement dated 23 February 2017 results in a cash capital increase allocated to “Share premium account” in an amount of € 22,641,326.14.

On 28 April 2017, the Company’s annual general meeting resolved to pay a distribution for the financial year ended 31 December 2016 amounting to Euro 13,606,999.00 (corresponding to Euro 1.00 per issued share) out of the freely distributable reserves of the Company to the existing shareholders.

From the issuance of new shares in connection with the acquisition of HFS and the acquisition of ATOS Group result an increase of “Share premium account” in an amount of Euro 330,884,125.80 respectively Euro 11,990,164.20.

The movements for the previous year on the “Share premium account” item corresponded to the capital increase dated 28 September 2016 (contribution in cash dedicated to the Company’s capital share premium account amounting to Euro 42,860,091.39) as well as from the two distributions out of the freely available reserves of the Company in an amount of Euro 6,000,000.00 (approved by the General Meeting of the shareholders of CORESTATE Capital Holding S.A. held on 5 August 2016) and Euro 550,000.00 (approved by the General Meeting of the shareholders of CORESTATE Capital Holding S.A. held on 31 August 2016).

C.6 RESERVES

C.6.1 Legal reserve

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

To comply with the legal standards in Luxembourg, the Management Board will propose to the Company’s annual shareholders’ meeting in 2018 to allocate an amount of Euro 94,580.11 (10% of the subscribed share capital) from the financial year 2016 into the legal reserve.

C.6.2 Reserve for own shares

According to article 6.3 of the Articles of Association, the Company may, to the extent and under the terms permitted by law, repurchase its own shares. The Company does not currently hold any of its own shares, nor does a third party on behalf or for account of the Company.

C.7 PROFIT OR LOSS BROUGHT FORWARD

On 28 April 2017, the Company’s annual general meeting acknowledged that the Company made a profit with respect to the financial year 2016 in an aggregate amount of Euro 13,890,184.89 and resolved to carry forward the entire profit to the next financial year.

C.8 PROVISIONS

Provisions are made up as follows:

Provisions

€ thousand	**31 Dec 2017**	31 Dec 2016
Provisions for taxation	–	3
Other provisions	2,966	2,643
Total	**2,966**	**2,646**

C.8.1 Provision for taxation

Provisions for taxation

€ thousand	2017	2016
As of 1 January / 21 August	**3**	**3**
Reversals	(3)	(3)
Additions	–	3
As of 31 December	**0**	**3**

Provision for taxation relates to the minimum Luxembourg net wealth tax. As at the financial year end the minimum Luxembourg net wealth tax for the fiscal year 2017 was already paid.

C.8.2 Other provisions

Other provisions are composed of:

Other provisions

€ thousand	01.01.2017	Utlitization	Reversals	Additions	31 Dec 2017
Audit and audit-related fees	218	(218)	–	840	**840**
Invoices from Uplisting not received yet	–	–	–	735	**735**
Outstanding invoices	1,356	(919)	(37)	152	**552**
Ancillary costs from share based payments	420	–	(420)	323	**323**
Bonus payments to Board of Management	453	(453)	–	186	**186**
Annual report and annual general meeting	–	–	–	89	**89**
Preparation of Financial Statements	80	(80)	–	85	**85**
Preparation of tax declaration	44	(8)	–	46	**82**
Remuneration of the Supervisory Board	51	(24)	(27)	52	**52**
Other provisions	21	(21)	–	23	**23**
Total	**2,643**	**(1,723)**	**(484)**	**2,530**	**2,966**

C.9 CREDITORS

Amounts due and payable for the accounts shown under “Creditors” are as follows:

Creditors

€ thousand	Within one year	After one year and within five years	After more than five years	Total 31 Dec 2017
Convertible debenture loans	200	200,000	–	**200,200**
Amounts owed to credit institutions	120	34,000	–	**34,120**
Trade creditors	2,212	–	–	**2,212**
Amounts owed to affiliated undertakings	43,809	48,601	–	**92,410**
Amounts owed to undertakings with which the undertakings is linked by virtue of participating interests	210	–	–	**210**
Other creditors	61,624	–	–	**61,624**
Total	**108,174**	**282,601**	**–**	**390,775**

The total interest, charged on the above described debts, amounts to kEuro 15,141 for the year ended (2016: kEuro 646). The accrued interest payable as at 31 December 2017 amounts to kEuro 1,926 (31.12.2016: kEuro 124).

Except for the convertible debenture loans and the amounts owed to credit institutions, all debts are not secured by collateral on assets.

C.9.1 Convertible debenture loans

Convertible debenture loans

€ thousand	31 Dec 2017	31 Dec 2016
Convertible loan	200,000	–
Interests from convertible loan	200	–
Total	**200,200**	**–**

The Company has issued unsubordinated and unsecured convertible bonds in the aggregate principal amount of Euro 200 million. The bonds are issued in bearer form with a principal amount of Euro 100,000.00 each, which rank pari passu among themselves. The Company used the net proceeds for the refinancing of existing debt as well as for general corporate purposes.

Key facts of the convertible bond

ISIN	DE000A19SPK4
WKN	A19SPK
Issue volume (in Euro)	200,000,000.00
Maturity	28.11.2022
Coupon	1.38%
Rating	S&P: BB+
Issue price	100.00%
Next interest payment day	28.05.2018
Nominal (in Euro)	100,000.00
Underlying	Shares of Corestate Capital Holding S.A.
Conversion price (in Euro)	61.96
Initial conversion premium	27.50%
Conversion period	08.01.2018 – 10.10.2022
Issue date	21.11.2017
Clearing house	Clearstream Frankfurt

The Bonds with a maturity of 5 years were issued at 100% and will be redeemed at 100% of their principal amount, unless previously converted or repurchased and cancelled. The Bonds were placed with a coupon of 1.375% per annum, payable semi-annually in arrear and the conversion price was set to Euro 61.9580, representing a premium of 27.5% above the reference share price at the bond issue date. The settlement of the bonds took place around 28 November 2017.

The Company as the issuer may, on giving not less than 30 no more than 60 days prior notice to the bondholders, redeem all, but not some only, of the outstanding bonds with effect from the redemption date (which shall be no earlier than 19 December 2020). However, such notice may only be given if the share price on each of not less than 20 trading days during an observation period of 30 consecutive trading days is equal to or exceeds 130% of the conversion price in effect on each such trading day.

The issuer grants to each bondholder the right (the “conversion right”) to convert each bond in whole, but not in part, at the conversion price into settlement shares on any business day during the conversion period (period from 8 January 2018 to the earlier of the following days: the 35th Business Day prior to the maturity date or if the bonds are redeemed by the issuer the 10th Business Day prior to the redemption date).

To exercise the conversion right, the bondholder must deliver at its own expense during the conversion period a duly completed and executed exercise notice which must be received by the principal conversion agent by 4:00 p.m. (Frankfurt time) on the last day of the conversion period at the latest.

The bonds bear interest on their principal amount at a rate of 1.375% p.a. as from 28 November 2017. Interest is payable semi-annually in arrears on each interest payment date. Each bond will cease to bear interest until the bondholder exercises the conversion right in respect of any bond or a bond is redeemed.

C.9.2 Amounts owed to credit institutions

Amounts owed to credit institutions

€ thousand	**31 Dec 2017**	31 Dec 2016
Loan from BIL-Bank	34,000	–
Interests from bank loans	120	–
Total	**34,120**	**–**

On 30 June 2017, the Company as borrower and CCAG and Corestate Capital Advisors GmbH (Germany) as original obligors entered into a revolving credit facility agreement, as amended and restated on 7 August 2017, with a syndicate of banks arranged by Banque Internationale à Luxembourg (the "Revolving Credit Facility Agreement"). The maximum available loan amount under the Revolving Credit Facility Agreement is Euro 40.0 million. The term of the Revolving Credit Facility Agreement is three years. The loan amount can be utilized for general corporate purposes and in particular to support the growth of the Company.

On 31 December 2017, the Revolving Credit Facility Agreement was utilised in an aggregate amount of Euro 34 million and in the following interest tranches:

- Tranche kEuro 15,000: Fixed interest term from 21 December 2017 until 21 March 2018 with an interest rate of 3.6% p.a.
- Tranche kEuro 19,000: Fixed interest term from 13 November 2017 until 13 February 2018 with an interest rate of 3.6% p.a.

The loan bears interest rate which is based on 3-months Euribor plus a margin. The loan is secured by, inter alia, a share pledge over the shares in the main subsidiaries of the company.

The following financial covenants have been agreed: leverage ratio and gearing ratio. The test date of the financial covenants is the last day of each financial year and of each financial half-year. The first testing date was on 31 December 2017.

C.9.3 Trade creditors

Trade creditors (kEuro 2,212; previous year kEuro 1,111) mainly consist due to external service providers.

C.9.4 Amounts owed to affiliated undertakings

Amounts owed to affiliated undertakings

€ thousand	Start date	Maturity (years)	Interest rate	collateral	31 Dec 2017	31 Dec 2016
Long-term loans from subsidiaries					**48,601**	**11,339**
HFS	28.06.2017	5	3.750%	unsecured	15,595	–
RECAP FinCo V S.à r.l.	05.05.2017	5	0.000%	unsecured	8,000	–
RECAP FinCo S.à r.l.	30.06.2016	5	3.000%	unsecured	6,989	7,173
CORESTATE CAPITAL Fund Management S.à r.l.	28.06.2017	5	1.000%	unsecured	6,433	–
King HoldCo S.à r.l.	05.05.2017	5	0.000%	unsecured	5,100	–
RECAP FinCo IV S.à r.l.	23.12.2016	5	3.000%	unsecured	3,762	3,652
RECAP FinCo VI S.à r.l.	26.09.2017	5	0.000%	unsecured	1,844	–
RECAP FinCo S.à r.l.	30.06.2016	5	3.000%	unsecured	321	–
Donald HoldCo S.à r.l.	27.06.2016	5	3.000%	unsecured	271	508
ACROSS HoldCo. S.à r.l.	30.06.2016	5	3.000%	unsecured	254	6
Donald HoldCo S.à r.l.	27.06.2016	5	3.000%	unsecured	19	–
ACROSS HoldCo. S.à r.l.	30.06.2016	5	3.000%	unsecured	14	–
Short-term liabilities owed to subsidiaries					**43,809**	**5,421**
Short-term loan and accrued interests from Corestate Capital Junior BondCo S.à r.l.				unsecured	18,918	–
Liabilities from delivery and service relations				unsecured	11,196	5,016
Other short-term loan and accrued interests				unsecured	8,664	405
others				unsecured	5,030	–
Total					**92,410**	**16,760**

The Liabilities from delivery and services relations result mainly from cost recharges and the transfer pricing agreements.

C.9.5 Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests

Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests

€ thousand	31 Dec 2017	31 Dec 2016
Liabilities owed to Project HIGHSTREET VI	210	–
Total	**210**	**–**

C.9.6 Other creditors

Other creditors

€ thousand	31 Dec 2017	31 Dec 2016
Tax authorities	**6,780**	**591**
VAT liabilities	6,005	591
Liabilities from wage and church taxes	776	–
Other creditors	**54,843**	–
Purchase price oligations to Norbert Ketterer	54,785	–
Liabilities due to employees	59	–
Total	**61,624**	**591**

VAT liabilities mainly result from transactions with third parties located in the EU zone. Such transactions are subject to the reverse charge method, where CCH SA has to pay these value added taxes ("VAT") to the Luxembourgish tax authorities.

Amounts owed to Norbert Ketterer result from the purchase of shares in the new acquired subsidiary HFS. The remaining purchase price payment in the amount of kEuro 39,000 is due for payment in July 2018. The remaining amount of due to Norbert Ketterer (kEuro 15,785) related to HFS shareholding in ACRON AG. Subsequent to 31 December 2017, this amount was settled by transferring the shares back to Norbert Ketterer.

C.10 DEFERRED INCOME

Deferred income comprises the accrued development fee of the following Projects:

Deferred income

€ thousand	31 Dec 2017	31 Dec 2016
Project Venloer4711	417	–
Project CONDOR	362	–
Project ISABELA	284	–
Project HARBOUR	265	76
Project ANNAPURNA	243	–
Project KING	36	–
Project ROSE	–	91
Project ACROSS	–	29
Total	**1,608**	**196**

The development fees will be realised over the construction phase to its completion.

D. NOTES TO THE PROFIT AND LOSS ACCOUNT

D.1 Net-Turnover

Net turnover is broken down by category of activity and geographical markets as follows:

Net turnover

€ thousand	2017	2016
Categories of activity		
Revenue from other Acquisition Related Fees	9,736	4,429
Revenue from delivery of services intra-group	8,642	–
Revenue from Asset Management Fees	2,681	1,207
Revenue from Development Fee	1,214	1,352
Revenue from Onboarding Fee	–	1,000
Revenue from Entry Fee	–	847
Other revenues	1,209	65
Rebates/discounts	(209)	–
Total	**23,273**	**8,900**
Geographical markets		
Germany	16,605	7,197
Switzerland	2,605	65
Austria	2,324	–
United Kingdom	1,277	–
Spain	436	792
Luxembourg	25	847
Total	**23,273**	**8,900**

The Company typically invests between 5% and 10% in its investment products structured for its semi-institutional and private clients as alignment capital investment. Since CCH SA provides comprehensive real estate investment management services to, and is acting as asset manager for such investments structures (also referred to as “Projects”), these investment structures qualify as a participating interests under Lux GAAP. The revenues generated with such Associates are based on market-standard Joint-Venture and Co-Investments Agreements (JVCIA) as well as Asset Management Agreements (AMA), and are entered into with and approved by its clients.

D.2 OTHER OPERATING INCOME

Other operating income

€ thousand	2017	2016
Thalos Agio	1,500	–
Reversal of provisions	484	–
Currency translation adjustments	60	–
Derecognition of liabilities	–	164
Cost recharges to affiliated companies	–	420
Other/miscellaneous/sundry income	80	4
Total	**2,125**	**589**

The income from Thalos Agio relates to a loan facility of Euro 150 million granted by Compartment Thalos IX from Thalos Investment Platform S.A. (hereafter "Thalos") used to finance part of the purchase price of HFS (refer to note D.7). In this context, CCH SA received an agio from Thalos which should cover its costs from the implementation of the loan facility.

D.3 STAFF AND STAFF COSTS

Staff costs

€ thousand	2017	2016
Salaries and wages	**(2,006)**	**(481)**
Share-based remunerations	(1,015)	(420)
Salaries paid to Management Board	(579)	(202)
Management Board's Bonus	(412)	142
Social security on salaries and wages	**(37)**	**–**
Voluntary social security contributions	(37)	–
Total	**(2,043)**	**(481)**

As in prior years, the Company has no employees of its own. Therefore, the staff costs comprise only the remunerations of the members of the Management Board.

D.4 OTHER OPERATING EXPENSES

Other operating expenses

€ thousand	**2017**	2016
Recharges intra-group costs	(12,019)	(4,230)
Legal and consultancy fees	(4,853)	(669)
Financing fees	(1,751)	–
Capital raising and up-listing related expenses 2017	(1,529)	–
Consultancy fees for project developments	(1,130)	–
Public relation and stock exchange	(988)	(310)
Personnel recruitment	(476)	–
Accounting and financial statement preparation	(406)	(226)
Travelling expenses	(404)	(165)
Aborted deals	(370)	(415)
Agency fees	(339)	–
Audit and accounting related advisory fee	(336)	(267)
2016 listing related expenses	(257)	(1,876)
Remuneration of the Supervisory Board	(181)	(72)
Insurance costs	(147)	(64)
Offices supplies and IT expenses	(85)	(34)
Currency translation adjustments	(49)	–
Tax advisory and other professional fees	(48)	(50)
Rental and leasing expenses	(45)	(85)
Contribution fees	(36)	–
Acquistion related costs	(30)	(25)
Acquisition of Hannover Leasing	–	(1,294)
Allowances for doubtful receivables	–	(1)
Other miscellaneouse expenses	(1)	(64)
Total	**(25,480)**	**(9,846)**

D.5 INCOME FROM PARTICIPATING INTERESTS

Income from participating interests

€ thousand	2017	2016
Proceeds from the sale of affilliated undertakings	**6,710**	**5,788**
Sales of share in Olympic HoldCo S.à r.l.	4,271	–
Sales of share in TURICUM AIF S.à r.l.	1,283	–
Sales of share in HIGHSTREET VII PropCo V S.à r.l.	775	–
Sales of share in HIGHSTREET VIII PropCo I S.à r.l.	290	–
Sales of share in Marburg HoldCo S.à r.l.	32	–
Sales of share in Isabela HoldCo AIF S.à r.l.	24	–
Sales of share in HIGHSTREET VII PropCo IV S.à r.l.	12	–
Sales of share in Triiiple HoldCo S.à r.l.	12	–
Sales of share in Project AcquiCo II S.à r.l.	12	–
Sales of share in RECAP FinCo I S.à r.l.	–	2,949
Sales of share in HIGHSTREET VI PropCo I S.à r.l.	–	1,797
Sales of share in Across HoldCo S.à r.l.	–	503
Sales of share in Captive PropCo I GmbH	–	435
Sales of share in Condor TopCo GmbH	–	50
Sales of share in Across (EL7) S.à r.l.	–	30
Sales of share in ROSE PropCo S.à r.l.	–	13
Sales of share in Annapurna AIF S.à r.l.	–	12
Dividend payments received	**–**	**12,000**
Dividend payment received from CCAG	–	12,000
Total	**6,710**	**17,788**

In December 2016, the Company received a dividend payment in the amount of kEuro 12,000 from CCAG.

D.6 OTHER INTERESTS RECEIVABLE AND SIMILAR INCOME

Other interest receivable and similar income

€ thousand	2017	2016
derived from affiliated undertakings	**250**	**156**
Interests on loan to CCAG	217	40
Interests on loan to Corestate Condor TopCo GmbH	17	–
Interests on loan to CORSTATE Capital Sales Holding S.à r.l.	11	–
Interests on loan to ISAR Beteiligungsverwaltungs GmbH	3	–
Interests on loan to Highstreet VI PropCo I S.à r.l.	–	106
Interests on loan to RECAP FinCo. S.à r.l.	–	9
others	3	1
other interest and similar financial income	**95**	**110**
Interests from Project HIGHSTREET PREMIUM I	92	65
Interests from Project HIGHSTREET II	–	44
Interests income on VAT receivables	–	0
others	4	–
Total	**345**	**265**

D.7 INTERESTS PAYABLE AND SIMILAR EXPENSES

Interest payble and similar expenses

€ thousand	2017	2016
concerning affiliated undertakings	**(16,153)**	**(2,388)**
Book value of affiliated undertakings sold	(2,545)	(2,114)
Interest from loan of Corestate Capital Senior BondCo S.à r.l.	(12,126)	–
Interest from loan of Corestate Capital Junior BondCo S.à r.l.	(765)	–
Interest from loan of HFS Helvetic Financial Services AG	(298)	–
Interest from loan of RECAP FinCo S.à r.l.	(213)	(108)
Interest from loan of RECAP FinCo IV S.à r.l.	(110)	(2)
Interest from loan of CCAG	(45)	(151)
Interest from loan of CORESTATE CAPITAL Fund Management S.à r.l.	(33)	–
Interest from loan of DONALD HoldCo S.à r.l.	(11)	(8)
Interest from loan of ACROSS HoldCo S.à r.l.	(8)	(4)
other interests and similar expenses	**(1,532)**	**(372)**
Interests from bank loans	(746)	–
Interests from third party loans	(515)	–
Interests from convertible bond	(271)	–
Interests and prepayment penalty from loan of Ralph Winter	–	(149)
Interests from loan of Thomas Landschreiber	–	(104)
Interests from loan of vitB AG	–	(86)
Interests from loan of SECHEP Investment Holding S.à r.l.	–	(25)
others	–	(8)
Total	**(17,686)**	**(2,760)**

Interest from loan of Corestate Capital Senior BondCo S.à r.l. relates to a loan facility of Euro 150 million granted by Thalos used to finance part of the purchase price of HFS. Subsequently, the funds borrowed were passed to the Company in the form of a separate loan agreement. The loan beared an interest rate of 11% per annum and was redeemed on 29 December 2017. The interest expenses also include compensations from the premature repayment of the loan.

D.8 TAXES ON PROFIT AND LOSS

Tax on profit or loss

€ thousand	2017	2016
Current income tax	**(3)**	**3**
Corporate income tax (Luxembourg)	(3)	3
Total	**(3)**	**3**

E. OTHER INFORMATION

E.1 MANAGEMENT BOARD

- Sascha Wilhelm (Chief Executive Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 21 August 2015
- Thomas Landschreiber (Chief Investment Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 21 August 2015
- Lars Schnidrig (Chief Financial Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 1 July 2017
- Daniel Schoch (Chief Financial Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – from 21 August 2015 until 14 July 2017

The members of the Management Board were appointed by the Supervisory Board for a term until 31 December 2018 with respect to Thomas Landschreiber, and 31 December 2019 with respect to Daniel Schoch and Sascha Wilhelm, respectively.

Lars Schnidrig (44) had been appointed as Chief Financial Officer of CORESTATE Capital Holding S.A. effective 1 July 2017. The service agreement with Lars Schnidrig has a duration of 3 years.

Daniel Schoch departed from the board of CORESTATE Capital Holding S.A. as per 14 July 2017; he continued to support the CORESTATE Group as a senior adviser.

On 6 February 2018 the Supervisory Board of CORESTATE Capital Holding S.A. appointed Dr Michael Bütter as successor to the incumbent Chief Executive Officer, Sascha Wilhelm as of 1 May 2018. Sascha Wilhelm will leave the Company as of 30 April 2018. Dr Bütter will be in charge of CORESTATE Group's strategy, international expansion including M&A activities including strategic investments and management of real estate investors and client relations. Dr Bütter is currently a member of the extended board of Scout24 AG as well as CEO of Immobilien Scout GmbH.

In addition to the individually agreed base salary and annual bonus payments, under their service agreements, the Management Board members are entitled to ancillary benefits that include, among other things, payment of remuneration in case of sickness or death for a certain period, contributions to private health insurance as well as D&O and E&O insurance coverage at usual market terms. The Company reimburses all travelling costs and incidental expenses.

Share-based payments:

After the listing of the stocks of the Company the members of the Management Board were granted a special payment on the basis of the individual service agreements in form of shares in the company (so-called "share-based payment"). The share-based payments are part of the Management Board's remuneration. Therefore, the related (wage-)taxes are paid by the Company.

Equity-settled share-based payments (2016)

The total number of new shares granted to the Management Board in 2017 amounts to 79,329 shares. These shares have been granted out of the 2016 share-based payments equalling the rounded-up quotient of Euro 2,166,666.67 and the issue price of the Company's shares that are newly issued to selected investors as part of private placement (Euro 17.00).

The total expense recognized through profit and loss in relation to such share grants to the Management Board in the financial year 2017 was kEuro 1,015 (2016: kEuro 420), and includes wage taxes and related social security contributions on the shares granted during the year as well as shares not vested in 2017 (refer to note C.5.1).

Cash-settled share-based payment (2017)

In 2017 CCH SA has issued synthetic stock options to selected management personnel. The options grant the right to receive cash payment at exercise of the option which amounts to the difference be-tween the stock price at exercise date and the exercise price (so called "phantom stocks"). The options are only exercisable after a waiting period of 3 years for Tranche 1, 2 and 4, and 2 years for Tranche 3 after the contractual grant date. The grant of stock options under Tranche 2 depends on the market capitalization of the company at year end 2018. The feature is reflected within the calculation of the option price.

The expense recognized during 2017 from such cash-settled share-based payment amounts to kEuro 27 (2016: kEuro 0).

E.2 SUPERVISORY BOARD

The Supervisory Board must be composed of at least three individuals, and currently consists of the following members:

- Micha Blattmann (Chairman, Manager, whose professional address is General-Guisan Strasse 15, CH-6300 Zug/Switzerland) – since 23 September 2015 Micha Blattmann is Partner at the hedge fund Vicenda Asset Management AG, Zug. He serves as an Executive Director at Vicenda Group AG. He held various positions within capital markets divisions of international investment banks, including senior advisor of the Strategic Cross Asset Solutions Group of Merrill Lynch Capital Markets and Senior Advisor of the Equity and Commodity Risk Management Team for institutional clients of UBS AG. He serves as Non-Executive Director at BRCH Holding AG, Azteca Holding AG, AZC Capital SACV, Desarollo Vivienda MK1 S.A.P.I. De C.V., FCM Investments AG, Limedo Business Ltd, BVI and Thalos Investment Platform S.A. He previously worked as lawyer at Bär & Karrer and Andersen Legal. He is admitted lawyer and is practicing in his law firm Blattmann Advokatur & Notariat, Neuheim. Mr Blattmann holds a Licentiate of Law from the University of Zurich and a Master of Laws (LL.M.) from University of California-Los Angeles, School of Law. He is admitted to the bar of the Higher Court of the Canton of Zug, Switzerland.

- Urs Felder (self-employed tax and accounting expert, whose professional address is at FELUR Swiss Treuhand AG, Sihlamtsstrasse 5, CH-8001 Zurich/Switzerland) – since 21 August 2015

- Ulrich Plett (German Certified Public Auditor, whose professional address is Clausewitzstr. 7, D-10629 Berlin/Germany) – since 23 September 2015

At the Company's annual general meeting held on 28 April 2017, it was resolved to extend the mandates of the above listed members of the Supervisory Board until the annual general meeting of shareholders of the Company held in 2020.

In its meeting held on 14 December 2017, the Supervisory Board resolved to establish an audit committee. With effect from 2 November 2017, the Supervisory Board elected among its members Mr Blattmann, Mr Plett and Mr Felder as members of the audit committee.

The mandates of the following individuals have expired in the reporting period or the prior financial year, respectively.

- Andreas Wirz (Architect, member of the Executive board of Intershop Holding AG, whose professional address is at Intershop Holding AG, Puls 5 – Giessereistrasse 18, Postbox 1601, CH-8031 Zurich/Switzerland) – since 21 August 2015 until 30 June 2016

- Thomas Zinnöcker (Diplom-Kaufmann, whose professional address is Philipp-Strasse 3, D-44803 Bochum/Germany) – from 23 September 2015 until 10 March 2016

- Ralph Winter (self-employed management consultant, whose professional address is at CORESTATE Capital AG, Baarerstr. 135, CH-6300 Zug/Switzerland) – from 21 August 2015 until 23 September 2015

The Supervisory Board members are entitled to receive an annual fee of kEuro 25 plus VAT (if any). The deputy chairman of the Supervisory Board is entitled to receive an annual fee of kEuro 37.5 plus VAT (if any) and the chairman of the Supervisory Board of kEuro 50 plus VAT (if any). The annual fee is payable within 10 days after the end of each financial year. In addition to the annual fee, each member of the Supervisory Board is entitled to Euro 750 for each meeting such member attends in person (physically or via phone). The Supervisory Board Members are also reimbursed of all reasonable and properly documented costs incurred as part of their mandate, and benefit from a market-standard D&O insurance entered into by the Company.

In 2017, a total fee of kEuro 181 (previous year kEuro 72) is recognised.

E.3 RELATED PARTIES TRANSACTIONS

Parties are generally considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Company has identified the following related parties:

- Shareholders (note C.5.1)
- Affiliated companies (note C.2.1)
- Participating interests (note C.2.2)
- Board of Managers (note E.1)
- Supervisory Board (note E.2)

During the period, the following significant transactions entered into with related parties have been concluded:

Transactions	Reference
Loans from shareholders (including accrued interests)	C.9.6, D.7
Foundation of CCH SA and contribution in kind of the shareholders	C.5.1, A
Amounts due from affiliated companies and participating interests	C.2, C.3, D.5, D.6
Receivables/Fees from various Projects (participating interests)	C.3, D.1
Intra-group recharges	D.1, D.4
Fees and share-based payments for the Management Board	E.1
Fees for Supervisory Board	E.2, D.4
Transactions with Thalos	D.2, D.7

Under a loan agreement dated 28 July 2016 between Ralph Winter as lender and the Company as borrower Ralph Winter had granted a loan to the Company for general corporate purposes in an amount of Euro 6 million. The loan had a term of six months and beared interest at a rate of 8% p.a. It could be prepaid at any time without triggering prepayment costs. No security has been granted to secure the loan. The outstanding loan (including accrued interests) was repaid in full in October 2016.

The Company's invests typically between 5% and 10% in each of its Investment Structures alongside its clients as alignment capital investment. Since the Company provides comprehensive real estate investment management services to, and are acting as asset manager for such Investments Structures, these Investment Structures qualify as a participating interest. The revenues generated with such participating interests are based on market-standard Joint-Venture and Co-Investments Agreements as well as Asset Management Agreements, and are entered into with and approved by the other investors.

CCH SA entered into an Investment Advisory Agreement with W5 Group LLC, a company wholly owned by Ralph Winter, on 1 July 2016 (Investment Advisory Agreement). Under such Investment Advisory Agreement, W5 Group LLC is appointed as investment advisor to conduct research in the US investment markets (including but not limited to real estate investment projects in the US) and to identify potential investment opportunities for recommendation to the Company. W5 Group LLC receives a retainer fee on a quarterly basis in an amount of USD 25,000 and, to the extent the services provided by W5 Group LLC under the Investment Advisory Agreement result in a direct or indirect investment in the US market, a specific management and performance fee which will be agreed in the future separately between the parties to the Investment Advisory Agreement. The term of the agreement is fixed at 36 months and may be terminated upon a certain prior notice period at any time by any party. As at 31 December 2016, no concrete investment project has been initiated based on the services provided by W5 Group LLC under the Investment Advisory Agreement and it is currently unclear to which extent any opportunity might be identified at all. For diversification purposes the Company intends to make use of the good network of Mr Winter in the U.S. but is not in any way modifying its clear focus on the German and selectively other European real estate markets. In 2017, the Company paid a commission fee in the amount of kEuro 5,000 in the context of the acquisition of HFS.

E.4 AUDITOR'S FEES

The total fees expensed by the Company and due for the current financial period to the audit firm are presented as follows:

Auditor's fees

€ thousand	**2017**	2016
Audit fees	868	302
Audit-related fees	549	83
Other non-audit related services	671	431
Total	**2,088**	**816**

Ernst & Young S.A., 35E, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg audited the local financial statements as well as the consolidated financial statements of the Company as of and for the year ended 31 December 2016 and issued an unqualified auditors' report.

At the Company's annual general meeting held on 28 April 2017, Ernst & Young S.A. was also appointed as auditor for the Company and the Group for the financial year 2017.

Audit-related fees include the services of Ernst & Young S.A. for the following permitted services:

- Issuance of contribution in kind reports
- Issuance of reports on compilation of pro-forma financial information, profit forecast and comfort letter, all related to Uplisting

E.5 OFF-BALANCE SHEET COMMITMENTS

There were no financial commitments of the Company as per 31 December 2017.

The nature and the commercial objective of the operations not disclosed on the balance sheet can be described as follows:

E.5.1 Leasing (rents not yet paid)

The Company is party of the following lease contracts:

Detailed schedule of lease contracts as per 31 December 2017 (Company as Lessee)

Description of lease contract	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT. € thousand)	minu-mum lease payments in 2018 (incl. VAT. € thousand)	minu-mum lease payments 2019 until 2022 (incl. VAT. € thousand)	minu-mum lease payments after 2022 (incl. VAT. € thousand)	Classifica-tion
Software and IT-Leasing	Control.IT	22.06.2016	(12 month contract)	1	18	–	–	operating lease
Total				**1**	**18**	**0**	**0**	

E.5.2 Contingent liabilities

There were no contingent liabilities for the provision of collateral for third-party liabilities.

There are no unresolved legal disputes outside the ordinary business activities.

E.6 SUBSEQUENT EVENTS

- Regarding the changes of the members of the Managment Board in 2018 refer to note E.1.
- The Company exercised its put-options to sale the minority stakes in ACRON AG. In January 2018, all shares of ACRON AG were transferred to Norbert Ketterer. The negotiated sales price amounts to EUR 15.7 million which is equal to the current book value.

Save for the matters set out above, there have been no material events since the reporting date which could have a significant effect on the net assets, financial position or results of operations of CCH SA.

Luxembourg, 12 March 2018

Sascha Wilhelm	Lars Schnidrig	Thomas Landschreiber
Chief Operating Officer	Chief Financial Officer	Chief Investment Officer

Appendix 1 to the Notes

STATEMENT OF CHANGES IN FIXED ASSETS

		Gross book value				
	Ownership %	1 Jan 2017 € thousand	Additions k€	Transfers k€	Disposals k€	31 Dec 2017 k€
INTANGIBLE FIXED ASSETS						
Concessions, patents, licences, trade marks and similar rights and assets						
IT Software		108	71	(67)	–	112
Homepage		17	13	13	–	43
Concessions, licences, industrial and similar rights and assets		–	248	–	–	248
		125	333	(54)	–	404
Payments on account and intangible fixed assets under development						
Payments on account		–	657	54	–	711
		–	657	54	–	711
Total		**125**	**990**	**–**	**–**	**1,115**
TANGIBLE FIXED ASSETS						
Total		**–**	**–**	**–**	**–**	**–**
FINANCIAL FIXED ASSETS						
Shares in affiliated undertakings						
HFS Helvetic Financial Services AG	100.00%	–	576,604	–	–	576,604
ISAR Beteiligungsverwaltungs GmbH	100.00%	25	47,500	–	–	47,525
CORESTATE CAPITAL AG	100.00%	29,581	–	–	–	29,581
ATOS Capital GmbH	100.00%	–	25,518	–	–	25,518
Stadttor Düsseldorf AcquiCo S.à r.l.	100.00%	–	6,941	–	–	6,941
RECAP FinCo V S.à r.l.	100.00%	1,360	5,200	–	–	6,560
RECAP FinCo S.à r.l.	100.00%	5,681	–	–	–	5,681
King HoldCo S.à r.l.	100.00%	755	2,920	–	–	3,675
RECAP FinCo IV S.à r.l. (formerly CC SH HoldCo S.à r.l.)	100.00%	2,449	–	–	–	2,449
RECAP FinCo II S.à r.l. (formerly Highstreet VI PropCo IV S.à r.l.)	100.00%	30	1,565	–	–	1,595
Corestate Student Home Holding S.à r.l.	100.00%	502	–	–	–	502
CORESTATE Capital Fund Management S.à r.l.	100.00%	400	–	–	–	400
CORESTATE Capital Sales Holding S.à r.l.	100.00%	283	–	–	–	283

	Accumulated value adjustments			Net book value	
	1 Jan 2017 k€	Depre-ciation k€	31 Dec 2017 k€	31 Dec 2017 k€	31 Dec 2016 k€
	11	38	49	63	96
	1	12	13	30	16
	–	13	13	236	–
	12	62	74	329	112
	–	–	–	711	–
	–	–	–	711	–
	12	**62**	**74**	**1,041**	**112**
	–	**–**	**–**	**–**	**–**
	–	–	–	576,604	–
	–	–	–	47,525	25
	–	–	–	29,581	29,581
	–	–	–	25,518	–
	–	–	–	6,941	–
	–	–	–	6,560	1,360
	–	–	–	5,681	5,681
	–	–	–	3,675	755
	–	–	–	2,449	2,449
	–	–	–	1,595	30
	–	–	–	502	502
	–	–	–	400	400
	–	–	–	283	283

		Gross book value				
	Ownership %	1 Jan 2017 € thousand	Additions k€	Transfers k€	Disposals k€	31 Dec 2017 k€
Isabela HoldCo AIF S.à r.l.	100.00%	–	191	–	–	191
Corestate Capital Senior BondCo S. à r.l.	100.00%	–	125	–	–	125
Corestate Capital Junior BondCo S. à r.l.	100.00%	–	125	–	–	125
ROSE HoldCo S.à r.l. (formerly Highstreet V PropCo III S.à r.l.)	100.00%	35	45	–	–	80
RECAP FinCo III S.à r.l.	100.00%	55	15	–	–	70
Dalia HoldCo AIF S.à r.l.	100.00%	–	55	–	–	55
Corestate Condor PropCo GmbH	100.00%	–	35	–	–	35
CORESTATE Capital Advisors GmbH	100.00%	–	31	–	–	31
RECAP FinCo VI S.à r.l.	100.00%	–	29	–	–	29
Triiiple TopCo GmbH	100.00%	–	56	–	(28)	28
Müller 34 Student Home Projektentwicklung- und Verwaltungs GmbH	100.00%	28	–	–	–	28
ISARTAL Beteiligungsverwaltungs GmbH (formerly Platin 1413. GmbH)	100.00%	28	–	–	–	28
Corestate PropCo Shelf I S.à r.l.	100.00%	–	12	–	–	12
Highstreet Premium II PropCo III S.à r.l.	100.00%	–	12	–	–	12
Projekt AcquiCo I S.à r.l.	100.00%	–	12	–	–	12
Highstreet VIII PropCo I S.à r.l. (formerly Highstreet VII PropCo II S.à r.l.)	100.00%	–	12	–	–	12
Projekt AcquiCo III S.à r.l.	100.00%	–	12	–	–	12
Projekt AcquiCo IV S.à r.l.	100.00%	–	12	–	–	12
Corestate Shelf II S.à r.l.	100.00%	–	12	–	–	12
Corestate ZGE Feeder GmbH & Co. KG	100.00%	0	–	–	–	0
Highstreet VIII PropCo I S.à r.l.	100.00%	30	–	–	(30)	–
Olympic HoldCo S.à r.l. (formerly Corestate TopCo Shelf I S.à r.l.)	100.00%	–	2,398	–	(2,398)	–
Olympic AIF 1 S.à r.l.	100.00%	–	12	(12)	–	–
Olympic AIF 2 S.à r.l.	100.00%	–	12	(12)	–	–
TURICUM AIF S.à r.l.	100.00%	–	1,630	(1,630)	–	–
Con 2 AIF S. à r.l.	100.00%	–	12	(12)		–

Accumulated value adjustments			Net book value	
1 Jan 2017 k€	Depre- ciation k€	31 Dec 2017 k€	31 Dec 2017 k€	31 Dec 2016 k€
–	–	–	191	–
–	–	–	125	–
–	–	–	125	–
–	–	–	80	35
–	–	–	70	55
–	–	–	55	–
–	–	–	35	–
–	–	–	31	–
–	–	–	29	–
–	–	–	28	–
–	–	–	28	28
–	–	–	28	28
–	–	–	12	–
–	–	–	12	–
–	–	–	12	–
–	–	–	12	–
–	–	–	12	–
–	–	–	12	–
–	–	–	12	–
–	–	–	0	0
–	–	–	–	30
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–

	Ownership %	Gross book value 1 Jan 2017 € thousand	Additions k€	Transfers k€	Disposals k€	31 Dec 2017 k€
Isabela HoldCo AIF I S.à r.l.	100.0%	–	12		(12)	–
Highstreet VIII PropCo III S.à r.l (formerly Projekt AcquiCo II S.à r.l.)	100.0%	–	12	–	(12)	–
		41,241	671,125	(1,666)	(2,479)	708,221
Loans to affiliated undertakings						
CORESTATE Capital Advisors GmbH (loan and accrued interests)		–	11,797	–	–	11,797
Isabela HoldCo AIF S.à r.l. (loan and accrued interests)		–	7,500	–	(280)	7,220
ISAR Beteiligungsverwaltungs GmbH (loan and accrued interests)		–	1,303	–	–	1,303
CORESTATE Capital Sales Holding S.à r.l. (loan and accrued interests)		214	266	–	–	480
Corestate Capital Partners GmbH (loan and accrued interests)		–	300	–	–	300
Corestate Student Home Holding S.à r.l. (loan and accrued interests)		–	267	–	–	267
CORESTATE Capital Advisors (SG) Pte. Ltd. (loan and accrued interests)		–	31	–	–	31
CORESTATE Capital Investors (Europe) GmbH (loan and accrued interests)		–	30	–	–	30
King HoldCo S.à r.l. (loan and accrued interests)		–	1	–	–	1
CORESTATE CAPITAL AG (loan and accrued interests)		2,344	–	–	(2,344)	–
Corestate Condor TopCo GmbH (loan and accrued interests)		–	11,488	–	(11,488)	–
		2,558	32,983	–	(14,113)	21,429
Shares in undertakings with which the undertaking is linked by virtue of participating interests						
TURICUM AIF S.à r.l.	5.48%	–	1,069	1,630	–	2,698
Olympic AIF 2 S.à r.l.	10.00%	–	1,904	12	–	1,916
Iberian HoldCo III, S.L.	10.27%	1,700	–	–	–	1,700
Harbour AIF 2 S.à r.l.	14.78%	1,413	–	–	–	1,413
Con 2 AIF S. à r.l.	10.00%	–	1,388	12		1,400
Venloer4711 AIF 2 S.à r.l.	10.05%	1,328	–	–	–	1,328

Accumulated value adjustments			Net book value	
1 Jan 2017 k€	Depre-ciation k€	31 Dec 2017 k€	31 Dec 2017 k€	31 Dec 2016 k€
–	–	–	–	–
–	–	–	–	–
–	–	–	708,221	41,241
–	–	–	11,797	–
–	–	–	7,220	–
–	–	–	1,303	–
–	–	–	480	214
–	–	–	300	–
–	–	–	267	–
–	–	–	31	–
–	–	–	30	–
–	–	–	1	–
–	–	–	–	2,344
–	–	–	–	–
–	–	–	21,429	2,558
–	–	–	2,698	–
–	–	–	1,916	–
–	–	–	1,700	1,700
–	–	–	1,413	1,413
–	–	–	1,400	–
–	–	–	1,328	1,328

		Gross book value				
	Ownership %	1 Jan 2017 € thousand	Additions k€	Transfers k€	Disposals k€	31 Dec 2017 k€
Across TopCo 2 S.à r.l.	10.00%	990	–	–	–	990
Iberian HoldCo I, S.L.	10.47%	–	900	–		900
King AIF 2 S.à r.l.	10.02%	–	720	–		720
Across HoldCo S.à r.l.	5.10%	305	–	–	–	305
Olympic AIF 1 S.à r.l.	10.00%	–	201	12	–	213
Harbour AIF 1 S.à r.l.	14.78%	157	–	–	–	157
Venloer4711 AIF 1 S.à r.l.	10.05%	148	–	–	–	148
Across TopCo 1 S.à r.l.	10.00%	110	–	–	–	110
King AIF 1 S.à r.l.	10.02%	–	80	–		80
SCORE S.à r.l.	50.00%	4	–	–	–	4
		6,154	6,261	1,666	–	14,080
Other loans						
HIGHSTREET PREMIUM I PropCo II S.à r.l (loan and accrued interests)		1,849	92	–	–	1,941
Annapurna AIF S.à r.l. (loan and accrued interests)		–	4	–	–	4
		1,849	96	–	–	1,945
Total		**51,803**	**710,465**	**–**	**(16,592)**	**745,675**
SUM of FIXED ASSETS		**51,927**	**711,455**	**–**	**(16,592)**	**746,790**

Accumulated value adjustments			Net book value	
1 Jan 2017 k€	Depre-ciation k€	31 Dec 2017 k€	31 Dec 2017 k€	31 Dec 2016 k€
–	–	–	990	990
–	–	–	900	–
–	–	–	720	–
–	–	–	305	305
–	–	–	213	–
–	–	–	157	157
–	–	–	148	148
–	–	–	110	110
–	–	–	80	–
–	–	–	4	4
–	–	–	14,080	6,154
–	–	–	1,941	1,849
–	–	–	4	–
–	–	–	1,945	1,849
–	**–**	**–**	**745,675**	**51,803**
12	**62**	**74**	**746,716**	**51,915**

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working world

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
Corestate Capital Holding S.A.
4, rue Jean Monnet
L-2180 Luxembourg

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Corestate Capital Holding S.A. (the "Company"), which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and the notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2017 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "réviseur d'entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of shares in affiliated undertakings and participating interests

Description

As at 31 December 2017, Company's investment in shares in affiliated undertakings and participating interests held by the Company amounted to EUR 722,301 thousand in total representing about 90% of the total balance sheet. These investments are recognised and valued at acquisition price, including the expenses incidental thereto, and are subject to value adjustments in case of permanent impairment in value. In assessing whether such permanent impairment exists, management considers factors that could give rise to the impairment of its individual investments and evaluates whether the impairment is of permanent nature when an eventual impairment loss is identified. We considered the valuation of shares in affiliated undertakings and participating interests to be a key audit matter because it requires a high level of management judgement and due to the materiality of the amounts involved.

Auditor's response

We considered management's impairment assessment based on our understanding of the investments and existing market conditions. Where indicators of potential impairment were identified, we compared the carrying value of the individual investments to the net assets of the entities in which the Company holds the shares or participating interests based on their most recent available financial information. Where applicable, we assessed management's adjustments to the net assets of these entities representing mainly the adjustment for unrecognised fair value gains or losses on the properties that these entities own. We assessed management's conclusions of whether any identified potential impairment losses were of permanent nature.

Other information

The Management Board is responsible for the other information. The other information comprises the information included in the annual report and the corporate governance report but does not include the annual accounts and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and of those charged with governance for the annual accounts

The Management Board is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Management Board determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. 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 these annual accounts.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, 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 opinion. 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 control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Conclude on the appropriateness of Management Board's 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 our report of the "réviseur d'entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 28 April 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The Group management report, which is the responsibility of the Management Board, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The accompanying corporate governance report on pages 30 to 33 is the responsibility of the Management Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the [consolidated] annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We provided the following permitted services in addition to the statutory audit:

- Issuance of contribution in kind reports in the context of the articles 26-1 and 32-1 (5) of the Law of 10 August 1915 on commercial companies, as amended;
- Issuance of a report on the compilation of pro forma consolidated financial information;
- Issuance of a report on the compilation of prospective financial information;
- Issuance of a comfort letter in connection with the prospectus related to proposed admission to trading of the existing ordinary shares of the Company.

Other matter

The corporate governance report includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings , as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Pavel Nesvedov

Luxembourg, 12 March 2018

Responsibility statement

To the best of our knowledge we confirm, that the consolidated financial statements of Corestate Capital Holding S.A. and its subsidiaries ("the Group") which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and the annual accounts of Corestate Capital Holding S.A. ("the Company") which have been prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company, and that the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities, uncertainties and risks associated with the expected development of the Group.

CORESTATE Capital Holding S.A., Luxembourg, 12 March 2018

Sascha Wilhelm	Lars Schnidrig	Thomas Landschreiber
Chief Executive Officer	Chief Financial Officer	Chief Investment Officer

Imprint

PUBLISHER

CORESTATE Capital Holding S.A.
4, rue Jean Monnet
L-2180 Luxembourg

www.corestate-capital.com

EDITORS & TYPESETTING

Edelman.ergo GmbH
Frankfurt am Main/München
www.edelmanergo.com

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CORESTATE Capital Holding S.A.

CORESTATE Capital Holding S.A.
4, rue Jean Monnet
L-2180 Luxembourg
www.corestate-capital.com