



## PROSPECTUS

for the public offering  
in the Federal Republic of Germany

of

12,610,681 ordinary shares in dematerialized form  
(the "Shares"), each such share without a par value (*valeur nominale*) and with full dividend rights as of 1 January 2016

by way of

inclusion to trading of the Shares on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

### Corestate Capital Holding S.A.

a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 199780

This prospectus (the "**Prospectus**") constitutes a prospectus for the purposes of Article 5(3) of the Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and Article 8(3) of the Luxembourg law of 10 July 2005 relating to prospectuses for securities as amended (the "**Luxembourg Prospectus Law**"). Application has been made to the Luxembourg Financial Sector Supervisory Authority (*Commission de Surveillance du Secteur Financier*) (the "**CSSF**") in its capacity as competent authority under the Luxembourg Prospectus Law, for the approval of this Prospectus for the purposes of the Prospectus Directive. This approval cannot be considered as a judgment on, or as any comment on, the merits of the transaction, nor on the situation of Corestate Capital Holding S.A. (the "**Company**") and by approving this Prospectus the CSSF gives no undertaking as to the economical and financial soundness of the transaction and the quality or solvency of the Company, in line with Article 7(7) of the Luxembourg Prospectus Law.

The Company has requested the CSSF to provide the competent authority in Germany, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (the "**BaFin**"), with a copy of this Prospectus and a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive. The Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and on the website of the Company ([www.corestate-capital.com](http://www.corestate-capital.com)).

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

The date of this Prospectus is 29 September 2016

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## SUMMARY OF THE PROSPECTUS

*Summaries are made up of disclosure requirements known as elements (“**Elements**”). These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In such cases, the summary includes a short description of the Element with the words “not applicable.”*

### A – Introduction and Warnings

#### A.1 Warnings.

This summary should be read as an introduction to this prospectus (the “**Prospectus**”). Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor.

Where a claim relating to information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the shares in the Company.

#### A.2 Information regarding the subsequent use of the Prospectus.

Not applicable. Consent regarding the use of the Prospectus for a subsequent resale or placement of the Shares (as defined in item C.3 below) by financial intermediaries has not been granted.

### B – Issuer

#### B.1 Legal and commercial name.

The issuer’s legal name is Corestate Capital Holding S.A. (the “**Company**” and, together with its consolidated subsidiaries, the “**Group**”, “**Corestate Group**”, “**Corestate**” or “**we**”, “**us**” or “**our**”). The terms “**Group**”, “**Corestate Group**”, “**Corestate**” or “**we**”, “**us**” or “**our**”, when used with regard to the period before 23 September 2015 and before effectiveness of the capital increase by contribution in kind and with regard to any historical financial information as of and for the years ended 31 December 2013 and 2014, refer to Corestate Capital AG together with its consolidated subsidiaries unless it is referred to Corestate Capital Holding S.A. in the respective context.

#### B.2 Domicile, legal form, legislation under which the issuer operates, country of incorporation.

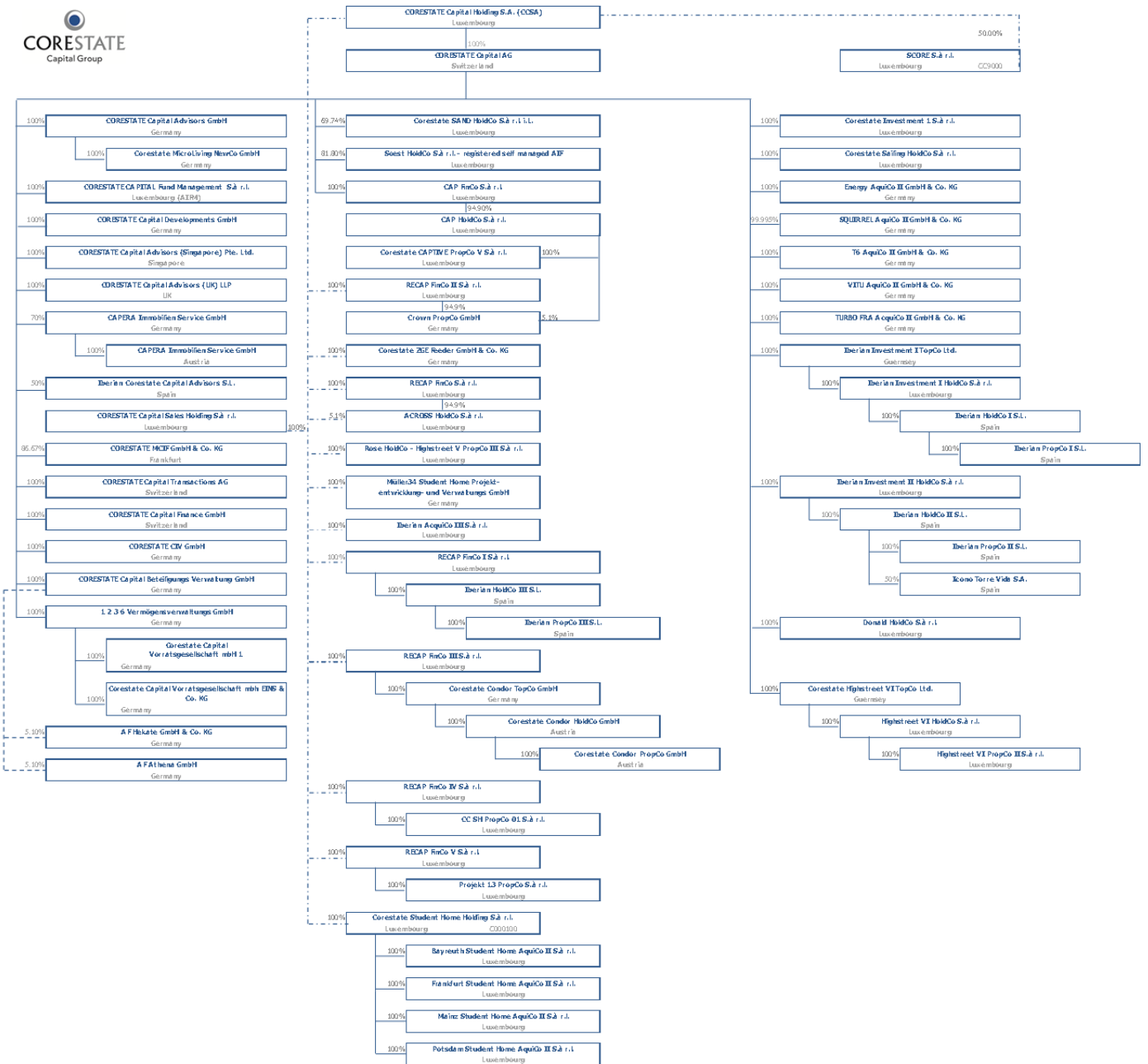
The Company has its registered office at 35, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg. The Company is a public limited liability company (*société anonyme*) incorporated in the Grand Duchy of Luxembourg (“**Luxembourg**”) and governed by Luxembourg law.

- B.3 Description of, and key factors relating to, the nature of the issuer's current operations and principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes.**
- We are a leading real estate investment manager with market focus predominantly on Germany headquartered in Luxembourg 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 (i) real estate investment management, (ii) alignment capital management and (iii) real estate operations and warehousing. Our activities encompass the sourcing and acquisition of relevant real estate opportunities and investments, structuring and implementing investment products and performing management services for real estate investments. The investment products are held in separate vehicles established by respective clients together with Corestate and related to our Real Estate Investment Management Business (together “**Investment Structures**” and individually “**Investment Structure**”). For such investment products, we provide Real Estate Investment Management (as defined below). For assets held for warehousing purposes, i.e. assets held on our balance sheet for a short term in order to convert them into investment products, and assets owned by non-client third parties, we provide services with the aim of actively value-enhancing and optimizing the assets and, ultimately, structuring the exit from such real estate investments (“**Real Estate Investment Management**”). It is an integral part of our business model to co-invest alongside our clients to align our interests with those of our clients (“**Alignment Capital Management**”). As a facilitating element for our products we also warehouse real estate investment opportunities prior to converting or transferring them into an investment product tailor-made for clients (“**Real Estate Operations and Warehousing**”).
- We have, historically, been concentrated on our investment products on Germany and Austria. Germany is and will remain our main real estate investment market. However, we are also selectively looking at other attractive European real estate markets such as Austria and Spain. In such selected markets we envisage structured growth through efficient resource allocation and ensuring necessary market expertise, typically by cooperating with local partners or by setting up our own experienced local team.
- B.4a Most significant recent trends affecting the issuer and the industries in which it operates.**
- According to our opinion the following are the most significant trends affecting the Company and our industry:
- current low interest environment;
  - capital inflows into real estate market from other asset classes;
  - continued increase in prices in real estate assets;
  - continuing consolidation in the real estate sector;
  - increasing investor sentiment for stable income and long-term real estate products;
  - growth potential with respect to the recovering Spanish real estate market.
- B.5 Description of the group and the**
- The Company is the holding company of the Group. The Company's business is primarily conducted by the relevant operating



**issuer's position  
within the group.**

subsidiaries. The following diagram sets forth a (simplified) summary of the direct and indirect shareholdings of the Company as of the date of this Prospectus.



**B.6 Persons who, directly or indirectly, have a (notifiable) interest in the issuer's capital and voting rights.**

As of the date hereof, the following persons, directly or indirectly, have a notifiable interest in the Company's capital and voting rights:

As at the date of this Prospectus Ralph Winter holds 66.1% and Thomas Landschreiber holds 5.3% in the issuer's share capital and voting rights. Immediately prior to completion of the Offering (as defined in item C.1 below), the Company has issued shares equaling 0.625% of the Company's share capital (as at the date of the Offering (as defined in item C.1 below)) to Daniel Schoch.

**Voting rights.**

Each Share (as defined in item C.3 below) entitles the shareholder to one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. All Shares (as defined in item C.3 below) carry the same voting rights.

**Direct or indirect control over the issuer and nature of such control.**

Ralph Winter holds 66.1% of the outstanding share capital of the Company and therefore controls the company.

**B.7 Selected historical key financial information.**

The following selected consolidated financial data of the Group as of and for the years ended 31 December 2013 and 2014 has been taken from the Audited Consolidated Financial Statements of Corestate Capital AG, Zug/Switzerland ("CCAG"), which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The following selected consolidated financial data of the Group as of and for the year ended 31 December 2015 has been taken from the Audited Consolidated Financial Statements of the Company which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and for the period as of 30 June 2016 and for the six-month periods ended 30 June 2015 and 2016 from the Unaudited Interim Condensed Consolidated Financial Statements of the Company.

All of the financial data presented in the text and the tables below are shown in thousands of EUR (in EUR thousands) except as otherwise stated. Certain financial data (including percentages) in this Prospectus have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts may not correspond in all cases to the corresponding aggregated amounts of the underlying (rounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this Prospectus, 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.

## Selected Consolidated Income Statement Data

	For the year ended 31 December			For the six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR '000)</i>	<b>(audited)</b>			<b>(unaudited)</b>	
Revenue from Acquisition Related Fees .....	6,947	2,391	4,483	2,623	2,938
Revenue from Asset and Property Management .....	12,410	18,261	20,886	10,771	11,359
Revenue from Sales Fees .....	2,126	602	491	-	-
Revenue from Promote Fees Realised .....	2,997	6,838	12,174	3,260	-
<i>Total Revenue from Real Estate Investment Management .....</i>	<i>24,481</i>	<i>28,093</i>	<i>38,034</i>	<i>16,654</i>	<i>14,297</i>
<i>Total Expenses from Real Estate Investment Management .....</i>	<i>(11,887)</i>	<i>(16,563)</i>	<i>(19,779)</i>	<i>(10,210)</i>	<i>(12,116)</i>
<b>Total Earnings from Real Estate Investment Management .....</b>	<b>12,593</b>	<b>11,530</b>	<b>18,255</b>	<b>6,444</b>	<b>2,182</b>
Share of Profit or Loss from Associates and Joint Ventures .....	503	4,373	4,695	1,563	1,031
Expenses from Management of Associates and Joint Ventures .....	(756)	(1,004)	(667)	(342)	(256)
<b>Total Earnings from Alignment Capital Management .....</b>	<b>(253)</b>	<b>3,370</b>	<b>4,028</b>	<b>1,221</b>	<b>775</b>
Net Rental Income .....	-	-	1,322	211	172
Revenue from Service Charges .....	-	-	557	14	-
Net Gain from Selling Property Holding Companies .....	-	3,765	2,506	2,506	8,543
<i>Total Income from Real Estate Operations/Warehousing .....</i>	<i>-</i>	<i>3,765</i>	<i>4,386</i>	<i>2,731</i>	<i>8,715</i>
<i>Expenses from Real Estate Operations/Warehousing .....</i>	<i>-</i>	<i>(558)</i>	<i>(2,077)</i>	<i>(534)</i>	<i>(84)</i>
<b>Total Earnings from Real Estate Operations/Warehousing .....</b>	<b>-</b>	<b>3,207</b>	<b>2,308</b>	<b>2,198</b>	<b>8,631</b>
General and Administrative Expenses .....	(3,336)	(4,366)	(13,118)	(3,159)	(3,434)
Other Income .....	258	1,222	803	163	173
<b>Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) .....</b>	<b>9,263</b>	<b>14,963</b>	<b>12,276</b>	<b>6,866</b>	<b>8,326</b>
Depreciation and Amortisation .....	(149)	(332)	(349)	(157)	(167)
<b>Earnings before Interests and Taxes (EBIT) .....</b>	<b>9,114</b>	<b>14,631</b>	<b>11,927</b>	<b>6,710</b>	<b>8,159</b>
Financial Income .....	360	218	173	86	242
Financial Expenses .....	(864)	(631)	(3,458)	(570)	(2,089)
<b>Earnings before Taxes (EBT) .....</b>	<b>8,609</b>	<b>14,218</b>	<b>8,642</b>	<b>6,227</b>	<b>6,312</b>
Income Tax (Expense)/Benefit .....	(1,012)	(474)	1,446	186	(1,104)
<b>Net Profit/(Loss) for the Period .....</b>	<b>7,597</b>	<b>13,743</b>	<b>10,087</b>	<b>6,413</b>	<b>5,208</b>
<i>Of which attributable to equity holders of parent company .....</i>	<i>7,786</i>	<i>12,333</i>	<i>9,656</i>	<i>6,030</i>	<i>5,154</i>
<i>Of which attributable to non-controlling interests .....</i>	<i>(189)</i>	<i>1,410</i>	<i>431</i>	<i>383</i>	<i>54</i>
<b>Total Revenues<sup>(1)</sup> .....</b>	<b>24,481</b>	<b>28,093</b>	<b>39,914</b>	<b>16,879</b>	<b>14,469</b>
<b>Total Expenses<sup>(2)</sup> .....</b>	<b>(15,978)</b>	<b>(22,491)</b>	<b>(35,642)</b>	<b>(14,245)</b>	<b>(15,890)</b>

(1) Not including Share of Profit or Loss from Associates and Joint Ventures and Net Gain from Selling Property Holding Companies.

(2) Excluding Financial Expenses and Depreciation and Amortisation.

## Other Financial Data

The following table sets forth certain other financial data for the periods indicated:

	For the year ended 31 December			For the six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR '000)</i>	<b>(unaudited)</b>				
Aggregated Revenues and Gains .....	24,983	36,231	47,115	20,948	24,044
Adjusted Net Income .....	8,832	13,821	16,493	7,588	6,784
Adjusted Net Income Margin .....	35%	38%	35%	36%	28%
Assets under Management at the end of the period .....	1,228	1,064	2,044	1,674	2,286

## Selected Consolidated Statement of Financial Position Data

	As of 31 December			As of 30 June
	2013	2014	2015	2016
(in EUR '000)		(audited)		(unaudited)
<b>Non-Current Assets</b>				
Property, Plant and Equipment.....	539	679	642	782
Intangible Assets .....	119	167	96	70
Investment in Associates and Joint Ventures .....	16,082	22,536	29,247	31,409
Other Financial Instruments .....	27	31	31	32
Long-term Loans to Associates .....	759	715	-	-
Deferred Tax Assets .....	552	813	2,406	1,717
Long-term Loans to Related Parties .....	830	-	-	-
<b>Total Non-Current Assets .....</b>	<b>18,908</b>	<b>24,942</b>	<b>32,421</b>	<b>34,010</b>
<b>Current Assets</b>				
Advance Payments for Property Purchase Prices .....	-	-	1,000	12,022
Inventories .....	-	-	39,216	-
Receivables from Associates .....	4,591	9,753	11,469	6,628
Receivables from Joint Venture .....	-	-	5,755	5,886
Trade Receivables .....	3,007	4,387	3,984	3,802
Other Short-term Receivables .....	419	1,842	1,329	337
Current Income Tax Assets .....	0	1	122	126
Other Short-term Assets .....	413	645	940	994
Restricted Cash.....	-	-	2,800	-
Cash and Cash Equivalents .....	20,915	21,820	9,647	23,920
<b>Total Current Assets .....</b>	<b>29,344</b>	<b>38,447</b>	<b>76,263</b>	<b>53,714</b>
<b>Total Assets .....</b>	<b>48,252</b>	<b>63,388</b>	<b>108,684</b>	<b>87,724</b>
<b>Equity</b>				
Share Capital .....	90	90	195	195
Participation Capital.....	27	27	-	-
Other Reserves .....	25,212	25,928	24,292	33,858
Net Profit/(Loss) for the Period.....	7,786	12,333	9,656	5,154
<i>Subtotal Capital Accounts of shareholders of parent company....</i>	<i>33,115</i>	<i>38,378</i>	<i>34,143</i>	<i>39,207</i>
Non-controlling Interests.....	37	338	213	262
<b>Total Equity .....</b>	<b>33,152</b>	<b>38,717</b>	<b>34,356</b>	<b>39,469</b>
<b>Non-Current Liabilities</b>				
Long-term Financial Liabilities to Banks .....	-	8,000	25,378	14,606
Net Employee Defined Benefit Liabilities .....	270	307	443	443
Other non-current Liabilities .....	861	1,388	1,275	20,908
<b>Total Non-Current Liabilities.....</b>	<b>1,131</b>	<b>9,695</b>	<b>27,096</b>	<b>35,958</b>
<b>Current Liabilities</b>				
Short-term Financial Liabilities to Banks.....	4,415	2	0	184
Short-term Liabilities to Associates .....	3,378	1,849	91	359
Trade Payables .....	1,771	3,228	8,258	7,208
Current Income Tax Liabilities .....	741	1,142	603	612
Other Current Liabilities .....	3,663	8,755	38,279	3,933
<b>Total Current Liabilities.....</b>	<b>13,969</b>	<b>14,977</b>	<b>47,232</b>	<b>12,296</b>
<b>Subtotal Liabilities .....</b>	<b>15,099</b>	<b>24,672</b>	<b>74,328</b>	<b>48,254</b>
<b>Total Equity and Liabilities.....</b>	<b>48,252</b>	<b>63,388</b>	<b>108,684</b>	<b>87,724</b>

## Selected Consolidated Cash Flow Data

	Year ended 31 December			Six-month period	
	2013	2014	2015	2015	2016
(in EUR '000)		(audited)		(unaudited)	
Net cash flows from / (used in) operating activities .....	5,266	11,230	(34,100)	(3,042)	27,075
Net cash flows generated from / (used in) investing activities .....	2,413	(5,527)	(4,575)	(15,339)	(5,654)
Net cash flows from / (used in) financing activities .....	11,577	(4,798)	29,302	430	(9,948)
Net increase (decrease) in cash and cash equivalents .....	19,256	905	(9,373)	(17,951)	11,473
Cash and cash equivalents at beginning of period.....	1,659	20,915	21,820	21,820	12,447
Cash and cash equivalents at end of period .....	20,915	21,820	12,447	3,869	23,920

**Significant changes to the issuer's financial condition and operating results.**

To complement our Real Estate Investment Management business, we commenced our property management activities in July 2013, which we conduct through our subsidiary CAPERA Immobilien Service GmbH ("Capera"). Capera is an integral part of our business model since July 2013. For 2015, we recorded revenue from property management fees of EUR 9.1 million, and for the six-month period ended 30 June 2016, we recorded revenue from property management fees of EUR 5.5 million.

We commenced our Real Estate Operations and Warehousing activities in July 2014 and therefore did not record any earnings from this segment for 2013. Total earnings primarily from Warehousing were EUR 3.2 million for 2014, EUR 2.3 million for 2015 and EUR 8.6 million for the six-month period ended 30 June 2016. We expect our Real Estate Operations and Warehousing activities to contribute to our results at least at historical levels.

There have been no significant changes to the Company's financial condition and operating results other than those described in this item B.7.

- B.8 Selected key pro forma financial information.** Not applicable. No selected key pro forma financial information is being presented by the Company.
- B.9 Profit forecast and estimate.** Not applicable. No profit forecast or estimate is being presented by the Company.
- B.10 Qualifications in the audit report on the historical financial information.** Not applicable. The auditor's reports on the historical financial statements included in this Prospectus have been issued without qualification.
- B.11 Insufficiency of the issuer's working capital for its present requirements.** Not applicable. The Company's working capital is sufficient for its present requirements, that is, for at least 12 months following the date of this Prospectus.

### **C – Securities**

- C.1 Type and class of the securities being admitted to trading.** This offering relates to the offer to sell 12,610,681 ordinary shares of the Company in dematerialized form (the "**Offering**").
- Security identification number.** International Securities Identification Number (ISIN): LU1296758029  
German Identification Number (*Wertpapierkennnummer*, WKN): A141J3  
Common Code: 129675802
- C.2 Currency.** Euro.
- C.3 The number of shares issued and fully paid.** As of the date hereof, the share capital of the Company amounts to EUR 945,801.14 and is divided into 12,610,681 shares in dematerialized form (the "**Shares**"). The share capital of the Company is fully paid up.

<b>Par value.</b>	The Shares have no par value.
<b>C.4 Rights attached to the securities.</b>	Each Share in the Company carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. The Shares carry full dividend rights as from 1 January 2016.
<b>C.5 A description of any restrictions on the free transferability of the securities.</b>	Not applicable. The Shares will be freely transferable in accordance with the legal requirements for shares in dematerialized form. There are no prohibitions or restrictions on disposals with respect to the transferability of the Shares.
<b>C.6 Application for admission to trading on a regulated market and identity of regulated markets where the securities are to be traded.</b>	Not applicable. The Company has not applied for the admission to trading on a regulated market.
<b>C.7 Dividend policy.</b>	Our dividend policy will be reviewed from time to time and declaration and payment of any future dividends will be at the discretion of the Company's management board and the general meeting of shareholders after taking into account various factors, including our business prospects, future earnings, cash requirements, financial condition, expansion plans and the requirements of Luxembourg law (as described above) and/or the laws of the jurisdiction where our subsidiaries are organized. Our general dividend policy following the Offering is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. Generally, the Company intends to pay dividends in the future, targeting a payout ratio of between 70% and 80% of the consolidated net income.

## D – Risks

- D.1 Key risks specific to the issuer and its industry.**
- As an integrated real estate investment manager with our principal operations in Germany, our business is affected by developments in the German real estate market.
  - The German real estate market – and our business – depend on economic developments in Germany and in Europe.
  - Deflationary or inflationary pressures could adversely affect our business, results of operations and financial condition, particularly in a period of oversupply in the general housing market.
  - The current macroeconomic environment is characterized by low interest rates and comparatively high values of real estate portfolios in Germany. Any increase in interest rates could have material adverse effects on the German real estate market and on our business.
  - A future deterioration of the asset values of our Investment Structures due to external economic and political factors may materially and adversely affect our business, financial condition, results of operations and prospects.

- Our business model depends on our ability to find clients for our Investment Structures. Any inability to do so may have a material adverse effect on our financial condition.
- The historical performance of our existing Investment Structures may not be indicative of their future results or the results of Investment Structures we may develop in the future.
- Our efforts to establish new Investment Structures may be unsuccessful and may negatively affect our reputation.
- We may not be able to maintain our current fee structure as a result of poor investment performance, general industry trends or changes in our business mix.
- We depend on the members of our management team. The loss of their services or our inability to attract and retain additional key personnel may impair our operations and growth.
- We benefit from our senior advisory circle. The loss of their services may impair our growth and may have a material adverse effect on us.
- Disputes with clients in our Investment Structures or the non-performance by clients of their obligations may materially and adversely affect our business.
- Our reputation depends to a large extent on the reputation of the investors in our Investment Structures.
- Conducting a portion of our operations through joint ventures exposes us to risks and uncertainties, many of which are outside of our control.
- The highly competitive market for property management may create adverse pricing pressures.
- If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses.
- Employee misconduct may expose us to significant legal liability and reputational harm.
- A member of our management board is subject to a public accusation by the Frankfurt Prosecutor's Office.
- Operational risks may disrupt our business or result in losses.
- Our IT systems could malfunction or become impaired and our IT-based management tools could fail to correctly reflect and support the business decisions that are in our best interest.
- We may enter into new geographic markets and business segments, make strategic investments or acquisitions or enter into additional joint ventures, each of which may result in additional risks and uncertainties for our business.



- We may be unable to successfully identify and complete acquisitions for Investment Structures or warehousing purposes on favorable terms or achieve anticipated synergies relating to any acquisitions, and such acquisitions could result in unforeseen operating difficulties and expenditures.
- We might be subject to typical project development risks.
- Future acquisitions may not close or not as originally contemplated, for example, due to conditions in the acquisition agreement or a failure to reach final agreements on the acquisition financing.
- As the Company is a holding company, it will have to rely on dividends and other distributions by its operating subsidiaries. Any limitations on their ability to pay dividends may adversely impact the Company's ability to pay dividends to shareholders.
- The due diligence process that we undertake in connection with investments by our Investment Structures or in connection with acquisitions or other transactions may not reveal all relevant facts.
- We entered into a significant number of related party transactions with our Investment Structures as well as with certain other related parties in line with our business model as real estate investment manager. Certain of these agreements may not have been entered into at arm's length, and therefore, the conditions of these contractual relationships may not reflect their past, present or future fair value.
- We may postpone the invoicing of our management fees and make capital contributions or loans to our Investment Structures if they run into liquidity issues.
- Risks Relating to Our Alignment Capital Investments in Our Investment Structures and to Our Assets Held for Warehousing Purposes.
- Our ability to generate the desired returns for our Investment Structures depends on our ability to lease the properties underlying these Investment Structures to appropriate tenants on satisfactory terms and to dispose of properties on appropriate terms.
- Locations where we have invested in real estate could lose their attractiveness and could suffer from an economic downturn.
- We could fail to conclude real estate transactions on attractive terms and might lose opportunities to purchase and sell properties.
- Future acquisitions or sales for our Investment Structures and for warehousing purposes may not close or not as originally contemplated, for example, due to conditions in the sale and purchase agreement or a failure to reach final agreements on the acquisition financing.
- We are exposed to risks related to the structural conditions of the properties held by our Investment Structures and held by us for warehousing purposes and their modernization and maintenance.
- We may make significant investments in modernization measures for properties held by our Investment Structures or held by us for

warehousing purposes, which may not generate the expected return.

- Capital expenditure and other maintenance costs for properties held by our Investment Structures or held by us for warehousing purposes may be higher than expected.
- Real estate investments are relatively illiquid, which may affect our ability to vary, dispose of or liquidate the assets of our Investment Structures.
- Write-downs of real estate booked as assets in our consolidated financial statements or in the financial statements of our Investment Structures could have adverse effects on our results.
- Our ability to increase rents in Germany is limited by German law.
- German law provides tenants with substantial protection against termination and tenant eviction. In addition, we use standardized tenancy agreements and standardized contract terms, which are closely scrutinized by German courts.
- Our Investment Structures and real estate assets held by us for warehousing purposes may be exposed to substantial risk of loss from environmental claims.
- We may suffer material losses in excess of insurance proceeds in the event of significant damage to real estate assets.
- Real estate valuations are based on assumptions and considerations that are not only subject to change but are inherently subjective and uncertain, and valuation reports may not accurately reflect the value of the real estate to which the reports relate.
- Our borrowings subject us to risks associated with leverage and may adversely affect our ability to pay dividends.
- If we are unable to obtain debt financing for the acquisition and refinancing of real estate assets, this may materially and adversely affect our business.
- Covenants and restrictions in the financing arrangements for our Investment Structures could limit our ability to undertake certain types of transactions and adversely affect our business.
- We are exposed to risks from litigation and other legal actions, and could incur significant liabilities and substantial legal fees.
- Our intellectual property rights may be infringed or challenged by third parties and we may infringe third parties' intellectual property rights or be faced with claims regarding infringement with regard to the use of intellectual property.
- Our insurance coverage may not be sufficient.
- The control and prevention mechanisms of our compliance structure

may not have been, or may not be, sufficient to adequately protect us from all legal or financial risks.

- New laws or regulations, or changes in the enforcement of relevant laws or regulations may adversely affect our business.
- We may be subject to investigations or administrative proceedings for violations of our licenses or license/authorisations requirements.
- Competent authorities may deem that we have in the past conducted our business as an alternative investment fund manager within the meaning of the AIFMD.
- Competent authorities may require the replacement or termination of portfolio/risk management and/or advisory agreements with other entities within or outside the Group.
- We may be exposed to risks from the use of distributors for our Investment Structures, including the loss of distribution channels and higher costs.
- We may be adversely affected by corporate criminal law applicable to us and/or our Group companies and incur liability and reputational harm.
- If our Investment Structures are not tax efficient, this may have a material adverse effect on our business.
- Our Investment Structures are subject to the general tax environment *inter alia* in Germany, Luxembourg, Austria, Spain, Switzerland and Guernsey and to possible future changes in the taxation of enterprises in these jurisdictions, which may change to our detriment.
- Our Investment Structures may be required to pay additional taxes following tax audits.
- The tax authorities might not accept tax residency and/or substance of Guernsey Limited Liability Companies of certain of our Investment Structures.
- The tax authorities might not accept all tax deductions for interest payments in our Investment Structures.
- A transfer of 95% or more of our shares within a five-year period may trigger German real estate transfer tax in our Investment Structures.
- Our Investment Structures may lose the tax benefits from non-application of German trade tax or the extended trade tax deduction.
- German resident clients in our Investment Structures may be subject to an income attribution under the German Controlled Foreign Companies rules. Furthermore, these rules may require German resident clients in our Investment Structures to disclose certain

information.

- Our business is subject to the general tax environment *inter alia* in Germany, Luxembourg, Spain and Switzerland and to possible future changes in the taxation of enterprises in these jurisdictions, which may change to our detriment.
- We could be required to pay additional taxes following tax audits or tax assessments.
- Swiss tax authorities might disallow participation exemption on our promote income.
- Tax authorities might reclassify our warehousing fees.
- German tax authorities may challenge tax residency of Corestate Capital AG or assume a permanent establishment in Germany.
- German tax authorities might not accept the implemented RETT Blocker structures.
- German tax authorities may challenge the applied transfer pricing model.

**D.3 Key risks specific to the securities.**

- Following the completion of the Offering, our major shareholders will continue to own significant portions of our share capital and their interests may conflict with the interests of other shareholders.
- The Shares may not be a suitable investment for all investors.
- There has been no prior public market for the Shares and an active trading market may not develop.
- Future sales of the Shares by our major shareholders may adversely affect the market price of the Shares.
- The market price of the Shares may fluctuate significantly and may decline after the Offering.
- Additional funds raised through issuance of new shares for our future growth may dilute shareholders' equity interests.
- The requirements of being a publicly traded company may increase our overall operating costs and subject us to increased costs and regulatory risk which could negatively impact our business.
- We are incorporated under and subject to Luxembourg law and the laws of Luxembourg may not be as favorable to the investors' interests as the laws of Germany or other jurisdictions with which the investors may be familiar.
- The Offering might not take place, and investors could therefore lose security commissions already paid and – also when the Offering might be delayed – bear the risk of not covering any short sales of the Shares.

## E – Offer

- E.1 The total net proceeds.** Not applicable. The Company will not receive any proceeds of the Offering resulting from the sale of the Shares as there is no new issue of shares as part of the Offering.
- Estimate of the total expenses of the offer and listing, including estimated expenses charged to the investor by the issuer.** The total expenses of the Offering and the inclusion to trading to be borne by the Company are expected to amount to EUR 825,000.
- Investors will not be charged with expenses by the Company. Investors may, however, have to bear customary transaction and handling fees charged by their account-keeping financial institution.
- E.2a Reasons for the offer.** The Company intends to apply for inclusion to trading of the Shares on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to improve transferability of the Shares to get better access to the capital markets.
- Use of proceeds, estimated net amount of the proceeds.** Not applicable. The Company will not receive any proceeds from the Offering resulting from the sale of the Shares as there is no new issue of shares as part of the Offering. Consequently, there will not be any use of proceeds from the Offering.
- E.3 A description of the terms and conditions of the offer.** This Offering relates to 12,610,681 Shares. The Shares carry equal rights and confer no additional rights or benefits. All Shares are subject to and governed by Luxembourg law.
- This Offering will be made in connection with the inclusion to trading of the Shares on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) which in conjunction with various promotional measures constitutes a public offer of securities in the Federal Republic of Germany (“**Germany**”), which requires the Company to draw up this Prospectus. The promotional measures of the Company shall include press releases which will be published on the website of the Company and via electronic distribution services. Furthermore, the Company intends to carry out one or more roadshows for potential investors. The Offering includes the entire share capital of the Company. No new shares will be issued as part of the Offering. All Shares are in possession of the shareholders of the Company. Some of the Shares may not be offered as part of the Offering as they are subject to lock-up agreements. This relates to 78,327 Shares. The Shares that are subject to the lock-up agreements, however, may be sold if the parties of the respective lock-up agreement agree to release those Shares from the lock-up.
- The Shares will not be offered within a certain price range. The offer price will be identical with the respective current price of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
- The offer period will commence on 4 October 2016 and end on 8 October 2016.
- The Offering relates to 12,610,681 Shares. The offer price therefore depends on demand for and supply of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and is determined via

the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

The Shares will be made available to the shareholders in book-entry form. At the shareholders's option, the Shares purchased during the Offering will be credited either to a securities account maintained with a participant in LuxCSD, a participant in Euroclear Bank S.A./N.V. (Brussels), a participant in Clearstream Banking S.A. (Luxembourg) or a participant in Clearstream Banking Aktiengesellschaft (Frankfurt am Main).

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|---|--|
| <b>Stabilization Measures, Over-Allotments and Greenshoe Option.</b>  | Not applicable. There will be no stabilization measures, over-allotments or greenshoe option.  |
| <b>E.4 A description of any interest that is material to the issue/offer including conflicting interests.</b> | Not applicable. No person has any interest that is material to the Offering, including conflicting interests.  |
| <b>E.5 Name of the person or entity offering to sell the security.</b>  | All Shares are in possession of the existing shareholders. The Company will not sell any Shares.   |
| <b>Lock-up agreement: the parties involved; and indication of the period of the lock up.</b>                  | The existing shareholders have not, to the Company's knowledge, entered into any lock-up agreement, unless otherwise disclosed herein. The shares issued to Mr Schoch are subject to the following lock up periods: (i) 25% of such shares are subject to a lock up period of 12 months following the first day of listing at the Frankfurt stock exchange and (ii) 75 % of such Shares are subject to a lock up period of 36 months following the first day of listing at the Frankfurt stock exchange. |
| <b>E.6 Amount and percentage of immediate dilution resulting from the offer.</b>                              | Not applicable, as no new shares will be issued.   |
| <b>E.7 Estimated expenses charged to the investor by the issuer.</b>  | Not applicable. Investors will not be charged expenses by the Company. Investors will have to bear customary transaction and handling fees charged by their account-keeping financial institution.   |

## GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS

### ZUSAMMENFASSUNG DES PROSPEKTS

*Zusammenfassungen bestehen aus den geforderten Offenlegungspflichten, den sogenannten Punkten ("Punkte"). Diese Punkte werden in den Abschnitten A – E (A.1 – E.7) nummeriert aufgeführt. Diese Zusammenfassung enthält alle Punkte, die in eine Zusammenfassung für diese Art von Wertpapier und Emittentin aufzunehmen sind. Da einige Punkte nicht aufgenommen werden müssen, kann es Lücken in der Reihenfolge der Nummerierung der Punkte geben. Auch wenn ein Punkt aufgrund der Art des Wertpapiers und der Emittentin möglicherweise in die Zusammenfassung aufzunehmen ist, besteht die Möglichkeit, dass zu diesem Punkt keine relevanten Angaben gemacht werden können. In diesem Fall wird eine kurze Beschreibung des Punktes mit dem Hinweis "entfällt" aufgenommen.*

#### A – Einleitung und Warnhinweise

**A.1 Warnhinweise.** Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt (der „**Prospekt**“) verstanden werden. Der Anleger sollte sich bei jeder Entscheidung, in die Wertpapiere zu investieren, auf den Prospekt als Ganzes stützen.

Ein Anleger, der wegen der in dem Prospekt enthaltenen Angaben Klage einreichen will, muss nach den nationalen Rechtsvorschriften seines Mitgliedstaats möglicherweise für die Kosten der Übersetzung des Prospekts aufkommen, bevor das Verfahren eingeleitet werden kann.

Zivilrechtlich haften nur diejenigen Personen, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass die Zusammenfassung, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder wesentliche Angaben, die in Bezug auf Anlagen in die Aktien der Gesellschaft für die Anleger eine Entscheidungshilfe darstellen, vermissen lässt.

**A.2 Angabe zur späteren Verwendung des Prospekts** Entfällt. Eine Zustimmung zur Verwendung des Prospekts für eine spätere Weiterveräußerung oder Platzierung der Aktien (wie unter C.3 definiert) durch Finanzintermediäre ist nicht erteilt worden.

#### B – Emittent

**B.1 Juristischer und kommerzieller Name.** Der juristische Name der Emittentin ist Corestate Capital Holding S.A. (die "**Gesellschaft**" und zusammen mit ihren konsolidierten Tochtergesellschaften die "**Gruppe**", "**Corestate-Gruppe**", "**Corestate**" oder "**wir**", "**uns**" oder "**unser**"). Die Begriffe "**Gruppe**", "**Corestate-Gruppe**", "**Corestate**" oder "**wir**", "**uns**" oder "**unser**" in Bezug auf den Zeitraum vor dem 23. September 2015 und vor Wirksamwerden der Sachkapitalerhöhung und in Bezug auf die historischen Finanzinformationen für die Geschäftsjahre endend zum 31. Dezember 2013 und 2014 beziehen sich auf die Corestate Capital AG zusammen mit ihren konsolidierten Tochtergesellschaften, sofern im jeweiligen Zusammenhang nicht Bezug auf Corestate Capital Holding S.A. genommen wird.

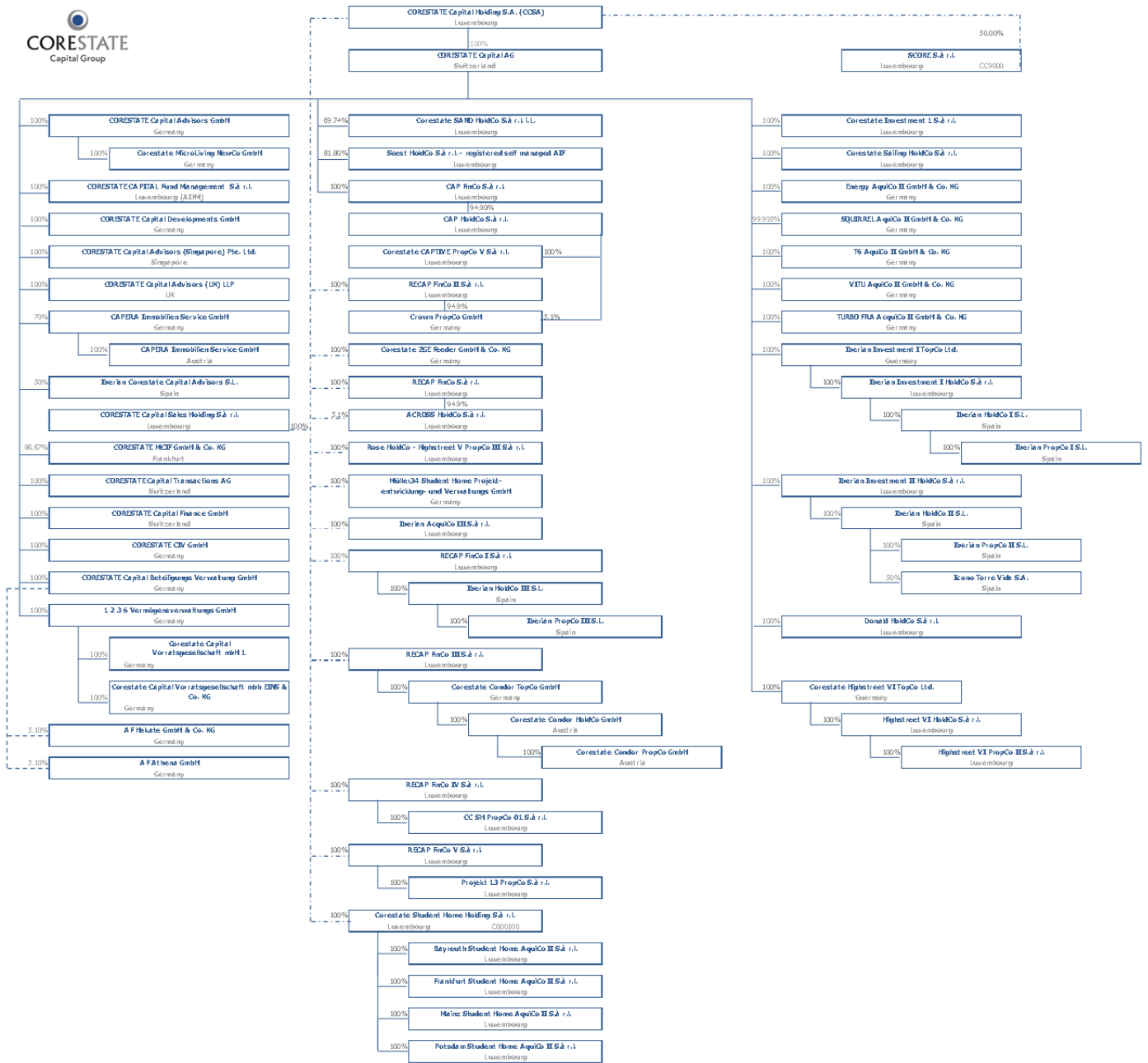
**B.2 Sitz und Rechtsform der Emittentin, das für die Emittentin geltende Recht und Land der Gründung der Gesellschaft.** Die Gesellschaft hat ihren Sitz in 35, avenue Monterey, L-2163 Luxemburg, Großherzogtum Luxemburg. Die Gesellschaft ist eine im Großherzogtum Luxemburg ("**Luxemburg**") eingetragene Aktiengesellschaft (*société anonyme*) nach luxemburgischem Recht.

**B.3 Art der derzeitigen Geschäftstätigkeit und Haupttätigkeiten der Emittentin samt der hierfür wesentlichen Faktoren, Hauptprodukt- und/oder -dienstleistungskategorien und Hauptmärkte, auf denen die Emittentin vertreten ist.** Wir sind ein führender Immobilieninvestmentmanager mit Sitz in Luxemburg, mit Markorientierung überwiegend auf Deutschland und der die gesamte Wertschöpfungskette des Immobilieninvestments abdeckt. Im Rahmen unseres vollintegrierten Geschäftsmodells agieren wir als Co-Investor und Manager für unsere Kunden und nutzen dabei unsere Erfahrung und unser Fachwissen im Hinblick auf ein breites Spektrum von Produktangeboten im Bereich Immobilieninvestments. Unser Unternehmen generiert Umsätze in drei Segmenten: (i) Real Estate Investment Management, (ii) Alignment Capital Management und (iii) Real Estate Operations and Warehousing. Unsere Tätigkeiten umfassen die Suche nach und den Erwerb von relevanten Immobilienobjekten und Anlagen, die Strukturierung und Implementierung von Anlageprodukten und die darauf basierende Erbringung von Managementdienstleistungen in Bezug auf die Immobilienanlageprodukte. Die Anlageprodukte werden in separaten Zweckgesellschaften, die gemeinsam mit den jeweiligen Kunden errichtet werden, mit Bezug zu unserem Real Estate Investment Management gehalten (zusammen die "**Investmentstrukturen**" und einzeln jeweils eine "**Investmentstruktur**"). Für diese Anlageprodukte erbringen wir Real Estate Investment Management (wie unten definiert). Für Warehousing-Zwecke gehaltene Objekte, die wir kurzfristig als Immobilien im Eigenbestand erworben haben, um diese dann in Anlageprodukte für Kunden zu konvertieren, und Immobilien Dritter (also Nicht-Kunden) erbringen wir Dienstleistungen mit dem Ziel der aktiven Wertschöpfung und Optimierung der Immobilien und schlussendlich der Strukturierung des Exits aus solchen Immobilieninvestments ("**Real Estate Investment Management**"). Zentraler Bestandteil unseres Geschäftsmodells ist die Tätigkeit als Co-Investor mit unseren Kunden, um so unsere Interessen mit denen unserer Kunden in Einklang zu bringen ("**Alignment Capital Management**"). Zur Förderung unserer Produkte nehmen wir auch attraktive Immobilieninvestments in den eigenen Bestand auf, bevor wir sie in ein auf die Bedürfnisse unserer Kunden zugeschnittenes Anlageprodukt umwandeln oder hierin überführen ("**Real Estate Operations and Warehousing**").

Der Schwerpunkt unserer Anlageprodukte liegt historisch gesehen auf Deutschland und Österreich. Deutschland ist unser wichtigster Immobilieninvestmentmarkt und wird dies auch in Zukunft bleiben. Wir engagieren uns jedoch auch in ausgewählten anderen attraktiven europäischen Immobilienmärkten, wie beispielsweise Österreich und Spanien. In solchen ausgewählten Märkten rechnen wir mit einem strukturierten Wachstum durch den effizienten Einsatz von Ressourcen und die Sicherung erforderlicher Marktkenntnis, in der Regel durch Kooperation mit lokalen Partnern oder durch Aufbau unseres eigenen Teams vor Ort.



- B.4a Wichtigste jüngste Trends, die sich auf die Emittentin und die Branchen, in denen sie tätig ist, auswirken.** Nach unserer Einschätzung sind die wichtigsten jüngsten Trends, die sich auf die Gesellschaft und unsere Branche auswirken können, die Folgenden:
- das derzeitige Niedrigzinsniveau;
  - Kapitalzuflüsse im Immobilienmarkt durch andere Arten von Vermögenswerten;
  - weitere Preiserhöhung bei Immobilienobjekten;
  - weitere Konsolidierung im Immobiliensektor;
  - verstärktes Interesse von Anlegern an stabilen Erträgen und langfristigen Immobilienprodukten;
  - Wachstumspotenzial im sich erholenden spanischen Immobilienmarkt.
- B.5 Beschreibung des Konzerns und der Stellung der Emittentin innerhalb des Konzerns.** Die Gesellschaft ist die Holdinggesellschaft des Konzerns. Das Geschäft der Gesellschaft wird im Wesentlichen durch die jeweiligen operativen Tochtergesellschaften betrieben. Das nachfolgende Schaubild gibt einen (vereinfachten) Überblick über die direkten und indirekten Beteiligungen der Gesellschaft zum Datum dieses Prospekts.



**B.6 Personen, die eine direkte oder indirekte (meldepflichtige) Beteiligung am Eigenkapital oder an den Stimmrechten der Emittentin halten.**

Zum Datum dieses Prospekts halten die folgenden Personen eine direkte oder indirekte meldepflichtige Beteiligung am Eigenkapital und an den Stimmrechten der Gesellschaft:

Zum Datum dieses Prospekts sind Ralph Winter mit 66,1 % und Thomas Landschreiber mit 5,3 % am Eigenkapital oder an den Stimmrechten der Emittentin beteiligt. Unmittelbar vor Vollzug des Angebots (wie unter C.1 definiert) hat die Gesellschaft 0,625 % des Eigenkapitals (zum Zeitpunkt des Angebots (wie unter C.1 definiert)) an Daniel Schoch ausgegeben.

**Stimmrechte.**

Jede Aktie (wie unter C.3 definiert) berechtigt den Aktionär zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschränkungen. Alle Aktien (wie unter C.3 definiert) sind mit gleichen Stimmrechten ausgestattet.

**Unmittelbare oder mittelbare Beherrschungsverhältnisse an der Emittentin und Art der Beherrschung.**

Ralph Winter ist mit 66,1% am ausstehenden Grundkapital der Gesellschaft beteiligt und beherrscht daher die Gesellschaft.

**B.7 Ausgewählte wesentliche historische Finanzinformationen.**

Die nachfolgenden ausgewählten konsolidierten Finanzdaten der Gruppe für die Geschäftsjahre endend zum 31. Dezember 2013 und 2014 sind den Geprüften Konzernabschlüssen der Corestate Capital AG ("CCAG") entnommen, die nach den vom International Accounting Standards Board herausgegebenen Internationalen Rechnungslegungsvorschriften (*International Financial Reporting Standards*) erstellt wurden. Die nachfolgenden ausgewählten Finanzdaten der Gruppe für das Geschäftsjahr endend zum 31. Dezember 2015 sind dem geprüften Konzernabschluss der Gesellschaft entnommen, der nach den Internationalen Rechnungslegungsvorschriften (*International Financial Reporting Standards*) wie von der Europäischen Union angenommen ("IFRS") erstellt wurde, diejenigen zum 30. Juni 2016 und für die Sechsmonatszeiträume endend zum 30. Juni 2015 und 2016 sind dem Ungeprüften Verkürzten Konzernzwischenabschluss der Gesellschaft entnommen.

Sofern keine anderslautenden Angaben gemacht werden, sind sämtliche im Text und den folgenden Tabellen enthaltenen Finanzinformationen in Tausend Euro angegeben (in Tausend Euro). Bestimmte Finanzinformationen (einschließlich Prozentangaben) in diesem Prospekt sind nach den bestehenden geschäftlichen Gepflogenheiten gerundete Zahlen, wobei Gesamtbeträge (Summen, Zwischensummen, Differenzen oder in ein Verhältnis zueinander gesetzte Zahlen) auf Basis der zugrunde liegenden nicht gerundeten Zahlen berechnet werden. Somit entsprechen die Gesamtbeträge unter Umständen nicht immer den sich aus den an anderer Stelle im Prospekt angegebenen zugrunde liegenden (gerundeten) Zahlen ergebenden Gesamtbeträgen. Darüber hinaus entsprechen diese gerundeten Zahlen in Summe möglicherweise nicht genau den Gesamtbeträgen. In Klammern angegebene Finanzinformationen sind negative Zahlen. In Bezug auf die in diesem Prospekt

angegebenen Finanzinformationen weist ein Strich ("-") darauf hin, dass die betreffende Zahl nicht verfügbar ist, während eine Null ("0") bedeutet, dass die Zahl verfügbar ist, jedoch auf Null gerundet wurde oder Null entspricht.

### Ausgewählte Daten aus der Konzern-Gewinn- und Verlustrechnung

	Für das Geschäftsjahr endend zum 31. Dezember			Für den Sechsmonats- zeitraum endend zum 30. Juni	
	2013	2014	2015	2015	2016
<i>(in Tausend Euro)</i>		<i>(geprüft)</i>		<i>(ungeprüft)</i>	
Erlöse aus Akquisitionsgebühren .....	6.947	2.391	4.483	2.623	2.938
Erlöse aus Asset und Property Management Gebühren.....	12.410	18.261	20.886	10.771	11.359
Erlöse aus Verkaufsgebühren.....	2.126	602	491	-	-
Erlöse aus realisierten Promote Gebühren.....	2.997	6.838	12.174	3.260	-
<b>Gesamterlöse aus dem Real Estate Investment Management.....</b>	<b>24.481</b>	<b>28.093</b>	<b>38.034</b>	<b>16.654</b>	<b>14.297</b>
<b>Gesamtaufwendungen aus dem Real Estate Investment Management.....</b>	<b>(11.887)</b>	<b>(16.563)</b>	<b>(19.779)</b>	<b>(10.210)</b>	<b>(12.116)</b>
<b>Gesamtergebnis aus dem Real Estate Investment Management .....</b>	<b>12.593</b>	<b>11.530</b>	<b>18.255</b>	<b>6.444</b>	<b>2.182</b>
<i>Gewinn- oder Verlustanteile an assoziierten Unternehmen und Joint Ventures.....</i>	<i>503</i>	<i>4.373</i>	<i>4.695</i>	<i>1.563</i>	<i>1.031</i>
<i>Aufwendungen aus der Verwaltung von assoziierten Unternehmen und Joint Ventures .....</i>	<i>(756)</i>	<i>(1.004)</i>	<i>(667)</i>	<i>(342)</i>	<i>(256)</i>
<b>Gesamtergebnis aus dem Alignment Capital Management .....</b>	<b>(253)</b>	<b>3.370</b>	<b>4.028</b>	<b>1.221</b>	<b>775</b>
Nettomieteinnahmen .....	-	-	1.322	211	172
Erträge aus weiterbelasteten Betriebskosten.....	-	-	557	14	-
Nettogewinn aus dem Verkauf von Immobilien haltenden Gesellschaften .....	-	3.765	2.506	2.506	8.543
<i>Gesamterträge aus Real Estate Operations/Warehousing .....</i>	<i>-</i>	<i>3.765</i>	<i>4.386</i>	<i>2.731</i>	<i>8.715</i>
<i>Aufwendungen aus Real Estate Operations/Warehousing.....</i>	<i>-</i>	<i>(558)</i>	<i>(2.077)</i>	<i>(534)</i>	<i>(84)</i>
<b>Gesamtergebnis aus Real Estate Operations/Warehousing.....</b>	<b>-</b>	<b>3.207</b>	<b>2.308</b>	<b>2.198</b>	<b>8.631</b>
Allgemeine und Verwaltungskosten.....	(3.336)	(4.366)	(13.118)	(3.159)	(3.434)
Sonstige Erträge .....	258	1.222	803	163	173
<b>Ergebnis vor Zinsen, Steuern, und Abschreibungen (EBITDA).....</b>	<b>9.263</b>	<b>14.963</b>	<b>12.276</b>	<b>6.866</b>	<b>8.326</b>
Abschreibungen.....	(149)	(332)	(349)	(157)	(167)
<b>Ergebnis vor Zinsen und Steuern (EBIT).....</b>	<b>9.114</b>	<b>14.631</b>	<b>11.927</b>	<b>6.710</b>	<b>8.159</b>
Finanzerträge.....	360	218	173	86	242
Finanzaufwendungen .....	(864)	(631)	(3.458)	(570)	(2.089)
<b>Ergebnis vor Steuern (EBT) .....</b>	<b>8.609</b>	<b>14.218</b>	<b>8.642</b>	<b>6.227</b>	<b>6.312</b>
(Ertragsteueraufwendungen) / Ertragsteuervorteile.....	(1.012)	(474)	1.446	186	(1.104)
<b>Nettogewinn/(Verlust) der Periode .....</b>	<b>7.597</b>	<b>13.743</b>	<b>10.087</b>	<b>6.413</b>	<b>5.208</b>
<i>davon auf die Gesellschafter des Mutterunternehmens entfallend.....</i>	<i>7.786</i>	<i>12.333</i>	<i>9.656</i>	<i>6.030</i>	<i>5.154</i>
<i>davon auf die nicht beherrschenden Anteile entfallend.....</i>	<i>(189)</i>	<i>1.410</i>	<i>431</i>	<i>383</i>	<i>54</i>
<b>Gesamterlöse<sup>(1)</sup>.....</b>	<b>24.481</b>	<b>28.093</b>	<b>39.914</b>	<b>16.879</b>	<b>14.469</b>
<b>Gesamtaufwendungen<sup>(2)</sup>.....</b>	<b>(15.978)</b>	<b>(22.491)</b>	<b>(35.642)</b>	<b>(14.245)</b>	<b>(15.890)</b>

(1) Ohne Gewinn- oder Verlustanteile an assoziierten Unternehmen und Joint Ventures und Nettogewinn aus dem Verkauf von Immobilien haltenden Gesellschaften.

(2) Ohne Finanzaufwendungen und Abschreibungen.

## Ausgewählte Daten aus der Konzernbilanz

	Zum 31. Dezember			Zum 30. Juni
	2013	2014	2015	2016
(in Tausend Euro)	(geprüft)			(ungeprüft)
<b>Langfristige Vermögenswerte</b>				
Sachanlagen.....	539	679	642	782
Immaterielle Vermögenswerte .....	119	167	96	70
Investitionen in assoziierte Unternehmen und Joint Ventures .....	16.082	22.536	29.247	31.409
Sonstige Finanzinstrumente.....	27	31	31	32
An assoziierte Unternehmen gewährte langfristige Darlehen.....	759	715	-	-
Latente Steueransprüche	552	813	2.406	1.717
An nahe stehende Unternehmen und Personen gewährte langfristige Darlehen .....	830	-	-	-
<b>Summe Langfristige Vermögenswerte .....</b>	<b>18.908</b>	<b>24.942</b>	<b>32.421</b>	<b>34.010</b>
<b>Kurzfristige Vermögenswerte</b>				
Vorauszahlungen für Immobilienkaufpreise .....	-	-	1.000	12.022
Vorräte	-	-	39.216	-
Forderungen gegenüber assoziierten Unternehmen.....	4.591	9.753	11.469	6.628
Forderungen gegenüber Joint Ventures	-	-	5.755	5.886
Forderungen aus Lieferungen und Leistungen .....	3.007	4.387	3.984	3.802
Sonstige kurzfristige Forderungen.....	419	1.842	1.329	337
Laufende Ertragsteueransprüche .....	0	1	122	126
Sonstige kurzfristige Vermögenswerte.....	413	645	940	994
Zahlungsmittel mit Verfügungsbeschränkungen	-	-	2.800	-
Zahlungsmittel und Zahlungsmitteläquivalente.....	20.915	21.820	9.647	23.920
<b>Summe Kurzfristige Vermögenswerte.....</b>	<b>29.344</b>	<b>38.447</b>	<b>76.263</b>	<b>53.714</b>
<b>Summe Vermögenswerte .....</b>	<b>48.252</b>	<b>63.388</b>	<b>108.684</b>	<b>87.724</b>
<b>Eigenkapital</b>				
Grundkapital.....	90	90	195	195
Beteiligungskapital .....	27	27	-	-
Sonstige Rücklagen .....	25.212	25.928	24.292	33.858
Nettogewinn/(Verlust) für die Periode .....	7.786	12.333	9.656	5.154
<i>Zwischensumme der Kapitalkonten der Gesellschafter der Muttergesellschaft .....</i>	<i>33.115</i>	<i>38.378</i>	<i>34.143</i>	<i>39.207</i>
Nicht beherrschende Anteile .....	37	338	213	262
<b>Summe Eigenkapital .....</b>	<b>33.152</b>	<b>38.717</b>	<b>34.356</b>	<b>39.469</b>
<b>Langfristige Verbindlichkeiten</b>				
Langfristige Finanzverbindlichkeiten gegenüber Banken .....	-	8.000	25.378	14.606
Nettoverbindlichkeiten aus leistungsorientierten Versorgungsplänen.....	270	307	443	443
Sonstige langfristige Verbindlichkeiten .....	861	1.388	1.275	20.908
<b>Summe Langfristige Verbindlichkeiten.....</b>	<b>1.131</b>	<b>9.695</b>	<b>27.096</b>	<b>35.958</b>
<b>Kurzfristige Verbindlichkeiten</b>				
Kurzfristige Finanzverbindlichkeiten gegenüber Banken.....	4.415	2	0	184
Kurzfristige Verbindlichkeiten gegenüber assoziierten Unternehmen.....	3.378	1.849	91	359
Verbindlichkeiten aus Lieferungen und Leistungen .....	1.771	3.228	8.258	7.208
Laufende Ertragsteuerverbindlichkeiten	741	1.142	603	612
Sonstige kurzfristige Verbindlichkeiten .....	3.663	8.755	38.279	3.933
<b>Summe Kurzfristige Verbindlichkeiten.....</b>	<b>13.969</b>	<b>14.977</b>	<b>47.232</b>	<b>12.296</b>
<b>Zwischensumme Verbindlichkeiten .....</b>	<b>15.099</b>	<b>24.672</b>	<b>74.328</b>	<b>48.254</b>
<b>Summe Verbindlichkeiten und Eigenkapital .....</b>	<b>48.252</b>	<b>63.388</b>	<b>108.684</b>	<b>87.724</b>

## Ausgewählte Finanzinformationen aus der Konzern-Cashflow-Rechnung

	Geschäftsjahr endend zum			Sechsmonats-	
	31. Dezember			zeitraum endend zum 30. Juni	
(in Tausend Euro)	2013	2014	2015	2015	2016
	(geprüft)			(ungeprüft)	
Netto-Cashflow aus / (für) betriebliche(r) Tätigkeit .....	5.266	11.230	(34.100)	(3.042)	27.075
Netto-Cashflow aus / (für) Investitionstätigkeit .....	2.413	(5.527)	(4.575)	(15.339)	(5.654)
Netto-Cashflow aus / (für) Finanzierungstätigkeit .....	11.577	(4.798)	29.302	430	(9.948)
Nettozunahme/ (-abnahme) der Zahlungsmittel und Zahlungsmitteläquivalente .....	19.256	905	(9.373)	(17.951)	11.473
Zahlungsmittel und Zahlungsmitteläquivalente am Anfang der Periode.....	1.659	20.915	21.820	21.820	12.447

	Geschäftsjahr endend zum 31. Dezember			Sechsmonats- zeitraum endend zum 30. Juni	
	2013	2014	2015	2015	2016
	(geprüft)			(ungeprüft)	
(in Tausend Euro) Zahlungsmittel und Zahlungsmitteläquivalente am Ende der Periode.	20.915	21.820	12.447	3.869	23.920

### Weitere Finanzkennzahlen

	Geschäftsjahr endend zum 31. Dezember			Sechsmonats- zeitraum endend zum 30. Juni	
	2013	2014	2015	2015	2016
	(ungeprüft)				
(in Tausend Euro) Aggregierte Gewinne und Erlöse .....	24.983	36.231	47.115	20.948	24.044
Bereinigter Gewinn nach Steuern.....	8.832	13.821	16.493	7.588	6.784
Bereinigte Gewinnmarge nach Steuern .....	35%	38%	35%	36%	28%
Assets under Management am Ende des Zeitraums.....	1.228	1.064	2.044	1.674	2.286

#### **Erhebliche Änderungen der Finanzlage und des Betriebsergebnisses der Emittentin.**

Zur Ergänzung unseres Bereichs Real Estate Investment Management haben wir im Juli 2013 unsere Property-Management-Aktivitäten aufgenommen, die wir über unsere Tochtergesellschaft CAPERA Immobilien Service GmbH ("Capera") betreiben. Seit Juli 2013 ist Capera integraler Bestandteil unseres Geschäftsmodells. Die Erlöse aus Property Management Gebühren beliefen sich 2015 auf EUR 9,1 Mio. und im Sechsmonatszeitraum endend zum 30. Juni 2016 auf EUR 5,5 Mio.

Wir haben unsere Real Estate Operations und Warehousing-Aktivitäten im Juli 2014 aufgenommen und dementsprechend im Geschäftsjahr 2013 keine Ergebnisse aus diesem Geschäftsbereich ausgewiesen. Das Gesamtergebnis aus Real Estate Operations/Warehousing betrug in 2014 EUR 3,2 Mio., 2015 EUR 2,3 Mio. und im Sechsmonatszeitraum endend zum 30. Juni 2016 EUR 8,6 Mio. Wir erwarten einen zumindest den Werten der Vergangenheit entsprechenden Beitrag des Bereichs Real Estate Operations und Warehousing-Aktivitäten zu unseren Ergebnissen.

Es haben keine erheblichen Änderungen der Finanzlage und des Betriebsergebnisses der Gesellschaft stattgefunden, außer denjenigen, die hier unter B.7 beschrieben sind.

#### **B.8 Ausgewählte wesentliche Pro-Forma Finanzinformationen.**

Entfällt. Es werden keine ausgewählten wesentlichen Pro-Forma-Finanzinformationen von der Gesellschaft vorgelegt.

#### **B.9 Gewinnprognosen oder –schätzungen.**

Entfällt. Die Gesellschaft legt keine Angaben zu Gewinnprognosen oder –schätzungen vor.

#### **B.10 Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.**

Entfällt. Die Bestätigungsvermerke des Abschlussprüfers zu den in diesem Prospekt enthaltenen historischen Abschlüssen wurden ohne Einschränkungen erteilt.

#### **B.11 Unzulänglichkeit des Geschäftskapitals der Emittentin zur Erfüllung bestehender**

Entfällt. Das Geschäftskapital der Gesellschaft ist für ihre gegenwärtigen Erfordernisse, d. h. für einen Zeitraum von 12 Monaten ab dem Datum dieses Prospekts, ausreichend.

## Anforderungen.

### C – Wertpapiere

- C.1 Art und Gattung der zum Handel zugelassenen Wertpapiere.** Dieses Angebot bezieht sich auf das Angebot zum Verkauf von 12.610.681 Stammaktien der Gesellschaft in dematerialisierter Form (das "Angebot").
- Wertpapierkennnummer.** Internationale Wertpapierkennnummer (ISIN): LU1296758029  
Wertpapierkennnummer (WKN): A141J3  
Common Code: 129675802
- C.2 Wahrung.** Euro.
- C.3 Zahl der ausgegebenen und voll eingezahlten Aktien.** Zum Datum dieses Prospekts betragt das Grundkapital der Gesellschaft EUR 945.801,14 und ist in 12.610.681 Aktien in dematerialisierter Form (die "Aktien") eingeteilt. Das Grundkapital der Gesellschaft ist vollstandig eingezahlt.
- Nennwert.** Die Aktien haben keinen Nennwert.
- C.4 Mit den Wertpapieren verbundene Rechte.** Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschrankungen. Die Aktien sind ab dem 1. Januar 2016 voll dividendenberechtigt.
- C.5 Beschreibung aller etwaigen Beschrankungen fur die freie Ubertragbarkeit der Wertpapiere.** Entfallt. Die Aktien werden unter Berucksichtigung der geltenden gesetzlichen Anforderungen fur Aktien in dematerialisierter Form frei ubertragbar sein. In Bezug auf die Ubertragbarkeit der Aktien gelten keine Verauerungsverbote oder Beschrankungen.
- C.6 Antrag auf Zulassung zum Handel an einem geregelten Markt und Nennung der geregelten Markte, an denen die Wertpapiere gehandelt werden sollen.** Entfallt. Die Gesellschaft hat keine Zulassung zum Handel auf einem geregelten Markt beantragt.
- C.7 Dividendenpolitik.** Unsere Dividendenpolitik wird von Zeit zu Zeit einer Prufung unterzogen, und die Erklarung und Ausschuttung von zukunftigen Dividenden steht im Ermessen des Vorstands der Gesellschaft sowie der Hauptversammlung, wobei verschiedene Faktoren Berucksichtigung finden, unter anderem unsere Geschaftsaussichten, kunftige Ertrage, der Bedarf an Barmitteln, die Finanzlage, Expansionsplane sowie Anforderungen Luxemburger Rechts (wie vorstehend beschrieben) und/oder des Rechts anderer Jurisdiktionen, in welchen unsere Tochtergesellschaften errichtet sind. Unsere allgemeine Dividendenpolitik zielt nach dem Angebot darauf ab, Dividenden in einer Hohe auszuschutten, die mit unserem Wachstum und den Planen

für unsere weitere Entwicklung vereinbar ist, und dabei gleichzeitig in angemessenem Umfang Liquidität vorzuhalten. Grundsätzlich beabsichtigt die Gesellschaft, in der Zukunft Dividenden in einem angestrebten Ausschüttungsverhältnis von 70% bis 80% des Konzernüberschusses auszuschütten.

## **D – Risiken**

### **D.1 Zentrale Risiken, die der Emittentin und ihrer Branche eigen sind.**

- Da wir als integrierter Immobilieninvestmentmanager hauptsächlich in Deutschland tätig sind, wirken sich die Entwicklungen am deutschen Immobilienmarkt auf unsere Geschäftstätigkeit aus.
- Der deutsche Immobilienmarkt – und damit auch unsere Geschäftstätigkeit – hängen von den wirtschaftlichen Entwicklungen in Deutschland und Europa ab.
- Ein Deflations- oder Inflationsdruck könnte nachteilige Auswirkungen auf unsere Geschäftstätigkeit und unsere Ertrags- und Finanzlage haben, insbesondere in Phasen eines Überangebots am Immobilienmarkt allgemein.
- Das gegenwärtige makroökonomische Umfeld in Deutschland ist durch niedrige Zinssätze und vergleichsweise hohe Werte von Immobilienportfolios geprägt. Eine Erhöhung der Zinssätze könnte wesentliche nachteilige Auswirkungen auf den deutschen Immobilienmarkt und unsere Geschäftstätigkeit haben.
- Eine zukünftige Verschlechterung der Inventarwerte unserer Investmentstrukturen aufgrund externer wirtschaftlicher und politischer Faktoren kann sich in wesentlicher Hinsicht nachteilig auf unsere Geschäftstätigkeit, unsere Finanz- und Ertragslage und unsere Aussichten auswirken.
- Unser Geschäftsmodell hängt von unserer Fähigkeit ab, Kunden für unsere Investmentstrukturen zu akquirieren. Sollte uns dies nicht gelingen, könnte dies wesentliche nachteilige Auswirkungen auf unsere Finanzlage haben.
- Die historische Performance unserer bestehenden Investmentstrukturen erlaubt keine verlässlichen Rückschlüsse auf ihre zukünftigen Ergebnisse oder die Ergebnisse von Investmentstrukturen, die wir möglicherweise in der Zukunft entwickeln.
- Unsere Bemühungen neue Investmentstrukturen zu errichten, sind möglicherweise nicht erfolgreich und haben möglicherweise nachteilige Auswirkungen auf unseren Ruf.
- Wir sind aufgrund einer schlechten Anlage-Performance, allgemeiner Branchentrends oder von Änderungen des Spektrums unseres Geschäftsmodells möglicherweise nicht in der Lage, unsere gegenwärtige Gebührenstruktur aufrechtzuerhalten.
- Wir sind auf die Mitglieder unserer Unternehmensführung angewiesen. Der Verlust ihrer Dienste oder unser Unvermögen, zusätzliche wichtige Mitarbeiter zu gewinnen und an uns zu binden, kann sich nachteilig auf unseren Geschäftsbetrieb und unser Wachstum auswirken.
- Wir können auf einen Senior-Beraterkreis zurückgreifen, was für



uns vorteilhaft ist. Ein Verlust der Dienste dieses Kreises kann unser Wachstum beeinträchtigen und zu erheblichen nachteiligen Auswirkungen für uns führen.

- Streitigkeiten mit Kunden in unseren Investmentstrukturen und der Umstand, dass Kunden ihre Verpflichtungen nicht erfüllen, können sich in wesentlicher Hinsicht nachteilig auf unsere Geschäftstätigkeit auswirken.
- Unser Ruf hängt weitgehend von dem Ruf der Investoren in unseren Investmentstrukturen ab.
- Durch die Führung von Teilen unseres Geschäftsbetriebs durch Joint Ventures sind wir Risiken und Unwägbarkeiten ausgesetzt, die zu einem Großteil außerhalb unseres Einflussbereichs liegen.
- Der wettbewerbsintensive Markt für Immobilienmanagement führt möglicherweise zu einem nachteiligen Preisdruck.
- Falls sich unsere Verfahren zur Risikosteuerung als wirkungslos herausstellen, sind wir möglicherweise unvorhergesehenen Verlusten in beträchtlicher Höhe ausgesetzt.
- Fehlverhalten von Mitarbeitern könnte eine rechtliche Haftung auslösen und sich erheblich rufschädigend auswirken.
- Die Staatsanwaltschaft Frankfurt am Main hat Anklage gegen ein Mitglied unserer Unternehmensführung erhoben.
- Operative Risiken könnten zu Geschäftsunterbrechungen führen oder Verluste auslösen.
- Unsere IT-Systeme könnten von Störungen betroffen oder beeinträchtigt werden, und unsere IT-basierten Managementtools könnten die in unserem besten Interesse liegenden Unternehmensentscheidungen möglicherweise nicht richtig wiedergeben und unterstützen.
- Wir erschließen möglicherweise neue geographische Märkte und Geschäftsfelder, tätigen strategische Investitionen oder Akquisitionen oder gehen weitere Joint Ventures ein, was jeweils zu zusätzlichen Risiken und Unsicherheiten für unsere Geschäftstätigkeit führen kann.
- Wir sind unter Umständen nicht in der Lage, Akquisitionen für Investmentstrukturen oder Warehousing-Zwecke erfolgreich zu identifizieren und zu günstigen Bedingungen durchzuführen oder im Zusammenhang mit Akquisitionen erwartete Synergien zu erreichen, und solche Akquisitionen könnten zu unvorhergesehenen operativen Schwierigkeiten und Aufwendungen führen.
- Wir könnten üblichen Projektentwicklungsrisiken ausgesetzt sein.
- Zukünftige Akquisitionen könnten nicht oder nicht wie ursprünglich geplant vollzogen werden, beispielsweise aufgrund von Bedingungen des Erwerbsvertrags oder infolge des Scheiterns einer endgültigen Vereinbarung über die Akquisitionsfinanzierung.
- Da es sich bei der Gesellschaft um eine Holdinggesellschaft handelt, ist sie auf Dividenden und andere Ausschüttungen ihrer operativen Tochtergesellschaften angewiesen. Etwaige Einschränkungen der Fähigkeiten dieser operativen Tochtergesellschaften zur

Ausschüttung von Dividenden haben möglicherweise nachteilige Auswirkungen auf die Fähigkeit der Gesellschaft zur Ausschüttung von Dividenden an die Aktionäre.

- Die Due-Diligence-Prüfungen, die wir im Zusammenhang mit Investitionen unserer Investmentstrukturen oder im Zusammenhang mit Akquisitionen oder anderen Transaktionen durchführen, offenbaren möglicherweise nicht alle relevanten Tatsachen.
- Im Rahmen unseres Geschäftsmodells als Immobilieninvestmentmanager haben wir eine erhebliche Zahl von Geschäften mit unseren Investmentstrukturen als nahe stehende Unternehmen sowie mit bestimmten weiteren nahe stehenden Unternehmen und Personen getätigt. Möglicherweise wurden einige dieser Verträge nicht zu Bedingungen abgeschlossen, die einem Fremdvergleich standhalten, und daher spiegeln die Konditionen dieser Vertragsverhältnisse möglicherweise nicht ihren angemessenen Wert in der Vergangenheit, Gegenwart oder Zukunft wider.
- Wir können die Rechnungsstellung für unsere Management-Gebühren verschieben und unseren Investmentstrukturen Kapitaleinlagen oder Darlehen zuführen, sollten Liquiditätsprobleme bei ihnen auftreten.
- Risiken im Zusammenhang mit unseren Alignment Capital Investments in unsere Investmentstrukturen und mit für Warehousing-Zwecke gehaltenen Objekten.
- Ob es uns gelingt, die erwünschte Rendite für unsere Investmentstrukturen zu erzielen, hängt davon ab, ob wir die diesen Investmentstrukturen zugrunde liegenden Immobilien zu zufriedenstellenden Bedingungen an geeignete Mieter vermieten und Immobilien zu angemessenen Bedingungen veräußern können.
- Standorte, an denen wir in Immobilien investiert sind, könnten möglicherweise an Attraktivität verlieren und unter einem konjunkturellen Abschwung leiden.
- Abschlüsse von Immobilientransaktionen zu attraktiven Konditionen könnten scheitern und uns könnten Möglichkeiten zum Kauf und Verkauf von Immobilien entgehen.
- Zukünftige Ankäufe oder Verkäufe unserer Investmentstrukturen und für Warehousing-Zwecke könnten nicht oder nicht wie ursprünglich vorgesehen vollzogen werden, zum Beispiel wegen Bedingungen, die im Kaufvertrag enthalten sind, oder weil keine abschließenden Einigungen zur Akquisitionsfinanzierung erreicht werden können.
- Wir sind Risiken im Zusammenhang mit dem baulichen Zustand der von unseren Investmentstrukturen gehaltenen bzw. für Warehousing-Zwecke von uns gehaltenen Immobilien und ihrer Modernisierung und Instandhaltung ausgesetzt.
- Wir tätigen möglicherweise erhebliche Investitionen in Modernisierungsmaßnahmen für von unseren Investmentstrukturen gehaltene bzw. für Warehousing-Zwecke von uns gehaltene Immobilien, die möglicherweise nicht die erwartete Rendite erzielen.

- Investitionsaufwand und sonstige Instandhaltungskosten für von unseren Investmentstrukturen gehaltene bzw. für Warehousing-Zwecke von uns gehaltene Immobilien können höher als erwartet ausfallen.
- Immobilieninvestitionen sind verhältnismäßig illiquide, weshalb wir möglicherweise nicht in der Lage sind, die Vermögenswerte unserer Investmentstrukturen zu variieren, veräußern oder liquidieren.
- Abschreibungen auf in unseren Konzernabschlüssen oder den Abschlüssen unserer Investmentstrukturen als Aktiva ausgewiesene Immobilien könnten sich nachteilig auf unsere Ergebnisse auswirken.
- Wir können Mieten in Deutschland aufgrund der Vorschriften des deutschen Rechts nur in begrenztem Umfang erhöhen.
- Das deutsche Recht bietet Mietern erheblichen Schutz vor Kündigung und Zwangsräumung. Ferner verwenden wir standardisierte Mietverträge und standardisierte Vertragskonditionen, die von den Gerichten in Deutschland eingehend geprüft werden.
- Unsere Investmentstrukturen und die für Warehousing-Zwecke von uns gehaltenen Immobilienobjekte können einem erheblichen Verlustrisiko infolge umweltrechtlicher Forderungen ausgesetzt sein.
- Im Falle erheblicher Schäden an Immobilienobjekten können uns erhebliche Verluste entstehen, die die Versicherungsleistungen übersteigen.
- Immobilienbewertungen basieren auf Annahmen und Erwägungen, die nicht nur Änderungen unterliegen, sondern naturgemäß auch subjektiv und mit Unsicherheiten behaftet sind, und Wertgutachten spiegeln unter Umständen den Wert der Immobilie, auf die sich das Gutachten bezieht, nicht richtig wider.
- Durch unsere Fremdfinanzierung sind wir Leverage-Risiken ausgesetzt, was sich nachteilig auf unsere Dividendenfähigkeit auswirken könnte.
- Falls wir nicht in der Lage sind, Fremdkapital für den Erwerb und die Refinanzierung von Immobilienvermögen aufzunehmen, könnte sich dies wesentlich nachteilig auf unsere Geschäftstätigkeit auswirken.
- Verpflichtungserklärungen und Beschränkungen in den Finanzierungsvereinbarungen für unsere Investmentstrukturen könnten uns in unserer Fähigkeit einschränken, bestimmte Arten von Geschäften abzuschließen, und sich somit nachteilig auf unsere Geschäftstätigkeit auswirken.
- Wir sind Prozessrisiken und Risiken aus anderen gerichtlichen Verfahren ausgesetzt und uns könnten möglicherweise Verbindlichkeiten und Rechtsberatungskosten in erheblicher Höhe entstehen.
- Unsere Schutzrechte können von Dritten verletzt oder angegriffen werden, wir können Schutzrechte Dritter verletzen und gegen uns können Verletzungsklagen wegen der Nutzung von Schutzrechten

erhoben werden.

- Wir verfügen möglicherweise nicht über ausreichenden Versicherungsschutz.
- Die Kontroll- und Präventionsmechanismen unseres Compliance-Systems könnten nicht ausgereicht haben oder nicht ausreichen, um uns hinreichend vor allen rechtlichen oder finanziellen Risiken zu schützen.
- Neue Gesetze oder Vorschriften oder Änderungen in der Anwendung einschlägiger Gesetze oder Vorschriften könnten sich nachteilig auf unsere Geschäftstätigkeit auswirken.
- Es könnten Untersuchungen oder Verwaltungsverfahren aufgrund von Verletzungen unserer Lizenzen oder Lizenz-/Erlaubniserfordernisse gegen uns geführt werden.
- Die zuständigen Behörden könnten der Auffassung sein, dass wir unsere Geschäfte in der Vergangenheit als Verwalter alternativer Investmentfonds im Sinne der AIFM-Richtlinie geführt haben.
- Die zuständigen Behörden könnten die Ersetzung oder Beendigung von Portfolio-/Risikomanagement- und/oder Beratungsverträgen mit anderen Unternehmen innerhalb oder außerhalb der Gruppe verlangen.
- Wir sind möglicherweise Risiken infolge des Einsatzes von Vertriebsstellen für unsere Investmentstrukturen ausgesetzt, darunter der Verlust von Vertriebskanälen sowie Kostensteigerungen.
- Das auf uns bzw. unsere Gruppengesellschaften anwendbare Unternehmensstrafrecht kann sich nachteilig auf uns auswirken und könnte Haftungsansprüche auslösen und sich rufschädigend auswirken.
- Falls unsere Investmentstrukturen nicht steueroptimiert sind, könnte dies nachteilige Auswirkungen auf unsere Geschäftstätigkeit haben.
- Unsere Investmentstrukturen unterliegen den allgemeinen steuerlichen Rahmenbedingungen u.a. in Deutschland, Luxemburg, Österreich, Spanien, der Schweiz und Guernsey sowie möglichen zukünftigen steuerlichen Änderungen in der Besteuerung von Unternehmen in diesen Rechtsordnungen, die sich nachteilig auf uns auswirken können.
- Für unsere Investmentstrukturen könnten infolge von Betriebsprüfungen zusätzliche Steuern festgesetzt werden.
- Die Finanzverwaltung könnte möglicherweise die Steueransässigkeit bzw. Substanz der nach dem Recht von Guernsey errichteten Gesellschaften mit beschränkter Haftung einiger unserer Investmentstrukturen nicht akzeptieren.
- Die Finanzverwaltung könnte möglicherweise nicht alle Steuerabzugsbeträge für Zinszahlungen unserer Investmentstrukturen akzeptieren.
- Eine Übertragung von 95 % oder mehr unserer Aktien innerhalb eines Zeitraums von fünf Jahren könnte in Deutschland Grunderwerbsteuer bei unseren Investmentstrukturen auslösen.

- Unsere Investmentstrukturen könnten die Steuervorteile aus der Nichtanwendbarkeit der deutschen Gewerbesteuer oder der erweiterten Gewerbesteuerkürzung verlieren.
- In Deutschland ansässige Kunden unserer Investmentstrukturen unterliegen möglicherweise einer Zurechnung von Einkünften (*income attribution*) nach den deutschen Vorschriften über beherrschte ausländische Unternehmen (*Controlled Foreign Companies*). Darüber hinaus sind die in Deutschland ansässigen Kunden unserer Investmentstrukturen möglicherweise aufgrund dieser Vorschriften verpflichtet, bestimmte Angaben offen zu legen.
- Unsere Geschäftstätigkeit unterliegt den allgemeinen steuerlichen Rahmenbedingungen u.a. in Deutschland, Luxemburg, Spanien, und der Schweiz sowie möglichen zukünftigen steuerlichen Änderungen in der Besteuerung von Unternehmen in diesen Rechtsordnungen, die sich nachteilig auf uns auswirken können.
- Infolge von Betriebsprüfungen oder Steuerfestsetzungen könnten uns zusätzliche Steuerverpflichtungen entstehen.
- Die Schweizer Finanzverwaltung könnte die Anwendung des Schachtelprivilegs auf unsere Erträge aus Promote Gebühren untersagen.
- Die Finanzverwaltung könnte die Einstufung unserer Warehousing-Gebühren ändern.
- Die deutsche Finanzverwaltung könnte die Steueransässigkeit der Corestate Capital AG beanstanden oder eine Betriebsstätte in Deutschland unterstellen.
- Die deutsche Finanzverwaltung akzeptiert unter Umständen nicht die bestehenden RETT-Blocker-Gestaltungen.
- Die deutsche Finanzverwaltung könnte das angewandte Verrechnungspreismodell beanstanden.

**D.3 Zentrale Risiken, die den Wertpapieren eigen sind.**

- Nach Vollzug des Angebots halten unsere Hauptaktionäre weiterhin wesentliche Teile unseres Grundkapitals, und ihre Interessen könnten möglicherweise mit den Interessen anderer Aktionäre in Konflikt stehen.
- Die Aktien sind möglicherweise nicht für alle Anleger ein geeignetes Investment.
- Es hat bisher keinen öffentlichen Markt für die Aktien gegeben, und es wird sich möglicherweise kein aktiver Handelsmarkt entwickeln.
- Zukünftige Verkäufe der Aktien durch unsere Hauptaktionäre könnten sich nachteilig auf den Kurs der Aktien auswirken.
- Der Kurs der Aktien kann wesentlichen Schwankungen unterliegen und nach dem Angebot sinken.
- Für unser zukünftiges Wachstum durch die Ausgabe von neuen Aktien zusätzlich aufgenommene Mittel könnten die Kapitalanteile von Aktionären verwässern.
- Die Anforderungen an eine börsennotierte Gesellschaft könnten zu einer Steigerung unserer Gesamtbetriebskosten sowie zu erhöhten Kosten und aufsichtsrechtlichen Risiken führen, was sich nachteilig

auf unsere Geschäftstätigkeit auswirken könnte.

- Wir sind nach luxemburgischem Recht errichtet und unterliegen den Bestimmungen dieses Rechts, welches möglicherweise ein geringeres Schutzniveau für die Interessen der Anleger vorsieht als das deutsche Recht oder andere, den Anlegern vertraute Rechtsordnungen.
- Unter Umständen findet das Angebot nicht statt, und Anleger könnten somit bereits geleistete Wertpapierprovisionen (*security commissions*) verlieren und – auch im Falle einer etwaigen Verzögerung des Angebots – das Risiko zu tragen haben, dass Leerverkäufe der Aktien nicht gedeckt sind.

## E – Angebot

<b>E.1 Gesamtnettoerlöse.</b>	Entfällt. Die Gesellschaft erhält keine aus dem Verkauf der Aktien stammenden Erlöse aus dem Angebot, da im Rahmen des Angebots keine neuen Aktien ausgegeben werden.
<b>Geschätzte Gesamtkosten des Angebots und der Börsenzulassung, einschließlich der geschätzten Kosten, die dem Anleger von der Emittentin in Rechnung gestellt werden.</b>	Die von der Gesellschaft zu tragenden Gesamtkosten des Angebots und der Einbeziehung in den Handel belaufen sich voraussichtlich auf EUR 825.000.  Anlegern werden keine Kosten durch die Gesellschaft in Rechnung gestellt. Anleger haben unter Umständen jedoch die ihnen von ihrem kontoführenden Finanzinstitut in Rechnung gestellten marktüblichen Transaktions- und Abwicklungsgebühren zu tragen.
<b>E.2a Gründe für das Angebot.</b>	Die Gesellschaft beabsichtigt, die Einbeziehung der Aktien in den Handel im Freiverkehr (Entry Standard) der Frankfurter Wertpapierbörse zu beantragen, um die Fungibilität der Aktien zu erhöhen und somit besseren Zugang zu den Kapitalmärkten zu erhalten.
<b>Zweckbestimmung der Erlöse, geschätzte Nettoerlöse.</b>	Entfällt. Die Gesellschaft erhält keine aus dem Verkauf der Aktien stammenden Erlöse aus dem Angebot, da im Rahmen des Angebots keine neuen Aktien ausgegeben werden. Daher entfällt die Zweckbestimmung der Erlöse aus dem Angebot.
<b>E.3 Beschreibung der Angebotskonditionen.</b>	Das Angebot bezieht sich auf 12.610.681 Aktien. Die Aktien sind mit den gleichen Rechten ausgestattet und vermitteln keine weitergehenden Rechte oder Vorteile. Sämtliche Aktien unterliegen luxemburgischem Recht.  Das Angebot erfolgt im Zusammenhang mit der Einbeziehung der Aktien in den Handel im Freiverkehr (Entry Standard) der Frankfurter Wertpapierbörse, was in Verbindung mit verschiedenen Werbemaßnahmen ein öffentliches Angebot in der Bundesrepublik Deutschland (" <b>Deutschland</b> ") darstellt, das die Erstellung dieses Prospekts durch die Gesellschaft erforderlich macht. Die Werbemaßnahmen der Gesellschaft umfassen Pressemitteilungen, die auf der Internetseite der Gesellschaft und über elektronische Informationsdienste veröffentlicht werden. Darüber hinaus

beabsichtigt die Gesellschaft die Durchführung einer oder mehrerer Roadshows für potenzielle Investoren. Das Angebot umfasst das gesamte Grundkapital der Gesellschaft. Neue Aktien werden im Rahmen des Angebots nicht ausgegeben. Sämtliche Aktien befinden sich im Besitz der Aktionäre der Gesellschaft. Einige der Aktien werden voraussichtlich nicht im Rahmen des Angebots angeboten werden, da sie Gegenstand von Lock-up Vereinbarungen sind. Dies betrifft 78.327 Aktien. Die Aktien, die Gegenstand der Lock-up Vereinbarungen sind, können aber möglicherweise veräußert werden, wenn sich die Parteien der jeweiligen Lock-up Vereinbarung darüber einigen, diese Aktien von dem Lock-up auszunehmen.

Die Aktien werden nicht innerhalb einer bestimmten Preisspanne angeboten. Der Angebotspreis wird identisch mit dem jeweils aktuellen Preis der Aktien an der Frankfurter Wertpapierbörse sein.

Die Angebotsfrist beginnt am 4. Oktober 2016 und endet am 8. Oktober 2016.

Das Angebot bezieht sich auf 12.610.681 Aktien. Der Angebotspreis ist daher abhängig von der Nachfrage nach den Aktien und ihrer Verfügbarkeit an der Frankfurter Wertpapierbörse und wird über das elektronische Handelssystem der Frankfurter Wertpapierbörse ermittelt.

Die Aktien werden den Aktionären in buchmäßiger Form zur Verfügung gestellt. Nach Wahl der Aktionäre werden während des Angebots erworbene Aktien entweder einem bei einem Teilnehmer der LuxCSD, einem Teilnehmer der Euroclear Bank S.A./N.V. (Brüssel), einem Teilnehmer der Clearstream Banking S.A. (Luxemburg) oder einem Teilnehmer der Clearstream Banking Aktiengesellschaft (Frankfurt am Main) geführten Wertpapierdepot gutgeschrieben.

**Stabilisierungs-  
maßnahmen,  
Mehrzuteilungen und  
Greenshoe-Option.**

Entfällt. Es werden keine Stabilisierungsmaßnahmen, Mehrzuteilungen oder Greenshoe-Option stattfinden.

**E.4 Beschreibung aller  
für die Emission/das  
Angebot  
wesentlichen, auch  
kollidierenden  
Interessen.**

Entfällt. Keine Person hat für das Angebot wesentliche, auch kollidierende Interessen.

**E.5 Name der Person/des  
Unternehmens,  
die/das das  
Wertpapier zum  
Verkauf anbietet.**

Alle Aktien befinden sich im Besitz der bestehenden Aktionäre. Die Gesellschaft wird keine Aktien verkaufen.

**Lock-up-  
Vereinbarung:  
Beteiligte Parteien  
und Lock-up-Frist.**

Die bestehenden Aktionäre haben nach Kenntnis der Gesellschaft keine Lock-up Vereinbarungen abgeschlossen, außer dies ist im Prospekt offengelegt. Die Aktien, die an Daniel Schoch ausgegeben wurden, sind Gegenstand der folgenden Lock-up-Fristen: (i) 25% der

Aktien unterliegen einer Lock-up-Frist von 12 Monaten nach dem ersten Handelstag an der Frankfurter Wertpapierbörse und (ii) 75% der Aktien unterliegen einer Lock-up-Frist von 36 Monaten nach dem ersten Handelstag an der Frankfurter Wertpapierbörse.

**E.6 Betrag und  
Prozentsatz der aus  
dem Angebot  
resultierenden  
unmittelbaren  
Verwässerung.**

Entfällt, da keine neuen Aktien ausgegeben werden.

**E.7 Schätzung der  
Ausgaben, die den  
Anlegern von der  
Emittentin in  
Rechnung gestellt  
werden.**

Entfällt. Anlegern werden keine Kosten durch die Gesellschaft in Rechnung gestellt. Anleger haben jedoch die ihnen von ihrem kontoführenden Finanzinstitut in Rechnung gestellten marktüblichen Transaktions- und Abwicklungsgebühren zu tragen.



## RISK FACTORS

*Prospective investors should carefully consider the risks discussed below, in addition to the other information contained in this Prospectus (the “Prospectus”), before making an investment decision with respect to the shares of Corestate Capital Holding S.A., which was incorporated on 21 August 2015 (the “Company” and, together with its consolidated subsidiaries, “we,” “us,” “our,” “Corestate,” the “Group” or the “Corestate Group”). With regard to the period before 23 September 2015 and before effectiveness of the capital increase by contribution in kind and with regard to any historical financial information as of and for the years ended 31 December 2013, 2014 and as of 30 June 2015, references to the “Group,” “Corestate Group,” “Corestate” or “we”, “us” or “our” refer to Corestate Capital AG together with its consolidated subsidiaries unless it is referred to Corestate Capital Holding S.A. in the respective context. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, could have a material adverse effect on our business, results of operations, financial position and prospects. In such a case the value of the Shares could decline and investors may lose all, or part of their investment.*

*All of these risk factors and events described below are contingencies which may or may not occur. The Company may face a number of these risks described below simultaneously and one or more risks described below may be interdependent. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to our business, results of operations, financial position and prospects.*

*The risk factors are based on assumptions that could turn out to be incorrect. Furthermore, although we believe that the risks and uncertainties described below are the material risks and uncertainties relating to us and the Shares, other risks, facts or circumstances not presently known to us, or that we currently deems to be immaterial could, individually or cumulatively, prove to be important and could have a material adverse effect on our business, financial condition, results of operations and prospects. The value of the Shares could decline as a result of the occurrence of any such risks, facts or circumstances or as a result of the events or circumstances described in these risk factors, and prospective investors could lose part or all of their investment.*

*Prospective investors should read and carefully review the entire Prospectus and should reach their own views before making an investment decision with respect to any shares. Furthermore, before making an investment decision with respect to any shares, prospective investors should consult their own stockbrokers, bank managers, lawyers, auditors or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Shares and consider such an investment decision in light of their personal circumstances.*

### **Risks Relating to Our Market Environment**

***As an integrated real estate investment manager with our principal operations in Germany, our business is affected by developments in the German real estate market.***

The German real estate market is influenced by a number of factors related to the general economic environment and development of real estate values in Germany. As we operate as an integrated real estate investment manager with our principal operations in Germany, our business is affected by these developments in the German real estate market. These principal developments, all of which may be subject to significant fluctuation, include:

- the availability of financing,
- the availability and the creditworthiness of tenants,
- the availability of potential clients and their financial resources,

- changes in tax laws and laws in general,
- the investment activity of companies,
- the purchasing power of the general public,
- the attractiveness of Germany as a location in comparison to other countries and global markets,
- the supply and demand of real estate in respective locations, as well as special factors in the local markets,
- the general economic trend, in particular the level of interest rates for the financing of real estate acquisitions,
- the cyclical fluctuations of the real estate market,
- the demographic development of Germany,
- the fluctuations in energy costs,
- special influences such as force majeure events, and
- dependency on decisions by main tenants for location of business.

These changing developments can adversely affect the results of our alignment capital investments in our Investment Structures, the revenues we generate as an integrated real estate investment manager and the results from our assets held for warehousing purposes. As a result, changing developments of any of the above factors can have a material adverse effect on our business, financial condition and results of operations.

***The German real estate market – and our business – depend on economic developments in Germany and in Europe.***

Among the significant factors for the performance of the overall economic development in Germany are the conditions of the global economy, the development of rental rates, the inflation rate, levels of public debt and interest rates as well as factors specific to regional markets. As an example, the macroeconomic development could be adversely affected by a further intensification of the recent financial and economic crisis in various countries within the Eurozone or at various system-relevant banks, extreme fluctuations in the price of oil, an increased inflation rate (possibly resulting from events such as further monetary support measures from central banks, or interest rates remaining low for an extended period) as well as deflationary trends. Excessive public debt could result in rising taxes, an increase in the inflation rate, lower economic output, and a declining proclivity to invest among private and institutional clients. Similar effects could be triggered by deflation. Fluctuations in exchange rates, especially the Euro-to-US-Dollar rate, could have material effects on German exports and consequently also on the performance of the German economy as a whole. Particularly because of the currently uncertain economic situation in Germany and Europe, it cannot be foreseen whether the real estate market in Germany will evolve favorably for us. In addition, there are current geopolitical crises, like in the Ukraine, where far-reaching economic sanctions have been imposed on the Russian Federation which, in turn, introduced retaliation measures. Furthermore, there are a number of uncertainties in connection with the future of the UK and its relationship with the European Union after the UK's vote to leave the European Union in the referendum held on 23 June 2016. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the

business of the Company. All these factors may have a negative impact on the European and German economies in general and, in turn, the German real estate market in particular. This instability, together with the resulting market volatility, entails a risk of contagion also for economically sound countries like Germany and may spread to the German financial sector and the German real estate market. If any of these risks materialize, this could have material adverse effects on our business, financial condition and results of operations.

***Deflationary or inflationary pressures could adversely affect our business, results of operations and financial condition, particularly in a period of oversupply in the general housing market.***

An increase in inflation in the Eurozone could have a particularly adverse effect on our Investment Structures. The European Central Bank (the “ECB”) has stated in its public pronouncements its goal of a long-term inflation rate of below but close to 2%, which it considers beneficial for the European economy. As a result of weak growth in the aftermath of the 2008 financial crisis, actual inflation has remained considerably below the rate of inflation targeted by the ECB. In response, the ECB has loosened monetary policy, including introducing negative deposit rates for banks depositing funds with the ECB (i.e. such banks have to pay interest for depositing funds). These steps have, however, not resulted in any upward pressure on consumer prices to date and prices have even declined in some Eurozone countries. If economic weakness in the Eurozone and declining consumer confidence were to result in prices decreasing over time as part of a general deflationary trend, the Eurozone might enter a recession. While the German economy has so far to a large extent not been adversely affected by any adverse economic developments, the onset of any significant deflationary pressures could adversely affect the German economy and, in particular, adversely affect the German real estate market. The occurrence of any of these developments, all of which are beyond our control, could adversely affect our business, financial condition and results of operations.

On the other hand, if the Eurozone economies were in general to grow, the ECB could decide to react to inflationary pressures by adopting a tighter monetary policy, which could include progressive increases in base interest rates. In the event that interest rates were to increase significantly in the future, the value of real estate could be adversely affected due to increases in the discount rate and a reduction of attractive refinancing options (see also below “*The current macroeconomic environment is characterized by low interest rates and comparatively high values of real estate portfolios in Germany. Any increase in interest rates could have material adverse effects on the German real estate market and on our business.*”). Any such increase in the cost of refinancing options caused by such macroeconomic effects, in particular inflation, could adversely affect our business, financial condition and results of operations.

***The current macroeconomic environment is characterized by low interest rates and comparatively high values of real estate portfolios in Germany. Any increase in interest rates could have material adverse effects on the German real estate market and on our business.***

The sluggish global economic recovery since the onset of the global financial and economic crisis in 2008 has resulted in a period of increased uncertainty regarding future economic developments. This uncertainty regarding future economic developments has increased interest in investments that provide stable and largely predictable cash flows, such as investments in German real estate. This trend has been reinforced by historically low interest rates throughout Europe. As a result of this environment of low interest rates, property prices and the value of real estate companies have increased in general. However, these positive developments could be quickly reversed if interest rates were to rise in Europe in general and Germany in particular. An increase in interest rates could lead clients to focus on non-real estate investments with a higher risk and return profile and thus could have a material adverse effect on our business, financial condition and results of operations.

***A future deterioration of the asset values of our Investment Structures due to external economic and political factors may materially and adversely affect our business, financial condition, results of operations and prospects.***

The asset values of the Investment Structures are influenced by a number of factors beyond our control, including a declining real estate market, general economic downturn, political uncertainty or acts of terrorism. Deteriorating market conditions may decrease interest in investments by existing or prospective clients in our Investment Structures as they seek better returns in other non-real estate investments. If existing or prospective clients invest less in our Investment Structures, it would result in lower fee income for us. In particular, the performance of our Investment Structures is critical for investment management business to attract new investments. If the asset values of our Investment Structures decline, our existing clients may terminate their relationships with us or choose to invest in other projects in the future, which would reduce our investment management fees from these structures and limit our ability to invest in attractive Investment Structures in the future, both of which would adversely affect our business, financial condition and results of operations.

### **Risks Relating to Our Business**

***Our business model depends on our ability to find clients for our Investment Structures. Any inability to do so may have a material adverse effect on our financial condition.***

Our ability to find clients for our Investment Structures depends on a number of factors, including market-driven factors that are outside our control. Clients may choose to invest in assets other than real estate or in real estate Investment Structures that we do not offer. Poor performance of our Investment Structures may also make it more difficult for us to raise new funds. If existing clients cease or significantly curtail making commitments to our Investment Structures, we may need to identify and attract new clients in order to maintain or increase the size of our investment portfolios. We cannot assure you that we can find or secure commitments from new clients. If we are unable to identify and secure capital commitments from new clients, this may have an adverse impact on our business, financial condition, results of operations and prospects.

Our ability to find clients for new Investment Structures may similarly be hampered if the general appeal of alternative investments were to decline. Alternative investments may fall into disfavor as a result of concerns about liquidity and short-term performance. If we are unable to successfully raise funds for our existing and future Investment Structures, we will be unable to earn additional management fees and finance our investments and this may have a material adverse effect on our financial condition and results of operations.

***The historical performance of our existing Investment Structures may not be indicative of their future results or the results of Investment Structures we may develop in the future.***

The historical performance of our Investment Structures should not be considered indicative of their future results or the results of any other Investment Structures that we may develop in the future. For example, the historical performance may be due to favorable investment opportunities and positive economic and market conditions which existed in the historical period and may not exist in future periods. In the event of weak economic and market conditions in the future, we may not be able to identify and invest in profitable investment opportunities, which in turn may have an adverse effect on the future performance of our Investment Structures. If the future performance of our Investment Structures is poor, this could affect our fee income and the results of our alignment capital investments and could have a material adverse effect on our business, financial condition and results of operations.

***Our efforts to establish new Investment Structures may be unsuccessful and may negatively affect our reputation.***

As part of our growth strategy, we may establish new Investment Structures from time to time to expand our business. The costs associated with establishing a new Investment Structure will initially exceed the revenues it generates. If the new Investment Structure is not successful, the revenues we earn from it may not be sufficient to compensate us for these costs. The poor performance of a new Investment Structure may also affect our reputation and the reputation of our other Investment Structures and may in turn have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to maintain our current fee structure as a result of poor investment performance, general industry trends or changes in our business mix.***

We may not be able to maintain our current fee structure for a number of reasons, including poor investment performance, general industry trends or changes in our business mix. Typically our clients consider our fees in the context of the historical overall return on their investments in our Investment Structures. In case of past poor performance of such Investment Structures it is possible that with regard to future Investment Structures we will not be able to maintain our current fee structure. Downward pressure on fees may also result from general industry trends such as the growth and evolution of alternatives to existing Investment Structures. Additionally, our business mix may change in the future to emphasize industry segments in which fees are generally lower. As a result of any of these factors, we may be unable to maintain our current fee structure and may be forced to reduce our fees in order to retain current, and attract additional, clients for our Investment Structures. Significant fee reductions on existing or future business could have a material adverse effect on our business, financial condition and results of operations.

***We depend on the members of our management team. The loss of their services or our inability to attract and retain additional key personnel may impair our operations and growth.***

We depend on the relationships, skills, expertise and experience in the real estate industry of the members of our management team. Our management team is responsible, among other things, for deal sourcing, fund raising and the execution of our strategies. Our future success will depend to a significant extent on the continued service of the members of our management team and our ability to attract and retain experienced key personnel. Competition for such personnel is intense and we may not be successful in attracting and retaining such personnel. The loss of any of our key personnel may limit our ability to successfully execute our business strategy and may prevent us from sustaining the investment performance that our Investment Structures have achieved. This may also adversely affect our ability to retain existing clients and attract new clients. As such, the loss of any of these individuals and our inability to recruit additional key personnel may have a material adverse effect on our business, financial condition and results of operations. See also “A member of our management board is subject to a public accusation by the Frankfurt Prosecutor’s Office”.

***We benefit from our senior advisory circle. The loss of their services may impair our growth and may have a material adverse effect on us.***

We benefit from the relationships, skills, expertise and experience in the real estate industry of the members of our senior advisory circle, including our major shareholder Ralph Winter. The members of our senior advisory circle assist us, among other things, subject to operating under the appropriate licenses or authorisations to the extent required with raising capital for our Investment Structures by referring new clients to us. Our future success will depend in part on new clients referred to us by the members of our senior advisory circle. The loss of the services of our senior advisory circle could limit our ability to attract new clients that invest in our Investment Structures. As such, the loss of their

services may have a material adverse effect on our business, financial condition and results of operations.

***Disputes with clients in our Investment Structures or the non-performance by clients of their obligations may materially and adversely affect our business.***

Our Investment Structures depend on investments by their parties. There are general risks involved such as potential disputes with clients in our Investment Structures in connection with the performance of their obligations under the relevant agreements or conflicts with the policies or objectives adopted by us. Although the relevant Investment Structure will be structured to reduce risks stemming from a potential or temporary default on payment obligation of their clients by including appropriate sanctions to adequately protect the interests of the relevant Investment Structure as well as (indirectly) its other (i.e. non-defaulting) clients. In particular, if a client is unable or unwilling to perform its financial obligations under the relevant agreements and ultimately defaults on its payment obligations without the relevant Investment Structure being able to remedy such default, the planned investments may be adversely affected and may no longer be feasible. This may result in a decrease or even total loss of the returns from such investment. The occurrence of such an event may have a material adverse effect on our business, financial condition and results of operations.

***Our reputation depends to a large extent on the reputation of the investors in our Investment Structures.***

To a large extent, our reputation is connected to and dependent upon the reputation of the clients in our Investment Structures. A client with a doubtful reputation may have a negative impact on our reputation in the market. Any time a new client intends to invest funds with us, we conduct comprehensive know-your-customer and anti-money laundering procedures in order to obtain all necessary information to verify the background of the client and the source of the respective funds. There is a risk that the background of the clients will not be properly assessed during the course of our know-your-customer and anti-money laundering procedures. The inclusion of a client with a negative reputation in one of our Investment Structures may have a negative impact on our reputation and we may suffer financial losses, a disruption of our business, regulatory intervention and reputational damage. The occurrence of any of these factors could have a material adverse effect on our business, financial condition and results of operations.

***Conducting a portion of our operations through joint ventures exposes us to risks and uncertainties, many of which are outside of our control.***

In foreign countries in which we are active, we typically enter into joint ventures with reputable local partners which provide the necessary market know-how. We cannot control the conduct of our joint venture partners, including any non-performance, default or bankruptcy of our joint venture partners. Differences in views among the joint venture partners may result in delayed decisions or in failures to agree on major and time-sensitive issues. If our partners fail to invest in the joint venture in the manner that is anticipated or otherwise fail to meet their contractual obligations, the joint ventures may be unable to adequately perform and conduct their respective operations, which may have a material adverse effect on our business, financial condition and results of operations.

***The highly competitive market for property management may create adverse pricing pressures.***

Through our subsidiary Capera, we provide property management services to third-party real estate owners in addition to the Investment Structures we manage. The property management business is very competitive. While competition in the property management business is based on a variety of factors, the amount of fees charged is an important consideration. As a result of consolidation in the German market among real estate companies that offer property management, some of our competitors benefit from significant economies of scale and have greater financial, technical, marketing and other

resources than we do, which may create adverse pricing pressures. If we are unable to compete effectively in the property management business, our earnings may be reduced and this may have a material adverse effect on our business, financial condition and results of operations.

***If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses.***

In order to manage the risks inherent in our business, we maintain policies, procedures and systems that enable us to identify, monitor and control our exposure to operational, legal and reputational risks. If our risk management efforts are ineffective due to their design or implementation, or as a result of the lack of adequate, accurate or timely information or otherwise, we may suffer losses that may have a material adverse effect on our business, financial condition or results of operations. Additionally, we may be subject to litigation, particularly from our clients, and sanctions or fines from regulators if our risk management system is deemed to be insufficient. Our procedures for managing risks may not fully mitigate the risk exposure in all economic or market environments, or against all types of risk, including risks that we might fail to identify or anticipate. In such events, we may be exposed to material unanticipated losses and this may have a material adverse effect on our business, financial condition and results of operations.

***Employee misconduct may expose us to significant legal liability and reputational harm.***

We are vulnerable to reputational harm because we operate in an industry in which our integrity and the confidence of our clients and investors are of critical importance. Our employees may engage in misconduct that adversely affects our business. For example, if an employee were to engage in illegal or suspicious activities, we may be subject to regulatory sanctions and suffer serious harm to our reputation (as a consequence of the negative perception resulting from such activities), financial position, client relationships and ability to attract new clients. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. Misconduct by our employees, or even unsubstantiated allegations of misconduct, may have a material adverse effect on our reputation and our business, financial condition and results of operations. See also “*A member of our management board is subject to a public accusation by the Frankfurt Prosecutor’s Office*”.

***A member of our management board is subject to a public accusation by the Frankfurt Prosecutor’s Office.***

Thomas Landschreiber, our Chief Investment Officer (CIO), is responsible for deal sourcing, acquisition structuring, transaction execution and asset disposals. Subsidiaries of our Group transacted in the ordinary course of business with MAINTWAIN GmbH, seated in Frankfurt/Main (now: Tristan Projekt GmbH, seated in Aschaffenburg) and AT Real Estate Verwaltungs GmbH, seated in Regensburg, both entities related to S&K group with S&K Holding GmbH as ultimate parent (these companies together with affiliated companies of S&K Holding GmbH referred to as “**S&K Group**”). After they found out that S&K Group’s responsible persons were subject to investigations (*Ermittlungsverfahren*), our subsidiaries immediately withdrew from the transaction and proactively cooperated with the Prosecutor’s Office in order to enforce their rights resulting from the aforementioned withdrawal, in particular for damage compensation of EUR 5 million, secured by monies held in escrow by the notaries public recording the T6 transaction. *Inter alia* the two S&K Group founders Messrs. Schäfer and Köller have been made subject to a public accusation (*öffentliche Anklage*). The public accusation alleges – *inter alia* – that Mr Schäfer and Mr Köller only committed one single criminal offence in relation to the T6 transaction. According to the public accusation Mr Schäfer and Mr Köller offended Section 266 StGB (*German Criminal Code*) (breach of trust – “*Untreue*”) because they allegedly resold the T6 portfolio – after acquiring it from Corestate subsidiaries with their acquisition vehicles Tristan Projekt GmbH and AT Real Estate Verwaltungs GmbH (however, such acquisition of the T6 portfolio was never consummated) – partly to three

private investor's fund vehicles ("**SHB Fonds**") belonging to S&K Group without the necessary consent of the internal advisory boards of such fund vehicles. However, it is doubtful whether Mr Schäfer and Mr Köller offended Section 266 StGB at all because the consent was given subsequently by a purportedly newly elected advisory board which would render the transaction lawful under German Civil Law retroactively. Further, the SHB Fonds may not have suffered any disadvantage by such transaction as Mr Schäfer and Mr Köller resold to the SHB Fonds without any surcharge and the Frankfurt Prosecutor's office conceded that the price was adequate.

With public accusation dated 21 October 2015 the Frankfurt Prosecutor's Office accused Mr Thomas Landschreiber for allegedly aiding and abetting (Section 27 StGB – "*Beihilfe*") to Section 266 StGB (breach of trust – "*Untreue*") Mr Schäfer and Mr Köller to the above described purported criminal offence against Section 266 StGB. Currently, the public accusation is pending before the Frankfurt district court and is subject to interim proceedings, resulting either in the admission of the public accusation for the main hearing or in its dismissal. According to the legal experts in criminal law instructed by Thomas Landschreiber and a Corestate subsidiary, based on an intense analysis of the public accusation and the comprehensive provided documentation, Thomas Landschreiber had no knowledge of the alleged criminal offence. The public accusation cannot name one single document or other evidence supporting their allegation that Thomas Landschreiber had any knowledge of the alleged criminal offence. In addition it is doubtful whether Mr Schäfer and Mr Köller offended Section 266 StGB at all – such criminal offence of Messrs. Schäfer and Köller being a precondition for a conviction of Thomas Landschreiber. Therefore there is a certain probability that the court will decide not to open the main proceedings and dismiss the public accusation against Thomas Landschreiber in the interim proceedings. In a court order dated 4 July 2016 the court expressed serious doubts that there even exist sufficient grounds to justify the public accusation.

Nevertheless, it cannot be ruled out that the court will open the main proceedings and that, after that, Thomas Landschreiber might even be convicted. Even though Thomas Landschreiber currently faces no time constraints given that the German Criminal Code does not provide for a personal involvement of the accused in the interim proceedings, the opening of the main proceedings may impose increased time constraints on Thomas Landschreiber. Further, even though potential court proceedings against Thomas Landschreiber or his potential conviction would have no direct effect on us, we cannot rule out that there would be indirect, in particular, reputational, adverse effects, which could be material, and that we would have to comply, e.g., with certain regulatory notification requirements of competent authorities. Finally, we cannot rule out that affiliates of our Group, including the Company, may be subject to sanctions under Swiss or Luxembourg law or the German Administrative Offences Act (*Ordnungswidrigkeitengesetz*) in relation to the involvement in the transaction with entities related to S&K Group, which could have a material adverse effect on our reputation, business, financial condition and results of operations.

***Operational risks may disrupt our business or result in losses.***

We rely heavily on financial, accounting, information and other data processing systems. If any of these systems do not operate properly or are disabled, or if there is any unauthorised access to or disclosure of data, we may suffer financial losses, increased costs, disruptions of our business, liability to clients in our Investment Structures, regulatory intervention or reputational damage. Furthermore, we rely on external service providers and external advisors in the preparation and implementation of respective investments. Any failure of the external service providers or external advisors (e.g. flaws in due diligence exercises) or any restrictions in the use of such service providers or external advisors may result in losses and a decrease of returns from such investments. It may be possible that we are not in a position to replace service providers or external advisors appropriately.

The materialization of any of these risks may have a material adverse effect on our business, financial condition and results of operations.



***Our IT systems could malfunction or become impaired and our IT-based management tools could fail to correctly reflect and support the business decisions that are in our best interest.***

IT systems are essential for the daily operation of our business operations. Any interruptions in, failures of or damage to our IT systems could lead to delays or interruptions in our business processes. In particular, our IT systems may be vulnerable to security breaches and cyber-attacks from unauthorised persons. We cannot guarantee that anticipated or recognized malfunctions or security deficits can be avoided by appropriate preventive security measures in every case. Delays and interruptions to our IT systems could lead to increased costs and may result in lost income and could therefore have a material adverse effect on our business, financial condition, cash flows or results of operations.

The administration and management of our portfolios is conducted with IT-based management tools. The reliance on such management tools could lead to decisions that are not in our best interest, for instance, if essential data cannot be collected or has to be estimated for the future, if model assumptions turn out to be wrong, or if the key performance indicators used are not relevant for our long-term success. Failure to make the correct business decisions could have a material adverse effect on our business, financial condition and results of operations.

***We may enter into new geographic markets and business segments, make strategic investments or acquisitions or enter into additional joint ventures, each of which may result in additional risks and uncertainties for our business.***

We intend to grow our business and may expand into new geographic markets and business segments in the real estate industry in which we have little or no experience. To the extent that we make strategic investments or acquisitions in new geographic markets or enter into additional joint ventures or other strategic initiatives, we may face numerous risks and uncertainties including, but not limited to, the required investment of capital and other resources and the possibility that we may have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk. If these initiatives generate insufficient revenue or if we are unable to efficiently manage the expanded operations, there may be a material adverse effect on our business, financial condition and results of operations.

***We may be unable to successfully identify and complete acquisitions for Investment Structures or warehousing purposes on favorable terms or achieve anticipated synergies relating to any acquisitions, and such acquisitions could result in unforeseen operating difficulties and expenditures.***

We periodically review potential acquisitions of complementary businesses. However, we may be unable to find suitable acquisition targets. Even if we identify appropriate acquisition targets, we may be unable to complete such acquisitions on favorable terms, if at all. In addition, the process of integrating an acquired business into our existing business and operations may result in unforeseen operating difficulties and expenditures. Integration of an acquired business may also require significant management resources that otherwise would be available for the ongoing development of our business. Moreover, we may not realize the anticipated benefits of any acquisition, and such transaction may not generate the expected financial results. Future acquisitions could also require us to issue equity securities, incur debt, assume contingent liabilities or amortize expenses related to intangible assets, any of which could have a material adverse effect on our business, financial condition and results of operations.

***We might be subject to typical project development risks.***

Certain of our projects comprise the acquisition of plots and securing of respective building rights and provision of further project planning (without assuming typical project development risks on our own

balance sheet) before converting such projects into clients' investment products and further developing them for our co-investors and in our typical function as real estate investment manager including usual alignment investments. Even though such projects are no true project developments, there are certain risks regarding such projects, e.g. the risk that the respective building permit can not be furnished. The realization of this risk could have a material adverse effect on our business, financial condition, cash flow and results of operation.

In some projects we co-finance the costs of construction arising in the initial development phase as part of our investment. The period from the start of development to completion can extend over several years for complex projects. However, the income from a property to be developed can generally be obtained only after completion. Volatility in the markets or other unforeseeable circumstances, or circumstances not foreseen by the Company that occur or become known during the development phase can affect the expected return. These include in particular unknown environmental risks, soil discoveries of all types that delay construction progress or errors in planning. The risks associated with the further development of projects also arise from possible disputes with building authorities and delayed and defective execution by the general and sub-contractors commissioned, or their insolvency, as well as from unplanned increases in construction costs, or a resulting delay in initial leasing. In the case of construction activities that involve the design of a property, under certain circumstances architects could apply for injunctions against us or commissioned third parties to assert their copyright and thereby hinder or prevent construction. This can lead to delays in the realization of projects or to their complete failure. The realization of such risk could have a material adverse effect on our business, financial condition, cash flow and results of operation.

***Future acquisitions may not close or not as originally contemplated, for example, due to conditions in the acquisition agreement or a failure to reach final agreements on the acquisition financing.***

In future acquisitions, unforeseen problems could arise, for example, in the form of substantial economic or legal impediments. For example, some transactions can be subject to a number of closing conditions and contain certain rights of withdrawal for both parties. If certain conditions precedent set out in the acquisition agreement are not fulfilled or if the parties fail to reach final agreements with respect to, for example, the acquisition financing entered into in connection with these transactions, the transactions may not occur in the form and/or within the intended timeframe.

In the event of a failure of future acquisitions, we could have to bear the associated transaction costs without receiving any of the intended results and benefits from the envisaged acquisition. The realization of this risk could have material adverse effects on our business, financial condition and results of operations.

***As the Company is a holding company, it will have to rely on dividends and other distributions by its operating subsidiaries. Any limitations on their ability to pay dividends may adversely impact the Company's ability to pay dividends to shareholders.***

As our Company is a holding company, our Company will have to rely on dividends and other distributions on equity paid by our operating subsidiaries and any limitations on their ability to pay dividends to us may adversely affect our ability to pay dividends to shareholders. Contractual and legal restrictions applicable to our subsidiaries could limit our ability to obtain cash from them. See "*Our borrowings subject us to risks associated with leverage and may adversely affect our ability to pay dividends*". Our rights to participate in any distribution of our subsidiaries' assets upon their liquidation, reorganization or insolvency may generally be subject to prior claims of the subsidiaries' creditors, including any lenders, trade creditors and preferred shareholders. Dividends and other distributions on equity paid by our subsidiaries will be our principal source of cash in order for us to be able to pay any dividends and other cash distributions to our shareholders. If our subsidiaries incur debt in the future, the instruments governing the debt may restrict their ability to pay dividends or

make other distributions to us. Additionally, the ability of certain of our subsidiaries' to pay dividends may be restricted by law or their constitutive documents.

***The due diligence process that we undertake in connection with investments by our Investment Structures or in connection with acquisitions or other transactions may not reveal all relevant facts.***

Before making investments on behalf of our Investment Structures or undertaking an acquisition or other transaction, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment, acquisition or transaction. When conducting due diligence, we evaluate complex business, financial, tax, accounting, environmental, technical and legal issues. External consultants, legal advisors, accountants and investment banks may be involved in the due diligence process to varying degrees depending on the type of investment, acquisition or transaction. Nevertheless, when conducting due diligence and making an assessment regarding an investment, acquisition or other transaction, we rely on the resources available to us, including information provided by the target of the investment or acquisition and, in some circumstances, third-party investigations. The due diligence investigation that we carry out with respect to any investment, acquisition or other transaction may not reveal all relevant facts that may be necessary or helpful in evaluating such investment, acquisition or other transaction. As a result, we may be subject to unexpected liabilities, greater indebtedness, higher interest expenses and the risk that we will not be able to create or enhance value with respect to the property during the holding period to the extent initially anticipated. The realization of this risk could have material adverse effects on our business, financial condition, cash flow and results of operations.

***We entered into a significant number of related party transactions with our Investment Structures as well as with certain other related parties in line with our business model as real estate investment manager. Certain of these agreements may not have been entered into at arm's length, and therefore, the conditions of these contractual relationships may not reflect their past, present or future fair value.***

Formally, we entered into a significant number of transactions with the Investment Structures we are co-invested in as well as with certain other related parties in line with our business model as real estate investment manager. For example, we entered into asset management agreements and property management agreements with Investment Structures where we are also invested in as co-investor and which formally for accounting purposes qualify as "related parties" even though we typically only hold between 5% to 10% of the shares of such Investment Structures. The terms and conditions agreed with such Investment Structures for the services of our Group were negotiated and set out in the underlying documentation for the Investment Structures entered into with our respective clients and us. To the extent our clients, which invested in such Investment Structures are concerned, arm's length principles do not apply as they are unrelated third parties. As far as our co-investment stake in such Investment Structures is concerned it is a common phenomenon of company groups that the arm's length principles apply and we believe that the agreed terms and conditions should meet the at arm's length principle, i.e., that such agreements were entered into at market prices. However, if the terms of the conditions of such agreements are deemed not to reflect past, present or future fair market prices, such agreements may be deemed not to have been executed on an at arm's length basis and may *inter alia* qualify as hidden profit distribution. If the consideration paid or to be paid under, e.g., any asset management agreement or any property management agreement proves to be above market prices, this may lead to an obligation of our respective Group company to repay any or certain excess amounts which have been received above an at arm's length basis or to adjust the conditions of such agreement for the future or to fulfill certain other payment obligations, in particular, tax payments.

In addition, we entered into related party transactions with shareholders of the Company and related parties to such shareholders. As a result, the conditions of these transactions were not negotiated with third parties within the meaning of IAS 24, so that there is no actual assumption that these contractual

relationships have been entered into on an at arm's length basis, i.e. that the conditions were always correctly determined and recorded. If any of such related party transactions should prove to have been entered into at conditions other than at arm's length, we might incur, for example, monetary losses and may not be able to recover such losses. Therefore, any investment in our shares must be based on an investor's own assessment of potential risks associated with this matter.

The materialization of any of the risks described above could have a material adverse effect on our business, financial condition and results of operations.

***We may postpone the invoicing of our management fees and make capital contributions or loans to our Investment Structures if they run into liquidity issues.***

If any of our Investment Structures do not perform as expected or run into liquidity issues, we may decide to support them, even though we are not subject to any legal or contractual obligation to do so. We may, for example, postpone the invoicing of our management fees or make additional capital contributions or loans to our Investment Structures. We have taken such measures in the past with respect to one of our Investment Structures and there can be no assurance that we will not decide to do so again in the future.

The materialization of any of the risks described above could have a material adverse effect on our business, financial condition and results of operations.

### **Risks Relating to Our Alignment Capital Investments in Our Investment Structures and to Our Assets Held for Warehousing Purposes**

As an integrated real estate investment manager, we make alignment capital investments in our Investment Structures. These alignment capital investments expose us indirectly to the risks of owning real estate. Additionally, from time to time we acquire real estate assets for our own account for the purpose of warehousing them, so that these assets can subsequently be transferred to our Investment Structures. During the period between the acquisition of the real estate asset and its transfer to our Investment Structures, we are directly exposed to the risks of owning the real estate.

Risks relating to the ownership of real estate to which we are exposed through our alignment capital investments in our Investment Structures and our assets held for warehousing purposes include the following:

***Our ability to generate the desired returns for our Investment Structures depends on our ability to lease the properties underlying these Investment Structures to appropriate tenants on satisfactory terms and to dispose of properties on appropriate terms.***

Our ability to achieve the desired returns for our Investment Structures, which in turn affects the fees we earn and the results of our alignment capital investments, may be limited by our ability to lease the properties underlying these Investment Structures to appropriate tenants on satisfactory terms and to dispose of them on appropriate terms. Revenue earned from, and the value of, these properties may be adversely affected by a number of factors, including:

- vacancies that lead to reduced occupancy levels and additional expenses until the property is re-let;
- our ability to obtain adequate management and maintenance services on commercial terms or at all;
- our ability to collect rent and service charge payments from tenants on a timely basis or at all;

- the amount of rent and the terms on which lease renewals and new leases are agreed being less favorable than current leases or previously estimated rental amounts;
- a competitive rental market which may affect rental amounts and occupancy levels; and
- changes in laws and governmental regulations in relation to real estate, including those governing permitted and planning usage, taxes and government charges, health and safety and environmental requirements.

The occurrence of any of the above factors could adversely affect our business, financial condition and results of operations.

***Locations where we have invested in real estate could lose their attractiveness and could suffer from an economic downturn.***

Every location is exposed to individual regional risks that we cannot influence. Individual locations where we have invested, especially smaller cities outside of major metropolitan areas, could depend heavily on a few companies for their economic growth. The insolvency, closure or relocation of one of these companies could have a significant adverse impact on the economic growth of the relevant location. Such factors are present at all locations in various forms for real estate and could each have adverse consequences for our investments. An adverse economic change in one of the locations could adversely affect our business, financial condition and results of operations.

***We could fail to conclude real estate transactions on attractive terms and might lose opportunities to purchase and sell properties.***

We frequently seek to acquire real estate assets for our Investment Structures and for warehousing purposes and to sell real estate assets held by our Investment Structures. We may not successfully purchase and sell properties at the most suitable time and on attractive terms. Our ability to purchase and sell properties depends on various factors such as the availability of suitable properties, favorable purchase terms, reasonable financing options, demand for rental space, the competitive situation, but also certain public legal matters such as the issuance of required permits. Competitors with asset acquisition objectives similar to ours may possess greater financial resources and lower costs of capital. Our competitors for the purchase of real estate include not only regional real estate investors with in-depth knowledge of the local markets, but also institutional real estate investors such as insurance companies, pension funds and sovereign wealth funds. International real estate investors have also emerged as competitors for property investments, even outside of large metropolitan areas. Compared to us, institutional real estate investors and international real estate investors often have greater resources to finance their acquisitions and may be willing to pay higher prices for strategic purchases. The high demand for real estate in Germany might result in excessive purchase prices for real estate, and thus in declining returns. A lack of purchase and sale opportunities for real estate on attractive terms could have a material adverse effect on our business, financial condition and results of operations.

***Future acquisitions or sales for our Investment Structures and for warehousing purposes may not close or not as originally contemplated, for example, due to conditions in the sale and purchase agreement or a failure to reach final agreements on the acquisition financing.***

In future acquisitions or sales for our Investment Structures and for warehousing purposes, unforeseen problems could arise, for example, in the form of substantial economic or legal impediments. For example, some transactions can be subject to a number of closing conditions and contain certain rights of withdrawal for both parties. If certain conditions precedent set out in the sale and purchase agreement are not fulfilled or if the parties fail to reach final agreements with respect to, for example, the acquisition financing entered into in connection with these transactions, the transactions may not

occur in the form and/or within the intended timeframe. The same is true if the seller or purchaser of an asset or portfolio of assets fails to fulfil its obligations under the respective sale and purchase agreement, in particular transferring the purchase object or paying the purchase price or if there is a (relevant) delay. Currently, the sellers in one of our Investment Structures are in ongoing negotiations to close a transaction regarding a commercial real estate portfolio (T6 transaction) and — in a potentially negative scenario — may face the described risks, in particular a default of the payment of a portion or all of the purchase price due. In the event of a failure of future acquisitions or sales for our Investment Structures (e.g. in case of failure of the closing of the T6 transaction) and for warehousing purposes, we could have to bear the associated transaction costs without receiving any of the intended results and benefits from the envisaged acquisition. The realization of this risk could have material adverse effects on our business, financial condition and results of operations.

***We are exposed to risks related to the structural conditions of the properties held by our Investment Structures and held by us for warehousing purposes and their modernization and maintenance.***

In order to ensure the safety of a rental property's inhabitants, sustain demand for a rental property and generate adequate revenue over the long term, a property's condition must be maintained or improved to a standard that satisfies technical requirements and meets market demand. Failure to maintain the technical soundness of a rental property poses a risk to the health and safety of the tenants. Typically, the costs associated with maintaining a rental property at market standards are borne primarily by the property owner. If maintenance and modernization are required to meet changing legal or market requirements (e.g., with regard to energy efficiency or health and safety requirements), the property owner may be burdened with substantial expenses. In Germany, rent increases to compensate for these expenses may only be introduced under certain conditions and may not exceed a certain percentage of the costs incurred in connection with certain modernization measures. In addition, we may not be able to increase rents to the extent legally permissible as a result of prevailing market conditions or the inability of tenants to afford these increased rents.

Although we have a system in place to monitor and budget necessary maintenance and modernization measures, numerous factors may generate substantial unbudgeted costs for maintenance and modernization. These factors may include the material and substances used at the time of construction, currently unknown building code violations and the age of the relevant building. We would incur additional and unexpected costs if the actual costs of maintaining or modernizing properties were to exceed our estimates, if it is not permitted to increase rents in connection with the modernization and maintenance or if hidden defects not covered by insurance or contractual warranties are discovered during the maintenance or modernization process.

Any failure to undertake appropriate maintenance and modernization work in response to the factors described above could adversely affect the rental income earned from affected properties. Such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing lease contracts. Any such event could reduce the performance of our Investment Structures, which could affect our fee income and our results from alignment capital investments, which in turn could have material adverse effects on our business, financial condition and results of operations.

***We may make significant investments in modernization measures for properties held by our Investment Structures or held by us for warehousing purposes, which may not generate the expected return.***

We may make significant investments in modernization measures for properties held by our Investment Structures or held by us for warehousing purposes. There can be no assurance that we will be able to achieve the targeted yield in the future on capital invested in modernization measures. Furthermore, we may face challenges in overseeing and organizing such modernization measures. Management may make investment decisions that turn out to be less profitable than expected as a result of insufficient information or lack of knowledge of the facts. In addition, we may not be able to pass on the costs of such modernization measures to the tenants if these tenants are unable to afford

such rent increases. Further, our Investment Structures may be restricted in their ability to finance the modernization measures through loans or other debt instruments depending on their current and future debt level and structure. The materialization of any of the risks described above could reduce the performance of our Investment Structures, which could affect our fee income and our results from alignment capital investments, which in turn could have material adverse effects on our business, financial condition, cash flow and results of operations.

***Capital expenditure and other maintenance costs for properties held by our Investment Structures or held by us for warehousing purposes may be higher than expected.***

The condition of properties must be maintained in order for them to remain desirable to tenants and to generate revenue over the long term. Maintaining or improving the condition of properties is important to capturing any increase in market demand and can entail significant costs. We undertake maintenance and refurbishment work for assets held by our Investment Structures or held by us for warehousing purposes on an ongoing basis.

Maintenance and refurbishment work is subject to a number of construction, operating and other risks, many of which are beyond our control, including shortages and price inflation of materials, equipment and labor, adverse weather conditions, accidents, unexpected delays and other unforeseen circumstances, any of which could result in costs that are materially higher than we initially estimated. In addition, numerous other factors, such as the age of the building, the material and substances used at the time of construction or building code violations could also result in substantial maintenance costs.

Any failure to undertake appropriate maintenance and refurbishment work could adversely affect the rental revenue earned from the affected property, result in substantial unplanned costs, negatively impact the affected unit's value and, in some circumstances, result in a breach of obligations under a lease. Should this happen, it could reduce the performance of our Investment Structures, which could affect our fee income and our results from alignment capital investments, which in turn could have a material adverse effect on our business, financial condition and results of operations.

***Real estate investments are relatively illiquid, which may affect our ability to vary, dispose of or liquidate the assets of our Investment Structures.***

Real estate investments are relatively illiquid. Such illiquidity may affect our ability to vary the portfolios of our Investment Structures or to dispose of or liquidate part of their portfolios in a timely fashion and at satisfactory prices. This may lower the returns of our Investment Structures, which in turn would result in lower fee income and lower returns on our alignment capital investments and could materially and adversely affect our financial condition and results of operations.

***Write-downs of real estate booked as assets in our consolidated financial statements or in the financial statements of our Investment Structures could have adverse effects on our results.***

We generally attempt to transfer real estate assets held by us for warehousing purposes to Investment Structures no later than 18 months after our acquisition of the asset. However, we may not be able to do so in all cases. Real estate assets held by us for warehousing purposes are shown on our consolidated balance sheet until they are transferred to our Investment Structures or otherwise disposed. It is possible that we will not be able to transfer real estate assets to our Investment Structures or otherwise dispose of them for an extended time period and that we may be required to write down the value of the real estate assets on our balance sheet. Any such write-down of real estate assets could have a material adverse effect on our business, financial condition and results of operations.

Our alignment capital investments in our Investment Structures are reflected in our consolidated financial statements as investments in associates. The fair value of real estate property as the main assets of our associates is determined by using recognized valuation techniques. Such fair value

measurement has a direct impact on our balance sheet items Investment in Associates, Long-term Loans to Associates and Receivables from Associates. The valuation techniques comprise both the discounted cash flow method and the residual value method. 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 our Investment in Associates, Loans to Associates and Receivables from Associates.

***Our ability to increase rents in Germany is limited by German law.***

The ability of landlords to increase rent in Germany under existing tenancy agreements is limited under German law. If the parties to a tenancy agreement have not agreed on a stepped rent (*Staffelmiete*) or an indexation of rents (*Indexmiete*) – which is permissible only in specific cases – and the tenant refuses to amend the tenancy agreement, a rent increase may be effected unilaterally only within strict limits. Possible future changes in the German legal framework may further negatively affect our ability to increase rents. Tightened rent restrictions could impair our ability to increase rents, which in turn could lead to a reduction in the revenues we earn and affect the results from our capital alignment investments and from the assets held by us for warehousing purposes, all of which could have material adverse effects on our business, financial condition and results of operations.

***German law provides tenants with substantial protection against termination and tenant eviction. In addition, we use standardized tenancy agreements and standardized contract terms, which are closely scrutinized by German courts.***

German law and German courts provide tenants with substantial protection against termination and tenant evictions. Extended leases or delayed evictions resulting from these protections can lead to substantial losses until the property is actually vacated. In addition, we use standardized tenancy agreements. Under German law, standardized contract terms are required to comply with the statutory law on general terms and conditions, which means that they are subject to rigid fairness control by the courts regarding their content and the way they are presented to the other contractual party by the person using them. As a general rule, standardized terms are invalid if they are not transparent, are not clearly worded, are unbalanced or discriminate against the other party. Due to the frequent changes in the legal framework, particularly as a result of court decisions relating to general terms and conditions, it is impossible to be fully protected against risks associated with the use of such standardized contractual terms. The various German Federal Court of Justice (*Bundesgerichtshof*) decisions regarding the invalidity of decorative repair clauses, specifically those concerning the type and schedule of the tenant's performance of decorative repairs, are examples of a change in the legal framework. The invalidity of such clauses causes the landlord to become responsible for maintenance measures and the increased costs incurred in connection therewith. Even if contracts are prepared with legal advice, it is difficult for us to avoid problems of this nature from the outset or in the future, as the changes may continue to occur in the legal framework, particularly via case law. This makes it impossible for us to avoid the ensuing legal disadvantages. Any of the aforementioned risks could have material adverse effects on our business, financial condition and results of operations.

***Our Investment Structures and real estate assets held by us for warehousing purposes may be exposed to substantial risk of loss from environmental claims.***

Our Investment Structures and real estate assets held by us for warehousing purposes may be exposed to substantial risk of loss from environmental claims arising in respect of real estate assets that have environmental problems, and the loss may exceed the value of such assets. Furthermore, changes in environmental laws or in the environmental condition of assets may create liabilities that did not exist at the time of acquisition of the real estate assets and that could not have been foreseen. Generally, we perform environmental due diligence of real estate assets to be acquired for our Investment Structures or for warehousing purposes. However, such due diligence may not reveal all environmental liabilities. In the event there are environmental liabilities, this may lower the returns of our Investment Structures.



This would result in lower fee income and lower returns on our alignment capital investments and could have a material adverse effect on our business, results of operation and financial position.

***We may suffer material losses in excess of insurance proceeds in the event of significant damage to real estate assets.***

The real estate assets held by our Investment Structures or held by us for warehousing purposes may suffer physical damage caused by fire or other causes, resulting in losses (including loss of rent) which may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, which may be uninsurable or are not economically insurable. Such losses, especially if they are not covered in full by insurance proceeds, may lower the returns of our Investment Structures, which in turn would result in lower fee income and lower returns on our alignment capital investments and could materially and adversely affect our financial condition and results of operations.

***Real estate valuations are based on assumptions and considerations that are not only subject to change but are inherently subjective and uncertain, and valuation reports may not accurately reflect the value of the real estate to which the reports relate.***

Due to the illiquid nature of property, the valuation of property is inherently subjective and thus subject to uncertainty. A property's reported valuation depends on the factors considered during the valuation and on the valuation method used. In addition to considering expected rental income in relation to a particular property, the property's condition as well as its historical vacancy level, a property appraiser may consider other factors such as real estate tax rates, operating expenses, potential claims for environmental liabilities and the risks associated with certain construction materials. All such property valuations are made on the basis of assumptions which may not be correct. An adverse change in one of the assumptions used or factors considered in valuing a property can considerably decrease the assessed value of the property. Moreover, a change in the factors considered may cause valuation results to differ significantly. There is no guarantee that the valuations will reflect actual sale or market prices (even where any such sales occur shortly after the relevant valuation date) or that the estimated rental yield and annual rental income of any property will actually be attained. In particular, during times of limited transactions in the real estate market in general or in particular market segments thereof, market prices for properties may be especially difficult to assess. In addition, our management assesses the market value of its properties by external professional appraisers at least once per year. The particular assessment of the mandated external professional appraiser is, to a certain extent, discretionary and may differ from the opinion of another appraiser.

These factors could result in the values ascribed to the properties by the external or internal valuation reports to be higher than the amounts that could be obtained upon disposal of our properties, whether in the context of the sale of individual properties or a portfolio as a whole. In particular, valuation reports are based on a series of important assumptions some of which are based on information that we provide. Assumptions based on such information may turn out not to be correct. An adverse change in important assumptions made or in factors considered by an appraisal could considerably decrease the assessed value of the properties. Property values may decline over time and assumptions may change. Any revaluation of properties may lead to gains or losses with respect to the book value of the properties and influence our profit or loss, as reflected in our consolidated income statement and consolidated balance sheet. Such profit or loss will be realized in the event that the relevant property is sold. The materialization of any of these factors could have material adverse effects on our business, financial conditions and results of operations.

## **Risks Relating to Our Financing**

***Our borrowings subject us to risks associated with leverage and may adversely affect our ability to pay dividends.***

As of 30 June 2016, we had EUR 14.6 million in long-term financial liabilities to banks outstanding. Our existing and future indebtedness exposes us to risks associated with the use of leverage such as refinancing risk and liquidity risk and may adversely affect our ability to pay dividends. Our cash available for distribution to shareholders may be reduced to the extent that changes in market conditions, increases in interest rates and/or levels of amortization imposed by our lenders may cause our cost of borrowing to increase relative to the income that can be derived from our revenue streams. This risk may be heightened in the future if we finance our business through additional borrowings. As a result, our ability to pay dividends may be materially and adversely affected.

***If we are unable to obtain debt financing for the acquisition and refinancing of real estate assets, this may materially and adversely affect our business.***

Our ability to acquire real estate assets for our Investment Structures or for warehousing purposes depends on our ability to obtain sufficient debt financing for the acquisition. If we are unable to obtain the necessary debt financing, the planned acquisition of the real estate asset may be affected and may no longer be feasible. This may have a material adverse effect on our business, financial condition, results of operations and prospects.

***Covenants and restrictions in the financing arrangements for our Investment Structures could limit our ability to undertake certain types of transactions and adversely affect our business.***

The financing arrangements for our Investment Structures contain a number of covenants and other restrictions that impose significant operating and financial limitations with respect to our Investment Structures. For example, a loan agreement of one of our Investment Structures provides that the lender may terminate the loan if Thomas Landschreiber ceases to be employed by us. A breach of the covenants or restrictions under these financing arrangements could result in an event of default under the applicable financing arrangements. An event of default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. These restrictions may affect our ability to manage our Investment Structures in accordance with our strategy, which could in turn have an adverse effect on the future performance of our Investment Structures. This could affect our fee income and the results of our alignment capital investments and could have a material adverse effect on our business, financial condition and results of operations.

## **Legal and Regulatory Risks**

***We are exposed to risks from litigation and other legal actions, and could incur significant liabilities and substantial legal fees.***

We are, or may become, the subject of legal disputes, administrative proceedings or government investigations. Such legal disputes, proceedings and investigations may, in particular, arise from our relationships with clients, tenants, employees, third-party facility managers, building contractors and other contractual counterparties, neighbors and public authorities alleging breaches of contract, tort or the failure to comply with applicable laws and regulations. We may be required to pay damages or fines or to take, or to refrain from taking, certain actions. There may also be investigations by governmental authorities or criminal proceedings into circumstances of which we are currently not aware or which will arise in the future. If we were to be found liable under any such claims or even if complaints, lawsuits or investigations brought against us are unsuccessful, this could result in significant liabilities, further costs and substantial legal fees and have a material adverse effect on our

business, financial condition and results of operations (see also “A member of our management board is subject to a public accusation by the Frankfurt Prosecutor’s Office”).

***Our intellectual property rights may be infringed or challenged by third parties and we may infringe third parties’ intellectual property rights or be faced with claims regarding infringement with regard to the use of intellectual property.***

We own a number of trademarks and internet domain names the majority of which contains the designation “CORESTATE”. The “CORESTATE” brand has a good market reputation. We cannot exclude that third parties may infringe our intellectual property rights which may lead to a loss of goodwill associated with the “CORESTATE” brand which might, in turn, damage our market reputation and have a material adverse effect on our business.

We cannot exclude the possibility that we may infringe intellectual property rights of third parties. This may result in the prohibition of certain business actions or us being forced to purchase licenses, or pay compensation. Restrictions or obligation due to the infringement of intellectual property rights of third parties may have a material adverse effect on our business.

Our Community Trademarks “Urbia Linked Living” and “Urbia Career Building” are subject to oppositions by a third party. We may therefore lose the rights to these trademarks and may not be able to use them in the future. We cannot exclude that this may have a material adverse effect on our business.

***Our insurance coverage may not be sufficient.***

We carry insurance that we consider adequate in regard to the nature of the covered risks and the costs of coverage. We are not fully insured against all possible risks, nor are all such risks insurable. We cannot assure you that our insurance coverage will be sufficient to cover all claims, that such claims will not exceed our insurance coverage limits or that such insurance will continue to be available on commercially reasonable terms, if at all. As a result, losses that are not covered by insurance could have a material adverse effect on our business, financial condition and results of operations.

***The control and prevention mechanisms of our compliance structure may not have been, or may not be, sufficient to adequately protect us from all legal or financial risks.***

To protect us against legal risks and other potential harm, we have implemented a Group-wide code of conduct. This binding policy addresses conduct, corruption prevention, conflicts of interest, information and data protection, discrimination, environmental protection and protection of company property and applies to all employees and the members of the management board. Legal and compliance risks are addressed by our risk management. There can be no assurance, however, that the aforementioned compliance arrangements will be sufficient to completely prevent all unauthorised practices, legal infringements or corruption. Further compliance procedures are implemented in particular within the AIFM and/or the respective Investment Structure which may qualify as an AIF managed by the AIFM, which depending on the circumstances may itself also be part of the Group or not. A risk exists that a competent regulatory authority requires amendments and/or modifications in these systems which may result in higher costs resulting in lower cash flows and results of operation. Any failure in compliance could have material adverse effects on our business, financial condition, results of operations and reputation.

***New laws or regulations, or changes in the enforcement of relevant laws or regulations may adversely affect our business.***

In the event new laws or regulations are implemented, or the interpretation or enforcement of existing laws and regulations is changed, this may have a material adverse effect on our business, financial

condition and results of operations. Compliance with new laws or regulations may also add to our compliance burden and costs, which may have a material adverse effect on our business. In particular Directive 2014/65/EU (MiFID II), which is to be applied by financial institutions in EU member states from 3 January 2017, may affect the future distribution of products offered by us. MiFID II may also require modifications in our product structuring and compliance procedures. Distributors may be restricted from distributing our products. It cannot be excluded that some EU member states will implement additional national requirements that will affect us and the distribution of our products. These regulatory developments may lead to substantial cost increases and may materially affect our cash flows, business, financial condition and results of operation.

***We may be subject to investigations or administrative proceedings for violations of our licenses or license/authorisations requirements.***

Our business is conducted subject to a number of regulatory licenses and authorisations, including those issued by FINMA and those issued by the CSSF in relation to the AIFM Rules. Competent regulatory authorities are empowered to conduct investigations and administrative proceedings that could result in fines, suspensions of personnel, temporary suspensions or definitive withdrawals of any licence or authorisation granted and other sanctions in case irregularities were to be detected. Any adverse publicity relating to any such investigation and proceeding may harm our reputation and cause us to lose existing clients or fail to attract new clients. Certain Investment Structures within the Group may be qualified as AIF and/or AIFM by competent regulatory authorities but may either (i) not yet have been identified as AIF and/or AIFM by us or (ii) are in the process of being brought in fully compliance with the AIFM Rules by appointing an authorised AIFM by the respective competent regulatory authority. In case such relevant Investment Structures have not obtained, fail or failed to upgrade their current registration to a proper authorisation or do not have a sufficient authorisation at all, the respective competent regulatory authorities may sanction the respective Investment Structure and/or their management (which may at least partially be identical to the management of other registered AIFs or the AIFM) by issuing fines, requesting the winding-up of the relevant entity or otherwise limit or restrict the business of such relevant Investment Structure and or potentially its members of management, which may have repercussions on the management of other Investment Structures, entities or the Corestate AIFM (as defined below), to the extent the management of these entities is (at least) partially identical with the Investment Structure suffering from a fine or other limitations or restrictions to its business. However, Corestate Capital Fund Management S.à r.l., fully owned by CCAG, was authorised by the CSSF on 21 January 2015 as AIFM under the AIFM Act (the “**Corestate-AIFM**”) and will be in the position to be appointed as AIFM of such AIFs and replace other Group entities that have or may have been qualified as factual AIFM, as the case may be. These circumstances may lead to significant operational, reputational and business risks for the Group resulting in higher costs and/or otherwise a reduction in the Group’s cash flow and results of operation.

With regard to managed accounts serviced by us, a competent regulatory authority may take the view that the management of such managed accounts qualifies as licensable activity. In case the relevant entity within the Group managing such managed accounts has not already obtained the required licenses, the relevant entity must either refrain from the management of the managed account or must apply for a sufficient license. It cannot be excluded that the competent regulatory authority will not grant the required license. In that case the management of the managed account must either be allocated to a properly licensed entity with the consent of the holder of the managed account or the relevant entity within the Group must terminate the management agreement. This may result in a reduction of cash flows and results of operation and a liability *vis-à-vis* the account holder.

The abovementioned factors may materially affect our business, financial condition and results of operation.

***Competent authorities may deem that we have in the past conducted our business as an alternative investment fund manager within the meaning of the AIFMD.***

We do not believe that neither we nor Investment Structures that we manage qualify or qualified as (internally-managed) AIF or AIFM within the meaning of the AIFM Rules or should have been qualified as AIF, with either the need to register the AIF as internally-managed (de minimis) AIF or the need for the respective AIF to appoint an external AIFM, because of (i) either our being exempted (most likely as holding company within the meaning of Article 1 (62) a) of the AIFM Act) or (ii) – in relation to our Investment Structures – the use of grandfathering provisions or because the criteria to qualify as an AIF and/or AIFM have not been fulfilled before entry into force of the AIFM Act on 22 July 2013. After the date of the aforementioned entry into force of the AIFM Act, we have always endeavoured to undertake a self-assessment of any Investment Structure that forms part of our Group or that we manage in the conduct of its business with regard to the respective Investment Structures' qualification as an AIF in order to identify whether it needs to be registered as internally-managed (de minimis) AIF or needs to appoint an external AIFM such as the Corestate AIFM. There is a risk that we may (i) either not have properly identified the entity as such an AIF or (ii) that given the scope of interpretation of the rules and stipulations of the AIFM Act in relation to the AIF qualification, a third party or a competent regulatory authority may take or may have taken a different view would it have known the factual circumstances, which led us to the conclusion at the time of our self-assessment and assess that certain Investment Structures within the Group may qualify as an internally-managed (de minimis) AIF required to register or as an AIF required to appoint an external AIFM. In case a respective Investment Structure that we manage were to be considered by competent regulatory authorities to have conducted business falling within the scope of the AIFM Rules before 22 July 2013 or after that date without having either been registered as internally-managed (de minimis) AIF or appointed an authorised external AIFM such as the Corestate AIFM, this could theoretically expose the management of the Investment Structure and us to administrative sanctions such as fines, judicial penalties for non-compliance for the management of the respective Investment Structure having failed to comply or other sanctions imposed by competent regulatory authorities. This may potentially be the case in relation to the following Investment Structures: CORESTATE SAND HoldCo S.à r.l. (Highstreet I) as well the structures currently registered with the CSSF as internally managed (de minimis) AIF, i.e. CORESTATE Shelf HoldCo 3 S.à. r.l., CORESTATE Vie Developments S.à. r.l., SOEST HoldCo S.à. r.l. Any such sanctions might potentially adversely affect our business, financial condition and results of operations. In addition, this may lead to reputational risks and may restrict the further distribution of shares/units of the relevant AIFs.

***Competent authorities may require the replacement or termination of portfolio/risk management and/or advisory agreements with other entities within or outside the Group.***

In some cases it could be possible that the Corestate-AIFM will choose to outsource the portfolio management or risk management acting in its own name but on behalf of the AIFs to other legal entities within (preferred) or outside the Group to the extent possible under the AIFM Rules and more specifically under the AIFM Act. In such cases, it might be possible that the Corestate-AIFM's outsourcing control procedures may not detect or may detect too late a failure by the portfolio/risk manager. Theoretically, competent regulatory authorities may request in such cases the amendment to or the termination of the relevant portfolio/risk management agreements in the interest of the investor of the relevant AIF, in particular, if the respective portfolio/risk manager had its authorisation or license withdrawn by the competent regulatory authority.

In some cases the Corestate AIFM may use entities within or outside the Group as advisor. It is possible that competent regulatory authorities may request the amendment to or the termination of the relevant advisory agreements, in particular if the respective advisor were required to be properly licensed or authorised but failed to obtain or had the required authorisation or license withdrawn by the competent regulatory authority. The Corestate-AIFM may not be in a position or not willing to find

appropriate substitution for the relevant advisors. These risks also apply in case of the use of service providers.

The aforementioned circumstances may potentially lead to significant operational, reputational and business risks for the Group resulting in higher costs and/or otherwise a reduction in the Group's cash flow and results of operation. This may have material adverse effects on our business, financial condition and results of operations.

***We may be exposed to risks from the use of distributors for our Investment Structures, including the loss of distribution channels and higher costs.***

We may use other entities as distributors for the shares or units of the AIFs to be distributed, placed or sold. These distributors may in principle be affected by MiFID II and will request particular data from the Corestate-AIFM for the AIFs to be distributed, placed or sold. If we are not able or willing to provide this data (e.g. target market data), the distribution partner may not be in a position to further distribute, place or sell shares/units of the relevant AIF in the respective jurisdiction. In addition, the Corestate-AIFM may need to amend its internal procedures and measures to identify, gather and manage the requested data. These circumstances may lead to higher costs for us and may affect the distribution, placement or sale of shares/units of relevant AIFs. This may have material adverse effects on our business, financial condition and results of operations.

***We may be adversely affected by corporate criminal law applicable to us and/or our Group companies and incur liability and reputational harm.***

We and some of our Group companies are incorporated and active in jurisdictions where, in the event a crime or offence is committed on behalf of, and in the interest of, a legal entity by one of its legal bodies or by one or several of its legal or de facto managers, the legal entity itself may be held criminally liable if the respective preconditions are fulfilled, next to the individual person (so called Corporate Criminal Law). The potential sanctions which may be incurred by legal entities held liable are fines, special confiscation, withdrawal of participation in a public procurement contract and dissolution. If one of our or our Group entities' employees or management board members or other individuals were found guilty for crimes or offences and simultaneously, the respective entity were also found responsible and subjected to one or several of the aforementioned sanctions, this could have a material adverse effect on our reputation, business, financial condition, cash flows and results of operations. See also "A member of our management board is subject to a public accusation by the Frankfurt Prosecutor's Office".

### **Tax Risks Related to Our Investment Structures**

The following sets out the main tax risks related to our Investment Structures. Some of those risks may be similar to those related to us and our affiliates (see below) but should be read independently from each other.

***If our Investment Structures are not tax efficient, this may have a material adverse effect on our business.***

The tax efficiency of our Investment Structures is an integral part of the Investment Structures' realized return profiles. This includes the usage of RETT-Blocker structures. If any Investment Structure is deemed not tax efficient for whatever reason, for example due to a change in tax legislation or case law or due to an administrative decision, this may result in a reduction of the net returns from such investment and thus negatively influence the performance of the investment. The same applies if the tax authorities consider the substance of the respective parent entity of an Investment Structure (which are mainly tax resident in Luxembourg) as insufficient to receive dividends from its subsidiaries free of withholding tax under the EU parent-subsidiary directive or an

applicable tax treaty. This would make our Investment Structures less attractive for clients and ourselves as Co-Investor and could reduce the fee income we earn and the proceeds we receive as Co-Investor whereby in respect of the fee income we are in general treated as normal contractual party to the Investment Structure and our risk in respect of proceeds as Co-Investor is limited to the pro-rata amount we participate in the Investment Structure in relation to our client. Such potential reduction of fee income and/or proceeds as Co-Investors may have a material adverse effect on our business, financial condition, results of operations and prospects.

***Our Investment Structures are subject to the general tax environment inter alia in Germany, Luxembourg, Austria, Spain, Switzerland and Guernsey and to possible future changes in the taxation of enterprises in these jurisdictions, which may change to our detriment.***

Our Investment Structures are subject to the general tax environment *inter alia* in Germany, Luxembourg, Austria, Spain, Switzerland and Guernsey. Changes in tax legislation, administrative practice or case law could have adverse tax consequences for us. For example, there are currently several initiatives being considered at local and the European Union level which could have an effect on the taxation of enterprises in the respective jurisdictions. The initiatives relate, *inter alia*, to changes to the limitation of interest deductions, the taxation of portfolio dividends, withholding tax on dividends, general anti-avoidance rules (GAAR); the group taxation (fiscal unity) provisions, the use of real estate transfer tax blocker schemes, the establishment of a common consolidated corporate tax base (CCCTB), country-by-country-reporting obligations and the establishment of anti-abuse and other rules to avoid base erosion and profit shifting (BEPS). Certain initiatives are still at an early stage of the consideration process, for which it is presently uncertain whether and to what extent the suggested changes will eventually be implemented and whether and to what extent they may have an adverse effect on our business, financial conditions and results of operations.

In addition, despite the existence of a general principle prohibiting retroactive changes, amendments to applicable laws, orders and regulations may be issued or altered with retroactive effect within certain limits. Additionally, divergent interpretations of tax laws by the tax authorities or the tax courts are possible. These interpretations may change at any time with adverse effects on our taxation burden. Furthermore, court decisions are often overruled by the tax authorities or tax courts might lead to a higher burden as well as increased legal and tax advisory costs for the Investment Structures. Additionally, if adverse changes in the tax framework should occur, individually or together, this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations to the extent we participate as Co-Investor in the Investment Structures.

If these risks were to materialize, they could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations as the returns after taxes of the Investment structures would decrease so that they may become less attractive for clients and also our proceeds as Co-Investor would decrease.

***Our Investment Structures may be required to pay additional taxes following tax audits.***

Our Investment Structure could be subject to tax audits in the jurisdictions of their incorporation. So far, our Investment Structures have only been partly subject to any tax field audit in the past. All tax assessment notices issued for the audit periods and for tax periods not yet audited are not yet final and are subject to full review and therefore can be changed by the tax authorities at any time without restrictions.

As a consequence of current or future tax audits or as a result of possibly divergent tax law interpretations by the tax authorities or tax courts, we could be obliged to pay additional taxes, e.g. resulting from the non-deductibility of intragroup payments for services, adjustment of applied transfer prices, or other adjustments of the taxable income or VAT-basis or denial of Input-VAT deduction by

the tax authorities as well as the challenging of the tax residency or assumption of a permanent establishment of a group company (in particular as we operate in various jurisdictions, the tax authorities might assume a permanent establishment of Corestate Capital AG in these jurisdictions or the tax authorities might assume a German permanent establishment of group companies which own and manage German real estate and are organized in the form of Luxembourg S.à r.l.). Such additional taxes (including VAT) could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations to the extent we participate in the Investment Structures as Co-Investor.

***The tax authorities might not accept tax residency and/or substance of Guernsey Limited Liability Companies of certain of our Investment Structures.***

Within some Investment Structures Guernsey resident corporations are used which receive interest income from affiliates and which are tax exempt in Guernsey. The tax authorities might challenge the effective place of management of these Guernsey Limited Liability Companies in Guernsey and try to argue that the effective place of management would be in another jurisdiction where the interest income would be ordinarily subject to taxation. Furthermore, the Swiss tax authorities might challenge that the Guernsey Limited Liability Companies have sufficient substance and tax the interest income allocatable to Corestate Capital AG as a co-investor directly in Switzerland. The additional taxes resulting from the above in Switzerland or in any other jurisdiction where the Guernsey companies might be deemed to have an effective place of management could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations to the extent we participate in the Investment Structures as Co-Investor.

***The tax authorities might not accept all tax deductions for interest payments in our Investment Structures.***

Our Investment Structures are partly debt-financed and hence incur interest expenses. Furthermore, in some Investment Structures shareholder loans are either provided by our clients or by Guernsey Limited Liability Companies, which also generate interest expenses. There are several rules under German tax law restricting the tax deductibility of interest expenses for corporate income and trade tax purposes. Comparable rules exist in the most relevant other jurisdictions in which we have made co-investments. Such rules have been changed considerably on several occasions in the recent past. As a result, major uncertainties exist as to the interpretation and application of such rules, which have not yet been clarified.

The tax deductibility of interest expenses depends on local tax rules. For instance, in Germany the tax deductibility mainly depends on the amount of net interest expenses and the tax EBITDA. In non-German jurisdictions, the tax deductibility often depends on the debt-equity-ratio of the company or requires an interest benchmark analysis to support the arm's length character of the interest rate applied. Furthermore, German and/or Luxembourg tax authorities might challenge the interest rate in case the loans are provided by clients or Guernsey companies. If the tax deductibility of interest expenses for corporate income tax and trade tax purposes were restricted, this would result in a higher tax burden and consequently, this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations to the extent we participate in the Investment Structures as Co-Investor.

***A transfer of 95% or more of our shares within a five-year period may trigger German real estate transfer tax in our Investment Structures.***

Our main Investment Structures have the legal form of corporations and hold the legal or beneficial title to most parts of the real estate portfolio. German real estate transfer tax (“RETT”) is potentially triggered if, directly or indirectly, 95% or more of the shares of such corporations are transferred to or



unified in the hand of one acquirer whereas the acquirer would be liable for such RETT. To the extent that the real estate is held by partnerships, RETT is potentially triggered if within any period of five years, 95% or more of interests in the respective real estate owning partnerships are directly or indirectly transferred from the current partners to new partners or to other entities. In the event of such transfers, the real estate owning partnerships would have to pay RETT at a rate of currently up to 6.5%, or such higher tax rate as may be applicable at the relevant time, of the respective properties' value as determined in accordance with applicable tax laws. This could have material adverse effects on our business, net assets, financial condition, cash flows and results of operation.

***Our Investment Structures may lose the tax benefits from non-application of German trade tax or the extended trade tax deduction.***

Currently the majority of our Investment Structures holding German real estate are structured either as Luxembourg entity with no German trade business or as German corporation which make use of the extended trade tax deduction pursuant to which the German trade tax basis is reduced by income exclusively derived from a mere letting and leasing of real property. If the Luxembourg entities are considered as conducting an active trade business in Germany by the tax authorities (e.g. in the course of an tax audit) or if the requirements for the use of the extended trade tax deduction were not fulfilled or fall away, this could result in a higher trade tax burden, which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations to the extent we participate in the Investment Structures as Co-Investor.

***German resident clients in our Investment Structures may be subject to an income attribution under the German Controlled Foreign Companies rules. Furthermore, these rules may require German resident clients in our Investment Structures to disclose certain information.***

Since our income (based on the application of the German income determination rules) may become subject to income tax at a rate below 25%, the German Controlled Foreign Companies rules (“**German CFC rules**”) may result in an attribution of our income to German resident clients for German tax purposes. For the German CFC rules to apply certain participation thresholds must be reached or exceeded (generally either at least 1% for a single German resident shareholder or more than 50% for all German resident shareholders collectively). Under the German CFC rules passive income (*Zwischeneinkünfte*) and/or passive investment capital income (*Zwischeneinkünfte mit Kapitalanlagecharakter*) will be deemed to be realized by German resident clients directly (irrespective of a factual distribution to such clients) for German tax purposes and, hence, will be taxed at the level of the German resident clients. In particular, some of Corestate's co-Investment Structures may generate such passive and low-taxed investment capital income. Such CFC-tax may adversely affect the tax position of German resident clients.

In addition, the German Foreign Tax Act (*Außensteuergesetz*) requires German resident clients to make specific tax filings. To the extent that the required information exceeds the data publicly disclosed by Corestate, German resident clients may face adverse tax consequences.

Comparable rules may also exist in other jurisdictions.

### **Tax Risks Related to Us and Our Affiliates**

The following sets out the main tax risks related to us and our Affiliates. Some of those risks may be similar to those related to our Investment Structures (see above) but should be read independently from each other.

***Our business is subject to the general tax environment inter alia in Germany, Luxembourg, Spain and Switzerland and to possible future changes in the taxation of enterprises in these jurisdictions, which may change to our detriment.***

Our business is subject to the general tax environment, *inter alia*, in Germany, Luxembourg, Spain and Switzerland. Changes in tax legislation, administrative practice or case law could have adverse tax consequences for us. For example, there are currently several initiatives being considered at local and the European Union level which could have an effect on the taxation of enterprises in the respective jurisdictions. The initiatives relate, *inter alia*, to changes to the limitation of interest deductions, the taxation of portfolio dividends, the group taxation (fiscal unity) provisions, the use of real estate transfer tax blocker schemes, the establishment of a common consolidated corporate tax base (CCCTB) and the establishment of anti-abuse and other rules to avoid base erosion and profit shifting (BEPS). As the initiatives are still at an early stage of the consideration process, it is presently uncertain whether and to what extent the suggested changes will eventually be implemented and whether and to what extent they may have a negative effect on our financial conditions and results of operations.

In addition, despite the existence of a general principle prohibiting retroactive changes, amendments to applicable tax laws, orders and regulations may be issued or altered with retroactive effect within certain limits. Additionally, divergent interpretations of tax laws by the tax authorities or the tax courts are possible. These interpretations may change at any time with adverse effects on our taxation burden. Furthermore, court decisions are often overruled by the tax authorities or tax courts might lead to a higher burden as well as increased legal and tax advisory costs for us. Additionally, if adverse changes in the tax framework should occur, individually or together, this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

***We could be required to pay additional taxes following tax audits or tax assessments.***

We and our affiliates can be subject to tax audits in the jurisdictions of their incorporation. So far, our group companies of Corestate have not been subject to any tax field audit in Germany, Luxembourg or Switzerland in the past. All German tax assessment notices issued for the audit periods and for tax periods not yet audited are not yet final and are subject to full review and therefore can be changed by the tax authorities at any time without restrictions.

Luxembourg tax assessments issued under §100a Abgabenordnung should in principle reflect tax returns filed. The fact that the tax authorities have issued a provisional tax assessment does not imply that they have reviewed or accepted the liabilities as disclosed in the returns. Following the issuance of provisional tax assessment notices, the Luxembourg tax authorities have 5 years during which they may reassess the tax returns and issue an amended tax assessment or request additional information. Upon the expiry of the 5 year period, unless an additional tax assessment is raised, the initial provisional tax assessment becomes final.

In Switzerland, tax assessments for income and equity tax from 2012 and the following business years are not yet final and may be subject to a tax audit or may be challenged in the tax assessment process. For withholding and stamp duty purposes, a field or desk audit may take place for the previous five business years.

As a consequence of current or future tax audits or as a result of possibly divergent tax law interpretations by the tax authorities or tax courts, we could be obliged to pay additional taxes, e.g. resulting from the non-deductibility of intragroup payments for services, adjustment of applied transfer prices, tax treatment of costs for the aborted initial public offering of the Company's shares ("IPO") in 2015 or the challenging of the tax residency or assumption of a permanent establishment of a group company (in particular as we operate in various jurisdictions, the tax authorities might assume a

permanent establishment of Corestate Capital AG in these jurisdictions, especially in Germany). Such additional taxes could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

***Swiss tax authorities might disallow participation exemption on our promote income.***

A substantial part of our profits realized by Corestate Capital AG is earned as dividend income from Investment Structures reflecting (i) our share in such structures and (ii) our remuneration for the success of the structures upon the sale of underlying investments (“**Promote**” or “**Promote Fee**”). The Promote is structured such that Corestate Capital AG is granted a disproportionate dividend right by the investment vehicles to be paid from the profits of the investment vehicle. While dividend income from certain qualifying participations in Switzerland basically enjoys participation exemption leading to economically full or substantial relief from income taxation, the Swiss authorities may question the qualification of the Promote as dividend income arguing that such income should be treated as regular business income subject to ordinary taxation disregarding the legal nature of the Promote as (disproportionate) dividend payment. Such additional taxes could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

***Tax authorities might reclassify our warehousing fees.***

A further part of our profits realized by different Corestate group entities is earned as capital gain income when setting up our Investment Structures. In certain cases Corestate acquires real estate objects via fully owned subsidiaries and then transfers the shares in such subsidiaries into the Investment Structures. The capital gain resulting from such share transfer reflects our chances and risks in connection with holding of such real estate object on balance (“**Warehousing Fee**”). Given that the Warehousing Fee is structured such that Corestate is generating a capital gain, the profits realized hereunder are generally tax exempt. It should be noted that the tax authorities may question the qualification of the Warehousing Fee as capital gain income arguing that such income should be treated as regular business income subject to ordinary taxation disregarding the legal nature of the Warehousing Fee as capital gain. Such additional taxes could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

***German tax authorities may challenge tax residency of Corestate Capital AG or assume a permanent establishment in Germany.***

Given that a predominant part of our income is generated with German real estate and members of our senior management are resident in Germany, the German tax authorities may take the view that the effective place of management of Corestate Capital AG is in Germany or Corestate Capital AG has a permanent establishment in Germany. In this case the respective income could become subject to German income tax and the services provided by Corestate Capital AG or services provided to Corestate Capital AG by Corestate Capital Advisors GmbH could become subject to VAT in Germany. In addition, wage payments to German resident managers could become subject to German wage taxes. Additional taxes and potential tax advisory costs resulting from this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

***German tax authorities might not accept the implemented RETT Blocker structures.***

German RETT is potentially triggered if, directly or indirectly, 95% or more of the shares of corporations holding German real estate are transferred to or unified in the hand of one acquirer whereas the acquirer would be liable for such RETT. In almost all of our Investment Structures where we acquired real estate portfolios through a share deal we have used so called RETT Blockers to avoid the unification in the hand of one acquirer. Although the implemented RETT Blockers are market standard, it cannot be excluded that the tax authorities might want to challenge these in the future by applying substance over form rules or similar concepts at least in some of the structures. This could

result in significant RETT payments at the level Corestate Capital AG which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

***German tax authorities may challenge the applied transfer pricing model.***

Our subsidiary Corestate Capital Advisors GmbH is currently working under a contractual relationship for Corestate Capital AG whereby Corestate Capital Advisors GmbH is remunerated at a cost-plus basis applying a margin of 5%. The German tax authorities might challenge this transfer pricing model and either request a higher margin or another transfer pricing methodology to be applied which might result in a higher taxable income at the level of Corestate Capital Advisor GmbH in Germany. Additional taxes and potential tax advisory costs resulting from this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

**Risks Relating to Our Shares, the Offering and the Shareholder Structure**

***Following the completion of the Offering, our major shareholders will continue to own significant portions of our share capital and their interests may conflict with the interests of other shareholders.***

Immediately following the completion of the Offering 66.1% of our outstanding Shares will be owned by Ralph Winter and 5.3% will be owned by Thomas Landschreiber. Due to these relatively large shareholdings, these major shareholders will be in a position to exert substantial influence at our general shareholders' meeting and, consequently, on matters decided by our general shareholders' meeting, including the appointment of supervisory board members, the distribution of dividends and any proposed capital increases. The interests of these major shareholders may substantially deviate from, or conflict with, our interests or the interests of other shareholders. There can be no assurance that any matter brought to a shareholder vote will be resolved in a manner that other shareholders would consider to be in their best interests.

***The Shares may not be a suitable investment for all investors.***

Each potential investor in the Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Shares, the Company, the merits and risks of investing in the Shares and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Shares and the impact the Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Shares, including where the currency of the Shares is different from the potential investor's currency; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

***There has been no prior public market for the Shares and an active trading market may not develop.***

Prior to the Offering, there has been no public market for the Shares. An active trading market for the Shares may not develop or be sustained after the Offering. Although we will apply for our Shares to be

included to trading on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), we cannot assure you that an active trading market for the Shares will develop. In addition, there is no guarantee of the continued listing of the Shares. The Offering Price of the Shares may not be indicative of prices that will prevail in the trading market. You may not be able to resell the Shares at the Offering Price or at a price that is attractive to you. The trading prices of the Shares may be subject to fluctuations in response to variations in our results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting us, our customers or our competitors, changes in financial estimates by securities analysts, the operating and stock price performance of other companies and other events or factors, many of which are beyond our control. Volatility in the price of the Shares may be caused by factors outside of our control or may be unrelated or disproportionate to our results of operations.

***Future sales of the Shares by our major shareholders may adversely affect the market price of the Shares.***

Immediately following the completion of the Offering 66.1% of our outstanding Shares will be owned by Ralph Winter and 5.3% will be owned by Thomas Landschreiber. Upon our listing, our Shares will be tradable on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

If, Ralph Winter and Thomas Landschreiber sell or are perceived as intending to sell a substantial number of our Shares, this may have a material adverse impact on the market price of our Shares. Sales of a substantial number of our Shares in the public market following the Offering, or the perception that these sales may occur, may also impair our ability to raise additional capital through the sale of our equity securities in the future.

***The market price of the Shares may fluctuate significantly and may decline after the Offering.***

The market price of our Shares may be volatile and may fluctuate significantly and rapidly in response to, among other things, the following factors, some of which are beyond our control:

- variations in our operating results;
- our success or failure in implementing business and growth strategies;
- gain or loss of any important business relationship;
- changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- the operating and share price performance of other companies;
- the liquidity of the market for our Shares;
- differences between our actual financial operating results and those expected by investors and analysts;
- changes in accounting principles or other developments affecting us, our customers or our competitors;
- additions or departures of key personnel;

- changes in general market conditions and broad market fluctuations;
- negative publicity; and
- involvement in litigation.

These fluctuations may be exaggerated if the trading volume of our Shares is low. Volatility in the price of the Shares may be unrelated or disproportionate to our results of operations. It may be difficult to assess our performance against either domestic or international benchmarks.

In addition, securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

***Additional funds raised through issuance of new shares for our future growth may dilute shareholders' equity interests.***

We may, in the future, expand our capabilities and business through acquisitions, joint ventures and strategic partnerships with parties that can add value to our business. We may also require additional equity funding after the Offering. If we choose to issue new shares in order to finance future expansion, acquisitions, joint ventures and strategic partnerships, our shareholders may face dilution of their shareholdings.

***The requirements of being a publicly traded company may increase our overall operating costs and subject us to increased costs and regulatory risk which could negatively impact our business.***

As publicly listed company, we will be subject to certain listing requirements. The financial reporting, legal and other obligations associated herewith could require us to incur significant costs and place additional demands on our Management and Supervisory Board, as well as our administrative, operational and financial personnel and resources. In addition, if we are unable to meet these requirements in a timely manner, we and/or certain members of our Management and Supervisory Board may be subject to sanctions, which could adversely affect our business, net assets, financial condition, cash flows and results of operations.

***We are incorporated under and subject to Luxembourg law and the laws of Luxembourg may not be as favorable to the investors' interests as the laws of Germany or other jurisdictions with which the investors may be familiar.***

We are a public limited liability company (*société anonyme*), incorporated under the laws of Luxembourg. The rights of holders of Shares and our responsibilities to the holders of Shares under Luxembourg law may be materially different from those with regard to equivalent instruments under the laws of the jurisdiction in which the Shares are offered.

We are a holding company incorporated under the laws of Luxembourg, whose principal assets are the shares of its subsidiaries. If we become unable to pay our debts as they become due and obtain further credit, we may be in a state of cessation of payments (*cessation de paiements*) and lose our commercial creditworthiness (*ébranlement de crédit*), which could result in the commencement of insolvency proceedings. Such proceedings would have a material adverse effect on our business and prospects, and the value of the Shares.

Insolvency proceedings may be brought against us and such proceedings may proceed under, and be governed by, Luxembourg insolvency laws. The insolvency laws of Luxembourg may not be as favorable to our interests as the laws of Germany or other jurisdictions with which we may be familiar.

Under Luxembourg insolvency laws, the following types of proceedings (together referred to as “**Insolvency Proceedings**”) may be opened against us to the extent that we have our registered office or our centre of main interests (*centre des intérêts principaux*) (for the purposes of the Council Regulation (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings, as amended) in Luxembourg at the time of the commencement of these proceedings:

- bankruptcy (*faillite*) proceedings, the opening of which may be requested by the company or by any of its creditors; following such a request, a competent Luxembourg court may open bankruptcy proceedings if the company (i) is unable to pay its debts as they fall due (*cessation des paiements*), and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*); if a court finds that these conditions are met without any request, it may also open bankruptcy proceedings on its own motion;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors. The Commercial District Court (*Tribunal d'arrondissement siégeant en matière commerciale*) may (i) approve the proposed reorganization plan if a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the company's liabilities have agreed thereto or (ii) disagree with the reorganization plan proposed by the administrators even though a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the company's liabilities have agreed to such plan, in which case the application for controlled management will be dismissed or (iii) ask the administrators to propose an amended plan (such amended plan will have to be submitted again to the creditors). The judgment approving the plan will be binding upon the company and its creditors, joint debtors and guarantors.
- Voluntary composition with creditors (*concordat préventif de la faillite*), upon request only by the company. The composition may only be adopted if a majority of the creditors representing, by their unchallenged claims, three-quarters of the company's debt, has adhered to the proposal and if the composition has been homologated by the Commercial District Court. Creditors benefiting from mortgages (*hypothèques*), privileges (*privilèges*) or pledges (*gages*) only have a deliberating voice in the operations of the concordat, if they renounce the benefit of their mortgages, privileges or pledges. The vote in favor of the concordat entails renunciation. The renunciation may be limited by the secured creditors to only a portion (but representing at least 50% in value) of their claims with corresponding voting rights. While the composition is being negotiated, creditors may not take action against the company to recover their claims. Secured creditors who do not participate in the composition proceedings may take action against the company to recover their claims and to enforce their security. Fraudulent transactions which took place before the date on which the Commercial District Court commenced composition proceedings may be set aside.

In addition to these proceedings, we may be affected by a decision of the Commercial District Court granting suspension of payments (*sursis de paiements*) or putting the Company into judicial liquidation (*liquidation judiciaire*).

Luxembourg insolvency law may also affect transactions entered into or payments made by the Company during the hardening period (*periode suspecte*) (which is a maximum of 6 (six) months and 10 (ten) days preceding the judgment declaring bankruptcy, except that in certain specific situations the Commercial District Court may set the start of the suspect period at an earlier date).

Please note that the aforementioned contains a very high level summary and summarizes only a part of these complex aspects under Luxembourg law.

***The Offering might not take place, and investors could therefore lose security commissions already paid and – also when the Offering might be delayed – bear the risk of not covering any short sales of the Shares.***

The Company may terminate the Offering under certain circumstances, even after the commencement of trading (*Handelsaufnahme*) of the Shares, up to delivery and payment. Any claims in respect of security commissions and costs incurred in connection with the subscription by an investor will be based solely on the legal relationship between the investors and the institution to which they submitted their purchase orders.

In case the Offering does not take place or is delayed, investors who have made short sales bear the risk that they will not be able to satisfy their obligations to deliver the Shares.



## GENERAL INFORMATION

### Responsibility Statement

Corestate Capital Holding S.A., with its registered office at 35, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés*) (the “**Companies Register**”) under number B 199 780 (the “**Company**” and, together with its consolidated subsidiaries, the “**Group**”, “**Corestate Group**”, “**Corestate**” or “**we**”, “**us**” or “**our**” – with regard to the period before 23 September 2015 and before the effectiveness of the capital increase by contribution in kind and with regard to any historical financial information as of and for the years ended 31 December 2013, 2014 and as of 30 June 2015, references to the “**Group**”, “**Corestate Group**”, “**Corestate**” or “**we**”, “**us**” or “**our**” refer to Corestate Capital AG together with its consolidated subsidiaries unless it is referred to Corestate Capital Holding S.A. in the respective context) assumes responsibility for the contents of this Prospectus pursuant to article 9 of the Luxembourg Prospectus Law and hereby declares, pursuant to article 9 of the Luxembourg Prospectus Law, that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. Except for purposes of supplementing the Prospectus in accordance with article 13 of the Luxembourg Prospectus Law, the Company is not required by law to update the Prospectus.

According to article 13(1) of the Luxembourg Prospectus Law, the Company has to supplement the Prospectus for every significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of the Shares and which arises or is noted between the time when the Prospectus is approved and the final closing of the offer of the Shares to the public.

Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor may, under the national legislation of the Member States of the European Economic Area, will have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

### Subject Matter of this Prospectus

For purposes of the Offering which consists of a public offer in Germany by way of inclusion to trading of the Shares on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), this Prospectus relates to 12,610,681 ordinary shares in dematerialized form each without a par value (*valeur nominale*) and equal dividend rights from the holdings of the existing shareholders.

### Preparation of the Prospectus

This Prospectus has been prepared in the English language with a German-language summary in accordance with Commission Regulation (EC) No. 809/2004 of 29 April 2004 and conforms to the requirements of the Luxembourg Prospectus Law.

### Forward-Looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on future earnings capacity, plans and expectations regarding our business growth and profitability, and the general economic conditions to which we are exposed. Statements made using words such as “predicts”, “forecasts”, “plans”, “endeavors” or “expects” may be an indication of forward-looking statements.

The forward-looking statements in this Prospectus are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Company's actual results, including the financial condition and profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. These expressions can be found in several sections in this Prospectus, particularly in the sections entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Market Overview and Competition*", "*Business*" and "*Recent Developments and Outlook*", and wherever information is contained in the Prospectus regarding our intentions, beliefs, or current expectations relating to its future financial condition and results of operations, plans, liquidity, business outlook, growth, strategy and profitability, as well as the economic and regulatory environment to which we are subject.

In light of these uncertainties and assumptions, it is also possible that the future events mentioned in this Prospectus might not occur. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (see "*Sources of Market Data*" for more information on the third-party sources used in this Prospectus). Actual results, performance or events may differ materially from those in such statements.

Moreover, it should be noted that we do not assume any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments. In addition, the Company does not assume any obligation and does not intend, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments. Nevertheless, the Company has the obligation to disclose any significant new factor or material mistake or inaccuracy relating to the information contained in this Prospectus that may affect an assessment of the securities and occurs or comes to light following the approval of the Prospectus, but before the completion of the public offering. These updates must be disclosed in a prospectus supplement in accordance with Article 13 of the Luxembourg Prospectus Law.

See "*Risk Factors*" for a further description of some of the factors that could influence the Company's forward-looking statements.

### **Sources of Market Data**

The following sources were used in preparation for the market description of Germany, Austria and Spain of this Prospectus:

#### **Germany**

- ZIA German Property Federation (*Zentraler Immobilien Ausschuss e. V.*), Website, „Die deutsche Immobilienwirtschaft – Stabilisator und Wachstumsmotor“, access on 4 August 2016, („**ZIA German Property Federation**“);
- Eurostat: Statistical Office of the European Union, Database, Subjects: GDP and main components (output, expenditure and income), access on 4 August 2016, („**Eurostat, GDP Germany**“);
- International Monetary Fund, Database, Subjects: Gross domestic product at current prices in U.S. dollars, access on 4 August 2016, („**International Monetary Fund, GDP**“);
- Eurostat: Statistical Office of the European Union, Database, access on 1 August 2016, („**Eurostat, Germany's Economy**“);
- Eurostat: Statistical Office of the European Union, Database, Subjects: Unemployment by sex and age (monthly average), access on 4 August 2016, („**Eurostat, Unemployment Rate Germany**“);

- German Federal Statistical Office (*Statistisches Bundesamt*), Website, Facts & Figures, National Economy & Environment, Prices, Consumer price indices, Consumer prices, access on 4 August 2016, (“**Destatis, Consumer prices index for Germany**”);
- The International Bank for Reconstruction and Development / The World Bank, Report, “Doing Business 2016: Measuring Regulatory Quality and Efficiency (Economy Profile 2016, Germany)”, access on 5 August 2016, (“**The World Bank, Doing Business**”);
- The International Property Rights Index 2016, Website, “Germany”, access on 5 August 2016, (“**The International Property Rights Index**”);
- The World Bank, Report, “Worldwide Governance Indicators: Country Data Report for Germany, 1996-2014”, access on 4 August 2016, (“**The World Bank, WGI**”);
- The Heritage Foundation, Website, “2016 Index of Economic Freedom”, access on 4 August 2016, (“**The Heritage Foundation**”);
- International Monetary Fund, Report, “IMF Country Report No. 16/189: Germany, Financial Sector Assessment Program, Financial System Stability Assessment”, June 2016, access on 4 August 2016, (“**International Monetary Fund, Country Report**”);
- Stock Exchange Stuttgart (*Börse Stuttgart*), Website, “Yield Curve: Average Yield per Maturity”, access on 5 August 2016, (“**Stock Exchange Stuttgart**”);
- European Central Bank, Website, “Long-term Interest Rate Statistics for EU Member States: Harmonized Long-term Interest Rates for Convergence Assessment Purposes”, access on 8 August 2016, (“**European Central Bank**”);
- Börsen-Zeitung, Website, „Länder-Ratings“, access on 4 August 2016, („**Börsen-Zeitung**“);
- Ugesh, Josph A., “The ‘Made in Germany’ Champion Brands – Nation Branding, Innovation and World Export Leadership”, published in December 2013, Gower Pub Co., (“**Ugesh, Joseph A.: The ‘Made in Germany’ Champion Brands**”)
- International Monetary Fund, Database IFS (International Financial Statistics by Indicator), Subject: “Goods, Value of Export, FOB in U.S. Dollars”, access on 4 August 2016; (“**International Monetary Fund, Value of Exports**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Website, Facts & Figures, National Economy & Environment, Foreign Trade, access on 4 August 2016, (“**Destatis, Foreign Trade**”);
- N-TV, Website, „Exportüberschuss: China verdrängt Deutschland“, 22 February 2016, access on 4 August 2016, („**N-TV**“);
- German Federal Bank (*Deutsche Bundesbank*), Website, “ECB interest rates effective from 16.03.2016”, updated 16 March 2016, access on 4 August 2016, (“**German Federal Bank, ECB interest rates**”);
- German Federal Bank (*Deutsche Bundesbank*), Website, “Time Series Databases: Money and Capital Markets, BBK01.WT4612“, access on 4 August 2016, (“**German Federal Bank, Yields on debt securities outstanding issued by residents, Public debt securities, mean residual maturity of more than 9 and up to 10 years**”)
- CBRE, “Germany Commercial Investment MarketView, H1 2016” and “MarketView Germany: Residential Investment, Q2 2016”, (“**CBRE Germany Commercial Investment MarketView**”);
- CBRE, “Germany Residential Investment MarketView, Q2 2016”, (“**CBRE Germany Residential Investment MarketView**”);

- Statistical Office Berlin-Brandenburg (*Amt für Statistik Berlin-Brandenburg*), Website, „Pressemitteilung Nr. 191: Berliner Bevölkerungszahl lag Ende des Jahres 2015 bei über 3,5 Millionen“, published 21 July 2016, access on 4 August 2016 („**Statistical Office Berlin-Brandenburg**“);
- Statistical Office Hamburg and Schleswig-Holstein (*Statistisches Amt für Hamburg und Schleswig-Holstein*), Website, „Monatszahlen: Bevölkerung“, access on 4 August 2016, („**Statistical Office Hamburg and Schleswig-Holstein**“);
- Statistical Office Bavaria (Bayerisches Landesamt für Statistik), Website, „Bevölkerung: Gemeinden, Stichtage (letzten 6)“, access on 4 August 2016, („**Statistical Office Bavaria**“);
- Information und Technik Nordrhein-Westfalen (IT.NRW), Website, „Bevölkerung im Regierungsbezirk Köln“, access on 4. August 2016, („**IT.NRW**“);
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- CBRE ERIX - ERIX is CBRE’s Global Research Application that records aggregated comparable property market data for over 200 global cities, updated on a quarterly basis. (“**CBRE ERIX**”)
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## Spain

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**Nacional de Estadística, Mortgages constituted, over the total properties, by nature of the property”);**

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Any websites referred to in this Prospectus are for information purposes only and do not form part of the Prospectus.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts, to the extent quoted or referred to herein, are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness. While we accept responsibility for accurately summarizing the information from these external sources, and as far as we are aware and able to ascertain no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information. Market data and statistics are inherently predictive, subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

The Prospectus also contains estimations of market and other data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on our own market observations, the evaluation of industry information (from conferences, sector events, etc.) or internal assessments.

We commissioned CBRE GmbH, Bockenheimer Landstr. 24, 60323 Frankfurt/Main, to produce the real estate market overview regarding the German, Austrian and Spanish real estate market (the “**CBRE Report**”), the preparation of which was finalized in August 2016 and which we also cite in this Prospectus. Estimates regarding and developments of the markets in which we operate are based on the CBRE Report. We did not verify or modify any of the third-party statistics or other statistics provided by CBRE Research. We believe that we are a major participant in the markets in which we operate and, as a result, are able to present a fair view of the development of these markets.

We believe that our estimates of market and other data and the information derived from such data assist investors to better understand the industry in which the companies of our Group operate, and our Group’s position within it. The estimates have not been checked or verified externally. We nevertheless assume that our own market observations, which obviously are to a certain degree subjective, are reliable. They may differ from estimates made by competitors of our Group or from future studies conducted by market research institutes or other independent sources.

### **Presentation of Currency**

The amounts set forth in this Prospectus in “EUR” refer to the single currency of the participating member states in the third stage of the European Monetary Union pursuant to the Treaty on the Functioning of the European Union. The amounts in “USD” refer to the legal currency of the United States. The amounts in “CHF” refer to the legal currency of Switzerland (Confoederatio Helvetica). Fluctuations in the exchange rate between the EUR and the other currencies will affect the amounts received by owners of the Shares in such other currencies upon conversion of dividends, if any, paid in Euro on the Shares.

Our principal functional currency is the Euro, and we prepare our financial statements in Euro.



## Presentation of Figures

Certain financial data (including percentages) in this Prospectus have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts may not correspond in all cases to the corresponding aggregated amounts of the underlying (rounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this Prospectus, 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.

## Presentation of Non-IFRS Financial Measures

This Prospectus contains certain non-IFRS measures and ratios, including Assets under Management taken only into account the individual underlying transaction is secured by respective binding contractual documentation (“**AuM**”), Total transaction volume, Adjusted Net Income (“**Adjusted Net Income**” or “**ANI**”), Aggregate Revenues and Gains, ANI margin and certain other measures (the “**Non-IFRS Measures**”) that are not required by, or presented in accordance with, IFRS or the accounting standards of any other jurisdiction. Our Non-IFRS Measures are defined by us as follows:

- AuM are determined based on the projected development costs for project developments for which building phase has not yet been launched, the construction costs for project developments for which the building phase has been launched but has not yet been completed, the real estate valuation for project developments for which the building phase has been completed, and the real estate valuation for standing assets. For more information regarding our AuM, see Section “*Business*”.
- Total transaction volume reflects acquisitions and disposals.
- Adjusted Net Income is calculated based on the net profit/loss by adjusting certain one-off effects (i.e. costs for capital measures (i.e. costs for the aborted IPO in 2015) and costs for credit facilities provided by shareholders)
- Aggregate Revenues and Gains represent the sum of total revenues from Real Estate Investment Management, share of profit or loss from associates and Joint Ventures and total revenue from Real Estate Operations/Warehousing.
- Adjusted Net Income margin represents ANI divided by Aggregate Revenues and Gains.

We believe that the presentation of the Non-IFRS Measures enhances an investor’s understanding of our operating performance and our ability to service our debt. These indicators are not measures of operating performance or liquidity under IFRS and should not be considered as an alternative to income or cash flow measures as determined in accordance with IFRS. Furthermore, there is no standard definition for these measures. Thus, measures with the same or similar names presented by other companies may not necessarily be comparable to the measures presented by us. Our Non-IFRS Measures have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results of operations as reported under IFRS.

Because of these limitations, our Non-IFRS Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our IFRS results and using these Non-IFRS Measures only supplementally to evaluate our performance.

## Approval, Publication and Validity of the Prospectus

This Prospectus has been approved by the CSSF and a notification of the approved Prospectus has been submitted to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*). Following notification, the Shares may be publicly offered in Germany without any approval by authorities in Germany. By approving this Prospectus, the CSSF does not give any undertaking as to the economical and financial soundness of the operation or the quality or solvency of the Company (cf. Art. 7(7) of the Luxembourg Prospectus Law).

This Prospectus will be published on and can be downloaded from the Company's website at [www.corestate-capital.com](http://www.corestate-capital.com) and on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu). In addition, free copies of the printed Prospectus will be available during regular business hours at the Company's offices at 35, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg.

## Documents Available for Inspection

For the period during which this Prospectus is valid, the following documents will be available for inspection during regular business hours at the Company's offices at 35, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, and, except for the CBRE Report such documents are also available on the Company's website ([www.corestate-capital.com](http://www.corestate-capital.com)):

- the Company's articles of association (the "**Articles of Association**");
- the Company's unaudited interim condensed consolidated financial statements as of and for the six-month period ended 30 June 2016 prepared in accordance with IFRS on interim financial reporting (IAS 34);
- the Company's audited consolidated financial statements prepared in accordance with IFRS for the financial year ended 31 December 2015;
- the audited consolidated financial statements prepared in accordance with IFRS for the financial year ended 31 December 2014 and 31 December 2013 of Corestate Capital AG;
- the CBRE Report ("Real Estate Market Overview Germany-Austria-Spain") prepared by CBRE Research Germany as of August 2016;
- the valuation report prepared by NAI apollo valuation & research GmbH as of September 2016; and
- the valuation report prepared by Gesvalt valuation and appraisal management S.A as of June 2016.

The Company's future consolidated annual and interim financial statements will be available on the Company's website, at the Company's offices at 35, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, and from the paying agent BNP Paribas Securities Services, Luxembourg branch, [lux.emetteurs@bnpparibas.com](mailto:lux.emetteurs@bnpparibas.com), designated in this Prospectus (see "*General information on the Company and the Group—Notifications, Paying Agent*"). In accordance with Luxembourg Company Law, the annual financial reports will also be filed with the Companies Register and an extract will be published in the *Recueil Electronique des Sociétés et Associations (RESA)*.

## THE OFFERING

### General Information

This offering (the “**Offering**”) relates to the offer to sell 12,610,681 ordinary shares in dematerialized form (the “**Shares**”) each without a par value (*valeur nominale*) and with equal dividend rights. The Shares carry equal rights and confer no additional rights or benefits. All Shares are subject to and governed by Luxembourg law.

The Offering will be made in connection with the inclusion to trading of the Shares on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and in conjunction with various promotional measures constitute a public offer of securities in the Federal Republic of Germany (“**Germany**”), which requires the Company to draw up this Prospectus. The promotional measures of the Company shall include press releases which will be published on the website of the Company and via electronic distribution services. Furthermore, the Company intends to carry out one or more roadshows for potential investors. The Offering includes the entire share capital of the Company. No new shares will be issued as part of the Offering. All Shares are in possession of the shareholders of the Company. Some of the Shares may not be offered as part of the Offering as they are subject to lock-up agreements. This relates to 78,327 Shares. The Shares that are subject to the lock-up agreements may, however, be sold if the parties of the respective lock-up agreement agree to release those Shares from the lock-up.

Subject to a further positive development of its business and subject to the then existing capital market environment the Company will examine from time to time whether and when an up-listing from the open market (*Freiverkehr*) (Entry Standard) to the regulated market (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) may be an option.

### Offer Period, Offer Price and Allotment

The offer period will commence on 4 October 2016 and end on 8 October 2016 (the “**Offer Period**”).

Purchasing Shares over the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is subject to the applicable terms and conditions of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Orders to purchase Shares can be placed via any bank admitted to the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The respective bank will inform investors on how purchases are exercised, including information on the purchase price. One or more Shares may be purchased. The purchase price can typically be determined with the International Securities Identification Number (ISIN) of the Shares. There will be no limitations regarding minimum or maximum order amounts. Any potential investor may place various purchase orders. The offer price is identical with the respective current price of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The offer price therefore depends on demand for and supply of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and is determined via the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Delivery of the Shares is effected by book entry in the purchaser’s securities account against payment of the purchase price and, if applicable, banking fees. The book entry is usually effected two trading days, after conclusion of the purchase agreement.

No subscription for Shares will take place during the Offering. The possibility to reduce, revoke or amend purchase offers for the purchase of Shares depends on the respective contract between the potential investor and the bank managing the order.

The Offering is aimed at all potential investors equally. The Offering is not divided into separate tranches.

The Company is not aware of the intention to purchase Shares during the Offering of any significant shareholder or member of the Management Board or of the Supervisory Board. Please refer to “*Interests of Persons Participating in the Offering*” for more information.

### **Expected Timetable for the Offering**

The following is the expected timetable of the Offering:

29 September 2016.....	Approval of this Prospectus by the <i>Commission de Surveillance du Secteur Financier</i> (“ <b>CSSF</b> ”). Notification of the approved Prospectus to the German Federal Financial Supervisory Authority ( <i>Bundesanstalt für Finanzdienstleistungsaufsicht</i> ) (“ <b>BaFin</b> ”). Publication of the approved Prospectus on the Company’s website (www.corestate-capital.com) and the website of the Luxembourg Stock Exchange (www.bourse.lu).
29/30 September 2016.....	Finalization of inclusion application. Decision of the Frankfurt Stock Exchange ( <i>Frankfurter Wertpapierbörse</i> ) granted for inclusion of the Shares to trading on the open market ( <i>Freiverkehr</i> ) of the Frankfurt Stock Exchange ( <i>Frankfurter Wertpapierbörse</i> ) and, simultaneously, on the Entry Standard.
4 October 2016 .....	First day of trading. Start of Offer Period.
8 October 2016.....	End of Offer Period.

As no new shares will be issued as part of the Offering, no subscription period is set forth for the Offering. Please note that this timetable is preliminary and changes may occur. Any such change will be announced, to the extent required pursuant to the Luxembourg Prospectus Law, by a supplement to the Prospectus. Investors who have submitted purchase orders will not, however, be informed individually. Under the Luxembourg Prospectus Law, investors who have submitted a purchase order before a supplement is published are granted a period of two business days from publication of the supplement to withdraw their orders provided that the new factor, mistake or inaccuracy, which required a supplement to the Prospectus to be published, arose before the final closing of the Offering and the delivery of the Shares. As an alternative to cancellation, investors who have submitted purchase orders before publication of the supplement may, within two business days from publication of the supplement, change such orders or submit new limited or unlimited orders.

### **Information on the Shares**

#### ***Form of the Shares***

All Shares are dematerialized shares without a par value.

The Shares are registered in the issuance account (*compte d’émission*) for the Company’s shares of the same class held with the securities settlement system LuxCSD S.A., 42 Avenue J.F. Kennedy, 1855 Luxembourg, Grand Duchy of Luxembourg (“**LuxCSD**”), acting as liquidation body within the meaning of the Luxembourg act dated 6 April 2013 on dematerialized securities (the “**Dematerialization Law**”). In accordance with the Dematerialization Law, dematerialized shares are only represented by a record in a securities account (*inscription en compte-titres*). Ownership in the Shares is established by such inscription in a securities account.

LuxCSD may issue or request the Company to issue certificates relating to dematerialized Shares for the purpose of international circulation of securities.

### ***Voting Rights***

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

### ***Dividend and Liquidation 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.

### ***ISIN/WKN/Common Code/Ticker Symbol***

International Securities Identification Number (ISIN) .....	LU1296758029
German Securities Code ( <i>Wertpapierkennnummer</i> , WKN) .....	A141J3
Common Code .....	129675802
Trading Symbol .....	CCAP

### ***Transferability of the Shares***

The Shares are freely transferable in accordance with the legal requirements for shares in dematerialized form, that is, through book-entry transfers (*virement de compte à compte*). There are no prohibitions on disposals or restrictions with respect to the transferability of the Shares.

### **Inclusion on the Frankfurt Stock Exchange and Commencement of Trading**

Application inclusion to trading of the Shares on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) will presumably be made on or about 29 September 2016. The inclusion decision is expected to be granted by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on or about 29 September 2016, and trading of the Shares is expected to commence on or about 4 October 2016.

### **Stabilization, Over-Allotment and Greenshoe Option**

Neither stabilization measures nor over-allotment measures are planned in relation to the Offering. There will not be a Greenshoe option.

### **Dilution**

As no new shares will be issued as part of the Offering there will not be any dilution.

### **Designated Sponsor**

Equinet Bank AG has agreed to assume the function of a designated sponsor of the Shares traded on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) for a period of at least one year. Pursuant to the designated sponsor agreement dated 22 September 2016 between Equinet Bank AG and the Company, Equinet Bank AG will, among other things, place limited buy and sell orders for the Shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Shares.

### **Interests of Persons Participating in the Offering**

No person has a material interest, including conflicts of interest, in the Offering.

## Notice to Investors in the European Economic Area

In any member state of the European Economic Area (“**EEA**”) that has implemented the Prospectus Directive (the “**Relevant Member State**”) from the date of implementation of the Prospectus Directive an offer to the public of Shares may not be made in that Relevant Member State (other than the Offering contemplated by this Prospectus in Germany once the Prospectus has been approved by the CSSF, notified to the BaFin and published in accordance with the Prospectus Directive), except if; (i) the offer is exclusively intended for qualified investors within the meaning of the Prospectus Directive; (ii) the offer is made to fewer than 150 natural or legal persons (other than qualified investors); or (iii) the offer takes place under other circumstances in which the publication of a prospectus by the Company is not required under Article 3 of the Prospectus Directive, to the extent that this exemption has been implemented in the Relevant Member State.

For the purposes of this provision, the expression an “offer of Shares to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010.

## Notice to Investors in the United Kingdom

This Prospectus is for distribution only to persons who (i) are located outside the United Kingdom, or (ii) have professional experience in matters relating to investments falling within Article 19 para. 5 of the Financial Services and Markets Act 2000 (*Financial Promotion*) Order 2005 (as amended, the “**Financial Promotion Order**”), or (iii) are persons falling within Article 49 para. 2 lit. (a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). This Prospectus is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

## Selling Restrictions

### *United States of America*

The Shares have not been and will not be registered under the Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities supervision authority of any state of the United States of America (the “**United States**”). The Shares may not be offered in the United States or sold or delivered directly or indirectly into the United States, except pursuant to registration under the Securities Act or an available exemption under the Securities Act. In addition, the Shares may not be offered or sold to U.S. Persons, as defined in Regulation S under the Securities Act.

## **PROCEEDS OF THE OFFERING AND COSTS OF THE OFFERING AND INCLUSION TO TRADING**

The Company will not receive any proceeds of the Offering resulting from the sale of the Shares as there is no new issue of shares as part of the Offering.

The total expenses of the Offering and the inclusion to trading of the Shares on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) are to be borne by the Company and are expected to amount to approximately EUR 825,000.

Investors will not be charged with expenses by the Company. Investors may, however, have to bear customary transaction and handling fees charged by their account-keeping financial institution.

## **REASONS FOR THE OFFERING AND INCLUSION TO TRADING AND USE OF PROCEEDS**

The Company intends to apply for inclusion to trading of the Shares on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to improve transferability of the Shares to get better access to the capital markets and to provide potential investors into the Company with a higher degree of transparency and ongoing new flow with respect to the Company's operations.

The Company will not receive any proceeds from the Offering resulting from the sale of the Shares as there is no new issue of shares as part of the Offering. Consequently, there will not be any use of proceeds from the Offering.



## DIVIDEND POLICY

### General Provisions Relating to Profit Allocation and Dividend Payments

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 net profit of the Company will be set aside in order to build up the legal reserve. This allocation ceases to be compulsory when the legal reserve amounts to one-tenth of the issued share capital but shall again be compulsory if the reserve falls below such threshold of one-tenth. The remaining balance of the net profit will be at the disposal of the 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. In this regard, the general meeting of shareholders has approved on 5 August 2016 and 31 August 2016, respectively, the distribution of a total amount of EUR 6,550,000 out of the freely distributable reserves of the Company to the existing shareholders.

The annual general meeting of shareholders shall determine how the remainder of the annual net profits shall be disposed of and it may decide to declare and pay dividends from time to time, as in its discretion it believes best suits the corporate purpose and policy and within the limits of the 1915 Companies Act. Dividends, when payable, will be paid in Euro or any other currency selected by the Company's Management Board and will be paid at the time and place fixed by the Management Board within the limits of the decision of the general meeting of shareholders.

Furthermore, interim dividends may be declared by the Management Board and paid by the Company within the conditions provided for by article 72-2 of the 1915 Companies Act.

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.

Dividend distributions are made to the shareholders *pro rata* to the aggregate amount of shares held by each shareholder.

Dividend distributions that have not been claimed within ten years as from the date that they have become available shall lapse in favor of the Company.

Generally, withholding tax is withheld from the dividends paid. For more information on the taxation of dividends, see "*Taxation—Taxation in Germany*" and "*Taxation in the Grand Duchy of Luxembourg*".

### Earnings and Dividend Per Share, Dividend Policy and Dividend Payments

On 29 April 2016, the Company's annual shareholders' meeting resolved to carry forward any profit to new account, i.e. no dividends have been paid for the financial year 2015 (provided that as set out above, the general meeting of shareholders has approved on 5 August 2016 and 31 August 2016, respectively, the distribution of a total amount of EUR 6,550,000 out of the freely distributable reserves of the Company to the existing shareholders). On 26 May 2015, CCAG's annual

shareholders' meeting resolved to pay a dividend for the financial year ended 31 December 2014 amounting to EUR 13.84 million or EUR 80.17 per share, whereby an amount of EUR 10.268 million was due on 29 May 2015 and an amount of EUR 3.57 million is due on 31 October 2015. On 5 May 2014, CCAG's annual shareholders' meeting resolved to pay a dividend classified as a capital repayment for the financial year ended 31 December 2013 amounting to EUR 7.13 million or EUR 49.08 per share.

Our dividend policy will be reviewed from time to time and declaration and payment of any future dividends will be at the discretion of the Company's management board and the general meeting of shareholders after taking into account various factors, including our business prospects, future earnings, cash requirements, financial condition, expansion plans and the requirements of Luxembourg law (as described above) and/or the laws of the jurisdiction where our subsidiaries are organized. Our general dividend policy following the Offering is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. Generally, the Company intends to pay dividends in the future, targeting a payout ratio of between 75% and 80 percent of the consolidated net income adjusted for non-cash items.

However, the Company is unable to predict the amount of future net income or distributable profits or forecast whether net income or distributable profits will be generated at all in the future.

The following overview summarizes for comparative purposes the theoretical period result per Company share for the financial years 2015, 2014 and 2013 as reported by the Group in its respective legal form in accordance with IFRS. In this respect, it had been assumed that the Company had existed prior to its foundation on 21 August 2015 and the registered share capital of the Company was divided into 9,742,300 shares at EUR 0.02 each, thereby matching in number the number of shares in which the Company's registered share capital was divided as of 31 December 2015.

	Financial Year ended 31 December		
	2013	2014	2015
	audited, except as otherwise noted		
	(in EUR millions)		
Net Profit for the year attributable to equity holders of parent company (from the consolidated financial statements prepared in accordance with IFRS) .....	7.79	12.33	9.66
Other Reserves (from the consolidated financial statements prepared in accordance with IFRS) .....	25.21	25.93	24.29
<b>Total (unaudited) .....</b>	<b>33.00</b>	<b>38.26</b>	<b>33.95</b>
Total amount of dividends resolved for this financial year <sup>(1)</sup> (unaudited) .....	7.13	13.84	0
Distribution of dividend per share (in EUR) <sup>(1)</sup> (unaudited) .....	49.08	80.17	0
Earnings per share consolidated profit for the year attributable to ordinary equity holders of parent company (in EUR) <sup>(2)</sup> .....	53.63	71.44	1.12

(1) The distribution of the dividend for any financial year occurs in the course of the following financial year. As such, distribution of dividends e.g. for the financial year ended 31 December 2014 occurred in 2015. Distribution of dividend per share is calculated by dividing CCAG's and/or the Company's total amount of dividends resolved for the respective

financial year by the weighted average number of ordinary shares outstanding during the financial year under review respectively.

- (2) Earnings per share are calculated by dividing CCAG's and/or the Company's net profit attributable to equity holders of parent company for the year by the weighted average number of ordinary shares outstanding for the year under review. In the financial year ended 31 December 2015 the weighted average number of ordinary shares outstanding was 8,625,177 compared to 172,634 in the financial year ended 31 December 2014 and 145,185 in the financial year ended 31 December 2013.

There has been no significant change in the financial or trading position of the Group since 30 June 2016 being the end of the period of the Unaudited Interim Condensed Consolidated Financial Statements of the Company for the period from 1 January 2016 to 30 June 2016, other than such significant changes to the financial or trading position of the Group set out in this Prospectus.

## CAPITALIZATION AND INDEBTEDNESS; WORKING CAPITAL

### Capitalization and Indebtedness

The following tables provide an overview of Corestate's capitalization and net indebtedness as of 30 June 2016 on a historical basis, (i) derived from the Company's accounting records prior to the implementation of the capital increase by an aggregate amount of EUR 555,154 (see p. 215 below) dated 31 August 2016, the Private Placement Authorised Capital Issuance and the DS Authorised Capital Issuance (each as defined on p. 215/216 below), the distribution of EUR 6,550,000 to the existing shareholders on 5 and 31 August 2016, respectively (see "*Recent Developments and Outlook*"), as well as the granting of the loan in an amount of EUR 6,000,000 described in no. 20 of the Section "*Certain Relationships and Related Party Transactions*"), (ii) as adjusted to reflect the Private Placement Authorised Capital Issuance and the DS Authorised Capital Issuance and as if the Private Placement Authorised Capital Issuance and the DS Authorised Capital Issuance had taken place on 30 June 2016 and without considering any tax effects. The data presented in the column "Net Effects of Private Placement Authorised Capital Issuance" and "Net Effects of DS Authorised Capital Issuance" take into account the implementation of the Private Placement Authorised Capital Issuance and the DS Authorised Capital Issuance (each as defined on p. 215/216 below). The data presented in the "Total" column has been prepared on the basis of the assumption that the Company had already performed the Private Placement Authorised Capital Issuance and the DS Authorised Capital Issuance as of 30 June 2016, after deduction of Offering-related expenses incurred by the Company in an amount of approximately EUR 825,000. Investors should read these tables in conjunction with "*Reasons for the Offering*", "*Costs of the Offering*", "*Selected Consolidated Financial Data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

There have not been any major changes regarding the capitalization and indebtedness of the Company since 30 June 2016, unless disclosed below.

### Capitalization

	As of 30 June 2016	Changes prior Private Placement Authorised Capital Issuance and DS Authorised Capital Issuance	Net Effects of the Private Placement Authorised Capital Issuance <sup>(1)</sup>	Effects of the DS Authorised Capital Increase	Total <sup>(10)</sup>
('000 EUR)			(unaudited)		
<b>Total current debt <sup>(2)</sup></b>	<b>12,296</b>	<b>6,000</b>	-	-	<b>18,296</b>
<i>of which guaranteed</i>	-	-	-	-	-
<i>of which secured</i>	-	-	-	-	-
<i>of which unguaranteed/unsecured</i>	12,296	6,000	-	-	18,296
<b>Total non-current debt <sup>(3)</sup></b>	<b>35,958</b>	-	-	-	<b>35,958</b>
<i>of which guaranteed</i>	-	-	-	-	-
<i>of which secured <sup>(4)</sup></i>	33,835	-	-	-	33,835
<i>of which unguaranteed/unsecured <sup>(5)</sup></i>	2,123	-	-	-	2,123
<b>Shareholder's equity <sup>(6)</sup></b>	<b>39,469</b>	<b>(5,995)</b>	<b>42,225</b>	<b>6</b>	<b>75,705</b>
<i>of which share capital <sup>(7)</sup></i>	195	555	190	6	946
<i>of which legal reserve</i>	-	-	-	-	-
<i>of which other reserves <sup>(8)</sup></i>	39,274	(6,550)	42,035	-	74,760
<b>Capitalization (total) <sup>(9)</sup></b>	<b>87,724</b>	<b>5</b>	<b>42,225</b>	<b>6</b>	<b>129,960</b>

- (1) It is assumed that the Private Placement Authorised Capital Issuance and the DS Authorised Capital Issuance generate net proceeds of EUR 42,236,047 as of 30 June 2016 (adjusted for EUR 6,550,000 distributed to the existing shareholders, the loan in an amount of EUR 6,000,000 and the capital increase by an aggregate amount of EUR 555,154 dated 31 August 2016.
- (2) Referred to as total current liabilities in Company's IFRS consolidated financial statements.
- (3) Referred to as total non-current liabilities in Company's IFRS consolidated financial statements.
- (4) The secured non-current debt relates to the long-term financial liabilities to Schwyzer Kantonalbank, Rüsselsheimer Volksbank eG and warehousing facility from SO Holding AG (EUR 19,228,000),
- (5) The unguaranteed/unsecured non-current debt relates to other non-current liabilities (relating to bonus payments to members of the Group's senior management under the Corestate MCIF scheme in an amount of kEUR 1,680) and net employee defined benefit liabilities (EUR 443,000).
- (6) Referred to as total equity in Company's IFRS consolidated financial statements.
- (7) Sum of share capital (EUR 195,000) as referred to in Company's IFRS consolidated financial statements.
- (8) Sum of other reserves (EUR 33,858,000), net profit/(loss) for the period (EUR 5,154,000) and non-controlling interests (EUR 262,000), each as referred to in Company's IFRS consolidated financial statements.
- (9) Sum of total current debt, total non-current debt and shareholder's equity.
- (10) The column "Total" presents the Group's capitalization as of 30 June 2016, adjusted for the Private Placement Authorised Capital Issuance and the DS Authorised Capital Issuance.

## Net Indebtedness

	As of 30 June 2016	Changes prior Private Placement Authorised Capital Issuance and DS Authorised Capital Issuance	Net Effects of the Private Placement Authorised Capital Issuance <sup>(1)</sup>	Effects of the DS Authorised Capital Increase	Total <sup>(10)</sup>
<b>('000 EUR)</b>			<b>(unaudited)</b>		
A. Cash	7	-	-	-	7
B. Cash equivalents	23,913	5	42,225	6	66,149
C. Trading Securities	-	-	-	-	-
<b>D. Liquidity (A)+(B)+(C)</b>	<b>23,920</b>	<b>5</b>	<b>42,225</b>	<b>6</b>	<b>66,156</b>
<b>E. Current financial receivables<sup>(11)</sup></b>	<b>16,316</b>	-	-	-	<b>16,316</b>
F. Current bank debt	184	-	-	-	184
G. Current portion of non-current financial debt	-	-	-	-	-
H. Other current financial debt <sup>(12)</sup>	7,567	-	-	-	7,567
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>7,751</b>	-	-	-	<b>7,751</b>
<b>J. Net current financial indebtedness (I) – (E) – (D)</b>	<b>(32,485)</b>	<b>(5)</b>	<b>(42,225)</b>	<b>(6)</b>	<b>(74,721)</b>
K. Non-current bank loans <sup>(13)</sup>	14,606	-	-	-	14,606
L. Bonds issued	-	-	-	-	-
M. Other non-current loans <sup>(14)</sup>	20,908	-	-	-	20,908
<b>N. Non-current financial indebtedness (K)+(L)+(M)</b>	<b>35,515</b>	-	-	-	<b>35,515</b>
<b>O. Net financial indebtedness (J) + (N)</b>	<b>3,029</b>	<b>(5)</b>	<b>(42,225)</b>	<b>(6)</b>	<b>(39,207)</b>

(11) Current financial receivables comprise receivables from associates (EUR 6,628,000), receivables from joint venture (EUR 5,886,000) and trade receivables (EUR 3,802,000), each as referred to in Company's IFRS consolidated financial statements.

(12) Other current financial debt comprises short-term liabilities to associates (EUR 359,000) and trade payables (EUR 7,208,000), each as referred to in Company's IFRS consolidated financial statements.

(13) The non-current bank loans relate to the long-term financial liabilities to Schwyzer Kantonalbank and Rüsselsheimer Volksbank eG.

(14) Other non-current loans refer to other non-current liabilities (relating to bonus payments to members of the Group's senior management under the Corestate MCIF scheme as well as to the Bridge loans from SO Holding AG), as referred to in Company's IFRS consolidated financial statements.

## Off-Balance Sheet Arrangements and Contingent Liabilities

As of 30 June 2016, our outstanding capital commitments for Project Ben and Project Highstreet V amounted to EUR 1.9 million.

## Statement of Working Capital

We are of the opinion that our Group is in a position to meet the payment obligations that become due within at least the next twelve months from the date of this Prospectus.

## SELECTED CONSOLIDATED FINANCIAL DATA

*The following selected consolidated financial data of the Group as of and for the years ended 31 December 2013 and 2014 has been taken from the Audited Consolidated Financial Statements of CORESTATE Capital AG, Zug/Switzerland, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The following selected consolidated financial data of the Group as of and for the year ended 31 December 2015 has been taken from the Audited Consolidated Financial Statements of CORESTATE Capital Holding S.A., Luxembourg (the “**Company**”), which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”). The following selected consolidated financial data of the Group as of 30 June 2016 and for the six-month periods ended 30 June 2015 and 2016 has been taken from the Company’s Unaudited Interim Condensed Consolidated Financial Statements. This selected consolidated financial data should be read in conjunction with the Audited Consolidated Financial Statements, the Unaudited Interim Condensed Consolidated Financial Statements and the information contained in section “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.*

## Selected Consolidated Income Statement Data

The following table sets forth certain data from our consolidated income statements for the periods indicated:

	For the year ended 31 December			For the six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR '000)</i>		<b>(audited)</b>		<b>(unaudited)</b>	
Revenue from Acquisition Related Fees .....	6,947	2,391	4,483	2,623	2,938
Revenue from Asset and Property Management .....	12,410	18,261	20,886	10,771	11,359
Revenue from Sales Fees .....	2,126	602	491	-	-
Revenue from Promote Fees Realised.....	2,997	6,838	12,174	3,260	-
<i>Total Revenue from Real Estate Investment Management.....</i>	<i>24,481</i>	<i>28,093</i>	<i>38,034</i>	<i>16,654</i>	<i>14,297</i>
<i>Total Expenses from Real Estate Investment Management .....</i>	<i>(11,887)</i>	<i>(16,563)</i>	<i>(19,779)</i>	<i>(10,210)</i>	<i>(12,116)</i>
<b>Total Earnings from Real Estate Investment Management.....</b>	<b>12,593</b>	<b>11,530</b>	<b>18,255</b>	<b>6,444</b>	<b>2,182</b>
Share of Profit or Loss from Associates and Joint Ventures .....	503	4,373	4,695	1,563	1,031
Expenses from Management of Associates and Joint Ventures .....	(756)	(1,004)	(667)	(342)	(256)
<b>Total Earnings from Alignment Capital Management.....</b>	<b>(253)</b>	<b>3,370</b>	<b>4,028</b>	<b>1,221</b>	<b>775</b>
Net Rental Income.....	-	-	1,322	211	172
Revenue from Service Charges .....	-	-	557	14	-
Net Gain from Selling Property Holding Companies .....	-	3,765	2,506	2,506	8,543
<i>Total Income from Real Estate Operations/Warehousing .....</i>	<i>-</i>	<i>3,765</i>	<i>4,386</i>	<i>2,731</i>	<i>8,715</i>
<i>Expenses from Real Estate Operations/Warehousing .....</i>	<i>-</i>	<i>(558)</i>	<i>(2,077)</i>	<i>(534)</i>	<i>(84)</i>
<b>Total Earnings from Real Estate Operations/Warehousing .....</b>	<b>-</b>	<b>3,207</b>	<b>2,308</b>	<b>2,198</b>	<b>8,631</b>
General and Administrative Expenses.....	(3,336)	(4,366)	(13,118)	(3,159)	(3,434)
Other Income.....	258	1,222	803	163	(173)
<b>Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) .....</b>	<b>9,263</b>	<b>14,963</b>	<b>12,276</b>	<b>6,866</b>	<b>8,326</b>
Depreciation and Amortisation.....	(149)	(332)	(349)	(157)	(167)
<b>Earnings before Interests and Taxes (EBIT).....</b>	<b>9,114</b>	<b>14,631</b>	<b>11,927</b>	<b>6,710</b>	<b>8,159</b>
Financial Income.....	360	218	173	86	242
Financial Expenses.....	(864)	(631)	(3,458)	(570)	(2,089)
<b>Earnings before Taxes (EBT) .....</b>	<b>8,609</b>	<b>14,218</b>	<b>8,642</b>	<b>6,227</b>	<b>6,312</b>
Income Tax (Expense)/Benefit.....	(1,012)	(474)	1,446	186	(1,104)
<b>Net Profit/(Loss) for the Period.....</b>	<b>7,597</b>	<b>13,743</b>	<b>10,087</b>	<b>6,413</b>	<b>5,208</b>
<i>Of which attributable to equity holders of parent company .....</i>	<i>7,786</i>	<i>12,333</i>	<i>9,656</i>	<i>6,030</i>	<i>5,154</i>
<i>Of which attributable to non-controlling interests .....</i>	<i>(189)</i>	<i>1,410</i>	<i>431</i>	<i>383</i>	<i>54</i>
<b>Total Revenues<sup>(1)</sup> .....</b>	<b>24,481</b>	<b>28,093</b>	<b>39,914</b>	<b>16,879</b>	<b>14,469</b>
<b>Total Expenses<sup>(2)</sup> .....</b>	<b>(15,978)</b>	<b>(22,491)</b>	<b>(35,642)</b>	<b>(14,245)</b>	<b>(15,890)</b>

(1) not including Share of Profit or Loss from Associates and Joint Ventures and Net Gain from Selling Property Holding Companies

(2) excluding Financial Expenses and Depreciation and Amortisation

## Other Financial Data

The following table sets forth certain other financial data for the periods indicated:

	For the year ended 31 December			For the six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR '000)</i>			<b>(unaudited)</b>		
Aggregated Revenues and Gains.....	24,983	36,231	47,115	20,948	24,044
Adjusted Net Income.....	8,832	13,821	16,493	7,588	6,784
Adjusted Net Income Margin .....	35%	38%	35%	36%	28%
Assets under Management at the end of the period .....	1,228	1,064	2,044	1,674	2,286



## Selected Consolidated Statement of Financial Position Data

The following table sets forth selected data from our consolidated statements of financial position as of the dates indicated:

	As of 31 December			As of 30 June
	2013	2014	2015	2016
	(audited)			(unaudited)
<i>(in EUR '000)</i>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment.....	539	679	642	782
Intangible Assets .....	119	167	96	70
Investment in Associates and Joint Ventures .....	16,082	22,536	29,247	31,409
Other Financial Instruments .....	27	31	31	32
Long-term Loans to Associates.....	759	715	-	-
Deferred Tax Assets.....	552	813	2,406	1,717
Long-term Loans to Related Parties .....	830	-	-	-
<b>Total Non-Current Assets .....</b>	<b>18,908</b>	<b>24,942</b>	<b>32,421</b>	<b>34,010</b>
<b>Current Assets</b>				
Advance Payments for Property Purchase Prices .....	-	-	1,000	12,022
Inventories.....	-	-	39,216	-
Receivables from Associates.....	4,591	9,753	11,469	6,628
Receivables from Joint Venture .....	-	-	5,755	5,886
Trade Receivables .....	3,007	4,387	3,984	3,802
Other Short-term Receivables .....	419	1,842	1,329	337
Current Income Tax Assets .....	0	1	122	126
Other Short-term Assets .....	413	645	940	994
Restricted Cash.....	-	-	2,800	-
Cash and Cash Equivalents .....	20,915	21,820	9,647	23,920
<b>Total Current Assets .....</b>	<b>29,344</b>	<b>38,447</b>	<b>76,263</b>	<b>53,714</b>
<b>Total Assets .....</b>	<b>48,252</b>	<b>63,388</b>	<b>108,684</b>	<b>87,724</b>
<b>Equity</b>				
Share Capital .....	90	90	195	195
Participation Capital.....	27	27	-	-
Other Reserves .....	25,212	25,928	24,292	33,858
Net Profit/(Loss) for the Period.....	7,786	12,333	9,656	5,154
<i>Subtotal Capital Accounts of shareholders of parent company....</i>	<i>33,115</i>	<i>38,378</i>	<i>34,143</i>	<i>39,207</i>
Non-controlling Interests.....	37	338	213	262
<b>Total Equity .....</b>	<b>33,152</b>	<b>38,717</b>	<b>34,356</b>	<b>39,469</b>
<b>Non-Current Liabilities</b>				
Long-term Financial Liabilities to Banks .....	-	8,000	25,378	14,606
Net Employee Defined Benefit Liabilities .....	270	307	443	443
Other non-current Liabilities .....	861	1,388	1,275	20,908
<b>Total Non-Current Liabilities.....</b>	<b>1,131</b>	<b>9,695</b>	<b>27,096</b>	<b>35,958</b>
<b>Current Liabilities</b>				
Short-term Financial Liabilities to Banks.....	4,415	2	0	184
Short-term Liabilities to Associates .....	3,378	1,849	91	359
Trade Payables .....	1,771	3,228	8,258	7,208
Current Income Tax Liabilities .....	741	1,142	603	612
Other Current Liabilities .....	3,663	8,755	38,279	3,933
<b>Total Current Liabilities.....</b>	<b>13,969</b>	<b>14,977</b>	<b>47,232</b>	<b>12,296</b>
<b>Subtotal Liabilities .....</b>	<b>15,099</b>	<b>24,672</b>	<b>74,328</b>	<b>48,254</b>
<b>Total Equity and Liabilities.....</b>	<b>48,252</b>	<b>63,388</b>	<b>108,684</b>	<b>87,724</b>

## Selected Consolidated Statement of Cash Flows Data

The following table sets forth selected data from our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December			Six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR '000)</i>	<b>(audited)</b>			<b>(unaudited)</b>	
Net cash flows from / (used in) operating activities .....	5,266	11,230	(34,100)	(3,042)	27,075
Net cash flows generated from / (used in) investing activities .....	2,413	(5,527)	(4,575)	(15,339)	(5,654)
Net cash flows from / (used in) financing activities .....	11,577	(4,798)	29,302	430	(9,948)
Net increase (decrease) in cash and cash equivalents .....	19,256	905	(9,373)	(17,951)	11,473
Cash and cash equivalents at beginning of period .....	1,659	20,915	21,820	21,820	12,447
Cash and cash equivalents at end of period .....	20,915	21,820	12,447	3,869	23,920

## Other Financial Data

The following table sets forth certain other financial data for the periods indicated:

	For the year ended 31 December			For the six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR '000)</i>	<b>(unaudited)</b>				
Aggregated Revenues and Gains .....	24,983	36,231	47,115	20,948	24,044
Adjusted Net Income .....	8,832	13,821	16,493	7,588	6,784
Adjusted Net Income Margin .....	35%	38%	35%	36%	28%

The following table sets forth the calculation of our aggregate revenues and gains, adjusted net income and adjusted net income margin for the periods indicated:

	For the year ended 31 December			For the six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR '000)</i>	<b>(unaudited, except as otherwise noted)</b>				
<b>Net Profit/(Loss) for the Period<sup>(1)</sup></b> .....	<b>7,597</b>	<b>13,743</b>	<b>10,087</b>	<b>6,413</b>	<b>5,208</b>
Adjustments <sup>(2)</sup> .....	1,235	78	6,406	1,175	1,576
<b>Adjusted Net Income</b> .....	<b>8,832</b>	<b>13,821</b>	<b>16,493</b>	<b>7,588</b>	<b>6,784</b>
Total Revenue from Real Estate Investment Management .....	24,481	28,093	38,034	16,654	14,297
Share of Profit or Loss from Associates and Joint Ventures <sup>(1)(3)</sup> .....	503	4,373	4,695	1,563	1,031
Total Income from Real Estate Operations/Warehousing .....	-	3,765	4,386	2,731	8,715
<b>Aggregate Revenues and Gains<sup>(4)</sup></b> .....	<b>24,983</b>	<b>36,231</b>	<b>47,115</b>	<b>20,948</b>	<b>24,044</b>
<b>Adjusted Net Income Margin</b> .....	<b>35.4%</b>	<b>38.1%</b>	<b>35.0%</b>	<b>36.2%</b>	<b>28.2%</b>

(1) Full-year figures are audited.

(2) Includes adjustments for one-off severance costs of EUR 1.2 million for 2013 and of EUR 0.1 million for 2014, adjustments for one-off capital raising costs (IPO costs) of EUR 5.5 million and one-off investments for institutional product business of EUR 0.9 million in 2015, adjustments for one-off capital raising costs (IPO costs) of EUR 1.0 million and one-off investments for institutional product business of EUR 0.2 million for the six-month period ended 30 June 2015, and adjustments for one-off capital raising costs (IPO costs) of EUR 0.1 million and one-off costs for interest burden from bridge facility of EUR 1.5 million for the six-month period ended 30 June 2016.

(3) Share of Profit or Loss from Associates and Joint Ventures may include fair value gains or losses or other non-cash items.

(4) Includes total revenue from Real Estate Investment Management, total income from Real Estate Operations/Warehousing and our share of profit or loss from associates and Joint Ventures.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Investors should read the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" in conjunction with the sections entitled "General Information", "Selected Consolidated Financial Data" as well as the consolidated financial statements, including the notes thereto, contained in this Prospectus.*

*This discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and our financial performance. Our actual results may differ materially from those anticipated in the forward-looking statements as a result of any number of factors, including those set forth under "General Information – Forward-Looking Statements" and "Risk Factors".*

*The following historical financial and other information of the Group (i) if presented as "audited", is taken from the audited consolidated financial statements of CORESTATE Capital AG, Zug/Switzerland as of and for the years ended 31 December 2013 and 2014 or the audited consolidated financial statements of CORESTATE Capital Holding S.A., Luxembourg (the "**Company**") for the year ended 31 December 2015 (together, the "**Audited Consolidated Financial Statements**") and (ii) if presented as "unaudited", is either derived from the Audited Consolidated Financial Statements, or taken or derived from the Company's unaudited interim condensed consolidated financial statements as of and for the six-month period ended 30 June 2016 (including comparative figures for the six-month period ended 30 June 2015) (the "**Unaudited Interim Condensed Consolidated Financial Statements**"), the Company's accounting records or its management reporting.*

### Overview

We are a leading real estate investment manager headquartered in Luxembourg and 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 (i) "**Real Estate Investment Management**", (ii) "**Alignment Capital Management**" and (iii) "**Real Estate Operations and Warehousing**".

In our Real Estate Investment Management segment, our activities include the sourcing and acquisition of real estate investment opportunities for our clients, structuring and implementing investment products, performing management services for real estate investments held in our Investment Structures, as well as for assets held for warehousing purposes 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. In our Alignment Capital Management segment, we co-invest with our clients to align our interests with their interests. In our Real Estate Operations and Warehousing segment, we warehouse real estate investment opportunities prior to converting or transferring them into an investment product tailor-made for clients.

We have, historically, concentrated on our investment products in Germany and Austria. Germany is and will remain our main real estate investment market. However, we are also selectively looking at other attractive European real estate markets such as Austria and Spain. We envisage a structured growth through efficient resource allocation and ensuring necessary market expertise typically by cooperating with local partners or by setting up an experienced local team.

Generally, we derive our investment product offering from our clients' risk/return profile and market dynamics. As a result, our current investment focus is on highstreet retail investments and micro living apartments, i.e. student homes and serviced living (**Micro Living**) in Germany and Spain, as well as

selected German residential opportunities. This investment and asset selection focus may change depending upon our clients' demands, as well as the dynamics of real estate markets.

We have an extensive network comprising approximately 500 client contacts ranging from ultra high-net-worth individuals to family offices and institutional clients. Our current client base predominantly consists of semi-institutional market participants such as ultra high-net-worth individuals and family offices, and our client contacts also include institutional clients such as pension funds, private equity funds, sovereign wealth funds and insurance companies, and we actively seek institutional clients to participate in our investment products. We also believe that our attractive track record and focused distribution network with scalable offerings will further improve our access to institutional clients and drive growth in assets under management.

As of 30 June 2016 we have assets in an amount of approximately EUR 2.3 billion under management (including approximately EUR 0.6 billion third-party property management mandates of our subsidiary Capera, see "*Business – Segment Breakdown – Real Estate Investment Management Business – Key financial information for each of the projects the Group is invested in*"). The value (approximately EUR 0.6 billion) of the assets under management in relation to the property management mandates of our subsidiary Capera is derived by assuming a yield of 8.3% (i.e. the annual net rental income multiplied by the factor 12). The investment vehicles and products created and managed by us hold approximately 14,500 residential and student housing units as well as approximately 275,000 square meters of commercial real estate throughout Germany and Austria. Since the inception of our Group in 2006 we have implemented transactions with an aggregated transaction volume of EUR 5.6 billion (EUR 3.4 billion of which pertain to acquisitions and EUR 2.1 billion to disposals).

As of 30 June 2016, our Group employed employees representing 250 full time equivalents (FTEs). We operate out of in total 23 offices in three countries with direct access to local real estate markets. Our Group's headquarter is located in Luxembourg, where Corestate Capital Fund Management S.à r.l., our Group's Alternative Investment Fund Manager (AIFM), is based. Capital raising and client relationships are performed by dedicated experts out of our four offices in Zurich, London, Frankfurt/Main and Singapore.

### **Key Factors Affecting Results of Operations**

Our results of operations for the periods under review were primarily affected by, and we believe will continue to be affected by, the following factors.

#### ***General Macroeconomic Developments in Germany***

As our business activities are subject to general economic conditions prevailing in Germany, we often have to adapt our investment strategies during any particular period to maximize returns for our clients. Cyclical macroeconomic developments over which we cannot exert any influence — such as economic growth rates, unemployment rates, inflationary or deflationary trends and interest rate levels — affect the realization of or exit from our investment products, rental income, potential sales of property, potential acquisitions, and the purchase prices to be paid in the context of add-on purchases. We have to monitor and assess, on a regular basis, the effect of these macroeconomic developments on our investment environment and the resulting effect on our business, such as the availability and the creditworthiness of tenants, the availability of potential real estate investors and their financial resources, the legal framework and tax conditions, the attractiveness of the location "Germany" compared to other countries and the global real estate markets, supply and demand of real estate investments compared to other types of investments, as well as the general economic trends, in particular the level of interest rates for the financing of real estate acquisitions, in order to be able to

adapt our investment strategies to these changing circumstances and make appropriate decisions to maximize returns for our clients.

For example, as a result of low interest rates for the periods under review, there was an increased demand for residential properties in Germany and increased competition in the German real estate market, as German real estate companies and real estate investors took advantage of this lower interest rate environment by purchasing more real estate assets in Germany. This development led us to realign our strategy by selling a number of our investment vehicles' value-add residential investments. These investments had been originally acquired during the period 2010 – 2013 with a longer investment horizon. However, as a result of the increased competition in the residential real estate market, we decided, in coordination with our clients, to sell such residential real estate portfolios at attractive sales prices. This led to a significant increase in a number of our fees, including in Promotes, while fees earned from our assets under management were reduced as a result of such divestments.

In addition, given the low interest rate environment and client sentiment for stable income and long-term products, we also shifted to our retail highstreet investment products during the periods under review.

The regulatory environment may also affect our business as insurance companies, in particular life insurance companies, are seeking new asset classes in order to generate higher yields for their insured persons. In order to source insurance companies as clients we therefore plan to offer investment products which are structured to fit in the regulatory solvency framework.

Strong capital inflow into the German real estate market typically results in the opportunity (i.e. through increase of deal quantity and deal size) to increase the assets under management which provides a broader basis for our fee-based revenues such as asset and property management fees. As a result of increased deal quantity and deal size, our transaction-related fees (in particular acquisition related fees) are expected to increase.

Given our clients' sentiment for long-term and stable income producing products, it may be difficult to continue to realise short-term exits, which will negatively affect our ability to realize Promotes and recycle our alignment capital investments. The latter has been a limiting factor for our business, which was offset and which we believe can be offset in the future, in particular, by further broadening our client base with a particular focus on institutional clients, increasing the number and size of deals, selectively expanding into further European markets and facilitating the creation of investment products through our warehousing capabilities.

### ***Macroeconomic Trends in the Eurozone***

Macroeconomic trends in the Eurozone, including, among others, changes in the purchasing power index in individual countries, demographic developments, the development of GDP in the countries in which we are investing, a further intensification of the recent financial and economic crisis in various countries in the Eurozone, extreme fluctuations in the price of oil, inflationary or deflationary trends or excessive public debt will continue to affect our results of operations.

We monitor and assess, on a regular basis, these changes in macroeconomic trends in the Eurozone in order to be able to adapt our investment strategies to the extent possible on a timely basis to these changing circumstances and make appropriate decisions to maximize returns for our clients. One example of our ability to adapt can be seen in the successful sale of a number of our investment vehicles' value-add residential investments during the periods under review. As a result of the increased competition in the residential real estate market and corresponding effects resulting therefrom, we decided, in coordination with our clients, to sell such residential real estate portfolios at

attractive sales prices. Reflecting client sentiment for stable income and long-term products, we have also shifted to our retail highstreet investment products.

Another example of our reaction to such trends is our plan to selectively enter further European markets based on our clients' needs and the relevant markets dynamics. Even though Germany is and will remain our main real estate investment market, we already selectively operate in other attractive markets in Europe, currently in Austria and Spain, sourcing a multi-national deal and client base. We envisage a structured growth through efficient resource allocation and ensuring necessary market expertise typically by cooperating with local joint venture partners.

As opposed to the German real estate market where we currently only see limited value-add purchase opportunities, the Spanish real estate market currently provides value-add purchase opportunities and our cooperation with our local Spanish joint venture partner ensures that we participate only in transactions based on an in-depth understanding of the local markets and related assets.

### ***Portfolio Size, Rent Levels, Vacancy Rates and Other Real Estate Related Parameters***

Our business activities are subject to general factors affecting the real estate market such as portfolio size, rent levels, vacancy rates, the availability of appropriate financing, changes in tax laws and laws in general, fluctuations in energy costs and the dependency on decisions by main commercial tenants for the location of their businesses. Such factors may affect the results of our alignment capital investments in our Investment Structures, the revenues from our real estate management services and the results from our assets held for warehousing purposes. Such factors directly influence our alignment capital investments in our Investment Structures as well as the results from our assets held for warehousing purposes. In addition, the factors also affect the valuation of the real estate assets of our Investment Structures and therefore may also influence the basis of our AuM-based fee income from real estate management services. For example, a high fluctuation of tenants directly decreases the amount of property management fee from commercial real estate assets since property management fees are typically based on net rental income. With regard to residential real estate assets, such a high fluctuation of tenants results in a higher property management fees (given that such fees are also driven by the number of new lettings), but may be dilutive for the valuation of the respective portfolio and, therefore, may result in lower asset management fees and, at a later date, Promotes in case of an exit.

### ***Sourcing Activities***

The success of our business depends on our ability to source attractive real estate transactions. Through our network of European offices, the expertise and network of contacts of our management team and our investment professionals as well as our industry network, we have access to attractive real estate transactions. Our management team and our investment professionals have built up a strong and reliable network, including a group of banks and financial institutions, servicers, insolvency receivers, professional advisers and more than 1,500 brokers. We believe that we have access to a significant number of attractive real estate transactions which are not being widely publicised and which are only offered to certain players which have built superior relationships or have a strong reputation in the industry.

We also have an extensive network comprising more than 500 private and institutional client contacts. As a real estate investment manager we cover every stage of the life cycle of a real estate investment. Based on our in-depth understanding of the details and dynamics of the underlying real estate assets and markets and our focus on value creation by way of hands-on management, it is one of our overarching principles to be closely linked to our clients' investment requirements, which guide our selection of investment opportunities and corresponding exit strategies as well as ensuring suitable fund and transaction structuring.

In addition, we seek to attract clients in additional regions, mainly in South East Asia and China. We believe that this will enable us to access new opportunities to invest in more and larger assets and to launch respective investment products.

### ***Changes in Interest Rates***

Given the current low interest rate environment and the accompanying attractive financing opportunities in Germany, there have been significant capital inflows from real estate investors into the German real estate market. As a general matter, higher capital inflows typically translate into an increase in the number and size of real estate transactions, which result in more assets under management, accompanied by higher fee-based revenues, in particular acquisition-related as well as property and asset management fees. We also benefit from such market conditions through potential returns from our investment products both with regard to the equity committed to our alignment capital investments as well as success-based fees (Promotes) in case exits are pursued in such an environment.

If interest rates increase and attractive financing opportunities decrease, real estate portfolios of our Investment Structures may become may be subject to economic pressure or even distress given increased debt service requirements and, in certain cases, it may be difficult to find attractive refinancing opportunities. At the same time, such situations have provided us in the past, and may provide us again in the future, with opportunities to acquire distressed real estate assets at attractive prices. On the other hand, increased interest rates may make it more difficult for us to sell real estate assets at attractive prices.

### ***Ability to Find Clients***

Our ability to find clients for our Investment Structures depends on a number of factors, including market-driven factors that are outside our control. Clients may choose to invest in assets other than real estate or in real estate investment structures that we do not offer. Our ability to find clients for new Investment Structures may similarly be influenced if the general appeal of alternative investments were to decline. We are actively seeking to increase our client base by reaching out to more institutional clients, in addition to our current main client base comprising predominantly semi-institutional market participants such as family offices and ultra high-net-worth individuals. We intend to do so by expanding our product offering with products such as regulated funds that are suitable for institutional clients, selectively supported by our warehousing capabilities.

We also plan to selectively enter further European markets based on our clients' needs and the relevant market dynamics, based on our deep understanding of and insight into local market dynamics and asset sourcing capabilities. Such potential selective geographical expansion will preferably be implemented with reputable local partners either through joint ventures or through M&A-activities (i.e. by acquisition of suitable industry players who are sufficiently well connected in the relevant markets). One example is our cooperation by way of an exclusive joint venture in the Spanish real estate market.

### ***Ability to Identify and Enter into Joint Ventures with Suitable Partners***

Germany is and will remain our main real estate investment market. However, we are also selectively looking at other attractive European real estate markets such as Austria and Spain. In selected markets we envisage structured growth through efficient resource allocation and ensuring necessary market expertise, typically by cooperating with local partners or by setting up an experienced local team. This cooperation may take the form of a dedicated cooperation in relation to a specific project (e.g. our residential projects with a local partner/co-investor in Vienna/Austria) or an exclusive joint venture in a specific market.

### ***Our Access to Clients and Capital Base***

Our business is dependent on our ability to raise equity from our clients. Our equity sourcing network is built on our successful investment track record, which has sharpened our profile among clients who are interested in investing in real estate assets. We believe that our relationships with a diverse and long-standing network of clients, which includes institutional clients as well as in particular semi-institutional clients, will provide us with a competitive advantage in our ability to raise new client capital in the future.

In addition, we are increasingly seeking to attract clients in additional regions, mainly in South East Asia and China. This will enable us to access new opportunities to invest in more and larger assets and to launch respective investment products. However, if we are unable to find new attractive investment opportunities or unable to sell existing assets at attractive prices, it may negatively affect our efforts to raise equity from clients and to broaden our client base.

### ***Access to Suitable Financing and Financing Conditions***

Historically, our Investment Structures have depended on third-party debt financing for the acquisition of real estate assets in accordance with the proposed business plans. In addition, we have utilized debt financing to acquire real estate assets for warehousing purposes and, to a limited extent, for our own working capital purposes. At the time of realization of a new investment product and at the time of the maturity of a loan, we depend to a considerable extent on the availability of debt financing or refinancing on reasonable terms. Financing conditions, in particular interest rates, are subject to fluctuations and are influenced by a variety of factors, including general economic conditions and market developments, over which we have no control. Adverse changes in financing conditions, and in particular increases in interest rates, could increase financing and refinancing costs for our Investment Structures, which would affect our results from our alignment capital investments. Such changes could also have an influence on the valuation of the real estate assets of our Investment Structures and therefore may also influence our AuM-based fee income from real estate management services. Furthermore, if our own financing costs were to increase, this could limit our ability to acquire real estate assets for warehousing purposes and to finance our operations.

In addition, if we are unable to sell existing assets at attractive prices or are unable to access attractive financing opportunities, we may not have sufficient funds to finance Alignment Capital investments, which may affect our ability to attract new clients. One of the limiting factors of our business has been our ongoing need to recycle capital in order to finance Alignment Capital investments in new investment products. We believe that the proceeds from the Offering will enhance our ability and flexibility to participate in more and larger transactions and offer our clients more diverse investment products.

### ***Ability to Continue Structuring Investments in a Tax-Efficient Manner and in Compliance with Tax Regulations***

Historically, the tax efficiency of the structure of our investment products has been pertinent for the performance of and returns of our investments products. If the structure of any investment product is deemed not tax efficient for whatever reason, for example, due to a change in tax legislation or case law or due to an administrative instruction, this may affect the returns from such investment and the overall performance of the investment.

### ***Ability to Lease Properties to Appropriate Tenants on Appropriate Terms***

We seek to enhance the value of real estate assets in our investment products by active management, e.g., by driving down vacancy rates, developing rents, as well as by identifying appropriate and suitable tenants for the various assets, in particular, the commercial and retail assets, and to lease



properties to them on appropriate terms. Furthermore, we invest in maintaining and improving the quality of real estate assets in our investment products. In addition to new properties, we exploit the potential of value enhancements through modernization and development of existing properties by implementing selective capital expenditure programs. Besides ensuring a certain quality standard in the various portfolios and individual assets, modernization projects tend to increase rent levels and reduce vacancies, which positively impacts rental income and leads to increases in the fair value of the various portfolios and individual assets. Such services are provided during the holding period of an investment portfolio by our asset and property management operations. Revenue is generated from the asset and property management fees paid to us, which are linked to the size and asset value of the portfolios as well as the development of rents and letting activities, which generally depend on the location and condition of the various portfolios. Such revenues may be affected by the development of occupancy rates and rental levels of the Investment Structures and properties held for warehousing purposes. See “*Business – Highly Diversified Income Structure*” for more details on the fees paid to us.

### ***Ability to Exit Our Investment Products on Appropriate Terms***

We exit our investment products either by way of a portfolio sale or by sales on an asset-by-asset basis. As such, we seek to identify appropriate purchasers and determine the right timing for the exit in order to maximize value for both our clients and us. Returns from realised investment exits of our investment products depend generally on the number of assets sold, market prices for the assets in the portfolio and the mix of assets sold. Sales prices are influenced significantly by the location and condition of the individual asset, the level of rental income it is able to generate, the prevailing interest rates and the general perception of the relevant asset class by investors. Increases in the construction of new residential and commercial units can reduce market demand and adversely affect the prices that can be realised from disposals of assets in our investment products. Political and regulatory decisions and developments, such as, for example, decisions to increase public spending for construction of affordable housing, an introduction of a limit on rent increases (the so-called rental price brake, or *Mietpreisbremse*), the increase in the real estate transfer tax, which occurred in 2014 in a number of German federal states (in some cases taking effect only in 2015), also influence supply and demand in the residential real estate market and affect price trends for residential real estate.

Taking into account the above factors and due to the current low interest rate environment and general positive perception of the German real estate market, we have successfully sold many of our value-add residential investments and have generated attractive returns for our clients and us. However, if the above factors became less attractive than they currently are or the general economic environment worsened, it may become more difficult for us to sell value-add investments, which could adversely affect our business.

### ***Changes in Laws and Regulations Relating to Our Business***

Our wholly-owned subsidiary, Corestate Capital Fund Management S.á r.l., was authorised by the CSSF in January 2015 to act as an Alternative Investment Fund Manager (“**AIFM**”) under the Alternative Investment Fund Managers Directive (“**AIFMD**”). As a licensed AIFM, Corestate Capital Fund Management S.á r.l. is able to benefit from the marketing passport introduced under the AIFMD. This passport allows it to market real estate Alternative Investment Funds (“**AIF**”) (i.e., investment products and structure), irrespective of whether these AIFs are established in Luxembourg or in another country in the European Union, to professional investors in the European Union. AIFMs must adhere to strict regulations, and as such, our Group has put in place several internal policies to ensure our Group’s compliance with these regulations. As a result, the AIFMD may also have certain impact on our general and administrative expenses. However, we believe that the AIFM license enables us to reach out to a wider pool of investors, such as institutional investors which seek comfort in AIFMD-regulated structures and we believe that possessing the AIFM license will provide access to additional sources of revenues. Changes in other regulating frameworks may also affect our business. For

instance, recently discussed changes to European insurance regulations may further increase the allocations of insurance companies in real estate-related asset deals classes. The regulatory environment may also affect our business as insurance companies, in particular life insurance companies, are seeking new asset classes in order to generate higher yields for their insured persons. In order to source insurance companies as clients we therefore plan to offer investment products which are structured to fit in the regulatory solvency framework.

### ***Recurring Patterns in Our Business***

Even though there is no “seasonality” in our business, we see increased deal activity typically toward year-end as many market participants aim to execute deals at year-end in order to be able to show them in the respective financial statements of such year. Furthermore, increased deal activity may also result from announced or already implemented but not yet legally effective adoptions of certain laws, in particular tax related laws (e.g. recent increases regarding German real estate transfer tax – *Grunderwerbsteuer*). Such increases in deal activity at year-end can also affect our negotiation of deal terms and the structuring of or exit from investments in a tax efficient manner.

### ***Valuation of Investment Properties of Associates***

The fair value of the assets owned by the Investment Structures or of certain warehoused assets is determined by using recognised valuation techniques. Such fair value measurement has a direct impact on the Group’s investment in associates, long-term loans to associates and receivables from associates.

The valuation techniques comprise both the discounted cash flow (“**DCF**”) method and the residual value method.

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 of investment property is considered to be level 3 in respect to the categorization of the fair value hierarchy (valuation models). 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; and
- Costs to sell.

The net cash flow in 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 ten-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) as well as the location and condition of the property and market trends. If the property market or general economic situation develops negatively, there is a risk that the book values of real estate assets might have to be adjusted to reflect their lower market values. If the real estate assets have to be impaired, this would have a negative effect on the Group's investment in Investment Structures or warehousing assets, loans to Investment Structures or Corestate as owner of warehousing assets and receivables from Investment Structures (including loans and receivables). In addition, impairments of real estate assets of our Investment Structures may also negatively affect our fee-based revenues from Real Estate Investment Management.

## **Factors Affecting the Comparability of Financial Information**

### ***Establishment of Property Management Business***

To complement our Real Estate Investment Management business, we commenced our property management activities in July 2013, which we conduct through our subsidiary CAPERA Immobilien Service GmbH ("Capera"). For 2013, we recorded EUR 2.8 million in revenue from property management fees. For 2014 revenue from property management fees increased to EUR 9.9 million, reflecting the first full-year impact of Capera's property management business. For 2015, we recorded revenue from property management fees of EUR 9.1 million, and for the six-month period ended 30 June 2016, we recorded revenue from property management fees of EUR 5.5 million. Capera's property management business also substantially added to the number of FTEs as well as our management expenses, in particular personnel expenses.

### ***Commencement of Real Estate Operations and Warehousing***

We commenced our Real Estate Operations and Warehousing activities in July 2014 and therefore did not record any earnings from this segment for 2013. Total earnings from Real Estate Operations/Warehousing were EUR 3.2 million for 2014, EUR 2.3 million for 2015 and EUR 8.6 million for the six-month period ended 30 June 2016. Going forward, we expect our Real Estate Operations to contribute to our results at least at similar levels as in 2014 and 2015.

## **Summary of Significant Accounting Policies**

For a summary of our significant account policies, see Note B.3, *Summary of significant accounting policies*, to the Audited Consolidated Financial Statements for 2015, included in this Prospectus.

## **Use of Accounting Estimates**

Our financial statements included in this Prospectus are prepared in accordance with IFRS. Some of the accounting methods and policies used in preparing financial statements under IFRS are based on complex and subjective assessments by management or on estimates based on past experience and assumptions deemed realistic and reasonable based on the circumstances concerned. The actual value of assets, liabilities and equity and of earnings could differ from the value derived from these estimates if conditions change and these changes had an impact on the assumptions adopted. For a summary of significant accounting judgements, estimates and assumptions in the preparation of our financial statements, see Note C, *Significant Accounting Judgements, Estimates and Assumptions*, to the Audited Consolidated Financial Statements for 2015, included in this Prospectus.

## Recent Accounting Pronouncements

For information regarding new accounting standards recently issued by the International Accounting Standards Board, see Note B.4, *New Standards issued but not yet effective*, to the Audited Consolidated Financial Statements for 2015, included in this Prospectus.

## Segment Reporting

Based on our business model and related revenues and income streams, we have the following reporting segments: (i) Real Estate Investment Management, (ii) Alignment Capital Management and (iii) Real Estate Operations/Warehousing. Such segment definition and reporting corresponds to internal reporting to the operating decision-maker and is based on operating business divisions. Our executive management committee monitors the operating results of our 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. Transfer prices (if any) between operating segments are on an arm's-length basis in a manner similar to transactions with third parties. Our general and administrative expenses, net financial expenses (including financial income and expenses) and income taxes (including deferred and current taxes) are managed on a Group basis and are not allocated to operating segments.

In addition to the operating segments, we have segmented our capital allocation by geographical area based on the location of the properties underlying our Real Estate Investment Management business. The following tables set forth our capital allocation (consisting of investment in associates, long-term loans to associates and receivables from associates) as of the dates and revenues by geography for the periods indicated.

	As of 31 December			As of
	2013	2014	2015	30 June 2016
(in EUR '000)		(audited)		(unaudited)
<b>Capital Allocation</b>				
Germany.....	15,709	21,127	64,987	35,737
Austria.....	373	1,410	4,421	5,189
Spain.....	-	-	3,779	6,278
<b>Total.....</b>	<b>16,082</b>	<b>22,536</b>	<b>73,188</b>	<b>47,204</b>

	For the year ended			For the six-	
	31 December			month period	
(in EUR '000)	2013	2014	2015	2015	2016
		(audited)		(unaudited)	
<b>Revenues.....</b>	<b>24,481</b>	<b>28,093</b>	<b>39,914</b>	<b>16,879</b>	<b>14,469</b>
Germany.....	24,322	26,962	37,487	15,229	13,791
Austria.....	158	1,130	2,426	1,650	678

For further information regarding our segments, see Note D.4, *Segment information*, to the Audited Consolidated Financial Statements for 2015, included in this Prospectus.

## Explanation of Key Line Items

### *Total Revenue from Real Estate Investment Management*

Revenue from Real Estate Investment Management is fee-based revenue and includes management-related as well as transaction-related revenues. Management-related revenues include asset and property management fees whereas transaction-related revenues comprise Acquisition Related Fees as

well as Promotes and Sales Fees. The detailed development of each of such fee element is set out below.

#### *Revenue from Acquisition Related Fees*

Revenue from Acquisition Related Fees is mainly derived from an Acquisition Fee as compensation for originating and executing transactions for our clients and an Onboarding Fee for setting up the relevant asset and property management infrastructure and resources such as relevant personnel once the real estate asset portfolios are transferred into management.

Revenue from Acquisition Related Fees accounted for 28.4%, 8.5%, 11.8%, 15.7% and 20.5% of our total revenue from Real Estate Investment Management for 2013, 2014, 2015 and the six-month periods ended 30 June 2015 and 2016, respectively.

#### *Revenue from Asset and Property Management*

Revenue from asset and property management is derived from management contracts with real estate portfolios as compensation for ongoing services provided by us under these management contracts (including, for example, implementation of business plans, determination of capital expenditure programs, letting activities and day-to-day tenant services). Revenue from property management is solely generated by our subsidiary, Capera, which commenced operations during 2013.

Revenue from asset and property management accounted for 50.7%, 65.0%, 54.9%, 64.7% and 79.5% of our total revenue from Real Estate Investment Management for 2013, 2014, 2015 and the six-month periods ended 30 June 2015 and 2016, respectively.

#### *Revenue from Sales Fees*

Revenue from Sales Fees is mainly derived from payments for coordinating exits of real estate portfolios by way of a complex and management-intensive asset-by-asset sales process, where we either sell the individual assets or small subportfolios as opposed to selling entire portfolios. Sales Fees are payable in rather rare, highly complex exit situations.

Revenue from Sales Fees accounted for 8.7%, 2.1% and 1.3% of our total revenue from Real Estate Investment Management for 2013, 2014 and 2015, respectively. We recorded no revenue from Sales Fees for the six-month period ended 30 June 2015 and for the six-month period ended 30 June 2016.

#### *Revenue from Promote Fees Realised*

Revenue from Promote Fees realised is mainly derived from payments received upon realisation of exits from our investment products. The Promote Fee is determined as a percentage of the net cash profit realised from an investment product. Revenue from Promote Fees realised resulted from Project Energy for 2013, Project Vitu and Project Turbo VIE for 2014 and Project T6 and Project Turbo FRA for 2015. In the six-month period ended 30 June 2015, Promote Fees realised resulted from Project T6. In the six-month period ended 30 June 2016, there were no Promote Fees realised.

Revenue from Promote Fees realised accounted for 12.2%, 24.3%, 32.0% and 19.6% of our total revenue from Real Estate Investment Management for 2013, 2014, 2015 and the six-month period ended 30 June 2015, respectively. We recorded no revenue from Promote Fees realised for the six-month period ended 30 June 2016.

### ***Total Expenses from Real Estate Investment Management***

Total expenses from Real Estate Investment Management comprise personnel and overhead expenses (e.g., rent and leasing expenses, IT and telecommunication expenses, travel expenses, legal and other advisory fees) allocated to our Real Estate Investment Management activities.

### ***Total Earnings from Alignment Capital Management***

Total earnings from Alignment Capital Management include our *pro rata* share in the periodic income of our Investment Structures and gains or losses realised upon the exit of such Investment Structures, offset by costs allocated for the management of the alignment capital investments. The periodic income of the Investment Structures 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. Costs are allocated to Alignment Capital Management on a co-investment by co-investment basis, and are calculated by multiplying the total fees generated by such co-investment from real estate management in the period (excluding Sales Fees and Promotes) with the percentage of co-ownership in such investment. A key element of our business model is the alignment of our interests with those of our clients, which is implemented by our co-investments alongside our clients in our various investment products. As a result, in addition to the fee-based revenues generated through our Real Estate Investment Management services, we also participate in the performance of the investment products both during the management phase and upon exit.

Typically, our alignment capital investments range between 5% and 10% (with certain exceptions for particular transactions) of the total equity capital invested into an investment product. Given that we have significant influence over our investment products by way of our asset management mandates, we account for our alignment capital investments using the equity method and record them in our consolidated balance sheets as investments in associates. 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. For additional information, see Note B.3.2, *Summary of significant accounting policies—Investment in Associates and Joint Ventures*, and Note C.1.1, *Judgements – Consolidation and Associates*, to our Audited Consolidated Financial Statements for 2015.

### ***Total Earnings from Real Estate Operations/Warehousing***

Total earnings from Real Estate Operations/Warehousing include both rental income generated from real estate assets held for warehousing purposes, changes in the fair value of any real estate assets held as investment properties, as well as net gains/losses generated either upon transfer of such assets into our investment products/structures or true sales, offset by personnel and overhead expenses allocated to our Real Estate Operations and Warehousing activities, as well as cost directly related to the assets (operating expenses). Cost allocations are determined by an internal charge for each acquisition and sales transaction under the warehousing facility. Such charge, in each case, is 1% of the underlying transaction volume.

### ***General and Administrative Expenses***

General and administrative expenses consist mainly of personnel and overhead expenses not allocable to real estate investment management expenses, expenses from management for associates or expenses from Real Estate Operations/Warehousing.

### ***Financial Income***

Financial income mainly comprises interest income derived from loans to associates as well as cash and fixed deposit accounts placed with banks.

### ***Financial Expenses***

Financial expenses comprise mainly interest incurred on bank loans, foreign currency expenses, as well as impairment losses on loans.

### ***Income Tax Expense***

Income tax expense comprises current income tax expense and deferred taxes. Current income tax expense comprises income taxes primarily in Switzerland, Germany, Luxembourg and the United Kingdom.

## Results of Operations

The following table sets forth certain data from our consolidated income statements for the periods indicated:

	For the year ended 31 December			For the six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR '000)</i>		<b>(audited)</b>		<b>(unaudited)</b>	
Revenue from Acquisition Related Fees .....	6,947	2,391	4,483	2,623	2,938
Revenue from Asset and Property Management .....	12,410	18,261	20,886	10,771	11,359
Revenue from Sales Fees .....	2,126	602	491	-	-
Revenue from Promote Fees Realised.....	2,997	6,838	12,174	3,260	-
<b>Total Revenue from Real Estate Investment Management.....</b>	<b>24,481</b>	<b>28,093</b>	<b>38,034</b>	<b>16,654</b>	<b>14,297</b>
<b>Total Expenses from Real Estate Investment Management .....</b>	<b>(11,887)</b>	<b>(16,563)</b>	<b>(19,779)</b>	<b>(10,210)</b>	<b>(12,116)</b>
<b>Total Earnings from Real Estate Investment Management.....</b>	<b>12,593</b>	<b>11,530</b>	<b>18,255</b>	<b>6,444</b>	<b>2,182</b>
Share of Profit or Loss from Associates and Joint Ventures .....	503	4,373	4,695	1,563	1,031
Expenses from Management of Associates and Joint Ventures .....	(756)	(1,004)	(667)	(342)	(256)
<b>Total Earnings from Alignment Capital Management.....</b>	<b>(253)</b>	<b>3,370</b>	<b>4,028</b>	<b>1,221</b>	<b>775</b>
Net Rental Income.....	-	-	1,322	211	172
Revenue from Service Charges .....	-	-	557	14	-
Net Gain from Selling Property Holding Companies .....	-	3,765	2,506	2,506	8,543
<b>Total Income from Real Estate Operations/Warehousing .....</b>	<b>-</b>	<b>3,765</b>	<b>4,386</b>	<b>2,731</b>	<b>8,715</b>
Expenses from Real Estate Operations/Warehousing .....	-	(558)	(2,077)	(534)	(84)
<b>Total Earnings from Real Estate Operations/Warehousing .....</b>	<b>-</b>	<b>3,207</b>	<b>2,308</b>	<b>2,198</b>	<b>8,631</b>
General and Administrative Expenses.....	(3,336)	(4,366)	(13,118)	(3,159)	(3,434)
Other Income.....	258	1,222	803	163	(173)
<b>Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) .....</b>	<b>9,263</b>	<b>14,963</b>	<b>12,276</b>	<b>6,866</b>	<b>8,326</b>
Depreciation and Amortisation.....	(149)	(332)	(349)	(157)	(167)
<b>Earnings before Interests and Taxes (EBIT).....</b>	<b>9,114</b>	<b>14,631</b>	<b>11,927</b>	<b>6,710</b>	<b>8,159</b>
Financial Income .....	360	218	173	86	242
Financial Expenses .....	(864)	(631)	(3,458)	(570)	(2,089)
<b>Earnings before Taxes (EBT) .....</b>	<b>8,609</b>	<b>14,218</b>	<b>8,642</b>	<b>6,227</b>	<b>6,312</b>
Income Tax (Expense)/Benefit.....	(1,012)	(474)	1,446	186	(1,104)
<b>Net Profit/(Loss) for the Period.....</b>	<b>7,597</b>	<b>13,743</b>	<b>10,087</b>	<b>6,413</b>	<b>5,208</b>
<i>Of which attributable to equity holders of parent company .....</i>	<i>7,786</i>	<i>12,333</i>	<i>9,656</i>	<i>6,030</i>	<i>5,154</i>
<i>Of which attributable to non-controlling interests .....</i>	<i>(189)</i>	<i>1,410</i>	<i>431</i>	<i>383</i>	<i>54</i>
<b>Total Revenues<sup>(1)</sup> .....</b>	<b>24,481</b>	<b>28,093</b>	<b>39,914</b>	<b>16,879</b>	<b>14,469</b>
<b>Total Expenses<sup>(2)</sup> .....</b>	<b>(15,978)</b>	<b>(22,491)</b>	<b>(35,642)</b>	<b>(14,245)</b>	<b>(15,890)</b>

(1) Not including Share of Profit or Loss from Associates and Joint Ventures and Net Gain from Selling Property Holding Companies.

(2) Excluding Financial Expenses and Depreciation and Amortisation.



## ***Six-Month Period ended 30 June 2016 Compared to Six-Month Period ended 30 June 2015***

### *Revenue from Acquisition Related Fees*

Revenue from Acquisition Related Fees increased by 12.0% to EUR 2.9 million for the six-month period ended 30 June 2016 from EUR 2.6 million for the six-month period ended 30 June 2015. Revenue from Acquisition Related Fees for the six-month period ended 30 June 2016 was mainly attributable to Projects Highstreets IV and V as well as to project developments Rose and Across (Frankfurt Eschersheimer Landstraße 7). Revenue from Acquisition Related Fees for the six-month period ended 30 June 2015 was mainly attributable to acquisition and Onboarding Fees of EUR 1.4 million for Project Highstreet II and of EUR 1.0 million for Project Danube. Generally, the increase in Acquisition Related Fees was due to a continued strong demand for our investment products.

### *Revenue from Asset and Property Management*

Revenue from Asset and Property Management increased by 5.5% to EUR 11.4 million for the six-month period ended 30 June 2016 from EUR 10.8 million for the six-month period ended 30 June 2015, primarily due to a one-off effect in relation to the restructuring of the SPARTACUS third party asset management mandate (EUR 1.55 million).

### *Revenue from Promote Fees Realised*

For the six-month period ended 30 June 2016, we did not generate any revenue from Promote Fees realised. For the six-month period ended 30 June 2015, we recorded revenue from Promote Fees realised of EUR 3.3 million. The Promote Fees realised for the six-month period ended 30 June 2015 related primarily to Project T6 and were the result of our exceeding the return targets for this project in the course of the exit phase.

### *Total Expenses from Real Estate Investment Management*

Total expenses from Real Estate Investment Management increased by 18.7% to EUR 12.1 million for the six-month period ended 30 June 2016 from EUR 10.2 million for the six-month period ended 30 June 2015, primarily due to the joint venture activities in Spain, the increase in our capital raising activities in order to broaden our client base for our Investment Structures and additional resources hired for the management of new highstreet retail investment products.

### *Total Earnings from Real Estate Investment Management*

While revenues from acquisition related fees increased by 12.0% to EUR 2.9 million and revenues from asset management and property management fees increased by 5.5% to EUR 11.4 million, reflecting the overall extended business activities of the Company, in the absence of Promote Fees realised for the six-month period ended 30 June 2016, total earnings from Real Estate Investment Management decreased by 66.1% to EUR 2.2 million for the six-month period ended 30 June 2016 from EUR 6.4 million for the six-month period ended 30 June 2015.

### *Total Earnings from Alignment Capital Management*

Total earnings from Alignment Capital Management decreased to EUR 0.8 million for the six-month period ended 30 June 2016 from EUR 1.2 million for the six-month period ended 30 June 2015. This was mainly due to a decrease in our share of profit from associates and Joint Ventures, which decreased to EUR 1.0 million for the six-month period ended 30 June 2016, primarily attributable to Project BEN, from EUR 1.6 million for the six-month period ended 30 June 2015. Total earnings from Alignment Capital Management for the six-month period ended 30 June 2015 were primarily attributable to the exit of our alignment capital investment in Project T6 during that period.

### *Total Earnings from Real Estate Operations/Warehousing*

Total earnings from Real Estate Operations/Warehousing were EUR 8.6 million for the six-month period ended 30 June 2016, primarily due to the conversion of certain assets (Paderborn, Halle, Bremerhaven) into an institutional fund product and the related realization of warehousing margins of EUR 5.4 million, as well as the sale of Project Donald (EUR 1.2 million) and Project Across (Frankfurt Eschersheimer Landstraße 7) (EUR 1.5 million). Total earnings from Real Estate Operations/Warehousing were EUR 2.2 million for the six-month period ended 30 June 2015, primarily due to a net gain upon the transfer, following certain value-enhancing measures, of the holding company for a retail property located in Soest to one of our investment products and the net rental income generated by the asset during the interim holding period. Of such net gain, EUR 0.4 million was attributable to non-controlling interests as compensation for providing funding for the transaction.

### *General and Administrative Expenses*

General and administrative expenses increased by 8.7% to EUR 3.4 million for the six-month period ended 30 June 2016 from EUR 3.2 million for the six-month period ended 30 June 2015, primarily due to an increase in personnel in order to address the growing size and complexity of our operations in particular stemming from increased transaction activities as well as the entry into the institutional clients universe.

### *Financial Income*

Financial income increased by 181.4% to EUR 0.2 million for the six-month period ended 30 June 2016 from EUR 0.1 million for the six-month period ended 30 June 2015.

### *Financial Expenses*

Financial expenses increased by 266.5% to EUR 2.1 million for the six-month period ended 30 June 2016 from EUR 0.6 million for the six-month period ended 30 June 2015, primarily due to the interest burden resulting from the warehousing facility provided by Intershop AG and vitB AG.

### *Income Tax Expense*

We recorded an income tax expense of EUR 1.1 million for the six-month period ended 30 June 2016, primarily related to the use of a tax loss carry forward at the level of the parent company. We recorded an income tax benefit of EUR 0.2 million for the six-month period ended 30 June 2015, primarily relating to a tax effect accounted for in connection with Offering-related costs directly recognised in equity.

### *Net Profit for the Period*

As a result of the factors described above and in particular in the absence of Promote Fees realised, the net profit for the period decreased by 18.8% to EUR 5.2 million for the six-month period ended 30 June 2016 from EUR 6.4 million for the six-month period ended 30 June 2015. Net profit attributable to equity holders of CCHSA amounted to EUR 5.2 million for the six-month period ended 30 June 2016, compared to EUR 6.0 million for the six-month period ended 30 June 2015. Net profit attributable to non-controlling interests primarily consists of net income generated by our property management platform (Capera), as well as of compensation to third parties for providing funding in connection with a warehoused asset in Soest.

## ***2015 Compared to 2014***

### *Revenue from Acquisition Related Fees*

Revenue from Acquisition Related Fees increased by 87.5% to EUR 4.5 million for 2015 from EUR 2.4 million for 2014, mainly due to an increase in revenue from Acquisition Fee by 93.1% to EUR 3.5 million for 2015 from EUR 1.8 million for 2014 as well as an increase in revenue from Onboarding Fees by 100.0% to EUR 1.0 million for 2015 from EUR 0.5 million for 2014. The increases in revenue from Acquisition Fee and in revenue from Onboarding Fee were primarily due to the fact that, after significant exit activities in 2014 (due to a good market environment for exits), we successfully introduced new investment products for our clients (in particular, Highstreet portfolios).

### *Revenue from Asset and Property Management*

Revenue from asset and property management increased by 14.4% to EUR 20.9 million for 2015 from EUR 18.3 million for 2014. This increase was primarily due to an increase in revenue from asset management and sales fee, which increased by 44.3% to EUR 11.1 million for 2015 from EUR 7.7 million for 2014 as a result of new investment products being transferred into management as well as a one-off asset management fee in relation to the sale of the Vitu portfolio in 2014. This increase was partly offset by a decrease in revenue from property management fee, which decreased by 7.8% to EUR 9.1 million for 2015 from EUR 9.9 million for 2014 as a result of the sale of certain portfolios and subsequent termination of property management mandates in 2014.

### *Revenue from Sales Fees*

Revenue from Sales Fees decreased by 18.4% to EUR 0.5 million for 2015 from EUR 0.6 million for 2014. For 2015, sales fees were primarily generated from asset-by-asset sales in relation to Project Squirrel as well as the DR portfolio management for an insolvency receiver.

### *Revenue from Promote Fees Realised*

Revenue from Promote Fees realised increased by 78.0% to EUR 12.2 million for 2015 from EUR 6.8 million for 2014. The Promote Fees realised for 2015 related primarily to Project T6, Project Squirrel and Project Turbo FRA. The Promote Fees realised for 2014 related primarily to Project Vitu and the completion of the first investment phase of Project Turbo VIE.

### *Total Expenses from Real Estate Investment Management*

Total expenses from Real Estate Investment Management increased by 19.4% to EUR 19.8 million for 2015 from EUR 16.6 million for 2014. This increase in costs was primarily driven by incremental headcount hired for the property management platform in the course of our new third party mandates acquired.

### *Total Earnings from Real Estate Investment Management*

As a result of the factors described above, total earnings from Real Estate Investment Management increased by 58.3% to EUR 18.3 million for 2015 from EUR 11.5 million for 2014.

### *Total Earnings from Alignment Capital Management*

Total earnings from Alignment Capital Management increased by 19.5% to EUR 4.0 million for 2015 from EUR 3.4 million for 2014, mainly due to a decrease in expenses from management of associates and joint ventures by 33.6% to EUR 0.7 million for 2015 from EUR 1.0 million for 2014 and an increase in our share of profit from associates and joint ventures by 7.4% to EUR 4.7 million for 2015

from EUR 4.4 million for 2014, primarily as a result of the sale of our alignment capital investments in Projects T6, Turbo FRA and Squirrel.

#### *Total Earnings from Real Estate Operations/Warehousing*

Total earnings from Real Estate Operations/Warehousing decreased by 28.0% to EUR 2.3 million for 2015 from EUR 3.2 million for 2014. This shift was primarily driven by lower warehousing activities and a related decrease in net gain from selling property holding companies, which was partly offset by net operating income contributions from assets held for warehousing purposes.

#### *General and Administrative Expenses*

General and administrative expenses increased by 200.5% to EUR 13.1 million for 2015 from EUR 4.4 million for 2014. This increase was primarily due to a one-off effect in relation to the aborted IPO in the fourth quarter of 2015 (EUR 5.8 million) and due to other factors (EUR 2.9 million), including the further professionalisation of the Group's organisational setup, operating costs for the Singapore capital raising operations and an increase in sunk costs in relation to aborted transactions.

#### *Financial Income*

Financial income decreased by 20.6% to EUR 0.17 million for 2015 from EUR 0.22 million for 2014 due to lower interest income.

#### *Financial Expenses*

Financial expenses increased by 448.0% to EUR 3.5 million for 2015 from EUR 0.6 million for 2014. This increase was primarily due to interest expenses and commitment and arrangement fees of EUR 2.1 million under a debt financing facility for warehousing purposes provided by our previous shareholder Intershop Holding AG and by vitB AG (now W5 Group AG), which is a wholly owned investment company of our shareholder Ralph Winter. In addition, interest expenses for assets held for warehousing purposes contributed EUR 0.2 million.

#### *Income Tax Expense/Benefit*

We recorded an income tax benefit of EUR 1.4 million for 2015, compared to income tax expense of EUR 0.5 million for 2014, primarily due to a benefit in relation to a tax-loss carryforward of EUR 1.9 million resulting from expenses in connection with the aborted IPO in 2015.

#### *Net Profit for the Period*

As a result of the factors described above, including primarily the impact of the aborted IPO in the fourth quarter of 2015 (EUR 3.9 million, net of deferred taxes), net profit for the period decreased by 26.6% to EUR 10.1 million for 2015 from EUR 13.7 million for 2014. Net profit attributable to equity holders of the parent company amounted to EUR 9.7 million for 2015, compared to EUR 12.3 million for 2014.

### **2014 Compared to 2013**

#### *Revenue from Acquisition Related Fees*

Revenue from Acquisition Related Fees decreased by 65.6% to EUR 2.4 million for 2014 from EUR 6.9 million for 2013, mainly due to a decrease in revenue from Acquisition Fee by 69.1% to EUR 1.8 million for 2014 from EUR 5.8 million for 2013 as well as a decrease in revenue from Onboarding Fees by 50.0% to EUR 0.5 million for 2014 from EUR 1.0 million for 2013. The decrease

in revenue from Acquisition Fee and in revenue from Onboarding Fee was primarily due to the fact that, after significant acquisition activities in 2013, we were focused on exit activities for much of 2014 (due to a good market environment for exits) and developed new investment and acquisition strategies in consultation with our clients. Following a series of successful exits from our residential portfolios, we began to implement these new strategies and restarted our acquisition activities in the second half of 2014.

#### *Revenue from Asset and Property Management*

Revenue from asset and property management increased by 47.1% to EUR 18.3 million for 2014 from EUR 12.4 million for 2013. This increase was primarily due to an increase in revenue from property management fees, which increased by 254.8% to EUR 9.9 million for 2014 from EUR 2.8 million for 2013 as a result of the first full-year impact of the property management operations of Capera, which commenced operations in July 2013, resulting in a substantial increase in mandates. This increase was partly offset by a decrease in revenue from asset management fees, which decreased by 22.7% to EUR 7.2 million for 2014 from EUR 9.3 million for 2013 as a result of our divestments of and sales of our residential real estate portfolios and resulting reduction in assets under management.

#### *Revenue from Sales Fees*

Revenue from Sales Fees decreased by 71.7% to EUR 0.6 million for 2014 from EUR 2.1 million for 2013, primarily due to the exit of our investment in Project Berry during 2013. For 2014, Sales Fees were generated from a smaller series of asset-by-asset sales in relation to our investment products, such as Project Maroon.

#### *Revenue from Promote Fees Realised*

Revenue from Promote Fees realised increased by 128.2% to EUR 6.8 million for 2014 from EUR 3.0 million for 2013. The Promote Fees realised for 2014 related primarily to Project Vitu and the completion of the first investment phase of Project Turbo VIE. The Promote Fees realised for 2013 related to Project Energy.

#### *Total Expenses from Real Estate Investment Management*

Total expenses from Real Estate Investment Management increased by 39.3% to EUR 16.6 million for 2014 from EUR 11.9 million for 2013, primarily due to increased personnel expenses allocated to our Real Estate Investment Management activities, which amounted to EUR 10.6 million for 2014, compared to EUR 6.0 million for 2013. The increase was largely driven by the property management Capera, which commenced operations in July 2013. Overhead expenses allocated to our Real Estate Investment Management activities amounted to EUR 6.0 million for 2014, compared to EUR 5.9 million for 2013.

#### *Total Earnings from Real Estate Investment Management*

As a result of the factors described above, total earnings from Real Estate Investment Management decreased by 8.4% to EUR 11.5 million for 2014 from EUR 12.6 million for 2013.

#### *Total Earnings from Alignment Capital Management*

Total earnings from Alignment Capital Management increased to EUR 3.4 million for 2014 from negative EUR 0.3 million for 2013, mainly due to an increase in our share of profit from associates and Joint Ventures to EUR 4.4 million for 2014 from EUR 0.5 million for 2013. This increase was primarily due to the realisation of three new investment products, namely Project Ben, Project Highstreet I and Project Turbo FRA and related fair value measurements of the underlying real estate

portfolios. Expenses from management of associates and Joint Ventures increased by 32.8% to EUR 1.0 million for 2014 from EUR 0.8 million for 2013. This increase was primarily due to an increase in fees generated by the underlying co-investments and related cost allocations determined in accordance with our applicable provisions.

#### *Total Earnings from Real Estate Operations/Warehousing*

Total earnings from Real Estate Operations/Warehousing amounted to EUR 3.2 million for 2014, mainly due to a net gain of EUR 3.8 million from selling a property holding company to an investment product managed by us in connection with the realization of Project Highstreet I, offset by expenses from Real Estate Operations/Warehousing of EUR 0.6 million. Of such net gain, EUR 1.1 million were attributable to non-controlling interests as compensation for providing funding for the transaction. We commenced our Real Estate Operations/Warehousing business in July 2014 and did therefore not have any earnings from Real Estate Operations/Warehousing for 2013.

#### *General and Administrative Expenses*

General and administrative expenses increased by 30.9% to EUR 4.4 million for 2014 from EUR 3.3 million for 2013. This increase was primarily due to an increase in overhead expenses not allocable to our business segments to EUR 3.2 million for 2014 from EUR 2.2 million for 2013. This increase was primarily attributable to one-time consulting and legal fees in connection with the adoption of regulatory requirements such as the AIFMD. Personnel expenses not allocable to our business segments decreased slightly to EUR 1.1 million for 2014 from EUR 1.2 million for 2013.

#### *Financial Income*

Financial income decreased by 39.4% to EUR 0.2 million for 2014 from EUR 0.4 million for 2013, mainly due to lower interest income, which decreased to EUR 0.2 million for 2014 from EUR 0.3 million for 2013.

#### *Financial Expenses*

Financial expenses decreased by 27.0% to EUR 0.6 million for 2014 from EUR 0.9 million for 2013. This decrease was primarily due to a reduction in interest expenses, which decreased to EUR 0.2 million for 2014 from EUR 0.3 million for 2013 as we managed to refinance existing facilities at a lower interest rate, as well as lower impairment losses on loans, which amounted to EUR 0.3 million for 2014, compared to EUR 0.4 million for 2013.

#### *Income Tax Expense*

Income tax expense decreased by 53.2% to EUR 0.5 million for 2014 from EUR 1.0 million for 2013, primarily due to a benefit from deferred taxes of EUR 0.3 million for 2014, compared to expenses relating to deferred taxes of EUR 0.1 million for 2013. Such benefit from deferred taxes related to temporary differences of other current liabilities, i.e., certain expenses are recognised under the IFRS accounting regime but will only become relevant for tax purposes (i.e., tax deductible) in subsequent periods.

#### *Net Profit for the Period*

As a result of the factors described above, net profit for the period increased by 80.9% to EUR 13.7 million for 2014 from EUR 7.6 million for 2013. Net profit attributable to equity holders of the parent company amounted to EUR 12.3 million for 2014, compared to EUR 7.8 million for 2013.

## Consolidated Statement of Financial Position

The following table sets forth selected data from our consolidated statements of financial position as of the dates indicated:

	As of 31 December			As of
	2013	2014	2015	30 June 2016
(in EUR '000)		(audited)		(unaudited)
<b>Non-Current Assets</b>				
Property, Plant and Equipment.....	539	679	642	782
Intangible Assets .....	119	167	96	70
Investment in Associates and Joint Ventures .....	16,082	22,536	29,247	31,409
Other Financial Instruments .....	27	31	31	32
Long-term Loans to Associates .....	759	715	-	-
Deferred Tax Assets .....	552	813	2,406	1,717
Long-term Loans to Related Parties .....	830	-	-	-
<b>Total Non-Current Assets .....</b>	<b>18,908</b>	<b>24,942</b>	<b>32,421</b>	<b>34,010</b>
<b>Current Assets</b>				
Advance Payments for Property Purchase Prices .....	-	-	1,000	12,022
Inventories.....	-	-	39,216	-
Receivables from Associates.....	4,591	9,753	11,469	6,628
Receivables from Joint Venture .....	-	-	5,755	5,886
Trade Receivables .....	3,007	4,387	3,984	3,802
Other Short-term Receivables .....	419	1,842	1,329	337
Current Income Tax Assets .....	0	1	122	126
Other Short-term Assets .....	413	645	940	994
Restricted Cash.....	-	-	2,800	-
Cash and Cash Equivalents .....	20,915	21,820	9,647	23,920
<b>Total Current Assets .....</b>	<b>29,344</b>	<b>38,447</b>	<b>76,263</b>	<b>53,714</b>
<b>Total Assets .....</b>	<b>48,252</b>	<b>63,388</b>	<b>108,684</b>	<b>87,724</b>
<b>Equity</b>				
Share Capital .....	90	90	195	195
Participation Capital.....	27	27	-	-
Other Reserves .....	25,212	25,928	24,292	33,858
Net Profit/(Loss) for the Period.....	7,786	12,333	9,656	5,154
<i>Subtotal Capital Accounts of shareholders of parent company .....</i>	<i>33,115</i>	<i>38,378</i>	<i>34,143</i>	<i>39,207</i>
Non-controlling Interests.....	37	338	213	262
<b>Total Equity .....</b>	<b>33,152</b>	<b>38,717</b>	<b>34,356</b>	<b>39,469</b>
<b>Non-Current Liabilities</b>				
Long-term Financial Liabilities to Banks .....	-	8,000	25,378	14,606
Net Employee Defined Benefit Liabilities .....	270	307	443	443
Other non-current Liabilities .....	861	1,388	1,275	20,908
<b>Total Non-Current Liabilities.....</b>	<b>1,131</b>	<b>9,695</b>	<b>27,096</b>	<b>35,958</b>
<b>Current Liabilities</b>				
Short-term Financial Liabilities to Banks.....	4,415	2	0	184
Short-term Liabilities to Associates .....	3,378	1,849	91	359
Trade Payables .....	1,771	3,228	8,258	7,208
Current Income Tax Liabilities .....	741	1,142	603	612
Other Current Liabilities .....	3,663	8,755	38,279	3,933
<b>Total Current Liabilities.....</b>	<b>13,969</b>	<b>14,977</b>	<b>47,232</b>	<b>12,296</b>
<b>Subtotal Liabilities .....</b>	<b>15,099</b>	<b>24,672</b>	<b>74,328</b>	<b>48,254</b>
<b>Total Equity and Liabilities.....</b>	<b>48,252</b>	<b>63,388</b>	<b>108,684</b>	<b>87,724</b>

## *As of 30 June 2016*

### *Non-current assets*

Non-current assets mainly comprised investments in associates and joint ventures, reflecting our alignment capital investments in our investment products. As of 30 June 2016, our total non-current assets amounted to EUR 34.0 million, representing 38.8% of our total assets.

### *Current assets*

Current assets mainly comprised cash and cash equivalents, advance payment for property purchase prices, receivables from associates, receivables from joint venture and trade receivables. Receivables from associates as well as trade receivables primarily include receivables related to fees due from our investment products as well as purchase prices in connection with our warehousing activities. As of 30 June 2016, our total current assets amounted to EUR 53.7 million, representing 61.2% of our total assets.

As of 30 June 2016, cash and cash equivalents amounted to EUR 23.9 million. Advance payments for property purchase prices amounted to EUR 12.0 million, mainly relating to warehousing assets in Kronberg (EUR 9.6 million) and Madrid (EUR 2.5 million). Receivables from associates amounted to EUR 6.6 million as of 30 June 2016, mainly comprising acquisition related fees for Project Highstreet V as well as asset/property management fees resulting from the ordinary course of business. Receivables from joint venture amounted to EUR 5.9 million as of 30 June 2016 and primarily included a loan granted in connection with Project Torrevida in Madrid, Spain in the amount of EUR 3.8 million. Trade receivables amounted to EUR 3.8 million as of 30 June 2016.

### *Equity*

Total equity of EUR 39.5 million, in addition to the share capital, mainly comprised other reserves of EUR 33.9 million and net profit for the period of EUR 5.2 million as of 30 June 2016.

### *Non-current liabilities*

Non-current liabilities mainly comprised long-term financial liabilities to banks and other non-current liabilities. As of 30 June 2016, our total non-current liabilities amounted to EUR 36.0 million, representing 74.5% of our total liabilities.

The largest components of our non-current liabilities were long-term financial liabilities to banks in an amount of EUR 14.6 million, relating to our corporate financing facility with Schwyzer Kantonalbank (EUR 8.8 million) and EUR 5.8 million provided by Rüsselsheimer Volksbank in relation to the warehousing asset in Kronberg, and other non-current liabilities in an amount of EUR 20.9 million, which mainly comprised amounts drawn under a revolving financing facility agreement with SO Holding AG relating to the acquisition of real estate properties.

### *Current liabilities*

As of 30 June 2016, current liabilities comprised mainly trade payables of EUR 7.2 million and other current liabilities of EUR 3.9 million. As of 30 June 2016, our total current liabilities amounted to EUR 12.3 million, representing 25.5% of our total liabilities.



## *As of 31 December 2015*

### *Non-current assets*

Non-current assets mainly comprised investments in associates and joint ventures, reflecting our alignment capital investments in our investment products. As of 31 December 2015, our total non-current assets amounted to EUR 32.4 million, representing 29.8% of our total assets.

### *Current assets*

Current assets mainly comprised inventories, receivables from associates, cash and cash equivalents, receivables from joint venture and trade receivables. As of 31 December 2015, our total current assets amounted to EUR 76.3 million, representing 70.2% of our total assets.

As of 31 December 2015, inventories amounted to EUR 39.2 million, mainly comprising a commercial property located in Paderborn, which was subsequently sold in the first quarter of 2016, as well as certain acquisition costs recognized in relation to the proposed acquisition of warehousing assets in Halle, Hamburg and Bremerhaven. Receivables from associates as of 31 December 2015 amounted to EUR 11.5 million, mainly comprising Promote Fees realised in relation to Project T6. Cash and cash equivalents amounted to EUR 9.6 million, receivables from joint venture amounted to EUR 5.9 million and primarily included a loan granted in connection with Project Torrevida in Madrid, Spain in the amount of EUR 3.8 million, and trade receivables amounted to EUR 4.0 million as of 31 December 2015.

### *Equity*

Total equity of EUR 34.4 million, in addition to the share capital, comprised other reserves of EUR 24.3 million and net profit for the period of EUR 9.7 million as of 31 December 2015.

### *Non-current liabilities*

Non-current liabilities mainly comprise long-term financial liabilities to banks, net employee defined benefit liabilities and other non-current liabilities. As of 31 December 2015, our total non-current liabilities amounted to EUR 27.1 million, representing 36.5% of our total liabilities.

The largest components of our non-current liabilities as of 31 December 2015 were long-term financial liabilities to banks in an amount of EUR 25.4 million, relating to our corporate financing facility with Schwyzer Kantonalbank (EUR 8.0 million) as well as a financing in relation to the Paderborn warehousing asset provided by Deutsche Hypothekbank AG (EUR 17.4 million).

### *Current liabilities*

Current liabilities as of 31 December 2015 mainly comprised trade payables of EUR 8.3 million and other current liabilities amounting to EUR 38.3 million. As of 31 December 2015, our total current liabilities amounted to EUR 47.2 million, representing 63.5% of our total liabilities.

Other current liabilities as of 31 December 2015 mainly comprised bridge loans of EUR 25.2 million from our previous shareholder Intershop Holding AG and vitB AG (now W5 Group AG), which is a wholly owned investment company of our shareholder Ralph Winter, relating to the acquisition of warehousing assets in Paderborn, Bremerhaven and Hamburg, liabilities from purchase prices not yet paid of EUR 3.2 million resulting from the additional acquisition of shares in Project T6 from an investor as part of the wind-down of the investment structure and liabilities from employee benefits of EUR 2.8 million.

## ***As of 31 December 2014***

### *Non-current assets*

Non-current assets mainly comprised investments in associates and joint ventures, reflecting our alignment capital investments in our investment products. As of 31 December 2014, our total non-current assets amounted to EUR 24.9 million, representing 39.3% of our total assets.

### *Current assets*

Current assets mainly comprised cash and cash equivalents, receivables from associates and trade receivables. As of 31 December 2014, our total current assets amounted to EUR 38.4 million, representing 60.7% of our total assets.

As of 31 December 2014, cash and cash equivalents amounted to EUR 21.8 million. Receivables from associates as of 31 December 2014 amounted to EUR 9.8 million, mainly comprising a short-term receivable relating to Project Danube of EUR 8.0 million as well as outstanding claims for Promotes of EUR 1.0 million in relation to Project Vitu. Trade receivables amounted to EUR 4.4 million as of 31 December 2014.

### *Equity*

Total equity of EUR 38.7 million, in addition to the share capital and participation capital, comprised other reserves of EUR 25.9 million and net profit for the period of EUR 12.3 million as of 31 December 2014.

### *Non-current liabilities*

Non-current liabilities mainly comprise long-term financial liabilities to banks and other non-current liabilities. As of 31 December 2014, our total non-current liabilities amounted to EUR 9.7 million, representing 39.3% of our total liabilities.

The largest components of our non-current liabilities as of 31 December 2014 were long-term financial liabilities to banks in an amount of EUR 8.0 million, relating to our corporate financing facility with Schwyzer Kantonalbank.

### *Current liabilities*

Current liabilities as of 31 December 2014 mainly comprised short-term liabilities to associates of EUR 1.8 million relating primarily to advances on profit distribution from Project Energy, trade payables of EUR 3.2 million and other current liabilities amounting to EUR 8.8 million. As of 31 December 2014, our total current liabilities amounted to EUR 15.0 million, representing 60.7% of our total liabilities.

Other current liabilities as of 31 December 2014 mainly comprised liabilities from employee benefits of EUR 1.9 million, prepayments received for certain third-party management agreements of EUR 1.6 million as well as prepaid asset management revenues of EUR 1.6 million.

## ***As of 31 December 2013***

### *Non-current assets*

Non-current assets mainly comprised investments in associates and joint ventures. As of 31 December 2013, our non-current assets amounted to EUR 18.9 million, representing 39.2% of our total assets.

### *Current assets*

Current assets mainly comprised cash and cash equivalents, receivables from associates and trade receivables. As of 31 December 2013, our total current assets amounted to EUR 29.3 million, representing 60.8% of our total assets.

As of 31 December 2013, cash and cash equivalents amounted to EUR 20.9 million. Receivables from associates as of 31 December 2013 amounted to EUR 4.6 million, mainly comprising receivables resulting from a claim to pay a Promote of EUR 3.0 million, which was paid in March 2014 in connection with Project Energy. Trade receivables amounted to EUR 3.0 million as of 31 December 2013.

### *Equity*

Total equity of EUR 33.2 million, in addition to the share capital and participation capital, comprised other reserves of EUR 25.2 million and net profit for the period of EUR 7.8 million as of 31 December 2013.

### *Non-current liabilities*

Non-current liabilities comprised mainly net employee defined benefit liabilities and other non-current liabilities for bonus payments to members of our senior management structured as contributions to the Corestate MCIF scheme. As of 31 December 2013, our total non-current liabilities amounted to EUR 1.1 million, representing 7.5% of our total liabilities.

### *Current liabilities*

Current liabilities as of 31 December 2013 comprised mainly short-term financial liabilities to banks of EUR 4.4 million, short-term liabilities to associates of EUR 3.4 million, trade payables of EUR 1.8 million and other current liabilities amounting to EUR 3.7 million. As of 31 December 2013, our total current liabilities amounted to EUR 14.0 million, representing 92.5% of our total liabilities.

Other current liabilities as of 31 December 2013 comprised mainly provisions for liabilities from a concession agreement relating to a lump-sum contribution in the course of the wind-down of the CORESTATE German Residential Ltd. Fund (EUR 1.9 million) as well as liabilities from employee benefits of EUR 0.5 million relating to bonus payments for 2013.

### ***As of 30 June 2016 compared with as of 31 December 2015***

Our total assets as of 30 June 2016 amounted to EUR 87.7 million, compared to total assets of EUR 108.7 million as of 31 December 2015. Our total assets as of 30 June 2016 were lower compared to our total assets as of 31 December 2015, mainly due to the transfer of warehousing assets (Paderborn, Halle) into institutional investment products in the first quarter of 2016.

Our total equity amounted to EUR 39.5 million as of 30 June 2016, compared to total equity of EUR 34.4 million as of 31 December 2015, the increase being attributable to the profit for the period from 1 January to 30 June 2016.

Our total liabilities as of 30 June 2016 amounted to EUR 48.3 million, as compared to EUR 74.3 million as of 31 December 2015. Total liabilities as of 30 June 2016 were lower compared to total liabilities as of 31 December 2015, mainly due to conversion of the warehousing of certain assets into an institutional investment product and subsequent repayment of related bank debt (Paderborn asset financing) as well as the warehousing facility provided by Intershop Holding AG and W5 Group AG.

### ***As of 31 December 2015 compared with as of 31 December 2014***

Our total assets as of 31 December 2015 amounted to EUR 108.7 million, compared to total assets of EUR 63.4 million as of 31 December 2014. Our total assets as of 31 December 2015 were higher compared to our total assets as of 31 December 2014, mainly due to the warehousing of the Paderborn asset (EUR 36.9 million) recorded as inventories.

Our total equity as of 31 December 2015 amounted to EUR 34.4 million, compared to total equity of EUR 38.7 million as of 31 December 2014. The movement in total equity was mainly due to a dividend payment in relation to the financial year 2014 in an aggregate amount of EUR 15.8 million as well as the profit for the period (EUR 10.1 million).

Our total liabilities as of 31 December 2015 amounted to EUR 74.3 million, compared to total liabilities of EUR 24.7 million as of 31 December 2014. Total liabilities as of 31 December 2015 were higher compared to total liabilities as of 31 December 2014, mainly due to the financing facility provided by our shareholders for our warehousing activities (EUR 25.2 million outstanding) as well as financing in relation to the Paderborn warehousing asset (EUR 17.4 million).

### ***As of 31 December 2014 compared with as of 31 December 2013***

Our total assets as of 31 December 2014 amounted to EUR 63.4 million, compared to total assets of EUR 48.3 million as of 31 December 2013. Our total assets as of 31 December 2014 were higher compared to our total assets as of 31 December 2013, mainly due to the realization of a number of profits on our alignment capital investments and Promotes that were subsequently invested into new alignment capital investments and gains in connection with the equity accounting of the alignment capital investments.

Our total equity as of 31 December 2014 amounted to EUR 38.7 million, compared to total equity of EUR 33.2 million as of 31 December 2013. The movement in total equity was mainly due to the net profit for the period, partially offset by dividend payments of EUR 7.1 million in 2014 structured as capital repayments for tax purposes in Switzerland.

Our total liabilities as of 31 December 2014 amounted to EUR 24.7 million, as compared to total liabilities of EUR 15.1 million as of 31 December 2013. Total liabilities as of 31 December 2014 were higher compared to total liabilities as of 31 December 2013, mainly due to an increase in financial debt in connection with restructuring of our corporate financing facility with Schwyzer Kantonalbank and an increase in other current liabilities by EUR 5.1 million mainly driven by advance payments received under asset and property management agreements as well as increases in liability from employee benefits.

### **Liquidity and Capital Resources**

Our liquidity requirements arise primarily from our need to finance our alignment capital investments, our Real Estate Operations and Warehousing activities as well as our working capital needs. We finance our liquidity requirements through cash generated from our operating and investing activities as well as bank and other borrowings and equity financings.

## Cash Flows

The following table sets forth selected data from our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December			Six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR '000)</i>					
		(audited)		(unaudited)	
Net cash flows from / (used in) operating activities .....	5,266	11,230	(34,100)	(3,042)	27,075
Net cash flows generated from / (used in) investing activities .....	2,413	(5,527)	(4,575)	(15,339)	(5,654)
Net cash flows from / (used in) financing activities .....	11,577	(4,798)	29,302	430	(9,948)
Net increase (decrease) in cash and cash equivalents .....	19,256	905	(9,373)	(17,951)	11,473
Cash and cash equivalents at beginning of period .....	1,659	20,915	21,820	21,820	12,447
Cash and cash equivalents at end of period .....	20,915	21,820	12,447	3,869	23,920

### *Net cash flows from / (used in) operating activities*

In the six-month period ended 30 June 2016, net cash flows from operating activities were EUR 27.1 million. This was mainly attributable to the settlement of certain receivables in relation to the exit from Project T6 as well as the sale of Project Across (Frankfurt Eschersheimer Landstraße 7).

In 2015, net cash flows used in operating activities were EUR 34.1 million. This was mainly attributable to net cash outflows in relation to the acquisition of the Paderborn warehousing asset only contributed into an investment product in the first quarter of 2016 as well as an increased receivable in connection with the exit from Project T6 only converting into cash in January 2016.

In 2014, net cash flows from operating activities were EUR 11.2 million. This was mainly attributable to earnings before taxes, adjusted for non-cash items, of EUR 10.6 million and total changes in working capital of EUR 1.0 million, reduced by income taxes paid of EUR 0.3 million. Changes in working capital were mainly driven by an advance payment for third-party management agreements, as well as VAT liabilities. In addition, changes in working capital were driven by a decrease in trade and other receivables.

In 2013, net cash flows from operating activities were EUR 5.3 million. This was mainly attributable to earnings before taxes, adjusted for non-cash items, of EUR 8.6 million, partly offset by negative changes in working capital of EUR 3.0 million and reduced by income taxes paid of EUR 0.3 million. Changes in working capital were predominantly driven by an increase in trade and other receivables resulting from an increase in our acquisition activities, as well as a decrease in other liabilities due to the settlement of outstanding dividend claims and personnel-related payments.

### *Net cash flows generated from / (used in) investing activities*

The net cash flows generated from or used in investing activities are primarily tied to our alignment capital investments and reflects both outflows for such alignment capital investments as well as inflows from the repayments for such alignment capital investments and from profits realised thereon. In addition, net cash flows generated from or used in investing activities reflect our warehousing activities with respect to certain real estate assets (i.e., acquisition and subsequent conversion into investment products).

In the six-month period ended 30 June 2016, net cash flows used in investing activities were EUR 5.7 million, mainly attributable to cash outflows for (further) alignment capital investments for Project Across (Frankfurt Eschersheimer Landstraße 7), ROSE, Danube, Highstreet Premium and Highstreet IV, partly offset by cash inflows from capital repayments from Project Highstreet I following a recapitalization of the investment structure.

In 2015, net cash flows used in investing activities were EUR 4.6 million, mainly attributable to cash outflows for alignment capital investments (investments in associates and loans to associates) of EUR 13.7 million (in particular for Projects Highstreet II, IV and Ben), partly offset by cash inflows from repayments of alignment capital investments of EUR 2.4 million and profit realised on alignment capital investments of EUR 7.0 million, in each case, in particular in relation to Project T6, Project Turbo FRA and Project Squirrel.

In 2014, net cash flows used in investing activities were EUR 5.5 million, mainly due to cash outflows for alignment capital investments (investments in associates and loans to associates) of EUR 23.7 million (in particular for Project Ben, Project Highstreet I, Project Turbo VIE and Project Donald), partly offset by cash inflows from repayments of alignment capital investments (investments in associates and loans to associates) of EUR 14.2 million and cash inflows from profit realised on alignment capital investments of EUR 4.1 million.

In 2013, net cash flows generated by investing activities were EUR 2.4 million, mainly attributable to cash inflows from repayments of alignment capital investments (investments in associates and loans to associates) of EUR 8.3 million and advance dividends of EUR 3.4 million for Project Berry, partly offset by cash outflows for alignment capital investments (investments in associates and loans to associates) of EUR 9.4 million (in particular for Project Turbo FRA, Project T6, Project Vitu and Project Maroon).

#### *Net cash flows from / (used in) financing activities*

The net cash flows from financing activities primarily comprise proceeds from issuance of new share capital, proceeds from loans and borrowings, net of repayments of loans and borrowings, interest payments and dividend payments.

In the six-month period ended 30 June 2016, net cash flows used in financing activities were EUR 9.9 million, mainly driven by repayment of the existing warehousing facility to Intershop Holding AG and vitB AG (now W5 Group AG), partly offset by drawdowns under the existing corporate financing facility with Schwyzer Kantonbank as well as under the warehousing facility with SO Holding AG in relation to projects ANNA (student home Madrid) and Kronberg.

In 2015, net cash flows from financing activities were EUR 29.3 million, mainly due to proceeds from loans and borrowings, net of repayments of loans and borrowings, of EUR 45.0 million, offset by dividend payments, including dividends paid to non-controlling interests, of EUR 14.4 million. The loans and borrowings primarily related to the acquisition of warehousing assets in Paderborn and Soest.

In 2014, net cash flows used in financing activities were EUR 4.8 million, mainly due to dividend payments, including dividends paid to non-controlling interests, of EUR 8.2 million, partly offset by proceeds from loans and borrowings, net of repayments of loans and borrowings, of EUR 3.6 million, which primarily related to a restructuring of our corporate financing facility with Schwyzer Kantonbank.

In 2013, net cash flows from financing activities were EUR 11.6 million, mainly due to proceeds of EUR 17.6 million from an issuance of new share capital to Intershop Holding AG, partly offset by a scheduled amortisation payment (shown as repayment of loans and borrowings in the consolidated statement of cash flows) of EUR 4.5 million to UBS AG under our corporate financing facility.

## Bank and Loan Liabilities

The breakdown of our bank and loan liabilities as of 30 June 2016 on a consolidated basis is as follows:

Lender	Borrower	Type of Facility	Amount of facilities granted	Amount outstanding as of 30 June 2016	Maturity Date	Security
Schwyzzer Kantonalbank	Corestate Capital AG	Line of credit	CHF 10,000,000	EUR 8,750,000	30 June 2020	Global assignment of receivables Share pledges over certain subsidiaries of CCHSA and account pledge over a reserve account of CCHSA
SO Holding AG	Recap Finco I S.à r.l. and Recap Finco II S.à r.l.	Revolving facility	EUR 25,000,000	EUR 19,232,713	9 June 2020	Land charge, assignment of rent and other asset security relating to the Kronberg property
Rüsselsheimer Volksbank eG	Crown PropCo GmbH	Acquisition financing in relation to a property in Kronberg	EUR 10,500,000	EUR 6,000,000	30 June 2021	

Our subsidiary Corestate Capital AG (“**CCAG**”) has entered into a corporate financing facility with Schwyzzer Kantonalbank in an amount of CHF 10.0 million, to be reduced by CHF 2.0 million every year beginning on 31 December 2016. The facility matures on 30 June 2020. The facility is secured by a global assignment of receivables. Under the facility agreement, CCAG has agreed to maintain an equity ratio of at least 40.0% and earnings before interest and tax of at least CHF 2.0 million per annum. Such financial covenants relate to the statutory accounts of CCAG. The facility may be cancelled if certain events occur, such as a change of control having a material adverse effect on CCAG’s financial position or the violation of a negative pledge undertaking. CCAG may draw down under the corporate financing facility in either Euro or Swiss Francs and on a fixed or variable interest basis. As of 30 June 2016, an amount of EUR 8.75 million had been drawn down and was outstanding under the facility. For further information regarding our corporate financing facility, see “*Material Contracts*”.

As of 9 June 2016 our subsidiary Recap Finco I S.à r.l. has entered into a loan agreement with SO Holding AG as lender providing for a EUR 25.0 million revolving loan facility for the financing of the acquisition or development of real estate assets in the European Union, the UK and Switzerland. Our subsidiary Recap Finco II S.à r.l. has acceded to this loan agreement as an additional borrower. As of 30 June 2016, loans in the aggregate amount of EUR 19,232,713 have been drawn under this facility. The facility has a term of four years and bears interest at a rate of 8% p.a. (for all 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 and by a pledge over a reserve account in Luxembourg, in which we will deposit on a monthly basis 1/12 of the annual interest and commitment fee payable under the loan agreement. In addition, SO Holding AG may under certain circumstances request share pledges over subsidiaries of the borrowers (e.g. investment vehicles or target companies involved in an acquisition financed under the facility). The loan agreement provides for various covenants and events of default. Events of default that relate to one investment only can only trigger a partial termination of the facility. 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% or more of the voting rights in the Company.

On 13 June 2016 our (indirect) subsidiary Crown PropCo GmbH has entered into a loan agreement with Rüsselsheimer Volksbank eG providing for a loan to Crown PropCo GmbH of up to EUR 10.5 million for the financing of the acquisition and refurbishment of a real estate asset in Kronberg. The loan matures on 30 June 2021 and is repayable in 60 monthly instalments (59 repayment instalments in an amount of EUR 26,250 and one (final) repayment instalment in an amount of EUR 8,951,250). The loan bears interest at a rate of (currently) 1.25%. Such interest rate is based on 3-months Euribor and will be increased if 3-months Euribor increases to (or above) 0.25%. The loan is secured by, *inter alia*, a land charge over the Kronberg property and an assignment of rent receivables.

The financing of our Investment Structures is non-recourse to us. We have not guaranteed any borrowings of our Investment Structures.

### Contractual Obligations and Commitments

Our principal contractual payment obligations are for our bank borrowings, outstanding commitments to associates, commitments for alignment capital investments and payment obligations under long-term lease agreements.

As of 30 June 2016, our long-term financial liabilities to banks amounted to EUR 14.6 million, relating to our corporate financing facility with Schwyzer Kantonbank (EUR 8.8 million) and EUR 5.8 million provided by Rüsselsheimer Volksbank in relation to the warehousing asset in Kronberg.

As of 30 June 2016, we had the following outstanding capital commitments relating to Project Ben and Project Highstreet V.

<i>(in EUR '000)</i>	<b>As of 30 June 2016</b>
	<b>(unaudited)</b>
Project Ben .....	585
Project Highstreet V .....	1,353
<b>Total</b> .....	<b>1,938</b>

As of 30 June 2016, we had the following lease commitments for future minimum lease payments under non-cancellable operating leases:

<i>(in EUR '000)</i>	<b>As of 30 June 2016</b>
	<b>(unaudited)</b>
Not later than one year.....	2,292
Later than one year but not later than five years.....	3,539
Later than five years.....	683
<b>Total</b> .....	<b>6,514</b>



## Investments, Acquisitions and Divestments

The following table sets forth a (simplified) summary of the investments, acquisitions and divestments made by us during the periods indicated. The following table is based on the Company's internal reporting reflecting effective cash movements, and therefore does not necessarily correspond to the information disclosed in the IFRS financial statements.

	Year ended 31 December						Six-month period ended	
	2013		2014		2015		30 June 2016	
	Investments and Acquisitions	Divestments	Investments and Acquisitions	Divestments	Investments and Acquisitions	Divestments	Investments and Acquisitions	Divestments
(in EUR '000)	(unaudited)							
ACROSS	-	-	-	-	-	-	11,525	(11,660)
BEN	-	-	7,325	(4,000)	1,465	(1,000)	878	-
BERRY	-	(6,006)	-	(3,354)	-	-	-	-
DANUBE	-	-	-	-	8,800	(7,540)	790	-
DONALD	-	-	1,116	(20)	384	(563)	-	(426)
ENERGY	-	(6)	-	(1,416)	-	(1,408)	-	-
HIGHSTREET I	-	-	6,650	-	-	(504)	50	(3,007)
HIGHSTREET II	-	-	-	-	3,055	-	-	-
HIGHSTREET IV	-	-	-	-	4,400	-	-	-
HIGHSTREET PI	-	-	-	-	130	(113)	4,550	-
HIGHSTREET V	-	-	-	-	-	-	128	-
IBERIAN Advisors Miller	-	-	-	-	25	-	424	(424)
PHOENIX	-	(485)	-	(249)	-	(120)	-	(18)
ROSE	-	-	-	-	-	-	331	-
SAILING	2	-	-	-	3	-	-	-
SALUTE	-	-	-	-	29	-	-	-
SCORE	-	-	-	-	4	-	-	-
SQUIRREL	1,301	(456)	59	(810)	-	(1,515)	-	-
T6	2,029	(998)	-	(1)	3,200	(1,596)	-	(3,495)
TURBO FRA	2,304	(29)	337	(152)	-	(5,120)	-	-
TURBO VIE	-	-	1,358	-	-	-	-	-
VITU	3,000	-	-	(4,490)	-	-	-	(0)
Warehousing Asset Kronberg	-	-	-	-	-	-	9,572	-
Warehousing Asset Madrid	-	-	-	-	-	-	2,450	-
Warehousing Asset Hanau	-	-	11,504	(14,100)	-	-	-	-
Warehousing Asset Soest	-	-	-	-	20,257	(22,764)	-	-
Warehousing Asset Halle	-	-	-	-	1,186	-	-	(1,609)
Warehousing Asset Bremerhaven	-	-	-	-	940	-	-	(2,618)
Warehousing Asset Hamburg	-	-	-	-	99	-	-	(118)
Warehousing Asset Paderborn	-	-	-	-	36,990	-	-	(40,723)
<b>Total</b>	<b>8,636</b>	<b>(7,981)</b>	<b>28,349</b>	<b>(28,591)</b>	<b>80,968</b>	<b>(42,242)</b>	<b>30,697</b>	<b>(64,099)</b>

The investments and acquisitions included above were financed from cash flows from operations, borrowings and issuances of shares.

### *Six-month period ended 30 June 2016*

In the six-month period ended 30 June 2016, investments and acquisitions amounted to EUR 30.7 million, consisting mainly of a co-investment in Project Across (Frankfurt Eschersheimer Landstraße 7) amounting to EUR 11.5 million, EUR 9.6 million for the acquisition of a warehousing

asset in Kronberg, a co-investment in Project Highstreet Pi amounting to EUR 4.6 million, as well EUR 2.5 million for the acquisition of a warehousing asset in Madrid.

In the six-month period ended 30 June 2016, our divestments amounted to EUR 64.1 million, consisting mainly of EUR 40.7 million relating to the warehousing asset in Paderborn, EUR 11.7 million relating to Project Across (Frankfurt Eschersheimer Landstraße 7), EUR 3.5 million relating to Project T6 and EUR 3.0 million relating to Project Highstreet I.

## **2015**

In 2015, investments and acquisitions amounted to EUR 81.0 million, mainly consisting of EUR 37.0 million for the acquisition of a warehousing asset in Paderborn, EUR 20.3 million for the acquisition of a warehousing asset in Soest, a co-investment in Project Danube amounting to EUR 8.8 million, a co-investment in Project Highstreet IV amounting to EUR 4.4 million, a co-investment in Project T6 amounting to EUR 3.2 million and a co-investment in Project Highstreet II amounting to EUR 3.1 million.

In 2015, our divestments amounted to EUR 42.2 million, consisting mainly of EUR 22.8 million relating to the warehousing asset in Soest, EUR 7.5 million relating to Project Danube and EUR 5.1 million relating to Project Turbo FRA.

## **2014**

In 2014, investments and acquisitions amounted to EUR 28.3 million, mainly consisting of EUR 11.5 million for the acquisition of a warehousing asset in Hanau, a co-investment in Project Ben amounting to EUR 7.3 million and a co-investment in Project Highstreet I amounting to EUR 6.6 million.

In 2014, our divestments amounted to EUR 28.6 million, consisting mainly of EUR 14.1 million relating to the warehousing asset in Hanau, EUR 4.5 million relating to Project Vitu, EUR 4.0 million relating to Project Ben and EUR 3.4 million relating to Project Berry.

## **2013**

Investments and acquisitions in 2013 amounted to EUR 8.6 million and related in particular to co-investments in Project Vitu amounting to EUR 3.0 million, Project Turbo FRA amounting to EUR 2.3 million, Project T6 amounting to EUR 2.0 million and Project Squirrel amounting to EUR 1.3 million.

In 2013, our divestments amounted to EUR 8.0 million, consisting mainly of EUR 6.0 million relating to our investment in Project Berry.

## **Other Key Performance Indicators**

We mainly focus on the following key performance indicators: assets under management, total transaction volume, management-related fees as a percentage of assets under management, transaction-related fees as a percentage of total transaction volume, adjusted net income and adjusted net income margin.

These indicators are not measures of operating performance or liquidity under IFRS and should not be considered as an alternative to income or cash flow measures as determined in accordance with IFRS. Furthermore, there is no standard definition for these measures. Thus, measures with the same or similar names presented by other companies may not necessarily be comparable to the measures presented by us.

## ***Assets under Management, Total Transaction Volume, Management Fees and Transaction Related Fees***

We determine our assets under management based on the projected development costs for project developments for which building phase has not yet launched, the construction costs for project developments for which the building phase has launched but is not yet completed, the real estate valuation for project developments for which the building phase has been completed, and the real estate valuation for standing assets. For more information regarding our assets under management, see “*Business*”.

The following table sets forth our assets under management at the beginning and end of each of the periods indicated, our average assets under management during each period, our total transaction volume and our management and transaction related fees during the periods indicated:

	For the year ended 31 December			For the six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR million, unless otherwise indicated)</i>					
<b>(unaudited, except as otherwise noted)</b>					
Assets under management at beginning of period .....	1,513	1,228	1,064	1,064	2,044
Assets under management at end of period .....	1,228	1,064	2,044	1,674	2,286
Average assets under management during period .....	1,370	1,146	1,554	1,369	2,165
Total transaction volume during period <sup>(1)</sup> .....	1,030	803	1,077	625	177
Management fees <sup>(2)</sup> .....	12.4	18.3	20.9	10.8	11.4
<i>as a percentage of average assets under management during period</i> .....	0.9%	1.6%	1.3%	1.6% <sup>(3)</sup>	1.0% <sup>(3)</sup>
Transaction related fees <sup>(4)</sup> .....	12.1	9.8	17.1	5.9	2.9
<i>as a percentage of total transaction volume during period</i> .....	1.2%	1.2%	1.6%	0.9%	1.7%

(1) Acquisitions and disposals, net of third-party mandates retained post exit.

(2) Reflects revenue from asset and property management. Full-year figures are audited.

(3) Annualised.

(4) Includes revenue from Acquisition Related Fees, revenue from Sales Fees and revenue from Promote Fees realised.

Our management fees as a percentage of average assets under management during the period were 0.9%, 1.6%, 1.3%, 1.6% (annualised) and 1.0% (annualised) for 2013, 2014, 2015 and the six-month periods ended 30 June 2015 and 2016, respectively. Our transaction related fees as a percentage of total transaction volume during the period were 1.2%, 1.2%, 1.6%, 0.9% and 1.7% for 2013, 2014, 2015 and the six-month periods ended 30 June 2015 and 2016, respectively. Our increased vertical integration through the commencement of our property management activities in July 2013 led to a substantial increase in management fees as a percentage of assets under management. The high level of transaction activity in 2014 and the first half of 2015 resulted in significant fluctuations in our assets under management, which has also distorted management fees as a percentage of assets under management.

## Adjusted Net Income (ANI) and ANI Margin

### General

The following table sets forth the calculation of our ANI and ANI margin for the periods indicated:

	For the year ended 31 December			For the six-month period ended 30 June	
	2013	2014	2015	2015	2016
<i>(in EUR '000)</i>	<b>(unaudited, except as otherwise noted)</b>				
<b>Net Profit/(Loss) for the Period<sup>(1)</sup></b> .....	<b>7,597</b>	<b>13,743</b>	<b>10,087</b>	<b>6,413</b>	<b>5,208</b>
Adjustments <sup>(2)</sup> .....	1,235	78	6,406	1,175	1,576
<b>ANI</b> .....	<b>8,832</b>	<b>13,821</b>	<b>16,493</b>	<b>7,588</b>	<b>6,784</b>
Total Revenue from Real Estate Investment Management.....	24,481	28,093	38,034	16,654	14,297
Share of Profit or Loss from Associates and Joint Ventures <sup>(1)(3)</sup> .....	503	4,373	4,695	1,563	1,031
Total Income from Real Estate Operations/Warehousing .....	-	3,765	4,386	2,731	8,715
<b>Aggregate Revenues and Gains<sup>(4)</sup></b> .....	<b>24,983</b>	<b>36,231</b>	<b>47,115</b>	<b>20,948</b>	<b>24,044</b>
<b>ANI Margin</b> .....	<b>35.4%</b>	<b>38.1%</b>	<b>35.0%</b>	<b>36.2%</b>	<b>28.2%</b>

(1) Full-year figures are audited.

(2) Includes adjustments for one-off severance costs of EUR 1.2 million for 2013 and of EUR 0.1 million for 2014, adjustments for one-off capital raising costs (IPO costs) of EUR 5.5 million and one-off investments for institutional product business of EUR 0.9 million in 2015, adjustments for one-off capital raising costs (IPO costs) of EUR 1.0 million and one-off investments for institutional product business of EUR 0.2 million for the six-month period ended 30 June 2015, and adjustments for one-off capital raising costs (IPO costs) of EUR 0.1 million and one-off costs for interest burden from bridge facility of EUR 1.5 million for the six-month period ended 30 June 2016.

(3) Share of Profit or Loss from Associates and Joint Ventures may include fair value gains or losses or other non-cash items.

(4) Includes total revenue from Real Estate Investment Management, total income from Real Estate Operations/Warehousing and our share of profit or loss from associates and Joint Ventures.

ANI is calculated on the net profit/loss by adjusting certain one-off effects (i.e. costs for capital measures (i.e. costs for the aborted IPO in 2015) and costs for credit facilities provided by shareholders). ANI margin is calculated as ANI as a percentage of aggregate revenues and gains, which include total revenue from Real Estate Investment Management, total income from Real Estate Operations/Warehousing and our share of profit or loss from associates and Joint Ventures. Our share of profit or loss from associates and Joint Ventures may include non-cash revaluation gains or losses at the associate-level that will, in future periods, result in realized cash gains or losses or that will be offset by non-cash revaluation losses or gains, respectively. For simplification purposes, these non-cash items have not been eliminated in our calculation of ANI and ANI margin.

ANI and ANI margin provide management with the ability to monitor and approximate the profitability and cash flow generation by the group before payments to non-controlling interests.

### Six-Month Period ended 30 June 2016 Compared to Six-Month Period ended 30 June 2015

ANI decreased by 10.6% to EUR 6.8 million for the six-month period ended 30 June 2016 from EUR 7.6 million for the six-month period ended 30 June 2015. ANI margin decreased to 28.2% for the six-month period ended 30 June 2016 from 36.2% for the six-month period ended 30 June 2015. The decrease in absolute ANI was primarily attributable to a Promote Fee realised in relation to Project T6 in the six-month period ended 30 June 2015 (EUR 3.3 million). Adjusted for such impact, ANI for the six-month period ended 30 June 2016 increased by 57% from EUR 4.328 million.

### 2015 Compared to 2014

ANI increased by 19.3% to EUR 16.5 million for 2015 from EUR 13.8 million for 2014. ANI margin decreased to 35.0% for 2015 from 38.1% for 2014. The increase in absolute ANI mainly resulted from

the successful introduction of new investment products (in particular Highstreet portfolios) and transaction related fees as well as the realisation of Promote Fees from Projects T6, Squirrel and Turbo FRA.

### *2014 Compared to 2013*

ANI increased by 56.5% to EUR 13.8 million for 2014 from EUR 8.8 million for 2013. ANI margin increased to 38.1% for 2014 from 35.4% for 2013. The increase in absolute ANI mainly resulted from higher total earnings from Alignment Capital Management, including capital gains in connection with the exit from Project Vitu, and first time earnings from Real Estate Operations and Warehousing, a business started in 2014, partly offset by lower total earnings from Real Estate Investment Management as a result of lower Acquisition Related Fees following the refocusing of our investment and acquisition strategy.

### **Off-Balance Sheet Arrangements**

For information regarding our contractual obligations and commitments, see “*Contractual Obligations and Commitments*” above. For additional information regarding our operating lease commitments, see Note I.11.1, *Operating lease commitments—Group as lessee*, to our Audited Consolidated Financial Statements for 2015.

### **Pension and Employee Benefit Obligations**

For information regarding our employee compensation arrangements and pension and employee benefit obligations, see Note B.3.17, *Employee benefits*, and Note B.3.18, *Share-based payments*, to our Audited Consolidated Financial Statements for 2015.

### **Disclosures about Market Risk**

The following discussion summarizes our market risks. It is difficult to accurately predict changes in economic or market conditions and anticipate the effects of such changes on our financial performance and business operations. See Note I.4, *Financial risk management objectives and policies*, to our Audited Consolidated Financial Statements for 2015 for additional information.

#### ***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. We are exposed to credit risk from our operating activities (primarily from trade receivables as well as receivables from associates) which, in turn, are dependent on the operating performance of the underlying investments. Such operating performance is very closely monitored by our asset, property, and financial management teams. The carrying amount of our financial assets represents the maximum credit exposure. Our Investment Structures are likewise exposed to the credit risk of their counterparties, including in particular tenants under rental agreements.

#### ***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 our cost base, which is denominated in Swiss Francs, we do not have any foreign currency risk relating to financial instruments.

### ***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. Our exposure to the risk of changes in market interest rates relates primarily to our long-term debt obligations with floating interest rates. Our Investment Structures are likewise exposed to the risk of changing interest rates under 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 is usually linked to the EURIBOR reference rate (European Interbank Offered Rate).

## MARKET OVERVIEW AND COMPETITION

The following Market Overview, except for the competition section, is taken from the CBRE Report (as defined on page 80).

### Germany

#### *Macroeconomic Environment*

With a population of approximately 81.8 million and a gross domestic product (“GDP”) at market prices of EUR 3,026 billion in 2015, Germany is the largest economy in the European Union (EU28) accounting for approximately 21% of its total GDP (Source: Eurostat, GDP Germany). It is also the fourth largest national economy in terms of GDP in 2015 at current prices worldwide after the USA, China, and Japan (Source: International Monetary Fund, GDP).

The German economy has proven rather resilient over the course of the recent global financial and economic crisis compared to many other economies in the Eurozone since 2009, showing subdued but nevertheless comparatively strong economic growth rates, positive labour market development and rather stable inflation rates (Source: Eurostat, Germany’s Economy). The level of unemployment is also low and currently at 4.2% (June 2016, Source: Eurostat, Unemployment Rate Germany), and is at the lowest level post re-unification as a consequence of structural reforms of domestic labour markets and the social system. The consumer price index has been increasing, standing at 107.3 index points in June 2016 (2010=100) and thus 0.3% above the corresponding time of 2015. The inflation rate increased slightly in June for the second month in a row (+0.1% on May 2016) (Source: Destatis, Consumer prices index for Germany).

Germany ranked 15th out of 189 economies in The World Bank’s Doing Business 2016 report (Source: The World Bank, Doing Business). With a score of 7.6, Germany ranked 9th in Western Europe, and 14th in the world in the 2015 International Property Rights Index. Germany is classified by the IMF as part of the Advanced Economies group and by the World Bank as a high income OECD nation (Source: The International Property Rights Index).

According to Worldwide Governance Indicators published by the World Bank, the corresponding sub-indicator for political stability improved by 2.3 points to 79.1 points (percentile rank, 0 to 100) in 2014 (Source: The World Bank, WGI).

As stated in the 2016 Index of Economic Freedom published by the Heritage Foundation, Germany ranked 17th out of 178 economies (regional ranking: 8th out of 44 economies in Europe with Switzerland ranked 1st with an overall score of 81) with an improved overall score of 74.4 (+0.6 compared to the previous year; regional average: 66.9) and can therefore be characterized as a mostly free economy which has been resilient in the face of global uncertainty (Source: The Heritage Foundation).

According to the latest stress test for the banking and insurance sectors, the German banking system would remain broadly stable under IMF’s baseline scenario. The resilience of the German financial sector, which plays a key role in the global economy, is bolstered by major financial sector reforms driven by EU-wide and global developments (Source: International Monetary Fund, Country Report, June 2016). Based on these conditions as well as the fact that currently German government bonds with maturities up to ten years are trading below 0% (Source: Stock Exchange Stuttgart), Germany is considered a relative “safe haven” for businesses and investors. In June 2016, the ten-year German government bond stood at -0.02% and was therefore the lowest long-term interest rate of government bonds with maturities of close to ten years of the EU Member States and having thus demonstrably acted as a euro safe haven for investors (Source: European Central Bank). This is underpinned by the fact that Germany holds one of the highest and most stable credit ratings in Europe as most credit rating agencies including Fitch (as of 1 April 2016), S&P (as of 8 July 2016) and Moody’s (as of

28 February 2014) have affirmed Germany's AAA rating with a stable outlook (Source: Börsen-Zeitung).

Germany's key strength is based on the industrial production of goods and services. The brand "Made in Germany" (Source: Ugesh, Joseph A.: The 'Made in Germany' Champion Brands) and the reputation for high quality products have contributed to Germany becoming one of the largest exporting nations in the world, ranked third after China and the USA (Source: International Monetary Fund, Value of Exports). In 2015, the export of goods and services totalled EUR 1,196 billion (gross), while goods and services worth EUR 949 billion were imported (Source: Destatis, Foreign Trade). The export surplus of Germany in 2015 was the second-highest globally just after China (Source: N-TV).

Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. It is not clear to what extent other EU markets will be affected by this decision. The increased uncertainty and associated higher volatility in the financial markets in the wake of the UK's EU referendum, must be closely monitored.

### ***German Real Estate Market***

The German real estate market is one of the most stable and diverse in Europe. In the current financing environment interest rates are at record lows (Source: German Federal Bank, ECB interest rates), with German ten year government bonds trading around 0% and even dropping into negative territory towards mid-year 2016 (Source: German Federal Bank, Yields on debt securities outstanding issued by residents, Public debt securities, mean residual maturity of more than 9 and up to 10 years). The current low interest rate environment drives investors to seek investment opportunities, where higher yields can be attained. Investments into the German real estate sector provides such an alternative proposition as it provides a positive and significant yield spread over the German ten year government bond (Source: CBRE Germany Commercial Investment MarketView; CBRE Germany Residential Investment MarketView).

Germany is historically organised as a federation, with agglomerations of varying economic characteristics and underlying dynamics, thus offering a widely diversified market structure. This offers real estate investors the opportunity for regional diversification, particularly with regards to the available risk-return profiles in Germany. The country comprises 16 federal states; Berlin, Bremen and Hamburg form the so called city-states with the remainder being larger territorial states such as Bavaria and North Rhine-Westphalia. Germany had four cities with populations larger than a million within the respective city boundaries by the end of 2015, namely Berlin (3.52 million; Source: Statistical Office Berlin-Brandenburg), Hamburg (1.78 million; Source: Statistical Office Hamburg and Schleswig-Holstein), Munich (1.45 million; Source: Statistical Office Bavaria) and Cologne (1.06 million; Source: IT.NRW). By contrast, there were 77 cities with more than 100,000 inhabitants by the end of 2014, as well as over 100 cities between 50,000 and 100,000 inhabitants (Source: Destatis and the Statistical Offices of the States, Cities). The biggest real estate markets in Germany are located in the so called prime cities, which comprise Berlin, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart. In general, these markets are characterized by relatively high prime rents as well as low net initial yields (Source: CBRE ERIX). In addition to these cities, there are a number of further important markets, such as Dortmund, Essen, Bremen, Leipzig, Dresden, Hanover, Nuremberg, Duisburg, Bochum and a number of other cities, which are widely referred to as secondary or B-cities. These "prime" and "secondary" cities are influenced by different structural and cyclical growth trends, resulting in different price levels and corresponding volatility.

### ***German Residential Property Market***

A number of cyclical as well as structural demographic trends drive the development of the German residential real estate market. The three major trends are population, urbanization, household growth and the demand for residential accommodation.



## *Population*

According to the most current statistical data of Destatis, population increased to 81.8 million by the end of September 2015 (Source: Destatis, Population Growth). The increase can be mainly attributed to the positive balance of migrants moving into and those leaving Germany, which significantly exceeds the birth deficit.

Between 2011 and 2015 alone, some 6.87 million immigrants have moved to Germany. This resulted in a considerable positive balance, around 2.77 million, after allowing for emigration (Source: Destatis, Migration). According to current statistical information by Destatis, net immigration was approximately 1.14 million in 2015 alone – the highest net immigration of foreigners ever recorded in the history of the Federal Republic of Germany (Source: Destatis, Immigration).

Population development and gains in Germany have been heavily dependent on migration and the prolongation of the average lifetime of citizens since the post war baby-boom faded away in the 1960s and 1970s. As a result, the German population has been getting more diverse and older on average (The World Bank, Life Expectancy at Birth). However, the population development and change in population structure differs significantly between regions. While some have experienced massive growth, others have shrunk in the past years (Source: Destatis and the Statistical Offices of the States). Growth in particular regions is accelerated by a second trend, urbanization.

## *Urbanization*

Major cities and their surrounding regions are usually economically strong centres and thus attract increasing numbers of people – often young, mobile and well-educated – from rural and peripheral regions due to better employment opportunities and amenities (Source: Federal Institute for Research on Building, Urban Affairs and Spatial Development, Population Growth; Federal Institute for Research on Building, Urban Affairs and Spatial Development, Urbanisation).

Major cities and their metropolitan regions in particular have also attracted a large share of initial migration from abroad due to their higher level of internationalization, their function as transportation hubs and their overall amenities. For example the cities of Berlin (+37,113), Munich (+15,689), Hamburg (+13,376), Frankfurt (+12,675) and Leipzig (+12,332) recorded a positive net migration in 2014, while on the other hand the more rural counties in the eastern part of Germany like Märkischer Kreis (-1,190) or Anhalt-Bitterfeld (-1,028) reported a negative balance (Source: Destatis and the Statistical Offices of the States).

## *Household Growth and Demand for Residential Accommodation*

In addition to population growth and urbanization, the growing number of households observed in Germany also exerts influence on the demand levels for residential real estate.

According to Destatis around 40.77 million households were registered in Germany in 2015. Since 2011, approximately 1.26 million households were created in Germany. The considerable increase in single- and two-person households of 1.45 million compares with a decline of around 187,000 in the number of households with three or more persons (Source: Destatis, Households).

The number of newly completed residential accommodation started to rise significantly in 2011, a positive trend which continued in 2015. In the past year, 247,700 new accommodations were completed. A higher number of completed accommodations could only be seen in 2006 (256,000); Source: Destatis, Dwelling completions). This development is driven by the reduction in average household size, mainly caused by the high increase of one- and two-person households. In 1991, an average of 2.27 persons lived in a household, declining to 2.01 persons per household in 2014 – the lowest average household size registered since 1991 (Source: Destatis, Households in 2014). Destatis lists two main demographic factors for this trend: a decreasing birth rate with a smaller number of children per parent, and an increasing lifespan with more senior citizens, which live predominantly in

single- or two-person households. In 2014, citizens aged 65+ lived in 11.3 million households, which is more than every fourth household in Germany (Destatis, Population & Employment).

Germany is considered to be the number one with respect to the ageing of the population, with the number of persons aged 65+ increased by 41.9% over the period of 1991 until 2014. As of the end of 2014, over 21% of Germany's population was aged above 65 years compared to the European Union (EU28) average of approximately 18.9% (Source: RIWIS; Eurostat, Population Structure Germany).

#### *Proportion of Residential Owner-Occupation*

In Germany approximately 45.8% of residential units were owner-occupied, the majority of German households are therefore still tenants (Source: Destatis, Building Types and Dwellings). Germany is traditionally one of the countries with the lowest home ownership rates in Europe, despite an increase in the last few years. Unlike in other countries, however, no stigma is attached to living in rented property. Together with the good quality of the housing stock, this positively influences the trend to rent rather than buy an apartment. Also within a highly regulated rental market, German landlord and tenant law allows the rent to be adjusted to the level of the comparative rental value for the area. Since 1 June 2015 the capping of rents of new leases is in force, which enables the federal states to establish individual decrees. The new law limiting rent increases (MietNovG) upon re-letting of existing residential units in regions with low supply only allows an increase of rent up to local rental table level plus 10%. This law applies for five years. There are, however, exceptions: residential units completed after 1 October 2014 are not affected as well as rent increases reflecting modernisation works, pursuant to § 559 section 1 to 3 BGB (German civil code). In such cases, 11% of the total capital expenditure (CapEx) may still be recouped from the tenant each year. This new law also does not apply for the small market segment of furnished apartments.

#### *Residential Development Activities*

Availability of new supply is especially low in primary city areas, particularly in the low to medium price segments (Cologne Institute for Economic Research). The number of residential units per 1,000 inhabitants has significantly slowed down since the mid-1990s but shown signs of reversal recently. Development activities have been increasing since 2009, due to rising residential sales prices. According to recent official data, completion figures increased by 1.0% in 2015 compared to the previous year and even by 55.8% compared to 2009. Overall, 247,722 apartments were completed in 2015, after 245,325 in the previous year (Source: Destatis, Construction work completed in Germany). In addition, real estate investors and developers typically concentrate on the high and mid-price segments in prime cities and particularly in urban areas with a significant net migration, because developments in lower priced segments are considered economically unattractive due to the high land prices (Source: Destatis, Construction Prices, Real Property Prices) and construction costs (Source: Destatis, Construction price indices). Due to the lack of availability of land, the volume of newly constructed housing can vary significantly between different cities.

The relative scarcity of defensive asset classes, together with the low interest rate environment and the low mortgage rates, is driving growing demand for German residential real estate, both from private as well as from institutional real estate investors in both the rental as sales segments.

#### *Market for Student Accommodation*

Students form an important part of many local housing markets. Due to the specific requirements of students as a demand group, this generally increases the difficulty for them to find a proper accommodation. Small household sizes combined with relatively low incomes limit the potential housing supply to primarily small, low-priced accommodation, but also to apartments suitable for sharing. In this respect students compete with other demand groups such as trainees, commuters, and temporary workers for accommodation. Housing shortages ensue, particularly in Germany's relatively

strained housing markets (according to a low vacancy rate of 3.0% on average in 2014 according to CBRE-empirica-vacancy index (Source: CBRE/empirica), where small-scale housing per se is in short supply. The main alternatives to the general housing market are continued living with parents, whereas only approximately 12% of the students lived with their parents in 2013 (Source: CBRE, Student Accommodation), or a room in a student residence. The demand for accommodation suitable for students stands in contrast to the existing supply for students, which is often equated with the provision of halls of residence by the local students' unions (*Studentenwerke*). In the winter term 2014/15, 238,388 publicly subsidised places in halls of residence were available for the more than 2.75 million students throughout Germany (Source: Destatis, Study; Deutsches Studentenwerk). This corresponds to an accommodation ratio of only 8.7%. In the analysis conducted by CBRE and TU Dresden, hall of residence places provided by private and religious/non-commercial organisations were included in addition to the halls of residence procured by the local students' unions (Source: CBRE, Student Accommodation).

According to the CBRE/TU Dresden survey in 61 university cities, in which about 75% of all students in Germany are enrolled, almost 223,000 hall of residence places could be distinguished. The students' unions are, by a wide margin, the largest supplier of student accommodation, providing 70.9% of all places. The second-largest group is private providers, with 17.4%. Religious and non-commercial operators account for 11.7% of the stock. Although halls of residence fulfil a variety of student requirements, they are not equally present or at all available in all university towns and cities. The type of accommodation chosen by a student primarily depends on the specific conditions in the national and regional housing markets (Source: CBRE, Student Accommodation).

In Germany, student halls of residence have increased in their relative importance in recent years. Traditionally, most of the student halls of residence were owned by the publicly-subsidised students' unions. Over the last few years, however, they have modernised and reconfigured outdated facilities, so that the supply of hall of residence places initially ran short. The accommodation ratio in publicly-subsidised halls of residence moreover reduced due to increasing levels of enrolment in higher education nationally. The number of students increased with an average annual growth in numbers of 2.9% between 2000 and 2015 (Source: Destatis, Education), in part due to the suspension of compulsory military service in July 2011 and in part due to the reduction of length of schooling up to *Abitur* (secondary school leaving examination) from 13 to 12 years in almost all federal states, particularly since the turn of the millennium. Moreover, the number of foreign students rose by an annual average growth rate of 4.0% between 2000 and 2015 resulting in 338.887 students in 2015 due to the attractiveness of German universities (Source: Destatis, Education; Destatis, Study). Considering the increasing trend towards single-person households and greater mobility on part of employees, the competition between students and other groups of potential tenants for smaller residential units picked up in the recent years. The demand for accommodation suitable for students thus stands in contrast to the existing supply of accommodation available to students.

Private providers and real estate investors have recognized the investment potential caused by the shortage of student housing accommodation in the last few years. Specific brands, offering modern accommodation concepts – primarily fully-fitted individual apartments and additional services – have become increasingly established and are offering residential accommodation for students in a range of towns and cities. In the 61 major university cities surveyed by CBRE and TU Dresden, there are currently about 40,000 places in privately-operated halls of residence. Private operators have already more than 14,000 additional places under construction or in the planning stage. The increased importance of student halls of residence, not least as investment properties, are also reflected in the approximately 17,350 new hall of residence places that are either in planning or under construction. (Source: CBRE, Student Accommodation).

### ***Retail Real Estate Market***

Together with the sustained health of the domestic economy, the demand for German commercial real estate remains very high. The positive economic development in Germany was accompanied by

decreasing unemployment, and the highest observed real wage growth since 2008 (+2.4% y-o-y in 2015) (Source: Federal Employment Agency and Destatis, Real Earnings). This growth in real wages, combined with historically low interest rates and generally attractive financing conditions, have driven an improvement in consumer sentiment and an increased consumer spending. In 2015, total private consumer expenditure amounted to more than EUR 1,634 billion, which represents an approximately 6% higher value, than in 2010 on an adjusted to prices basis (Source: Destatis, National Accounts). Consumer confidence in June 2016 improved for the third time in a row and is close to a record high (Source: GfK). This relatively high consumer confidence and consumer spending is an illustration of the longer-term favourable trend underlying the German economy.

The German retail sector benefited from these developments and registered an increase in transaction volumes recently. In 2015, around EUR 18.1 billion was invested in German retail real estate, setting a new record result and marginally outperforming the previous record high of EUR 18 billion set in 2006. Alongside direct investments with a comparatively high number of large-scale portfolio transactions of 58%, large-scale real estate takeovers as part of company transactions contributed to this good result (Source: CBRE, Retail Investment MarketView Q4 2015).

Compared with the outstanding result of 2015, the first quarter of 2016 was rather subdued and did not quite match the strong momentum of preceding quarters. However in the second quarter of 2016 the investment market for German retail property gained significant momentum. In total some EUR 4.5 billion was transacted in the German retail property investment market in the first half of 2016. With an investment volume of EUR 2.8 billion in the second quarter alone, the long-standing quarterly average of EUR 2.4 billion was clearly exceeded. Domestic investors took a clear lead in the German investment market for retail property in the first two quarters of 2016. They acquired retail property across Germany worth more EUR 3.1 billion, thus contributing 69% of the overall transaction volume. The result is characterised by a high proportion of single asset transactions. At around EUR 3.4 billion, 75% of the overall volume was invested in individual properties. The share of portfolio disposals stood at 25% (Source: CBRE, Retail Investment MarketView Q2 2016).

## **Austria**

### ***Macroeconomic Environment***

Real estate makes up around 17% of the Austrian economy based on total value added in 2015 (Source: Chamber of Commerce Austria, GDP).

Austria, with a population of 8.7 million as of 1 January 2016, is strategically located in the heart of Europe, bridging Western and Eastern European economies (Statistik Austria, Population). Austria's economy has been on a rather flat growth path since 2012, the GDP growth rate developed slightly positive last year from 0.6% in 2014 to 1% in 2015 (Source: Statistik Austria, GDP). The relatively stable economic development in Austria is also reflected in the overall good labour market conditions. Austria's unemployment rate of 5.7% in 2015 was one of the lowest in the EU and far below the Eurozone average of 10.9% in 2015 (Source: Eurostat, Unemployment Rate Austria). The Austrian consumer price index shows a moderate increase, amounting to 111.9 index points in June 2016 (2010=100) and 0.7 index points above the corresponding period of 2015 (Source: Statistik Austria, Consumer Price Index).

### ***Austrian Real Estate Market***

The real estate market in Austria was affected by a dynamic population growth of 1.45% in 2015, which is far above the EU average of 0.35% and actually the second fastest growing population in the EU (Source: Eurostat, Population Change Austria). Especially in Vienna, the high demand and the strong increase of residential real estate prices, driven by urbanization tendencies and steady immigration from CEE as well as South Eastern Europe (SEE), offers desirable possibilities for many investors. Another significant factor contributing to the development of the Austrian real estate market

is the low interest rate environment of the past years with money market interest rates in the Eurozone was below 0.71% since 2009 and stood at -0.34% in the second Quarter 2016 (Source: Eurostat, Money Market Interest Rate quarterly; Eurostat, Money Market Interest Rate, annual). This fact provides broad options for favourable financing conditions, which in turn had the consequence of decreasing yields in most real estate asset classes. Even though investments in Austrian real estate offer considerable yield spreads compared to attainable yields for 10 years AAA rated euro area central government bonds with 0.63% in 2015 (Source: Eurostat, Euro Yield Curves, annual).

### ***Austrian Residential Real Estate Market***

#### *Demand for Residential Accommodation and Residential Development Activities*

Compared to most European countries, with approximately 56% in 2015 Austria has the third lowest owner-occupancy rate based on a strong supply of social housing possibilities – only Switzerland and Germany have lower ratios (Source: Eurostat, Distribution of Population Austria). Especially in Vienna the tenure status is dominated by social housing by a share of 45% and only 18% of residences were occupied by owners (Source: Statistik Austria, Residential Market in Austria). Due to the vibrant population growth, particularly in urban areas, Austria boosted its residential construction to 6.2 new housing units per 1,000 inhabitants in 2015 which is the highest value in the European Union and exceeded the European Union average by 55% (Source: Deloitte). Austria's residential real estate market was shaped by a dynamic development of prices as well as rents in the recent years. Housing prices increased between 2000 and 2015 by around 68% and by approximately 109% in Vienna, while residential rents outside of Vienna rose by approximately 58% from 2000 to 2015 (Source: National Bank of Austria).

#### *Market for Student Accommodation*

According to Statistik Austria, 376,710 students were enrolled at Austrian high education institutions in the winter term 2013/2014, while foreign students accounted for 24% of all students (Source: Statistik Austria, Education). The stock of around 33,400 hall of residence places equates to an average accommodation ratio of 8.9% (Source: Federal Ministry of Science, Research and Economics).

#### *Investment Activity and Volume in 2015*

Overall, approximately EUR 3.9 billion was invested in Austrian real estate in 2015, indicating an uplift of around 39% on 2014. Hence, the total value of investment in Austria reached a historic high in 2015. In Vienna alone, the 2015 total amounted to approximately EUR 2.7 billion, which is almost as much as the result in 2014 for the whole of Austria, when a total of around EUR 2.8 billion was recorded (Source: CBRE, Research Austria, Investment Deals Austria).

Besides strong domestic demand, the Austrian real estate market is attracting a wide range of international investors. International investors claimed the largest share of total investment volume in 2015 at almost 55%. With a share of total investment volume of approximately 18%, Asian sourced investment capital being particularly active in the Austrian real estate investment market in 2015 (Source: CBRE, Research Austria, Investment Deals Austria).

#### *Investment Opportunities*

As a result of the rising demand for real estate investments from foreign investors, yields came under pressure in recent years. Due to the relatively small market size of the Austrian real estate market and a limited supply, an increasing proportion of investors claiming core plus oriented investment opportunities outside of the capital Vienna. In spite of this, the Austrian real estate market provides

divers investment possibilities on the basis of a stable macroeconomic performance and steady real estate market development.

## **Spain**

### ***Macroeconomic Environment***

Real estate makes up around 5% of the Spanish economy based on total value added in 2015 (Source: Instituto Nacional de Estadística, Quarterly Spanish National Accounts. Base 2010).

In 2015, improved lending terms and conditions (Source: Federal Bank of Spain, Bank Lending Survey), job creation (3% y-o-y increase in occupied in 2015; Source: Instituto Nacional de Estadística, Employed persons. National. Both sexes. Total. Annual variation), the drop in the oil price (-47% on average in Brent prices in 2015, Source: Federal Bank of Spain, International markets. Non-energy commodities Price index. Crude Oil and Gold Price) and earlier than expected tax cuts fuelled consumer spending and provoked GDP in Spain to increase by 3.2% (Source: Instituto Nacional de Estadística, Quarterly Spanish National Accounts. Base 2010). Domestic demand accounted for 3.6% of GDP growth, with consumption being the economy's main driver (Source: Instituto Nacional de Estadística, Quarterly Spanish National Accounts. Base 2010). Total investment and public consumption also contributed to the rise in GDP (Source: Instituto Nacional de Estadística, Quarterly Spanish National Accounts. Base 2010). In turn, domestic demand strengthened imports which, despite the upbeat export figures, led to overall negative net external demand of -0.4%. (Source: Instituto Nacional de Estadística, Quarterly Spanish National Accounts. Base 2010).

In 2015, CPI was very much determined by the change in oil prices, which pushed it into negative territory throughout virtually the entire year. Non-energy related CPI continued to recover and closed out the year at 1.1% y-o-y (Source: Instituto Nacional de Estadística, Consumer Price Index (CPI), Overall index excluding energy products, Annual change). So far in 2016, prices (-0.8% in June; Source: Instituto Nacional de Estadística, Consumer Price Index (CPI), Overall index, Annual change) have continued to be shaped by oil prices keeping inflation negative. The euro's depreciation against the dollar has helped the EU economy grow over the last two years, Spain being one of the countries which benefitted most. It also contributed to increase Spain's export competitiveness.

According to INE data, the job market ended 2015 with an unemployment rate of 20.9%, with employment being up by 3% and thus half a million people more having been employed than at the end of 2014. So far, the unemployment rate has continued to drop in 2016 and stood at 20.0% in the second quarter, with ample room left for improvement in job creation (Source: Instituto Nacional de Estadística, Unemployment rates by sex and age group).

After the severe correction suffered until 2013, the Spanish real estate sector has been experiencing increasing activity and attracting interest of investors since 2014 (EUR 9.6 billion raised in 2014 and EUR 12.9 billion in 2015, coming from EUR 4.3 billion in 2013, Source: CBRE, Investment transactions data base). The economic recovery strengthened the residential sector, where the labour market recovery and consumer confidence are playing a fundamental role.

### ***Spanish Residential Real Estate Market***

According to the INE, housing prices increased in all autonomous regions in 2015, registering y-o-y growth of 3.6% for the whole of Spain (Source: Instituto Nacional de Estadística, Autonomous Communities index: general, new dwelling and second-hand dwelling). The number of housing transactions (+11% in 2015 on aggregate), also went up in all autonomous regions except for the Basque Country. The urban land market still varies from region to region, showing that the recovery has not been equal in all of them. Nevertheless, following Ministerio de Fomento (Ministry of Development) data average prices at national level rose by 5.3% in the first quarter 2016 (up to EUR

157.7 per sq m) (Source: Ministerio de Fomento, 4. Precio medio del metro cuadrado de suelo urbano por comunidades autónomas y provincias).

After reaching a bottom in 2013, the Spanish real estate sector experienced years of record investment volumes in 2014 (EUR 9.6 billion) and 2015 (EUR 12.9 billion) (Source: CBRE, Investment transactions data base), attracting interest of investors from across Europe and the rest of the world (Source: CBRE, Investment transactions data base). A recovery in the economy (1.4% in 2014 and 3.2% in 2015, Source: Instituto Nacional de Estadística, Quarterly Spanish National Accounts. Base 2010) and employment levels (1.2% and 3%, respectively; Source: Instituto Nacional de Estadística, Employed persons. National. Both sexes. Total. Annual variation) bolstered this process. Additionally, price reduction in home prices and negative 1-year Euribor from February 2016 on (Source: Federal Bank of Spain, Interest rates and exchange rates) has allowed the percentage of household income allocated to mortgage payments fall from almost 50% in 2009 to the current circa 33% according to Bank of Spain (Source: Federal Bank of Spain, Housing Market Indicators).

Increased level of solvency on the buyers side have been gradually helping the mortgage market to recover since the end of 2013, with almost 245,000 mortgage loans granted in 2015 (+20% vs. 2014; Source: Instituto Nacional de Estadística, Mortgages constituted, over the total properties, by nature of the property).

Investors see yields on the Spanish residential property as being more attractive than Spanish sovereign debt yields and are cautious regarding stock market volatility, and as a consequence of limited alternatives bolster investment into real estate. International investment funds operate mainly in joint ventures with local developers with deep market knowledge but on occasions lack the access to finance. These joint ventures are also helping to reactivate refurbishment projects in the main cities of Spain (Madrid and Barcelona), above all in the central districts where land scarcity is more acute.

Spanish residential market recovery is primarily visible in the biggest urban areas, especially Madrid and Barcelona, but also by the Mediterranean Coast, where Malaga is the region attracting more interest. Coming from years of low prices, prices recovered to some extent (at 6.3% in the first quarter of 2016 for all Spain; Source: Instituto Nacional de Estadística, Autonomous Communities index: general, new dwelling and second-hand dwelling), but levels are still far from pre-crisis levels.

## **Competition**

In line with our business as a real estate investment manager covering the entire lifecycle of investments in real estate, our relevant business comprises the access to assets, capital raising, asset and property management and the exit phase. In addition, we might only provide certain services to specific clients, e.g. property management. Our business model as real estate investment manager covering the entire lifecycle of investments in real estate is more common in the United Kingdom or other countries abroad. It faces low competition in Germany and is currently according to our knowledge and only to a certain extent operated by PATRIZIA Immobilien AG; although PATRIZIA Immobilien AG has in particular a very different client base than ours (i.e. addressing other client types) and is active in other countries such as in particular Scandinavia. It is currently not excluded that further potential competitors will enter the German market or that other market participants will start implementing a similar business model to ours and as a result, competition arises.

Furthermore, we face competition in the specific steps of the real estate investment lifecycle whereas the competitive situation frequently depends on the individual circumstances of the segment. Thus, given the heterogeneous clustering of the German commercial real estate market, it is not possible to give a precise description of our competitive situation as compared to potential competitors. Along the real estate investment lifecycle international clients, private equity companies, open-ended funds and listed property companies are competing with us. It is currently not excluded that further potential competitors will enter the German market or that other market participants will start implementing a similar business model to ours and as a result, competition arises.

### ***Access to assets***

We face competition when acquiring suitable assets for our investment products. For acquisition opportunities, we compete primarily on rapidity concerning *inter alia* deal execution, access to market information about suitable investment opportunities and price.

### ***Access to capital***

Furthermore, we compete primarily in raising capital from clients for transactions, on the basis of the following factors: investment performance, track record on execution and delivery, alignment of interest, quality of service provided to and relationship with clients, fee structure charged for services, possession of necessary expertise, depth in the organization to execute deals and reliability. There are generally no significant limits for investing in real estate other than the availability of capital, real estate expertise and access to marketing offers.

### ***Property management***

Furthermore, and in particular in relation to non-client third party property management, we compete on contractual terms (services, fees, payment terms etc.) with other providers of property management services. These are in particular small or medium sized property management providers acting locally or all over Germany (e.g. Treureal GmbH or Wohnbau Service Bonn GmbH).

### ***Asset management***

In the field of asset management services, we currently only provide services to selected third parties which in such cases – typically after our exit from an Investment Structure – request us to continue to provide asset management services for a certain time period. Thus, we currently do not actually compete with other market participants among stand-alone third party asset management services providers. Should we provide such services to third parties in the future, we might compete with other market participants in particular relating to services, fees and payment terms.

### ***Exit phase***

In addition, we face competition when exiting Investment Structures (i.e. when disposing of assets). This applies in particular for the attractiveness of the sales terms for buyers.



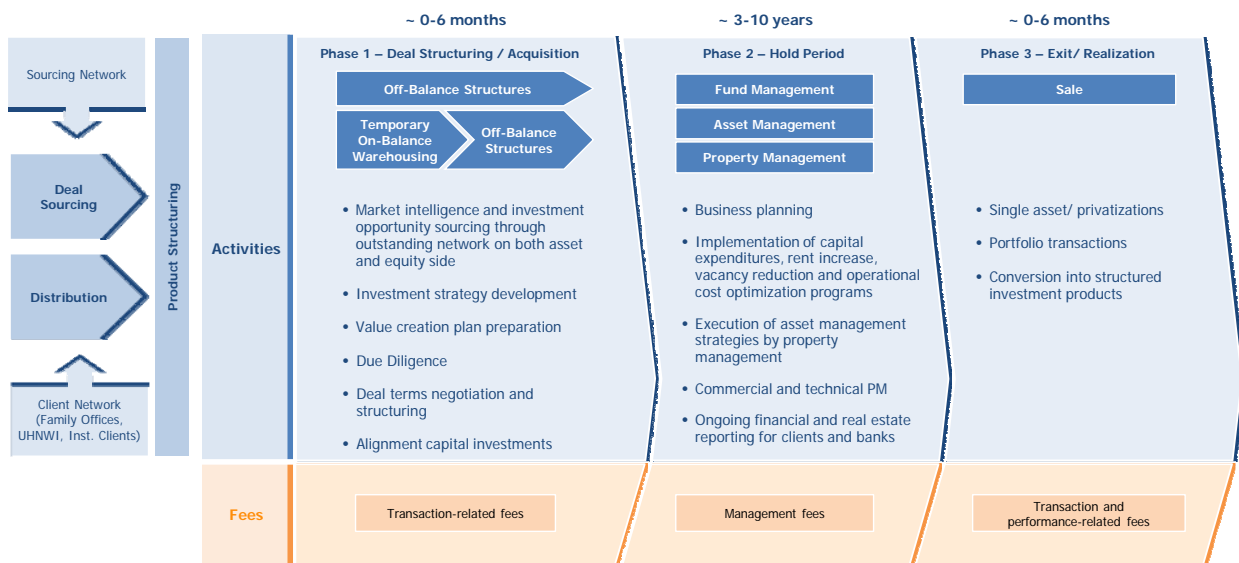
# BUSINESS

## Overview

We are a leading real estate investment manager 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 (i) “**Real Estate Investment Management**”, (ii) “**Alignment Capital Management**” and (iii) “**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 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 in order to convert them into investment products) and – to a less 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 following picture illustrates how our three business segments interact covering the entire lifecycle of investments in real estate. Such three segments, i.e. (i) Real Estate Investment Management, (ii) Alignment Capital Management and (iii) Real Estate Operations and Warehousing are described in more detail on the following pages.

The services rendered to our clients as well as revenues generated throughout the entire investment lifecycle are set out in the following chart.



Structured Investment Process & Regulatory Compliance (AIFMD)

CORESTATE Capital offers comprehensive solution to its clients providing all relevant investment management services in-house, generating various different types of fees over the entire investment lifecycle

We have, historically, been concentrating with our investment products on Germany and Austria. Germany is and will remain our main real estate investment market. However, we are also selectively looking at other attractive European real estate markets such as Austria and Spain. In such selected markets we envisage structured growth through efficient resource allocation and ensuring necessary market expertise, typically by cooperating with local partners or by setting up an experienced local team. In Spain, we have successfully launched a landmark high-rise tower in Madrid with a development volume of approximately EUR 250 million (**Project Torre Vida**). Project Torre Vida is realized through a joint venture with the Spanish Grupo Villar Mir, one of the leading real estate groups in Spain. We are currently reorganizing such joint venture and also our investment in the project company set up for Project Torre Vida (see also below under “*Real Estate Investment Management Business- Cooperation with local partners or installing own local teams*” and “*Recent Developments and Outlook*” for further information regarding our strategy in Spain). Our business strategy in Spain going forward will be predominantly focusing on micro living, i.e. student homes and serviced living (**Micro Living**). Such activities will be carried out together with selected local partners seeking for attractive investment opportunities for our clients exclusively in the field of Micro Living (see for further details “*Material Contracts*” and “*Recent Developments*”). We already realized the first project with our own team in Spain – project “Annapurna”, the acquisition of a student home in Madrid with approximately 6,241 sqm for a purchase price of EUR 10.2 million by one of our affiliates, Iberian Propco III, S.L., from the Fundación Francisco de Vitoria. Furthermore, we are currently in advanced discussions with various family offices in order to set up semi-discretionary fund vehicles targeting at further investments into Micro Living in Spain. In Austria, we have already completed the development of a student home in Vienna with an investment volume of approximately EUR 70 million, and, on behalf of our clients, have entered into an exclusive letter of intent contemplating the sale of such student homes to a fund which is to be set up for a renowned large German institutional investor (see also below under “*Real Estate Investment Management Business- Cooperation with local partners or installing own local teams*” and “*Recent Developments and Outlook*” for further information). On 20 October 2015, we entered into a strategic partnership agreement with Sistema Capital Partners S.à r.l. in order to raise and jointly manage third party capital. Under such program an aggregate amount of approximately EUR 62 million equity was successfully raised for two investment products focused on highstreet retail assets with a total volume of approximately EUR 205 million.

Under particular circumstances we also consider to enter into strategic partnerships for purposes of realizing capital for our investment products.

Generally, we derive our investment product offering from our clients’ risk/return profile and market dynamics. As a result our current investment focus is on highstreet retail investments and Micro Living in Germany and Spain as well as selected German residential opportunities. This investment and asset selection focus may change depending upon our clients’ demand as well as the real estate markets’ dynamics.

We have an extensive network comprising approximately 500 client contacts ranging from ultra high net worth private, family offices to institutional clients. In our club deals, approximately 56% of the equity invested has been returning capital from our clients. Our current client base predominantly consists of semi-institutional market participants such as family offices and ultra high-net-worth individuals. Institutional clients such as pension funds, private equity funds, sovereign wealth funds and insurance companies also form part of our client base and we are actively seeking institutional clients to participate in our investment products. Currently, most of our clients are of Western European origin whereas a growing minority is domiciled in Asia and the rest of the world. We are increasingly seeking to attract clients for real estate investments in regions in addition to the circle of our current core European clientele, mainly in Southeast Asia and China (such clients to be serviced through our office in Singapore). Our attractive track record and focused distribution network with

scalable offerings will further improve our access to institutional clients also driving growth in assets under management.

As of 30 June 2016, we have assets under management in an amount of approximately EUR 2.3 billion including approximately EUR 0.6 billion third-party property management mandates of our subsidiary Capera (see “*Business – Segment Breakdown – Real Estate Investment Management Business – Key financial information for each of the projects the Group is invested in*”). The value (approximately EUR 0.6 billion) of the assets under management in relation to the property management mandates of our subsidiary Capera is derived by assuming a yield of 8.3% (i.e. the annual net rental income multiplied by the factor 12). The investment vehicles and products created and managed by us are holding approximately 14,500 residential and student housing units as well as approximately 275,000 square meters of commercial real estate throughout Germany and Austria, in each case including third party property mandates.

Since the inception of our Group in 2006 we have implemented transactions with an aggregated transaction volume of approximately EUR 5.6 billion (EUR 3.4 billion of which pertaining to acquisitions and EUR 2.1 billion to disposals). As of 30 June 2016, transactions in Germany account for 85.2% buy side and 99.4% sell side transactions. As of 30 June 2016, Austria accounts for 14.8% buy side and 0.6% sell side transactions, respectively. On a geographic basis (including all three business segments), our business in Germany accounted for revenues of 99.4%, 96.0% and 93.9% for the financial years ended 31 December 2013 and 31 December 2014 and 31 December 2015 as well as 95.3% for the six months period ended 30 June 2016, respectively. Our business in Austria accounted for 0.6%, 4.0%, 6.1% and 4.7% of our revenues for the financial years ended 31 December 2013 31 December 2014, 31 December 2015 as well as the six months period ended 30 June 2016, respectively. As regards our business in Spain our management expects this market to account for no more than 5% of our total revenues in the future.

As of 30 June 2016, our Group employed employees representing 250 full time equivalents (FTEs). We operate out of in total 23 offices in three countries with direct access to local real estate markets. Our Group’s headquarter is located in Luxembourg, where Corestate Capital Fund Management S.à r.l., our Group’s Alternative Investment Fund Manager (AIFM), is based. Capital raising and client relationships are performed by dedicated experts out of our four offices in Zurich, London, Frankfurt/Main and Singapore.

## **Our Key Strengths**

In our view, the following strengths have been the primary drivers of our success to date and, coupled with our planned strategy, will continue to distinguish us from our competitors in the future:

### ***Fully Integrated Real Estate Investment Manager***

We are a fully-integrated real estate investment manager primarily active in Germany. Our fully-integrated business model as exemplified by our three business segments (i) “**Real Estate Investment Management**”, (ii) “**Alignment Capital Management**” and (iii) “**Real Estate Operations and Warehousing**”, is one of our key strengths enabling us to be active in and to participate across the entire lifecycle of investments in real estate. The contribution of alignment capital supports the creation and placement of investments products with our clients. The ability to warehouse certain real estate assets facilitates the creation of real estate investment products while we realize short term real estate investment opportunities.

Real Estate Investment Management encompasses the sourcing and acquisition of real estate opportunities and investments, structuring and implementing investment products, performing management services for real estate investments held in investment structures as well as for assets held

for warehousing purposes and 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. These activities are complemented (i) by our Alignment Capital Management business segment, where we invest into our investment products alongside our clients, and (ii) by our real estate operations and warehousing activities which enable us to build up a pipeline of assets and transactions to transfer or convert at a gain/premium into new investment products to be placed with clients. The warehousing concept comprises the realization of short term opportunities where timing is essential to secure acquisitions on the one hand and the formation of a sizeable seed portfolio to transact particularly with institutional clients on the other hand.

We believe that these activities are highly complementary and enable us to participate in value creation alongside the entire real estate investment life cycle.

### ***Highly Diversified Income Streams throughout the Entire Investment Lifecycle***

We are of the opinion that our fully integrated business model leads us to be uniquely placed to reap the benefits from a diversified portfolio of revenues generated by our three business segments throughout the entire real estate investment life cycle.

Our income is generated from three different layers:

- fee revenue from our real estate investment business;
- returns on our alignment capital investments (both dividends and capital gains); and
- profits generated from transfers and conversions of warehoused assets into real estate investment products (warehousing gain/premium) and net operating income generated from such real estate operations (income during the warehousing phase).

Fee income in our real estate investment management business is generated along the entire life cycle of a real estate investment and includes acquisition related fees, asset and property management fees as well as fees relating to the exit from an investment such as promote and exit fees (see for further details “*Highly Diversified Income Structure*”).

The recurring nature of fees generated from our real estate investment management business provides for a stable and long term income basis while both the earnings generated from alignment capital management as well as from real estate operations and warehousing allow for an attractive upside.

### ***Highly Experienced Management with Strong Track Record***

We believe that the experience, network and track record of our management team and investment professionals is one of the principal reasons for our success in having achieved significant growth in our business since the inception of our business. We believe that our management team’s deep and diversified knowledge of the real estate industry as well as with regard to all disciplines of real estate investment management paired with superior sourcing capabilities and access to international capital sources enable us to generate a strong track record of attractive returns for our clients.

Individually, the three members of our management board have a combined real estate experience of more than 45 years and they have in the aggregate been responsible for real estate transactions across Europe with a total transaction volume of more than EUR 5.6 billion. Our management team has worked together for many years on sourcing, managing, refinancing and selling real estate portfolios.

### ***Outstanding Deal and Equity Sourcing Network***

We believe that we have superior deal sourcing capabilities through our network of European offices, the expertise and network of contacts of our management team and our investment professionals as well as our industry network.

Our management team and our investment professionals have built up a strong and reliable network including a group of more than 1,500 brokers, banks and financial institutions, servicers, insolvency receivers as well as professional advisors. This extensive network has been built up over the last ten years allowing us strong deal access across all asset classes. The reliability of such network is shown through the offering of more than 1,000 deals per year to us through this network. In 2015, e.g., we were offered 1,401 deals, 236 of which were eligible based on our investment criteria and principles. Ultimately, we decided to sign 39 of such deals. We believe that our network is particularly strong and effective since we offer to our network partners standardized due diligence processes, fast decision making processes and – based on clearly defined investment criteria – a high degree of deal certainty. When sourcing through brokers we have secured access to real estate assets both through large brokerage agencies as well as through locally rooted brokerage firms, thus providing for national breadth and local depth.

Through our combined capabilities in the asset and deal sourcing area we believe that we have access to a significant number of attractive real estate transactions which are not being widely publicized and which are only offered to certain players which have built superior relationships or a reputation in the industry. Therefore, through our ability for rapid decision making and deal execution we are often able to acquire real estate assets on better commercial terms than are otherwise available, which enables us to realize investment opportunities with highly preferential return to risk profiles.

Our equity sourcing network is built on our investment track record over the years, which has sharpened our profile among clients who are interested in investing in real estate assets. We believe that our relationships with a diverse and long-standing base of clients, which includes institutional clients as well as in particular semi-institutional clients such as ultra high-net-worth individuals and family offices, will provide us with a competitive advantage in our ability to raise new client capital in the future. We often recognize a multiplier effect derived from our strong track record and existing stable relationships which facilitates new access to further clients. In this respect we particularly expect further positive effects from our recently established investment and asset management mandates with one of the most important German pension funds, Bayerische Versorgungskammer. The consummation of such transaction will not only generate the release of substantial employed alignment capital but also significant returns for our co-investors and us as well as significant promote fees for the Company to be accounted for in Q3 2016. In addition we will receive an acquisition fee from the vehicles acquiring the real estate assets, and be assigned a long-term asset and property management mandate for the aforementioned student housing real estate assets. It is intended to further develop the business relationship with Bayerische Versorgungskammer both with respect to student housing assets as well as other real estate asset classes (see “*Recent Developments and Outlook*” for further information). In addition, we are increasingly seeking to attract clients in additional regions, mainly in South East Asia and China. This will enable us to access new opportunities to invest in more and larger assets and to launch respective investment products.

We currently have an extensive network comprising more than 500 both private and institutional client contacts. In our club deals, approximately 56% of the equity invested has been returning capital from our clients indicating a certain level of client satisfaction.

Our access to clients is generated through our capital raising teams located in our offices in Zurich, London, Frankfurt/Main and Singapore, which operate under appropriate licences. In addition, the AIFM authorisation obtained by the Corestate AIFM on 21 January 2015, enables us to reach out to a

wider pool of clients, such as in particular institutional clients (e.g. pension funds, private equity funds, sovereign wealth funds and insurance companies) which may prefer to use AIFM managed structures.

### ***Structured investment process***

Our management team and our investment professionals as well as our asset management team members are experienced in all disciplines of real estate transactions such as due diligence exercises, tax and financial structuring, complex negotiations regarding the acquisition of real estate assets and portfolios and are acquainted with the political sensitivities to be considered when acquiring public and municipal assets. They have deep knowledge of business plan modeling and the identification of key value drivers in the real estate investment lifecycle.

After sourcing a potential deal we assess the relevant asset against our investment criteria derived from our clients' return requirements (also seeking the sophisticated advice of our Investment Committee), conduct a top-level due diligence and – if our management, supported and advised by our Investment Committee – find the opportunity attractive, enter into a more detailed due diligence exercise typically supported by exclusivity arrangements with vendors.

Furthermore, our excellent relationship network with major lending parties and our management's knowledge of and experience with financing strategies facilitates securing the desired debt leverage for the relevant investment.

### ***Ability to adapt to changing market environments and client sentiment***

Through our deep market insight and research, locally rooted industry network, our experience over several real estate investment cycles and our ability to read shifting client sentiment we believe that we are able to react to market and market structure changes. Furthermore, our organization is nimble and not overly tied to any specific segment or product in the real estate markets.

Examples of our ability to adapt and react accordingly to market conditions include our successful exits in many of our value-add residential investments for our clients and us, when the competition in the residential real estate sphere became competitive and challenging due to an escalation in prices in real estate assets which, *inter alia*, occurred due to an increase in demand for residential properties as a result of low interest rates, capital inflow into the segment and the consolidation of Germany residential housing sphere. Reflecting the client sentiment for stable income and long term products we have shifted to our retail highstreet investment products. For more information please refer to the chart "*Acquisition Track Record since inception 2006*" below in the Business section.

We are confident that these abilities will enable us to continue to attract the right clients for our products and to source the most attractive assets for our clients and ourselves to invest in.

### ***Strong Cash Generation from Asset Light Business Model and Alignment Capital Investments***

Through our asset light business model we are able to leverage relatively low own equity investments through the combination of the additional equity contributed by our clients plus debt financing levels tailored to the specific needs of our clients and the relevant asset's quality thus enabling us to pursue substantial transaction volumes. Ultimately, such large transaction volumes translate into significant assets under management which form the basis of a large part of our fee based revenue streams, which ensures stable and low-risk revenue and to some extent provides downside protection should our respective equity investment as such not perform as expected. Furthermore, such asset light business model can be replicated both with respect to lower or higher transaction volumes through our scalable and highly efficient real estate investment management resources so that we can benefit from a high frequency of deals. Finally, such business model offers a commercial upside potential regarding the

returns from the investment products, both with regard to the equity committed to our alignment capital investments as well as success based fees (Promotes).

## **Strategy**

We intend to significantly grow our assets under management through the creation of more and larger investment products thereby further increasing our fee based revenues. We intend to implement our growth strategy by building upon our existing successfully implemented fully integrated business model and to grow along the following dimensions:

### ***Further broadening our client base with a view to institutional clients***

We seek to grow and broaden our existing base of clients and to reach out to more institutional clients, in addition to our current core client base comprising predominantly semi-institutional market participants such as family offices and ultra high-net-worth individuals. A major milestone has been achieved by attracting one of the largest German pension funds, Bayerische Versorgungskammer, as a client and managing a fund product with a current volume of around EUR 200 million for them. Furthermore, we recently established a long term mandate to build up a large residential property portfolio by means of acquisitions on behalf of a large institutional investor with a total volume of EUR 300 million to EUR 800 million and to manage such residential property portfolio (see “*Recent Developments and Outlook*” for further information). We intend to further pursue this strategy by expanding our product offering with products such as regulated funds that are suitable for institutional clients, selectively fueled by our warehousing capabilities.

### ***Facilitating the creation of investment products through our warehousing capabilities***

We intend to continue our warehousing strategy in order to accelerate the asset acquisition process where timing is of the essence to secure highly demanded investment opportunities and to establish such portfolios in particular for institutional clients who require a certain asset volume and do not invest on a blind pool basis. It is our intention to convert and transfer warehousing investments into products for our clients in a time frame of up to 18 months. Assets will be either eligible for a warehousing investment to the extent the relevant asset is reliably generating on-going positive cash flows and if there is confirmed client demand. Alternatively, we acquire plots and secure respective building rights also providing further project planning (without assuming typical project development risks on our own balance sheet) before converting such projects into clients’ investment products and further developing them for our co-investors and in our typical function as real estate investment manager including usual alignment investments.

### ***Increase deal quantity and deal size***

- (1) We intend to employ more alignment capital at higher frequency and to fund larger transactions.
- (2) Executing our strategy we aim at accomplishing the following corresponding key management targets:
  - (i) Implementing the creation of approximately EUR 1.0-1.2 billion per annum in new investment products capitalizing on our well-filled pipeline backed by our outstanding asset sourcing capabilities, and also fueled by our warehousing facility and related conversion of warehoused assets into investment products;
  - (ii) Continuing exits from real estate investment products and thereby generating performance related fee volumes equivalent to those historically achieved;

- (iii) Capitalising on our operating leverage and scale effects from increased assets under management;
- (iv) Continuing warehousing activities and related conversion in investment products with generation of warehousing premiums in line with historical trends; and
- (v) Continuation of annual dividend paying at levels corresponding to a targeted Net Income payout ratio of 70-80%.

***Selectively expanding into further European markets***

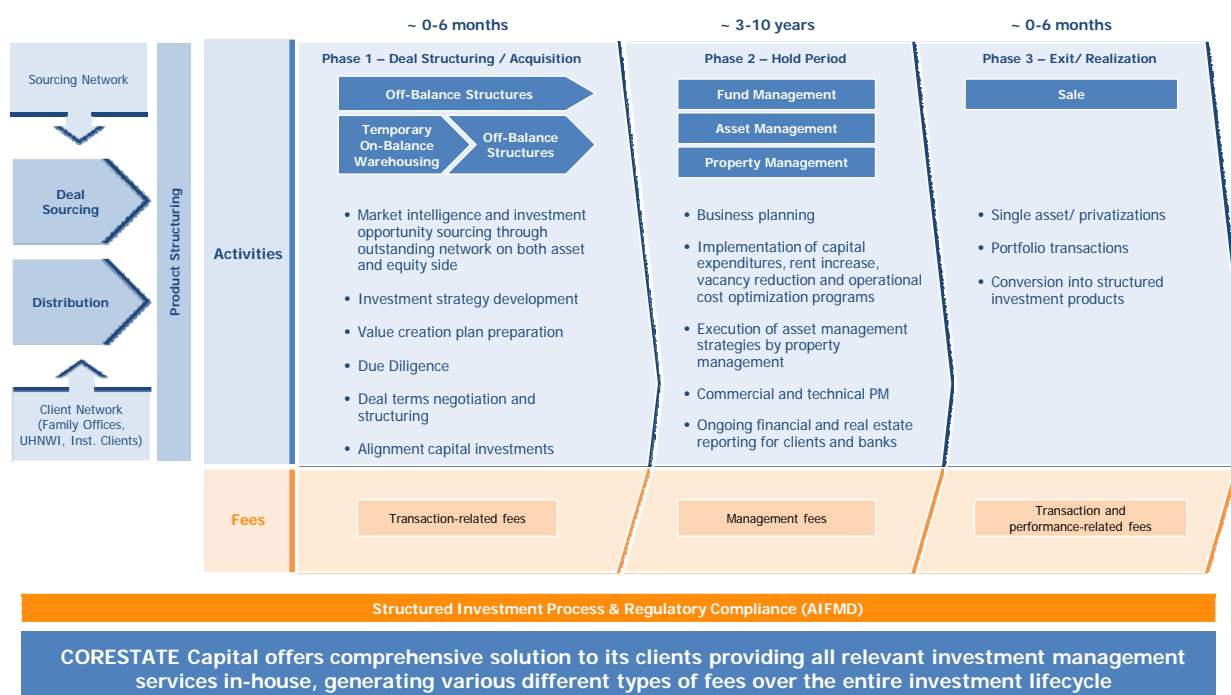
Spreading out from Germany as our major real estate investment market, we plan to selectively enter further European markets based on our clients’ needs and the relevant market dynamics, in any event ensuring a deep understanding of and insight into local market dynamics and asset sourcing capabilities.

Such potential selective geographical expansion will preferably be implemented with reputable local partners either through joint ventures or through M&A activities (i.e. by acquisition of suitable industry players who are sufficiently well connected in the relevant markets).

**Segment Breakdown**

The following picture illustrates how our three business segments interact covering the entire lifecycle of investments in real estate. Such three segments, i.e. (i) Real Estate Investment Management, (ii) Alignment Capital Management and (iii) Real Estate Operations and Warehousing, are described in more detail on the following pages.

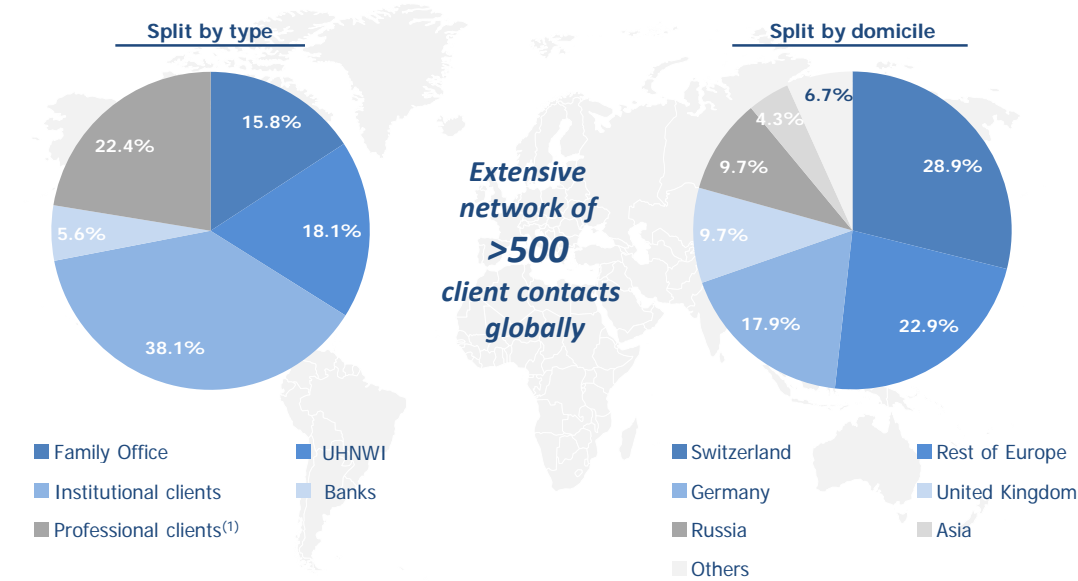
The services rendered to our clients as well as revenues generated throughout the entire investment lifecycle are set out in the following chart.





### Real Estate Investment Management Business

Our real estate investment management business targets semi-institutional and private clients as well as institutional clients and provides real estate investment products to both groups. Our private and semi-institutional clients include family offices and ultra high net-worth individuals. National and international institutional clients targeted in the future include pension funds, private equity funds, sovereign wealth funds and insurance companies. The following charts illustrate how our extensive client network is composed providing a split by type of client and by domiciliation:



Note: (1) e.g. real estate investment firms, asset manager, corporations, investment advisors, etc

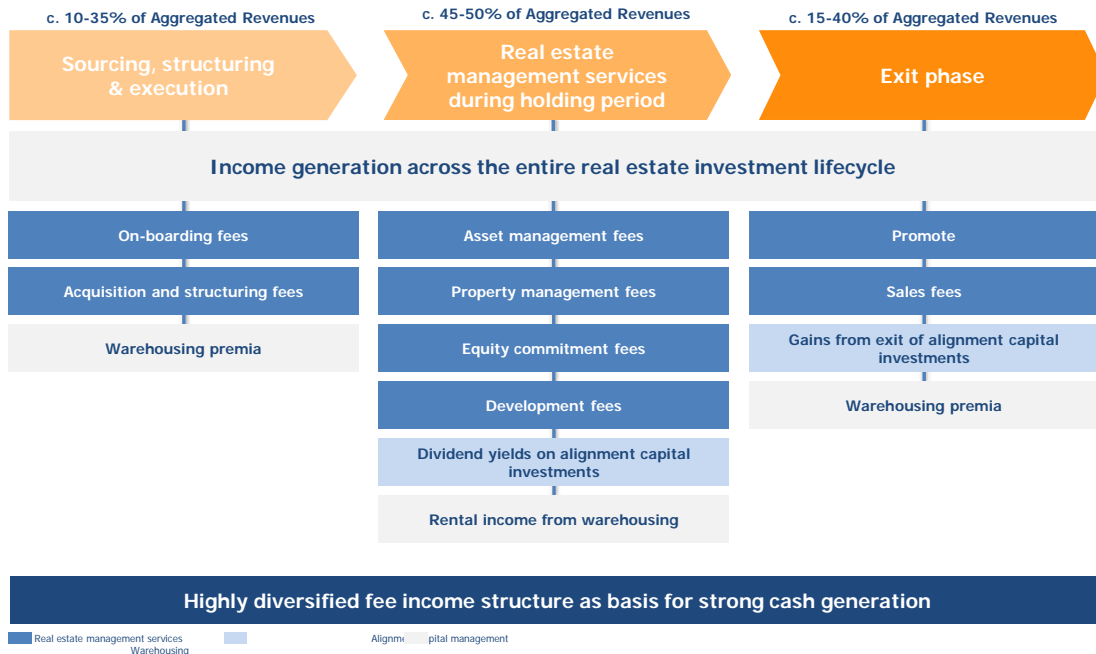
Both client groups have different risk profiles, investment criteria and expectations. We believe that our knowledge and experience of the real estate industry in the markets we operate in and our network of contacts in the industry enable us to provide a custom made experience for our clients by tailoring the investment structure, identifying and sourcing the investment products meeting the criteria of our clients. Our investment products cover the entire range of the return risk curve from core to opportunistic. The underwriting for our investment products is typically for three to five years for club deals and a conceptualized range from seven to ten years regarding prospective structured fund products. Such differences are also reflected by our fee structure and alignment capital engagement.

Our real estate investment management activities cover every stage of the lifecycle of a real estate investment. The services provided by us throughout the lifecycle of an investment include:

- the origination, structuring and execution of investment products tailored to the needs of our clients and in line with regulatory requirements;
- on-going and day-to-day asset, fund and property management over the holding period with the aim of actively value-enhancing and optimizing the relevant assets; as well as

- management of the realization of the investment products through multiple eligible exit channels (e.g. asset-by-asset sales, portfolio sales, auctions etc.).

Along the real estate investment lifecycle, we generate fee income through various channels such as acquisition-related fees, management fees, as well as success fees (Promotes). Such fee income is typically based on the volume of the underlying assets under management and the Group's management performance.



### ***Phase 1: Sourcing, structuring and execution***

As a real estate investment manager we cover every stage of the lifecycle of a real estate investment. Our outstanding network both with respect to the asset as well as the equity side provides us with market intelligence and investment opportunity sourcing. We have a deep understanding of our clients' preferences and offer a tailored product line creation.

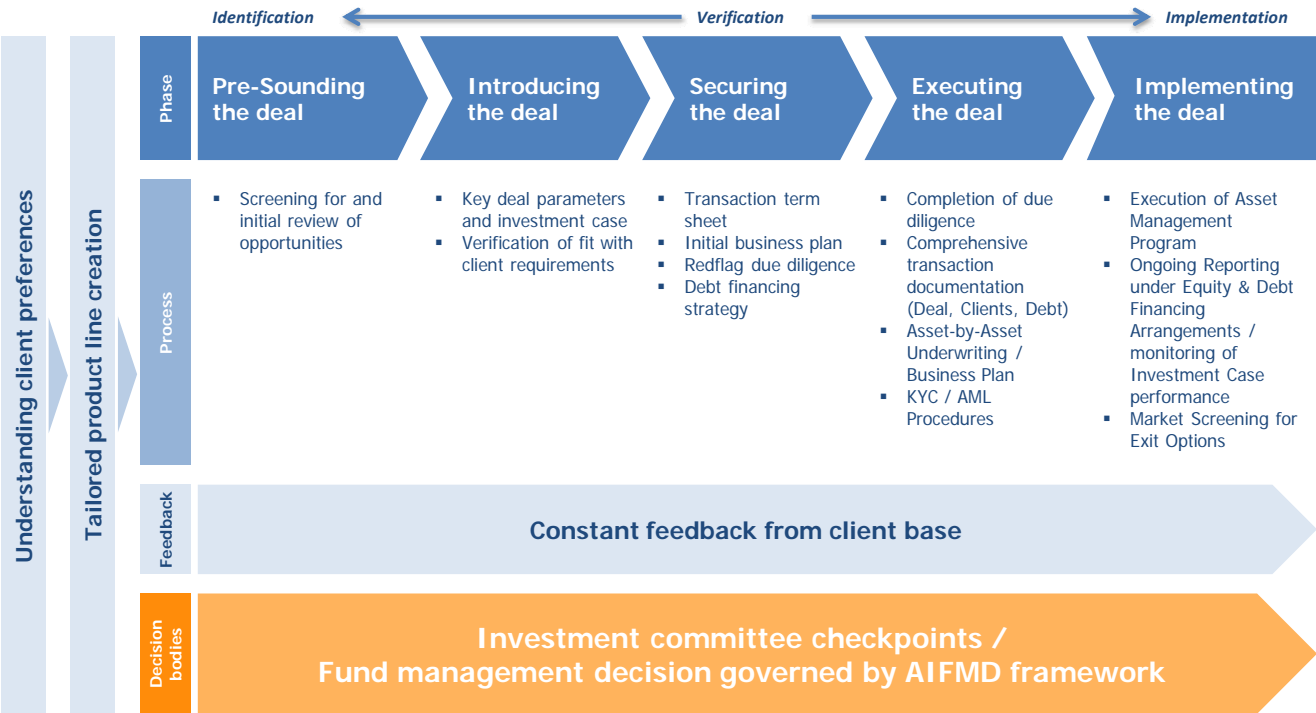
Based on our in-depth understanding of the details and dynamics of the underlying real estate assets and markets and focused on value creation by way of hands-on management we initially develop an investment strategy combined with the preparation of a value creation plan. One of the overarching principles in this phase is our deep understanding of and focused orientation to our clients' investment requirements which guides our selection of suitable investment opportunities and corresponding exit strategies as well as ensuring suitable fund and transaction structuring.

Our staggered due diligence process combined with clear investment criteria introduces and secures the deal. Constant feedback is given by our client base and our Investment Committee providing detailed recommendations in every phase.

The deal is executed by negotiating the deal terms and structuring the investment in a tax efficient way, implementing the debt financing strategy and ensuring compliance with “Know your customer/Anti Money Laundering” procedures.

Sourcing, structuring and execution of a deal typically also involves our alternative investment fund management ensuring full compliance with the requirements of the AIFM Act.

The following chart illustrates our highly structured and monitored investment process:



**Phase 2: Real estate management services**

Our real estate management services during the holding period already support the investment strategy deployment in the early sourcing phase and regarding the business planning. Such early involvement allows an efficient and value-enhancing implementation of capex investment, rent increase, vacancy reduction and operational cost optimization programs based on the real estate management’s deep and grown understanding of the deal and its underlying assets.

Our property management executes the asset management strategies and provides commercial and technical property management services including service charge accounting and bookkeeping. Real estate management services entail also ongoing financial and real estate reporting for clients and banks.

### ***Phase 3: Exit strategies***

After creating value and/or enhancing the existing value or, generally, after a certain holding period of the underlying assets the last stage of the lifecycle of a real estate investment is the sale of the portfolio as a whole or on an asset-by-asset basis. It is part of our real estate management services to continuously observe the market and to seek for and execute exit opportunities as far as they are in line with our clients' investment requirements. Our sales team within the real estate management services is responsible for monitoring favourable sale and exit opportunities and will make recommendations to the top management and to the Investment Committee as well as the fund management.

Through the involvement of the Investment Committee we connect our top management with senior advisors offering additional experience, expertise and real estate market insights.

Currently, our Investment Committee comprises (i) Sascha Wilhelm, our Chief Executive Officer, who is also the Chairman of the Investment Committee, (ii) Daniel Schoch, our Chief Financial Officer, (iii) Thomas Landschreiber, our Chief Investment Officer and (iv) Matthias Sprenger, the conducting officer for portfolio management of our wholly-owned subsidiary and Alternative Investment Fund Manager, Corestate Capital Fund Management. Matthias Sprenger joined our Group in 2008 and became a member of our Investment Committee in 2014. Matthias Sprenger is responsible, *inter alia*, for the management of the Luxembourg-based Group Companies as well as advising on legal aspects of our Group and practical implementation of relevant projects and investments (see also *Senior Management of the Group*).

The discussions and counselling through the Investment Committee provide the top management with additional ideas and thoughts completing the management's decision-making process. This investment process also includes a system of certain checkpoints where the top management decides at specific crossroads whether a deal should be further pursued or rather aborted. This process safeguards efficient and cost-saving decision-making which also has positive effects with respect to our external network putting trust in our reliable and efficient investment processes and thus cooperating more effectively with us in, e.g., sourcing deals. In essence, our highly structured and monitored investment process includes the aforementioned process phases as well as constant feedback from client base and close interaction between the top or fund management decision-making counselled by the Investment Committee.

### ***Cooperation with local partners or installing own local teams***

Even though Germany is and will remain our main real estate investment market, we also selectively operate in other attractive markets in Europe, currently in Austria and Spain, sourcing a multi-national deal and client base. Here we envisage structured growth through efficient resource allocation and ensuring necessary market expertise typically by cooperating with local joint venture partners or by setting up own representative offices with experienced local teams having deep insight knowledge of the respective market. The cooperation with local partners safeguards the fulfilment of our investment principle that we only invest with the pre-requisite in-depth understanding of the markets and assets we are interested in. This cooperation may take the form of a one-off project in relation to a specific venture (e.g. selective joint venture project comprising a single development with an experienced local co-investor in Vienna) or an exclusive joint venture in relation to opportunities which exist in the real estate market in a particular country, e.g. our joint venture in Spain which successfully initiated the development of Project Torre Vida (see for further information "*Material Contracts*" and "*Recent Developments*" containing details regarding the reorganization of those cooperations).

The latter project was initiated and realized by the joint venture we entered into with two companies of Grupo Villar Mir, Promociones Y Propiedades Inmobiliarias Espacio, S.L.U. ("**Espacio**") and Obrascón Huarte Lain Desarrollos ("**OHL**"). A separate entity, Iberian Corestate Capital Advisors, was incorporated, in which we hold 50% of the effective equity interest. Following a review of our

business strategy in Spain and the relative focus primarily on investments in the field of Micro Living, this cooperation is currently being reorganized mutually and the joint venture partners are negotiating the exit from their cooperation. Our business strategy in Spain with our local team going forward will be predominantly focusing on Micro Living. Such activities will be carried out together with selected local partners seeking for attractive investment opportunities for our clients exclusively in the field of Micro Living (see for further details “*Material Contracts*” and “*Recent Developments*”). We already realized the first project with our own team in Spain – project “Annapurna”, the acquisition of a student home in Madrid with approximately 6,241 sqm for a purchase price of EUR 10.2 million by one of our affiliates, Iberian Propco III, S.L., from the Fundación Francisco de Vitoria. Furthermore, we are currently in advanced discussions with various family offices in order to set up semi-discretionary fund vehicles targeting at further investments into Micro Living in Spain.

In the course of the re-focusing of our business approach in Spain, we intend to sell our 49% stake in Project Torre Vida. Within this reorganization, it is intended that we receive our contribution as shareholder in the service company implemented to realize Project Torre Vida and, in addition, receive a purchase price for our stake making a reasonable profit.

Please also refer to “*Material Contracts*” and “*Recent Developments and Outlook*” where the reorganization of the joint venture with OHL and Espacio is additionally described.

***Key financial information for each of the projects the Group is invested in***

The following table provides key financial information including assets under management (AuM), debt financing (Debt EoP), net rental income (Rent EoP), loan to value (LTV) and net cash position (Cash Balance EoP) for the financial years ended, 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 for all projects the Group is invested:

The following table lists the Assets under Management in several categories:

- Standing assets
- Development under construction
- Planned development
- Third party mandates
- Warehousing

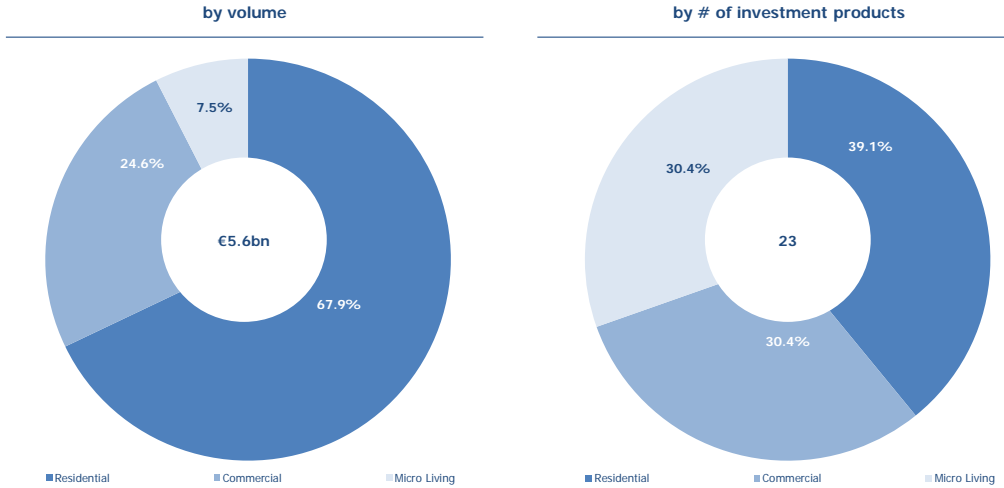
Project	initial Alignment Investment of CCAG (in kEUR)	economic participation quote at initial date	2013	2014	2015	30/06/2016
			Phoenix	500	4.80%	9,100
Berry	6,425	11.68%	863	-	-	-
Energy	2,000	10.70%	-	-	-	-
Sailing	1,000	5.21%	82,864	82,864	-	-
Maroon/Squirrel	1,950	5.74%	75,670	31,060	-	-
T6	1,050	6.36%	126,092	123,563	-	-
Vitu	2,925	5.10%	155,000	-	-	-
Turbo FRA	3,000	48.00%	17,500	17,500	23,000	27,800
Ben	5,100	23.91%	-	84,140	83,250	95,400
Highstreet I	6,450	12.23%	-	112,000	145,202	142,940
Highstreet II	2,834	8.22%	-	-	104,207	104,207
Highstreet IV	4,200	9.55%	-	-	55,936	61,471
Highstreet Premium I	4,550	10.00%	-	-	-	116,400
<b>Subtotal I (Standing Assets)</b>			<b>467,089</b>	<b>453,227</b>	<b>411,595</b>	<b>548,218</b>
Turbo VIE (Phase II)	2,000	7.91%	-	66,729	-	-
Müller (previous Donald)	459	5.10%	-	-	-	19,100
Across	1,100	10.00%	-	-	-	26,000
Rose	-	5.39%	-	-	-	13,725
Annapurna	1,255	100.00%	-	-	-	28,850
<b>Subtotal II (Development under Construction)</b>			<b>-</b>	<b>66,729</b>	<b>-</b>	<b>87,675</b>
Turbo VIE (Phase I)	500	10.00%	12,500	-	-	-
Turbo VIE (Phase II)	2,000	7.91%	-	-	84,730	92,200
<b>Subtotal III (Completed Development)</b>			<b>12,500</b>	<b>-</b>	<b>84,730</b>	<b>92,200</b>
Danube	1,950	9.70%	-	-	431,000	431,000
<b>Subtotal IV (Planned Development)</b>			<b>-</b>	<b>-</b>	<b>431,000</b>	<b>431,000</b>
<b>Projects under Management with Alignment Capital Investment</b>			<b>479,589</b>	<b>519,956</b>	<b>927,325</b>	<b>1,159,093</b>
Corestate German Residential	n/a	n/a	506,403	-	-	-
Bonny	n/a	n/a	62,752	82,750	-	-
T6	n/a	n/a	-	-	130,000	130,000
Saloon	n/a	n/a	-	-	102,750	102,750
Spartacus	n/a	n/a	-	288,056	288,056	288,056
DR	n/a	n/a	80,500	32,501	-	-
Third Party Property Management Mandates	n/a	n/a	98,295	140,824	556,657	606,495
<b>Projects under Management without Alignment Capital Investment</b>			<b>747,950</b>	<b>544,131</b>	<b>1,077,463</b>	<b>1,127,301</b>
Warehousing	n/a	100.00%	-	-	39,216	-
<b>On-Balance Sheet Real Estate Assets</b>			<b>-</b>	<b>-</b>	<b>39,216</b>	<b>-</b>
<b>Total AuM</b>			<b>1,227,538</b>	<b>1,064,086</b>	<b>2,044,003</b>	<b>2,286,393</b>

### ***Strong Transaction Track Record***

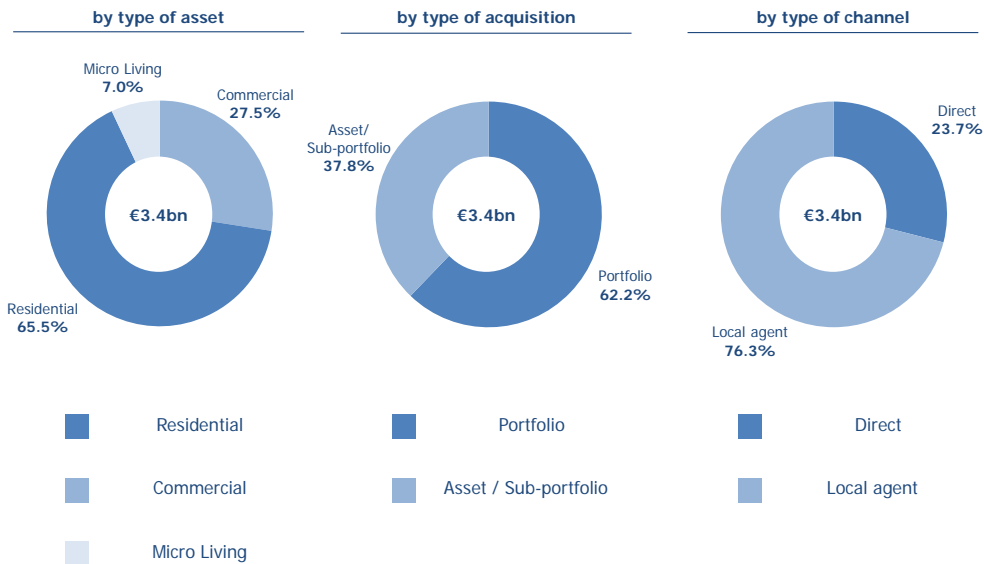
We are an active market participant addressing off-market acquisition and trading opportunities for various asset types. Since 2010 we have transacted a deal volume of approximately EUR 5.6 billion (in club deals). Our investments products have yielded very attractive returns for our clients. In addition, we have successfully implemented debt (re-) financings in an aggregate amount of EUR 2.2 billion since 2010.

Our strong transaction track record is illustrated by the following charts:

Transactions by asset class



Acquisition track record since inception 2006



Type	Acquisition (year)	Acquisition value (EURm) <sup>(1)</sup>	Exit (year)	Exit value (EURm) <sup>(1)</sup>	IRR <sup>(1)</sup>	Cash on Cash Multiple (CoCM) <sup>(1)</sup>
Commercial	2016	114.3	unrealized		n/a	n/a
Student Home	2016	23.3	unrealized		n/a	n/a
Micro Living	2016	26.0	unrealized		n/a	n/a
Micro Living	2016	13.8	unrealized		n/a	n/a
Commercial	2015	105.8	unrealized		n/a	n/a
Commercial	2015	98.5	unrealized		n/a	n/a
Commercial	2015	89.4	unrealized		n/a	n/a
Development	2015	431.9	unrealized		n/a	n/a
Student Home	2014	17.2	2015	28.0	56%	2.5x
Student Home	2014	81.7	unrealized		n/a	n/a
Commercial	2014	127.2	unrealized		n/a	n/a
Student Home	2014	70.5	unrealized		n/a	n/a
Residential	2013	130.4	2014	185.5	35%	1.7x
Residential	2013	73.1	2013-2015	99.6	21%	1.4x
Commercial	2013	126.8	2015	132.9	28%	2.0x
Residential	2012	29.0	2014	55.8	46%	2.0x
Student Home	2012	8.2	2014	12.5	24%	1.4x
Residential	2011	189.2	2013	215.7	33%	1.5x
Residential	2011	74.0	2015	77.3	-13%	0.5x
Residential	2010	152.5	2013	166.9	11%	1.4x
Residential	2010	69.5	2015	82.8	9%	1.6x
		<b>Sum 2,052</b>		<b>1,057</b>	<b>Average 18%</b>	<b>1.5x</b>

- **CORESTATE Capital's investments products have yielded very attractive returns for its clients reaching average IRRs of 18% and CoCM of 1.5x since 2010**  
*(net of acquisition-related and management fees paid to CORESTATE Capital)*

*Notes: (1) All values mathematically rounded.*

*For its clients, on realized investment products, Corestate has generated an average IRR of approximately 18%, and an average cash on cash multiple CoCM of approximately 1.5x, in each case net of fees payable to Corestate under the investment product documentation.*

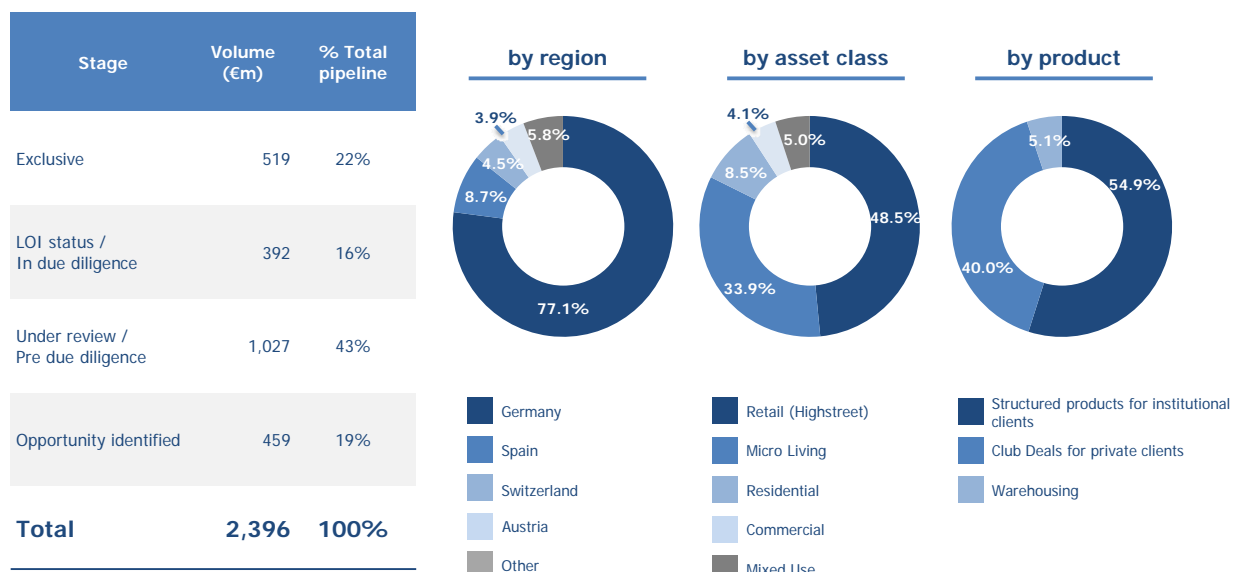
*However, it should be noted, that such average return data are not indictive for any of Corestate's existing investment products not yet realized or investment products to be launched in future since the returns ultimately realized from any investment product are – amongst other things – driven by the diverse yield requirements of the clients investing into the various investment products as well as by the market conditions at the time of the launch and exit of an investment product.*

### **Visible Growth ahead through our well-filled Pipeline**

Our current diversified transaction pipeline of approximately EUR 2.4 billion addresses various asset types and feeds both our existing private and semi-institutional client base as well as our targeted institutional clients.

The following diagram provides a high-level overview on such deal pipeline split by the process stage, region, asset type and product related to the relevant transactions:





**Our current transaction pipeline of c. €2.4bn is well diversified addressing various asset classes, and feeds both the company's Private Clients base as well as Institutional Products / Managed Accounts**

Note: Spanish pipeline only accounted for by revenue share of CORESTATE Capital Holding S.A. of 55% from JV participation

### Alignment Capital Management Business

An integral part of our business model is to co-invest alongside our clients through our alignment capital investments. Accordingly, we make investments with our own funds into the same products that our clients invest in and under the same terms and conditions applicable to all clients underpinning the alignment of our interest with the one of our clients. Since 2006, we have invested approximately EUR 50 million through our alignment capital investments. Typically, alignment capital investments range between 5% and 10% (with certain exceptions for particular transactions) of the total equity capital invested into an investment product and depending on our clients' requirements and product structuring.

As a result, in addition to the fee-based income generated through our real estate investment management services, we also participate in the performance of the investment products through dividend payments and we realize capital gains upon successful exit from alignment capital investments.

### Real Estate Operations and Warehousing

Our real estate operations and warehousing segment functions as a complementary element to the real estate investment and alignment capital management businesses. It involves the concept of acquiring assets with potential for warehousing purposes which we intend to maintain until suitable opportunities for the assets arise. The rationale behind this "warehousing" concept is to (i) capitalize on attractive investment opportunities and to identify and secure short term real estate investment

opportunities where timing is of the essence as well as (ii) build up sizeable seed portfolios for clients who seek to invest in already existing assets. By acquiring such assets for our own account and balance sheet for a planned period for not more than 18 months, we are able to secure asset supply while still setting up and structuring the investment product for the clients. Before assets are bought into warehousing we need to determine a confirmed client demand. Other required criteria for warehousing assets are positive cash flow contribution and no heavy refurbishments (i.e. only “regular” asset management requirements). Alternatively, we acquire plots and secure respective building rights and provide further project planning (without assuming typical project development risks on our own balance sheet) before converting them into clients’ investment products and further developing them for our co-investors and in our function as real estate investment manager (including usual aligned investments). Upon transfer or conversion into an investment structure or product, we typically realize a margin over the initial purchase price (warehousing gain/premium). Over the holding period we manage the assets, implement value enhancement measures and receive/consolidate the income from the underlying real estate operations.

We are currently in the process of acquiring assets to be held for warehousing purposes. Such retail assets are located in attractive locations in inner cities in Germany. Largest tenants in terms of rent are leading brands. For a significant part of the assets our real estate management services have already been launched to be implemented.

Over the holding period we are therefore managing the assets implementing value enhancement measures and receive or consolidate the income from the underlying real estate operations.

Our warehousing concept can be exemplified by the following recent acquisitions of assets (held for warehousing purposes which, after respective value creation, were converted into investment products realizing a warehousing gain. These transitions are a good example for warehousing of “standing assets”. On the other hand, the project development “Across (Frankfurt Eschersheimer Landstraße 7)”, a Micro Living development in Frankfurt, is a good example how we create added value when acquiring a development plot where we furnish a building right and provide further project planning (without assuming typical project development risks on our own balance sheet) before converting such asset into a client investment product):

Standing Assets						Project Development
	Hanau	Soest	Halle	Bremerhaven	Paderborn	Across (Frankfurt Eschersheimer Landstraße 7)
Initial Acquisition (Closing)	7 October 2014	13 May 2015	26 February 2016	1 April 2016	1 August 2015	1 June 2016
Transfer into Investment Product	HIGH-STREET I	HIGH-STREET II	HIGH-STREET Premium I	HIGHSTREET Premium I	HIGH-STREET Premium I	Across (Frankfurt Eschersheimer Landstraße 7)
Realized Warehousing Gain upon Transfers	EUR 2,6 million	EUR 2,5 million	EUR 0,4 million	EUR 1,7 million	EUR 3,7 million	EUR 1,5 million
Universal all-in acquisition costs prior to conversion in Investment Products	EUR 27,2 million	EUR 20,3 million	EUR 22,2 million	EUR 17,5 million	EUR 37,7 million	EUR 12,0 million

### Highly Diversified Income Structure

The following table gives a non-exhaustive overview on our typical or targeted, respectively, fees and capital returns associated with our three business segments and underlines the highly diversified income structure we are able to generate throughout the real estate investment lifecycle. Such fees and capital returns depend on the individual investment structure and historically have varied and will vary from the figures indicated in the below table. Historically, we were able to agree such fees with our semi-institutional and private clients. As regards our targeted institutional clients we may be required to agree to a lower level of fees which, however, would still have a positive effect on our earnings since the absolute amount of fees generated with institutional clients is expected to be based on larger transaction volumes.

The aforementioned table in particular includes the following fees:

	Fee structure	Fees	Base of calculation
Real Estate Investment Management	1 Asset & Property Management related fees	Asset Management fee	% of gross real estate asset value
		Property Management fee	% of NRI (commercial assets) / Euro/unit p.a. (residential assets)
		Development fee	Equity commitment fee and development fee (based on GIC)
	1	Total management revenues	
	2 Acquisition-related fees	Acquisition and structuring fees	% of the transaction volume
		On-boarding fee	Lump-sum fee
	3 Exit-related fees	Sales fee	% of sales proceeds (only applicable for complex asset-by-asset exits)
		Promote	% of net cash profit generated from the investment
	2+3	Total transaction related revenues	
	1+2+3	Total fee based revenues	
ACM <sup>(1)</sup>	4 Alignment investment capital related income	Dividend yield	Subject to the individual investment characteristics
		Capital gains from alignment investments	Pro-rata and pari passu participation in net cash profit generated from investment (after deduction of promote)
REO <sup>(2)</sup> & Warehousing	5 Warehousing related revenues	Gross rental income	Net rental income and service charge payments received from warehoused assets during holding period
		Warehousing premiums <sup>(3)</sup>	Net gain from selling converting into an investment structure/product
4+5	Total alignment capital management and warehousing revenues		
1+2+3+4+5	Aggregate revenues		

Note: (1) alignment capital management; (2) real estate operations; (3) including minority interests

Acquisition Related Fees relate to fees earned in relation to the acquisition or divestment of real estate assets by our Investment Structures. Acquisition related fees include a one-time-onboarding fee and typical acquisition and structuring fees amounting between 1.0% and 1.5% of the purchase price of the underlying assets of the portfolio. 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 portfolio and are typically received and paid at the conclusion of the transaction documentation.

Sales Fees are payable in rather rare, highly complex exit situations – for example, where we have to execute on an asset-by-asset basis a large quantity of transactions.

Asset Management Fees are determined based in a range of 0.5% and 0.8% p.a. of the value of the real estate assets of the Investment Structures with semi-institutional / private clients; in Investment Structures for institutional clients our fees are expected to increase from 0.25% to 0.5% p.a. of the value of the real estate assets of the investment structures.

Property Management Fees are derived from the provision of property management services for our Investment Structures.

Promotes are fees generally agreed in the underlying documentation of the Investment Structure with the clients. These fees depend on the net projected returns (cash profit for our clients) of the

underlying investment. Typically these fees are between 15% and 20% of the net projected returns of the Investment Structure. Economically these fees are a performance-related component of the Asset Management Fee. The claim for the Promote is only recognized when the relevant transaction documentation resulting in a net project return has been validly entered into, and becomes payable after all client commitments have been fully repaid to the clients. The Promote is basically being paid out as a disproportional profit allocation and becomes payable after all client commitments have been fully repaid.

### **Licenses and Certificates**

We have obtained all relevant material business permits, licenses, certificates and approvals for our business operations.

### **Properties**

All of our offices are leased from third parties. Through one of our affiliates, Iberian Propco III, S.L., we own a student home in Madrid since 30 June 2016 that was acquired from Fundación Francisco de Vitoria. The property consists of approximately 6,241 sqm and has currently no tenants as it is currently not operational and subject to refurbishment. The prevalent use can be classified as residential. Through one of our affiliates, we acquired a real estate asset located in Kronberg (Germany) which consists of 9,480 sqm. The transaction has been closed in September 2016. The site is built up with a three-story office building comprising approximately 13,000 sqm lettable space. The building is subject to a leasehold which has been acquired separately by Crown PropCo GmbH on 11 April 2016 for a purchase price of EUR 9.3 million.

### **Intellectual Property**

We currently own about 27 trademarks, most of which contain the designation “CORESTATE”. Other trade marks are “Urbia Linked Living”, “Urbia Career Building”, “Suiteside” and “CAPERA Immobilien Service”. These trademarks are registered in various territories, including Switzerland and the European Union. All trademarks are registered on behalf of Corestate Capital AG except for “CAPERA Immobilien Service” which is registered on behalf of CAPERA Immobilien Service GmbH.

The European Union trade marks “Urbia Linked Living” and “Urbia Career Building” are subject to oppositions by a third party. The Group may therefore lose the rights to these trademarks and may not be able to use them in the future.

Corestate’s domain portfolio consists of about 57 internet domain names most of which contain the designation “corestate” in the second-level domain.

The Group is party to several information technology agreements, such as software license and maintenance agreements.

The business of the Group does not depend on any patents.

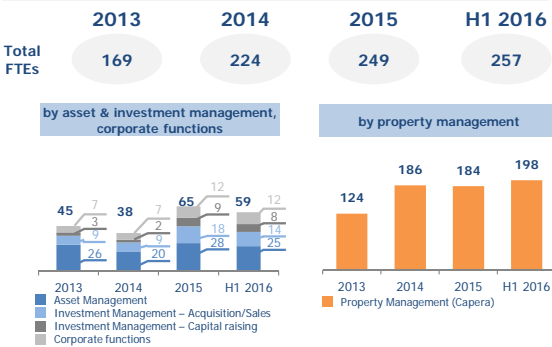
### **Employees**

As experience and expertise are fundamental to the real estate business, our success depends on its ability to attract, train, retain and motivate qualified personnel.

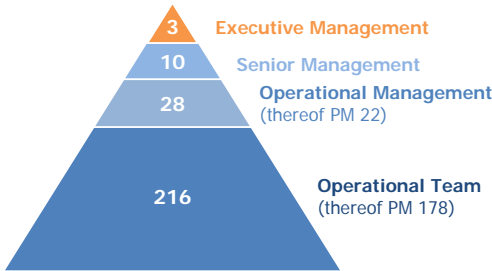
As of 30 June 2016, we employed employees representing 250 full time equivalents (FTEs) across four countries.

The table below sets out the number of employees by function, geography and also shows the development of employee by function as of the dates indicated:

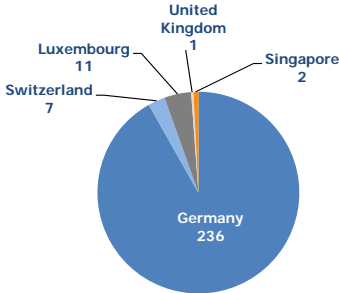
Development of FTEs by function 2013 – H1 2016



FTEs by management level



FTEs by geography



Note: as of 30 June 2015; (1) Excluding SPVs and holding companies with alignment capital; (2) Including shareholdings from CORESTATE Capital management

We place great emphasis on the competency of our employees. We value our employees and recognize that the level of knowledge, skills and experience of our staff is a crucial contributing factor to our continued success.

We require all new employees to undergo an induction program to familiarize them with our corporate values and culture, operations and policies. We have regular in-house meetings to facilitate efficient communications and cross-fertilize ideas, and also send our employees for external courses, depending on the requirements of their jobs.

We do not employ a significant number of temporary employees. We have not experienced any strikes or disruptions due to labor disputes, and we consider our relationships with our employees to be good.

## **Insurance**

We have obtained customary building insurance that insures against fire, water main breaks, storm and hail and certain other losses or damages, including loss of rent for a period of 36 months. In addition, we have third-party liability insurance, which provides insurance coverage for personal injury and damage to property. For selected assets we have also obtained insurance coverage against losses or damages from acts of terrorism, including loss of rent for a period of 36 months resulting therefrom. Those insurance policies contain market-standard exclusions and deductibles.

Our management regularly reviews the adequacy of the insurance coverage. We believe that the insurance coverage is in line with market standards in the real estate industry. However, there is no guarantee that the Group will not suffer any losses for which no insurance coverage is available, or that exceed the amount of insurance coverage under existing insurance policies.

## **Legal Disputes**

### ***General***

The Group is not and, during the twelve month period preceding the date of this Prospectus, has not been, party to any governmental, legal or arbitration proceeding (including any proceedings pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.

However, we are party to claims, investigations and other legal proceedings that arise in the ordinary course of our business (including litigation with current or former employees). The Group is involved in numerous contractual relationships with brokers, valuation companies, technical surveyors, tenants, with contractors and subcontractors, and other parties. These relationships expose it to a variety of claims. These claims may for instance include claims for broker fees, claims for proper maintenance of premises that have been leased by the Group or for timely delivery of parts or equipment, construction claims or warranty claims.

***Pledge and attachment of escrow monies of Investment Structure company; public accusation by the Frankfurt Prosecutor's office against a member of our management; lawsuit against Investment Structure company for release of escrow monies***

Corestate Capital Transactions AG ("CCTAG"), a subsidiary of Corestate, advised in the ordinary course of business other Corestate subsidiaries with respect to a contemplated sale of an acquisition structure including a signed sale and purchase agreement and related debt financing to two purchasing entities affiliated to S&K Group (Frankfurt/Main, Germany), MAINTWAIN GmbH, seated in Frankfurt/Main (now: Tristan Projekt GmbH, seated in Aschaffenburg) and AT Real Estate Verwaltungs GmbH, seated in Regensburg, ("**T6 Transaction**"). Prior to closing such T6 Transaction

and based on respective media reports we learned that S&K Group's responsible persons were subject to investigations (*Ermittlungsverfahren*) by the Prosecutor's Office (*Staatsanwaltschaft Frankfurt/Main*).

After such news became public, CCTAG and other Corestate companies having transacted in the ordinary course of business immediately decided to stop the T6 Transaction and not to request the release of a first portion of the actually due purchase price. Subsequently, the relevant Corestate entity, T6 Holding GmbH & Co KG, withdrew from the sale and purchase agreement and proactively cooperated with the Prosecutor's Office in order to enforce its rights resulting from the aforementioned withdrawal, in particular for damage compensation of EUR 5 million, secured by monies held in escrow by the notaries public recording the T6 transaction. The Prosecutor's Office *inter alia* procured the pledge and attachment of monies paid on escrow accounts in the context of the T6 Transaction.

*Inter alia* the two S&K Group founders Messrs. Schäfer and Köller have been made subject to a public accusation (*öffentliche Anklage*) in a context where many investors and business partners, including Corestate subsidiaries involved in the T6 Transaction, had been financially harmed. The respective investigations received significant attention in the press and resulted in a public trial (*öffentliche Hauptverhandlung*) which started on 24 September 2015 and will probably last for a few years. The written accusation (*Anklageschrift*) comprises 3,150 pages, parts of which are publicly known to the extent that it had been read out loud in court. Furthermore, it is possible that some media representatives are in possession of the whole document in writing. However, so far and based on our current information the press articles never mentioned companies of the Corestate Group or any of its officers in relation to this public trial.

The public accusation alleges – *inter alia* – that Mr Schäfer and Mr Köller committed one single criminal offence in relation to the T6 transaction. According to the public accusation Mr Schäfer and Mr Köller offended Section 266 StGB (German Criminal Code) (breach of trust – “*Untreue*”) because they allegedly resold the T6 portfolio – after acquiring it from Corestate subsidiaries with their acquisition vehicles Tristan Projekt GmbH and AT Real Estate Verwaltungs GmbH (however, such acquisition of the T6 portfolio was never consummated) – partly to three private investors' fund vehicles (“**SHB Fonds**”) belonging to S&K Group without the necessary consent of the internal advisory boards of such fund vehicles. However, it is doubtful whether Mr Schäfer and Mr Köller offended Section 266 StGB at all because the consent was given subsequently by a purportedly newly elected advisory board which would render the transaction lawful under German Civil Law retroactively. Further, the SHB Fonds may not have suffered any disadvantage by such transaction as Mr Schäfer and Mr Köller resold to the SHB Fonds without any surcharge and the Frankfurt Prosecutor's office conceded that the price was adequate.

The written accusation states the name of *inter alia* “T6 HoldCo S.à r.l.”, “Corestate AG”, “Corestate Capital Transactions AG”, “Corestate Capital Advisors GmbH” as well as other Corestate related companies. It names Thomas Landschreiber, the Company's Chief Investment Officer (CIO), who is responsible for deal sourcing, acquisition structuring, transaction execution and asset disposals and who happened to be the person negotiating the T6 Transaction, as “separately persecutee” (*gesondert Verfolgter*) since Thomas Landschreiber is subject to Prosecutor's Office's separated public accusation (see below). Moreover, the written accusation also mentions allegedly illegal payments (in our opinion misleadingly called “*Schmiergeldzahlung*”) of EUR 900,000 from an S&K fund vehicle to CCTAG as recipient in the context of a cost cover agreement between CCTAG and such vehicle in order to cover due diligence costs in relation to the contemplated T6 Transaction. Such cost cover agreement was to cover primarily the costs of CCTAG's external advisers but also services performed by Corestate Capital AG. However, responsible persons of S&K Group were not accused of bribery in this respect and neither was an investigation made in this respect against Thomas Landschreiber.



Formally, T6 HoldCo S.à r.l. is a so called “person involved” (*Nebenbeteiligte*) in the main procedure as it could lose its claim for a release of up to EUR 5 million as damage compensation from the escrow monies as a consequence of a possible conviction of the main responsible persons of S&K Group for offending Section 266 German Criminal Code (*Strafgesetzbuch – StGB*) (breach of trust). As a result, Corestate and its Co-investors would not benefit from the T6 Transaction any more. They would not face any additional financial damage except for related attorneys’ and court fees. Moreover, neither T6 HoldCo S.à r.l. nor Corestate are subject to any investigation whatsoever.

For further risks potentially resulting from this set of facts please refer to the second paragraph of the risk factor “*A member of our management board is subject to a public accusation by the Frankfurt Prosecutor’s Office*”.

With public accusation (*öffentliche Anklage*) dated 21 October 2015 the Frankfurt Prosecutor’s Office accused Mr Thomas Landschreiber for allegedly aiding and abetting (Section 27 StGB – “*Beihilfe*”) to Section 266 StGB (breach of trust – “*Untreue*”) Mr Schäfer and Mr Köller in relation to the T6 Transaction. In this public accusation the Prosecutor’s Office alleges that Mr Landschreiber aided and abetted Mr Schäfer and Mr Köller to their purported criminal offence against Section 266 StGB (reselling the T6 portfolio partly to the SHB Fonds without the necessary consent of their internal advisory boards as described above in more detail). The public accusation is pending before the Frankfurt district court (file-no. 5/24 KLS-7330 Js 234696/15) (1/16). Currently, the public accusation is subject to interim proceedings. If the court judges that the public accusation is sufficiently substantiated, the court will admit the public accusation for the main hearing. Otherwise, the court decides not to open the main proceedings and dismisses the public accusation.

Mr Thomas Landschreiber is represented by a legal expert in criminal law. In June 2016 his lawyer submitted a statement to the court explaining that there are no grounds for bringing any charges against Thomas Landschreiber. According to the lawyer representing Thomas Landschreiber and the legal experts in criminal law instructed by T6 HoldCo S.à r.l., based on an intense analysis of the public accusation and the comprehensive provided documentation, Thomas Landschreiber had no knowledge of the alleged criminal offence and did not want or accept voluntarily that such criminal offence would be committed against the SHB Fonds by Messrs. Schäfer and Köller in the context of the T6 Transaction. According to the aforementioned legal experts in criminal law the public accusation cannot name one single document or other relevant evidence supporting their allegation that Thomas Landschreiber had any knowledge of the alleged criminal offence. As said above, it is in addition doubtful whether Mr Schäfer and Mr Köller offended Section 266 StGB at all – such criminal offence of Messrs. Schäfer and Köller being a precondition for a conviction of Thomas Landschreiber. Therefore, there is a certain probability that the court will decide not to open the main proceedings and dismiss the public accusation against Thomas Landschreiber in the interim proceedings. In a court order dated 4 July 2016 the court expressed serious doubts that there even exist sufficient grounds to justify the public accusation.

The three SHB Fonds which partly bought the T6 portfolio from Messrs. Schäfer and Köller started a law suit before the Frankfurt district court against – among others – T6 HoldCo S.à r.l, Corestate Capital Advisors GmbH and Corestate Co-Investment Verwaltungs GmbH (the “**Defendants**”), being the sellers in the sale of the T6 portfolio to the acquisition vehicles of Messrs. Schäfer and Köller (file – no. 2-01 O 38/15). Background of this claim is the fact that the SHB Fonds paid EUR 11 million to the escrow accounts still held by the notaries public for the T6 transaction. By such payment the payment claims related to both transactions, i.e. the sale by T6 HoldCo S.à r.l to the acquisition vehicles of Messrs. Schäfer and Köller and their resale to the SHB Fonds were to be fulfilled. In their statement of claim the three SHB Fonds demand from the Defendants to instruct the notary public to release EUR 11 million from the escrow accounts to the SHB Fonds. The SHB Fonds justify their claim with the arguments from the public accusations against Messrs. Schäfer and Köller and Mr Landschreiber purporting that Mr Schäfer and Mr Köller committed a criminal offence against Section

266 StGB by reselling the T6 portfolio partly to the SHB Fonds without the necessary consent of their internal advisory boards and Mr Landschreiber aiding and abetting Messrs. Schäfer and Köller thereto. They allege to have a damage claim against the Defendants for releasing the EUR 11 million from the escrow monies back to the SHB Fonds based on such alleged criminal offence.

The statement of claims was served to the Defendants in Spring 2016. The court asked the Defendants to respond to the claim until 1 August 2016. The Defendants will respond within the said deadline explaining that the SHB Fonds have no claim against the Defendants for release of the escrow monies because (i) the partly resale of the T6 portfolio to the SHB Fonds by Mr Schäfer and Mr Köller did not offend Section 266 StGB since the consent was given subsequently by a purportedly newly elected advisory board which renders the transaction lawful under German Civil Law retroactively, (ii) the SHB Fonds suffered no damage as the purchase price was adequate and (iii) that Thomas Landschreiber had no knowledge of the alleged criminal offence and thus did not aid nor abet Messrs. Schäfer and Köller in the alleged criminal offence. Accordingly, we believe that there is a good chance that the Defendants will win such law-suit. Should the Defendants lose the lawsuit, Corestate and its Co-investors would not benefit from the T6 Transaction any more as the SHB Fonds could claim part of or all existing funds held on escrow by the notaries public. In addition to their own lawyers' fees they were liable to bear the court fees and reimburse the claimants' lawyers' fees on the basis of the German lawyers' compensation act (*Rechtsanwaltsvergütungsgesetz*) in such case.

#### ***Litigation related to Sailing Investment Structure***

This litigation relates to the Sailing Investment Structure and not directly to Corestate. Corestate is only concerned in its function as co-investor and insofar as this litigation may hinder or delay a future exit. In relation to Project Sailing the notary in charge intended to release an escrow amount of around EUR 250,000 to entities administered by Corestate having purchased the relevant shares and assets comprising the Sailing portfolio under various sale and purchase agreements (the "**Sailing SPAs**"). This was opposed by the respective sellers and the notary initiated an administrative appeal proceedings (*Notarbeschwerdeverfahren*) before the regional court of Frankfurt/Main. Even though the court explained that in principle the prerequisites for a release of the escrow amount were fulfilled it had to decline such request as one of the sellers had claimed rescission from one of the Sailing SPAs during the administrative appeal proceedings which formally constituted a legal aspect for which the regional court felt no longer competent. Therefore, the escrow amount has not yet been released. In order to avoid a time consuming court procedure confirming that the rescission was null and void, we are currently seeking for alternative ways to seek release. We believe that the rescission was null and void as the respective Sailing SPA does not provide for such rescission right. However, we cannot foresee a future decision of a court.

## MATERIAL CONTRACTS

- *Joint Venture and Co-Investment Agreements – General Description*

CCAG or the Company, respectively, as Co-Investor have entered into twelve currently still active joint venture and co-investment agreements (each a “JVCIA”) with other Co-Investors regarding a variety of projects. These projects in general refer to the acquisition of commercial, residential or student housing real estate portfolios predominantly located in Germany *via* a series of asset deals and/or share deals. Other projects include the acquisition of unimproved land or assets to be refurbished and the planning, coordination, development and the construction of university housing real estate properties or the planning and coordination of the issuance of relevant permissions for already improved land, the demolition or refurbishment of the present buildings, the construction of the new commercial, residential or Micro Living buildings, and their sale and renting.

The parties have in each case agreed in the respective JVCIA on a specified amount of funding to be made available by the Co-Investors for the implementation of the transactions to respective special purpose vehicles set up for the respective project (each an “SPV”). Furthermore, they have agreed on a business plan for each individual project and portfolio. The business plan, *inter alia*, can define key parameters such as target vacancy rates, achievable rental levels, fluctuation rates, development and/or operating costs, repairs and maintenance, capital expenditure, and the overall investment strategy (including a cash flow-based income statement and a sales / exit strategy). In general, CCAG or the Company, respectively, have originated the respective transaction, has conducted and/or organized the due diligence, has conducted the negotiations with the bank(s) and has implemented the acquisition structure. CCAG or the Company, respectively, also provide overall transaction management services and have established and will be implementing the business plan. Depending on the project, CCAG or the Company, respectively, also planned, coordinated and conducted the issuance of building permissions and organizes and manages the further development and construction of the new or refurbished buildings. Following completion of the transaction, CCAG or the Company, respectively, will, *inter alia*, provide asset management or project development services in relation to the properties, if necessary in conjunction with strategic partners and subcontractors. CCAG or the Company, respectively, is also responsible for overseeing the administration of the businesses and affairs (including bookkeeping and tax return filing as well as cash management services executed by third parties). Some of the JVCIA also provide for certain reporting, accounting and/or ongoing updating obligations *vis-à-vis* the clients. In some cases, the clients agreed on possible forms for the exit process from the portfolio (asset deal or share deal). In order to coordinate such process and to ensure a successful exit, a respective sale and marketing organization as well as its supervision will be established with CCAG or the Company, respectively, having the overall responsibility for such exit process.

In general, the JVCIA set out all fees to be earned by CCAG or the Company, respectively, for the respective investment product (for more information about such fees see “*Business – Highly Diversified Income Structure*”).

Under each JVCIA, certain measures require the written consent of a specified number of clients (“**Threshold**”), e.g. any amalgamation, merger, de-merger or hive down of a specified company, provided that such measures would have a dilutive effect on the commitments of the clients, the execution of, and any amendments to, the asset management agreements, or the entering into certain agreements involving a payment or other benefit for CCAG or the Company, respectively, or their affiliated entities or any of their respective directors, officers, employees and agents. The respective Threshold may vary from 60% to 100% of the overall commitment, whereby CCAG typically is invested with a minority stake between 5% to 10% of the overall commitment (with certain exceptions for particular transactions).

All of the JVCIA shall automatically terminate on the earlier of (i) the full exit (as defined in each JVCIA) or (ii) another specified date agreed upon by the parties to the respective JVCIA.

The JVCIA also govern the representations given by CCAG or the Company, respectively, and the procedure for the assertion of a therewith related potential claim and provide for provisions restricting CCAG's or the Company's liability.

- ***Asset Management Agreements – General Description***

CCAG or the Company, respectively, have entered into nine currently still active Asset Management Agreements (each an "AMA"). According to the AMAs, CCAG was appointed as asset manager to provide certain services to the benefit of its respective contractual partner, *inter alia*, asset management services including, but not limited to, the preparation of the annual business plan for the next financial year as well as further administrative, consulting and reporting services. Detailed lists of the services to be provided by CCAG or the Company, respectively, are generally attached to the AMAs as annexes. For providing these services, CCAG or the Company, respectively, shall ensure that a team of competent professionals is made available to the benefit of its respective contractual partner. As regards certain project development related transactions the AMAs provide for a condition precedent according to which the respective AMA shall become effective only with effect from the commencement of the operational phase.

The AMAs provide for an asset management fee payable to CCAG or the Company, respectively,. In general, the asset management fee is equal to a specified percentage of the Gross Asset Value of the respective properties as of 31 December of the preceding year or, as regards project development related transactions, the commencement of the operational phase. However, in certain cases the parties have agreed on a fixed amount or an amount calculated in relation to the contractually agreed monthly net cold rents of certain properties. The asset management fee is generally payable semi-annually (or quarterly) in advance not later than three business days before the beginning of the respective semi-annual (or quarterly) accounting period. In some cases, the AMAs provide for additional payments to be made to CCAG or the Company, respectively, e.g. a yearly performance-related compensation in the amount of 7.5% of the increase in revenue in comparison to the initial rents, a one-time set-up-fee or a CapEx coordination fee for re-positioning measures. Furthermore, in the event of a property sale by means of an asset or a share deal, some AMAs provide for the payment of a fee in the amount of a certain percentage of the purchase price (asset deal) or of the net asset value (share deal) of the sold properties, payable to CCAG or the Company, respectively, upon the unconditioned payment of the purchase price. In some cases such fee is payable only if the portfolio is sold on a consecutive asset-by-asset basis.

The term of most of the AMAs commenced on the closing of the respective transaction in the context of which the respective AMA was concluded or signing of the AMA and continues until a specified date and is automatically extended by a specified time period unless otherwise terminated in accordance with the provisions of the respective AMA. However, the term of most of the AMAs shall immediately come to an end in the case of a full exit (i.e. in general the sale of the properties or other full exit events, e.g. sale of all or, in some cases, the majority of shares in an SPV). The term of some AMAs shall be indefinite. Such AMAs usually provide for rights of ordinary termination. In addition to providing for grounds of termination (such as insolvency of or material default by CCAG), the AMAs also govern the consequences of the termination (e.g. early cancellation fee, which in particular applies to AMAs ordinarily terminable).

The AMAs also contain provisions on, *inter alia*, indemnification, liability, insurance obligations and the possibility to delegate the performance of the services to be provided by CCAG or the Company, respectively. All AMAs and any non-contractual obligations arising out of or in connection with it are governed by, and interpreted in accordance with, the law of Germany. In cases where the AMA was

concluded within the context of a JVCIA and there is a conflict between the AMA and the JVCIA, the provisions in the JVCIA shall prevail.

CCAG has also entered into an asset management consulting agreement (“AMCA”). According to the AMCA, CCAG provides consulting services as further specified in the AMCA, including, *inter alia*, consulting and support in connection with the preparation of a business plan and consulting with regard to the implementation of an efficient financing structure. Apart from that, the AMCA contains similar provisions to the AMAs as regards, *inter alia*, consideration or term. For instance, both CCAG and the principal are entitled to terminate the AMCA by means of an ordinary termination, observing a notice period of 3 months, whereby, the principal may for the first time ordinarily terminate the AMCA after expiration of a certain minimum period of time. Furthermore, CCAG is entitled to special termination rights (*Sonderkündigungsrechte*) in certain cases (e.g. if the net asset value of the respective SPVs falls down by more than 10% within a quarter of a financial year). Furthermore, for specific termination cases (e.g. extraordinary termination by CCAG) the AMCA provide for an early cancellation fee in favor of CCAG.

- **Property Management Agreements – General Description**

CAPERA Immobilien Service GmbH (“Capera”), an indirect subsidiary of the Company in which the Company’s direct subsidiary, CCAG, currently holds 70%, has entered into several Property Management Agreements (each a “PMA”). According to these PMAs, Capera was appointed as property manager of properties as further specified in the PMAs to provide certain services to the benefit of its respective contractual partner, *inter alia*, commercial, technical and infrastructural property management and accounting/bookkeeping. The PMAs also provide for certain reporting and ongoing updating obligations *vis-à-vis* the principal. In general, the PMAs contain an extensive service catalog as annex outlining the service obligations of Capera as the property manager in detail. Almost all PMAs explicitly state that Capera acts on behalf and for the account of its principal and has to render its services with the due care and diligence of a prudent businessman. Capera also assumes the duty to implement safety precautions (*Verkehrssicherungspflicht*) in relation to the respective managed properties.

In general, the PMAs have been concluded for an indefinite time period and the ordinary termination is excluded for a specified time period. The PMAs also provide for extraordinary termination rights (*außerordentliche Kündigungsrechte*) for the benefit of the principal, e.g. in case Capera does not meet its fundamental contractual obligations and an appropriate grace period has elapsed. Some of the PMAs provide for special termination rights (*Sonderkündigungsrechte*). The PMAs also govern the consequences in case of a termination. It should be noted that the respective term and termination provisions are generally subject to negotiation with the respective principal and, therefore, vary from time to time.

According to the PMAs, Capera shall receive remuneration for the rendered services. For example, the remuneration for the property management shall generally be calculated on the basis of the amount of the agreed monthly net rent (plus VAT) or Capera shall receive a fixed amount per residential or commercial unit managed. Additional services may be charged extra according to agreed cost rates. Some PMAs provide for a performance bonus or other additional compensation, e.g. for brokerage activities in connection with the conclusion of new lease contracts or the extension of existing lease contracts.

Generally, Capera is only entitled to delegate services with the prior written consent of the principal. Furthermore, Capera has to obtain the written consent of the principal for certain measures or actions (e.g. engagement of advisors or entering into agreements on behalf of the principal which are not covered by the projected budget, entering into material agreements (such as neighborhood agreements or lease agreements, the net rent of which exceeds a certain hurdle)). The PMAs also contain provisions on, *inter alia*, liability of Capera including a limitation of liability, insurance obligations for

Capera, general obligations of the principal, data protection and confidentiality. All PMAs are governed by, and interpreted in accordance with, the law of Germany.

- ***Acquisition of assets in Madrid and Kronberg***

On 20 June 2016, our affiliate Iberian Propco III, S.L., signed a deposit agreement (*contrato de arras*) regarding the purchase of a student home in Madrid from Fundación Francisco de Vitoria for a consideration of EUR 10.2 million. The Transaction has been closed on 1 July 2016 with effect as of 30 June 2016. The property consists of approximately 6,241 sqm and has currently no tenants. The prevalent use is residential.

Our affiliate Crown PropCo GmbH acquired a real estate asset and a leasehold pertaining to an office building for a total consideration of EUR 13.8 million as follows: On 2 May 2016, Crown PropCo GmbH, acquired a real estate asset located in Kronberg (Germany) which consists of 9,480 sqm for a consideration of EUR 4.5 million. The transaction has been closed in September 2016. The site is built up with a three-story office building comprising approximately 13,000 sqm lettable space. The building is subject to a leasehold which has been acquired separately by Crown PropCo GmbH on 11 April 2016 for a purchase price of EUR 9.3 million.

- ***Joint Venture with two companies belonging to Grupo Villar/Joint Venture in Spain***

CCAG, Promociones Y Propiedades Inmobiliarias Espacio S.L.U. ("**Espacio**") based in Madrid, OHL Desarrollos, based in Madrid (the two latter companies of the Grupo Villar Mir), (together the "**JV Partners**") have joined forces to create a strong Spanish real estate platform. The joint venture agreement between the JV Partners was signed on 3 February 2015 ("**Spanish JV Agreement**"). The purpose of the joint venture was to combine the companies' respective areas of expertise, market know-how and networks. Its objective was to build a portfolio in Spain providing investment opportunities for the partners and international clients.

The JV Partners have agreed to co-operate to establish, on an ongoing basis, joint venture and co-Investment Structures together with one or several third party clients to fund investment vehicles and/or one or several regulated real estate fund(s) (the "**Investment Vehicles**") investing directly or indirectly in the Spanish real estate market (residential and/or commercial properties). The JV Partners intended to provide *inter alia* investment, financing, administration and management services to the Investment Vehicles, whereas only CCAG should formally act as manager *vis-à-vis* third parties. The fees for the services were to be split among the JV Partners (55% for CCAG and 45% for Espacio and OHL). The equity investment of the JV Partners was intended to amount to about 5% to 10% of the total equity portion for the investment business in the respective Investment Vehicles (the "**JV Partners Equity Portion**").

The JV Partners incorporated "IBERIAN CORESTATE Capital Advisors S.L." as service company (the "**Service Company**") in order to support the JV Partners in carrying out the investment business to act as a delegate with regard to the management agreements of the real estate properties. CCAG held 50% and OHL Desarrollos and Espacio each held 25% in the Service Company.

The JV Partners successfully realized Project Torre Vida together. Following a review of our business strategy in Spain and our focus on Micro Living investments, the cooperation is currently being reorganized mutually and the joint venture partners are negotiating the exit from the cooperation. In the course of such re-focussing of our business approach in Spain, we intend to sell our 49% stake in Project Torre Vida. Within this reorganization, it is intended that we receive our contribution as shareholder in the service company of Project Torre Vida and, in addition, receive a purchase price for our stake making a reasonable profit (see for further details "*Business Section*" where our strategy in Spain is described more detailed).

- ***Cooperation one-off project Vienna***

On 18 December 2014, CCAG, SoReal GmbH (“**Soravia**”, and together with CCAG the “**Danube JV Partners**”), SIFA Beteiligungs GmbH, Corestate VIE Developments S.à r.l. (“**Corestate Lux**”) and Hamerling HoldCo GmbH entered into a joint venture agreement within the context of Project “Danube” regarding the development of a residential tower and two related low-rise buildings in Vienna as well as three residential towers each and a commercial low-rise building in Vienna (as amended on 11 May 2015, 18 December 2015 and 20 January 2016 the “**Danube JV Agreement**” or “**Project Danube**”). The Danube JV Partners set up SOCO Residential Development GmbH & Co OG, incorporated under the laws of the Republic of Austria, (“**SOCO**”) serving as corporate vehicle of the joint venture (the “**Danube JV**”) in order to jointly realise Project “Danube”. Corestate Lux and a junior partner which has acceded to the Danube JV Agreement and SOCO together hold 49% and Soravia holds 51% in SOCO.

The Danube JV Partners are in advanced negotiations regarding the exit of CCAG from the Danube JV Agreement and the Danube JV until the end of the year 2016. The Danube JV Partners came to a commercially more or less final agreement and are currently negotiating the contractual execution of such exit. The main economic terms entail a release of substantial employed alignment capital and also satisfactory returns for our co-investors and us. Formally assets under management will be decreased by EUR 431 million when completing such exit. However, this will only result in a corresponding decrease of EUR 300,000 of service fees per year (see “*Recent Developments and Outlook*” for more information).

- ***Acquisition of Capera in 2013 (sole provider of property management services in the group)***

In July 2013, CCAG acquired a majority stake in property management company Capera Immobilien Service GmbH (“**Capera**”) and subsequently integrated it into the Corestate-group: on 2 July 2013, CCAG entered into a share purchase and transfer agreement with Ms Busch (co-founder of Capera) as seller regarding the sale and transfer of 61,333 shares in Capera for a consideration in the amount of EUR 1 which was registered as of 5 July 2013. On 29 July 2013, CCAG entered into an additional share purchase and transfer agreement with Ms Busch as seller regarding the sale and transfer of further 8,667 shares in Capera for a consideration in the amount of EUR 65,002.50 which was registered as of 22 August 2013. Therefore, CCAG holds 70.0% of the corporate shares in Capera. The registered share capital of Capera amounts to EUR 100,000 in total, divided into 100,000 shares with a par value of EUR 1.00 each.

In addition, Michael Schleich, managing director of Corestate Capital Advisors GmbH, and Sascha Wilhelm, our CEO, each hold 5% in the corporate shares in Capera as Ms Busch sold and transferred 5,000 shares in Capera to each, Michael Schleich and Sascha Wilhelm, (both share transfers were registered as of 15 January 2014).

- ***Schwyzer Kantonalbank Financing***

On 25 July 2014, CCAG as borrower and Schwyzer Kantonalbank as lender entered into a base agreement as the base document for the other agreements between CCAG and Schwyzer Kantonalbank (“**Base Agreement**”).

Pursuant to a signed offer dated 18/25/30 July 2014 which is based on the Base Agreement and the credit frame agreement of 18/30 July 2014 (“**Frame Credit Agreement**”), Schwyzer Kantonalbank granted CCAG a credit facility of CHF 10 million to be reduced by CHF 2 million every year (first time as per 31 December 2016, last time as per 30 June 2020) (“**Signed Offer**”). The credit facility is to be used as current account, construction credit, fixed credit, fixed loan, variable loan, option or eventual engagement such as guarantee etc., according to a detailed product agreement (each such utilization a “**Product Agreement**”).

The interest payable is dependent on the credit product and the equity quota of CCAG; however, if CCAG exceeds the current account limit, the interest rate will be 1.5% above the rate for unsecured credits, but at least 10%. The minimum equity quota of CCAG shall amount to 40% and the minimal EBIT shall amount to CHF 2 million. According to the Signed Offer the *pari-passu* clause, which is contained in the Frame Credit Agreement, is not applicable if certain conditions are fulfilled.

The Frame Credit Agreement may be terminated by either party anytime with immediate effect which means that the detailed Product Agreement will run as provided but will not renew, and the unused credit facility will no longer be available. In addition, Schwyzer Kantonbank may also terminate the detailed Product Agreements anytime by giving three (3) months prior written notice for particular cause, e.g. if the creditworthiness of CCAG has significantly decreased. Furthermore, Schwyzer Kantonbank may terminate the respective Product Agreement or all of them immediately, if CCAG is late with paying interest due for more than 30 days. The claims under the Frame Credit Agreement are secured by the Global Assignment (as defined below). Since the Signed Offer mentions in the section “agreements” only the Base Agreement, the Frame Credit Agreement, the Global Assignment and the rules regarding power of attorney, it can be assumed that there are no other security assignments. Under the Frame Credit Agreement, change of control and other restructuring is a reason for early termination in general. However, the Frame Credit Agreement states that such termination reason is only given if the change of control or restructuring has an important impact on the financial strength of CCAG. This is explicitly confirmed in the Signed Offer. The violation of the negative pledge undertaking (by granting security to third parties) can also lead to a termination reason. Further details are to be determined in the Base Agreement, the Global Assignment (see below) and the power of attorney.

Under a global assignment dated 20 June/30 July 2014, CCAG assigned any and all existing and future claims to Schwyzer Kantonbank in order to secure any and all existing and future claims of Schwyzer Kantonbank *vis-à-vis* CCAG (“**Global Assignment**”). CCAG is not allowed to assign any of its claims to other creditors.

- ***Financing Agreement (then vitB AG (now and hereinafter referred to as W5 Group AG)/Intershop Holding AG)***

Under a loan agreement dated 7 July 2015 between Intershop Holding AG and W5 Group AG, a wholly owned investment company of Ralph Winter, as lenders and CAP Finco S.à r.l., a wholly-owned subsidiary of CCAG, (“**Cap Finco**”) as borrower and CCAG as shareholder, CAP Finco has been granted a EUR 47,500,000 revolving credit facility (bridge loan) for the purpose of acquiring certain commercial (retail) properties in Germany and in order to provide financing for Project Salud through a subsidiary (“**Loan Agreement**”). Such loan has meanwhile been repaid in full pursuant to a termination and security release agreement dated 10 June 2016.

- ***Loan Agreement SO Holding AG***

As of 9 June 2016 our subsidiary Recap Finco I S.à r.l. has entered into a loan agreement with SO Holding AG as lender providing for a EUR 25,000,000 revolving loan facility for the financing of the acquisition or development of real estate assets in the European Union, the UK and Switzerland for warehousing purposes. Our subsidiary Recap Finco II S.à r.l. has meanwhile acceded to this loan agreement as an additional borrower. Neither CCAG nor the Company are a party to the loan agreement or have granted a guarantee for the obligations of the borrowers thereunder. Currently, loans in the aggregate amount of EUR 19,232,713 have been drawn under this facility.

The facility has a term of four years and bears interest at a rate of 8% p.a. (for all 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 and by a pledge over a reserve account in Luxembourg on which the Company will deposit on a monthly basis 1/12 of the annual interest and commitment fee payable



under the loan agreement. In addition, SO Holding AG may under certain circumstances request share pledges over subsidiaries of the borrowers (e.g. investment vehicles or target companies involved in an acquisition financed under the facility).

- ***Participation and Shareholders' Agreement / Transaction Agreement (Ralph Winter/Thomas Landschreiber/Intershop Holding AG)***

On 2 August 2013, Ralph Winter, Thomas Landschreiber and Intershop Holding AG entered into a participation agreement regarding CCAG ("**Participation Agreement**", *Beteiligungsvertrag*). Also on 2 August 2013, Ralph Winter, Thomas Landschreiber and Intershop Holding AG entered into a shareholders' agreement regarding their respective rights and obligations as shareholders of CCAG ("**Shareholders' Agreement**", *Aktionärsbindungsvertrag*). Intershop Holding AG exited from the Shareholders' Agreement and Participation Agreement on June 2016 within the context of the sale and transfer by Intershop Holding AG of its stake in the Company to Ralph Winter. Certain rights and obligations applicable only to Ralph Winter and Thomas Landschreiber (e.g. sales restrictions), however, were terminated with effect as of the date of the inclusion to trading of the Company's Shares in the open market (*Freiverkehr*) of the Frankfurt Stock Exchange by means of the termination agreement dated 27 September 2016 described under No. 26 of the Section "*Certain Relationships and Related Party Transactions*".

On 23 September 2015, the Parties to the Shareholders' Agreement and CCAG entered into a so called transaction agreement ("**Transaction Agreement**") providing *inter alia* that the terms and conditions of the Shareholders' Agreement were applicable until the completion of the IPO as regards Corestate Capital Holding S.A. The Transaction Agreement has no relevance anymore after Intershop Holding AG's exit.

- ***Restructuring Agreement (Ralph Winter, Thomas Landschreiber, Intershop Holding AG, Christine Winter and Silke Hechler)***

On 23 September 2015, Ralph Winter, Thomas Landschreiber, Intershop Holding AG, Christine Winter and Silke Hechler entered into a restructuring agreement, regarding *inter alia*, the respective obligations of the aforementioned individuals to transfer their respective shares in CCAG with all related rights and obligations to Corestate Capital Holding S.A ("**Restructuring Agreement**") by means of a contribution in kind against issuance of new shares in Corestate Capital Holding S.A. as preparation for the implementation of the IPO. The Restructuring Agreement also contains provisions to unwind the contribution in kind in case the IPO is not implemented until a certain point in time.

- ***Concession Agreement (Corestate German Residential Limited, CCAG and clients, including Ralph Winter)***

On 9 October 2015, Corestate German Residential Limited, which is one of the investment vehicles initiated by CCAG for its clients (the "**Fund**"), CCAG as manager of the Fund and clients, including Ralph Winter, having invested in the Fund (the "**Fund Clients**") entered into an agreement governing the relations between the Fund, CCAG and the Fund Clients in connection with the Fund's wind-down and reflecting certain complaints made by Fund Clients without any prejudice on behalf of CCAG (the "**Concession Agreement**").

Under the terms of the Concession Agreement, CCAG is obliged to make payments to the Fund in an aggregate amount of EUR 2.1 million (the "**Concession Amount**"). The Concession Amount is to be paid in six equal monthly instalments between October 2015 and March 2016. The Concession Amount is reduced to EUR 2 million in the event that CCAG elects to pay the entire amount by 31 October 2015 at the latest. Following the settlement of the Fund's costs and expenses in connection with its wind-down, the remaining funds pertaining to the Concession Amount are to be distributed to all investors in the Fund in the course of the Fund wind-down. Furthermore, CCAG agreed to waive

any compensation, fee, expense or other claim in respect of work carried out or to be carried out by it or by one of its group companies from 1 October 2014, in relation to all work arising out of, concerning or in any way related to the management of the Fund or the Fund wind-down.

- ***Corestate MCIF GmbH & Co. KG***

On 9 December 2011 CCAG entered into a Shareholders and Co-Investment Agreement and a Limited Partnership Agreement establishing a private company named “Corestate MCIF GmbH & Co. KG” (“**MCIF**”). MCIF is structured as a German limited partnership (*Kommanditgesellschaft*) whose limited partners’ personal liability is limited to the respective capital contributions paid in by the limited partners. MCIF is generally represented by its general partner who does not participate in MCIF’s profits and whose liability is unlimited.

On the one hand, MCIF’s purpose is to serve as a long-term management participation and incentive scheme / management investment pool whose participants (i.e. limited partners except CCAG) are members of the existing senior management team of CCAG. The participants in their functions as deal originators and deal managers shall indirectly (i.e. via MCIF) invest in specific investment structures which are principally held by CCAG as co-investor and its clients. On the other hand, MCIF’s purpose is also to extend the alignment concept of CCAG’s Alignment Capital Management segment to CCAG’s senior management team.

Generally, the commercial decisions (whether and to which extent) to invest in an investment structure are taken by CCAG. MCIF is obliged to co-invest in such investment structures qualified and determined by CCAG. The overall amount to be invested by MCIF in such investment structures is also determined by CCAG. The invested amount shall typically not fall below EUR 50,000 but must not exceed 50% of the overall funds available to MCIF for investments in such investment structures.

The funds to be used in this regard on an annual basis are being provided to MCIF by CCAG as loans. The amount of such loans is determined based on the individual service or employment contracts of the participants which provide that a certain portion of the annual bonus must be invested into MCIF through CCAG. Such funds received from CCAG are individually tracked for and thus virtually allocated to each participant. For purposes of distribution of proceeds and profits obtained from the alignment investments, CCAG, subject to certain conditions (in particular expiration of certain minimum investment periods), shall assign its claims vis-à-vis MCIF for loan repayment (or profits thereof) as well as claims for further profits to the individual participants in the respective amounts as virtually allocated to the participants.

- ***Strategic Partnership Agreement with Sistema Capital Partners S.à r.l.***

A strategic partnership agreement has been executed on 20 October 2015 and amended on 30 December 2015 by the Company and Sistema Capital Partners S.à r.l., a limited liability company (*société à responsabilité limitée*) organized and existing under the laws of Luxembourg (“**SCP**” or the “**Partner**”) (the “**Partnership**”) as well as SCORE S.à r.l. as JV Vehicle (the “**JVA**”). SCP is ultimately controlled by the joint stock corporation AFK Sistema, which is an investment company belonging to a conglomerate seated in Russia and listed on the Moscow Stock Exchange, which is active in various sectors of economy, including in particular telecommunications and which also operates in the real estate sector of the Russian economy.

The purpose of the Partnership is to set out the terms under which the Partner and us will (i) launch a co-investment program to directly deploy equity investing in real estate projects in Europe and (ii) create a joint venture entity in the form of a Luxembourg law governed private limited liability company (*société à responsabilité limitée*) named SCORE S.à r.l. (the “**JV Vehicle**”) to raise and

jointly manage third party capital, mainly focused on Russian and other emerging markets' capital (both from high net worth individuals and institutional investors).

Following an initial "test" period which was originally expected to last six months during which a first common investment was implemented, we took a 50% participation in the JV Vehicle for a consideration of EUR 3,619 by entering into a respective unit purchase agreement on 30 December 2015. The first joint transaction where a Sistema affiliate invested among other Co-Investors was the Highstreet IV Investment Structure.

During the second stage, the joint venture partners would build a track record through a series of co-investments in real estate products focusing on the regional German high street retail market, development projects in Spain and special situations in Germany. Each deal will be subject to the common decision of both JV partners. During the second stage, the joint venture partners realized the Highstreet Premium I Investment Structure.

Subject to a successful track record and a common agreement with the Partner, the JVA would then involve a "second phase" full fledged discretionary investment manager platform with the objective to reach approximately EUR 3 billion of assets under management within five years.

The JVA provides for a common control of the JV Vehicle by both partners, i.e. SCP and us, provided that, for the entire term of the joint partnership (expected to last five years), real estate asset management services of the investments shall entirely be sub-delegated to us and that for all decisions in relation to real estate asset management services, we shall benefit from a casting vote as long as certain minimum investment thresholds are met. The fees charged to the various project companies shall be above our usual fee levels and be partially subject to a split mechanism with SCP. The JVA includes transfer restrictions to ensure the long-term commitment of both partners, provided that in the event of a deadlock an automatic liquidation mechanism is foreseen with a view to maximise value for both partners.

## REGULATORY REGIME

*Corestate itself does currently not hold any real estate assets (except one acquired asset in Paderborn – See Material Contracts –), but is invested in Investment Structures (in general with approximately 5% to 10%), which hold real estate assets. Corestate has only acquired directly one real estate asset and is about to acquire another one (i.e. in Bremerhaven) which both shall be transferred into Investment products and –Structures in the near future being part of our warehousing assets. Although Corestate’s primary focus is the Real Estate Investment Management, we also act partially as a real estate company with respect to our real estate assets held for warehousing purposes even though the respective holding periods shall be principally limited to not more than 18 months. Therefore, a number of laws and regulations on the national level and on the level of the Federal States and municipalities may have a direct (regarding our warehousing assets) and indirect (regarding our alignment capital investments in the various Investment Structures) influence on the business of Corestate. Such laws and regulations relate to both public and private law. This section provides a selected overview of certain provisions.*

### **Civil Law**

#### ***General Provisions under Civil Law***

Generally, in the course of Corestate’s business activities in its main market Germany the provisions of German law apply, particularly of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*) as well as special laws that have been enacted.

#### ***Restrictions under German Tenancy Law***

Corestate’s business activities in the Investment Structures are subject to the restrictions set forth in German tenancy law. Corestate’s business activities are primarily related to residential and commercial real estate. The business is therefore subject to German tenancy law, which in large parts favors residential tenants. Generally, the restrictions for commercial lease agreements are less strict than the restrictions for private lease agreements. The differences between the restrictions for commercial and residential lease agreements are described below under the respective topics.

The following restrictions, *inter alia*, are noteworthy:

#### ***Restrictions as regards the use of General Terms and Conditions (GTC)***

It is common business that a landlord uses standard forms or – legally speaking – general terms and conditions (*Allgemeine Geschäftsbedingungen, GTC*) within the meaning of Sec. 305 seq. BGB for its commercial lease agreements. It should be noted, though, that GTC significantly deviating from the underlying statutory concept of liability are – by way of a partial deviation from the German legal concept of freedom of contract – subject to a fairness and appropriateness test. Under German law this also applies to a certain extent to business-to-business leases.

GTC are defined as terms of contract that are pre-formulated for their use in a variety of separate contracts and that are unilaterally “imposed” by the party using them. Even single provisions which are to be used for a range of contracts can be deemed GTC and, therefore, give rise to judicial review once they are contested by an affected party. In particular, where a contractual clause considerably deviates from the underlying principles of statutory law by way of not being transparent or unduly disadvantaging (*unangemessen benachteiligend*) to the other party, such clause may be rendered invalid by a competent court. As a consequence, the invalid provisions would be substituted by statutory lease law, which in general is less favorable for the landlord.

The interpretation of GTC is subject to case law to a large extent. German courts including the German Federal Court of Justice have issued a number of decisions, by which typical constellations may be identified in which invalidity is likely assumed. Nevertheless, in each single case the determination of what exactly is or is not admissible is subject to the decision of German courts, which exercise content control of GTC. As this actually creates a certain level of uncertainty as to the effectiveness of GTC, it should be ensured that the relevant clauses are legally sound and drafted considering available case law.

### *Statutory Protection against Termination of Residential Leases and Eviction*

Under German statutory law a landlord may only terminate a residential lease if the landlord has a legitimate interest in the termination of the lease. Legitimate interest may especially exist (i) if the tenant has culpably breached the tenant's obligations under the lease agreement in a not immaterial extent, (ii) if the landlord needs the leased premises for residential purposes for himself, for his family members or for members of his household, or (iii) if the continuation of the lease would lead to the landlord's hindrance regarding an appropriate economic use of the property, resulting in material disadvantages for the landlord. As regards the sale of a property, such material disadvantage could arise in case the landlord would only be able to realise a significantly lower price for the property compared to otherwise realisable prices. However, a landlord's purposed rent increase cannot be a legitimate interest in the meaning of the above mentioned.

The landlord may also terminate the residential or commercial lease agreement for cause for a compelling reason. A compelling reason is deemed to exist if the party giving notice, with all circumstances of the individual case taken into account, including without limitation fault of the parties to the lease agreement, and after weighing the interests of the parties, cannot be reasonably expected to continue the lease until the end of the notice period or until the lease ends in another way. According to German statutory law, a compelling reason is deemed to obtain for example if the tenant is not permitted the use of the leased property in conformity with the lease agreement, the tenant violates the rights of the landlord to a substantial degree or the tenant is in default with its rental payments on two successive dates.

In case the landlord terminates the lease, the tenant may be entitled to legally object to the termination. As a result thereof the tenant may be entitled to not vacate the leased object immediately subject to certain conditions, e.g. if the termination would mean an unreasonable hardship for the tenant, his family members, or members of his household.

Upon termination of the lease, the tenant is generally obliged to vacate the leased object. However, the protection of German tenancy law still applies for the tenant even after the landlord has effectively terminated the lease. Therefore, a competent court could grant the tenant a transitional period of up to one year, in which he would have to vacate the leased object. Under the classic eviction procedure and subject to certain conditions the landlord has to bear the costs of the removal and safekeeping of all moveable objects from the evicted property by the enforcement officer that has been appointed by the court. The German Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*), in force since 1 May 2013 (the "**Tenancy Law Amendment Act 2013**"), provides a cost-saving option of limiting the eviction procedure to obtain possession of the property for the landlord. The landlord thus has been entitled to remove moveable objects from the property and store them at his own will and expense. Furthermore, the eviction procedure will no longer be delayed only because of a right of possession of a third party, especially a sub-tenant, if the landlord, that was unaware of the possession right of the third party, has only obtained an eviction order as executory title (*Vollstreckungstitel*) against the tenant but not against the third party. The necessary eviction order against the third party can now be obtained by way of an injunction (*einstweiliger Rechtsschutz*). Judges are obliged to prioritise actions of eviction.

Pursuant to the German Civil Code (*Bürgerliches Gesetzbuch*), a legal successor, e.g. a purchaser, enters into the lease as the new landlord. In case of conversion real estate into condominiums the usually legitimate interests of personal use and reasonable economic use are precluded as legitimate interests for a limited period of three years upon the transfer of title or handover of the leased object to the tenant and the subsequent sale of the condominium. The Tenancy Law Amendment Act 2013 now prohibits – *inter alia* – a method that enabled a bypass solution of the three-year period. This method had been performed under the following scheme. Residential lease units have been purchased through a partnership or multiple purchasers and then have been terminated based on claims of personal use for individual partners or purchasers. Subsequently the lease units have been converted into condominiums and sold again, because the three-year protection of the tenant did not apply in this case. German state governments are authorised to mark areas, in which the supply of rental apartments at reasonable conditions is scarce, as special territories. In these special territories, the German state governments can extend the prohibition to terminate the lease for cause of personal or reasonable economic use up to ten years. However, such a prohibition only applies in case of conversion from lease units to condominiums. North Rhine-Westphalia, Hesse, Bavaria, and Berlin have made use of this option. The prohibition on termination in North Rhine-Westphalia was extended to eight years for residential units located in Bonn, Cologne and Dusseldorf as well as to five years for units located in 33 other municipalities, e.g. Dortmund, Aachen and Bottrop with ordinance dated 24 January 2012. In Berlin a termination of respective residential units is prohibited for ten years according to an ordinance dated 13 August 2013. The same applies to 145 municipalities located in Bavaria – including Munich – according to an ordinance dated 15 May 2012. The prohibition periods for 9 cities located in Hesse – including Frankfurt and Wiesbaden – have been extended to five years with ordinance amended with effect as of 13 December 2014.

#### *Statutory Limits on Rent Increases*

German statutory law limits a landlord's ability to unilaterally increase rents in existing leases. A letting of rooms for living at unconscionably high rents may constitute an administrative offense (*Ordnungswidrigkeit*), if the rent exceeds the locally prevailing comparative rent level in a municipality during the last four years by more than 20% due taking advantage of limited availability of comparable rooms. Furthermore – pursuant to the jurisprudence of the German Federal Court of Justice (*Bundesgerichtshof*) – the letting for an amount exceeding the locally prevailing comparative rent level in a municipality by approximately 50% may even constitute a usury crime according to Sec. 291 German Criminal Code (*Strafgesetzbuch*).

Rent increases may be subject to rent indexations and stepped rent agreements.

Rent indexation means that the rent shall increase if the consumer price index raises. Under German statutory law, agreements about rent indexations must refer to the consumer price index in Germany (*Verbraucherpreisindex in Deutschland*).

Stepped rent (*Staffelmiete*) requires an agreement of the parties about the time and amount of a rent increase, so that the future rent increase can exactly be determined. In case of residential lease agreements a rent indexation or stepped rent has to be fixed in written form to be legal effective. Furthermore, pursuant to the German Civil Code a stepped rent agreement has to comply with specific requirements, e.g. that a rent has to stagnate for the duration of one year. In case of a rent indexation the landlord has to inform the tenant about changes of the rent according to a raising consumer price index in text form. Additionally, the parties of a residential lease agreement have to decide if they agree on a stepped rent or a rent indexation, a combination of both is not possible.

With regard to commercial lease agreements, the landlord under German statutory law is not entitled to unilaterally increase the rent by law. Therefore, commercial lease agreements usually provide for mechanisms to increase or adjust the rent. The effectiveness of a rent indexation in case of commercial

lease agreements has to conform with the Act about the prohibition of price clauses by determining money liabilities (*Gesetz über das Verbot der Verwendung von Preisklauseln bei der Bestimmung von Geldschulden*) and is just allowed in specific cases, e.g. if a lease agreement has a period of min. 10 years. Therefore, stepped rent agreements are permissible and usual for commercial lease agreements and do not underlie the above mentioned restrictions for residential lease agreements. Even a combination of rent indexations and stepped rent is possible as long as the respective conditions are observed.

With regard to residential lease agreements that are not subject to rent controls, the landlord is entitled to demand the adjustment of the rent up to the locally prevailing comparative rent level if the rent level of the respective leased object has been constant for the preceding 15 months. In general, a rent may not be increased by more than 20% in a three-year period as capping limit. Moreover, according to the German Tenancy Law Amendment Act 2013, the German federal state governments are entitled to reduce the capping limit for individual municipalities to 15% in the same period, if affordable housing is insufficient or scarce in the respective municipalities. So far 11 German federal state governments – Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hesse, North Rhine-Westphalia, Rhineland-Palatinate, Schleswig-Holstein, Saxony and Baden-Württemberg – passed such regulations on capping limits. The provisions of these aforementioned capping limits do not apply to rent increases raised in connection with modernisation measures (see Section “*Landlord’s Modernisation and Maintenance Measures*” below). Following a rent increase, tenants may have a special termination right.

The determination of a locally prevailing comparative rent level is based on rents agreed for comparable residential lease units in a comparable municipality during the preceding four years. As regards a potential comparability of residential lease units it has to be determined whether the type, size, furnishings, quality, location as well as energy systems and other characteristics are similar. To determine a comparability, the landlord may – *inter alia* – refer to (i) an official rent index (*Mietspiegel*), (ii) a rent database, (iii) a report of an officially appointed and sworn expert, or (iv) the payable rent for at least three comparable residential units. Rent increases that have been raised in connection with modernisation measures (see Section “*Landlord’s Modernisation and Maintenance Measures*” below) do not affect the rent level.

A rent index displays the prevailing reference rent in a relevant municipality. If the rent index is produced in accordance with accepted scientific principles, it is qualified as a so-called qualified rent index (*Qualifizierter Mietspiegel*). A qualified rent index provides for the legal assumption that the rent levels shown in that index actually reflect a reference rent in the respective municipality. Recent case law concerning particularly the Berlin qualified rent index, however, has cast some doubt on whether existing qualified rent indices actually meet the requirement of being calculated using accepted scientific principles and, therefore, whether they will be admitted as presumptive evidence of the locally prevailing comparative rent level. A rent index shall be adjusted to market trends in two-year intervals. A qualified rent index must be adjusted every two years; when this is done, a spot check or the trend of the consumer price index in Germany, as computed by the German Federal Statistical Office (*Statistisches Bundesamt*), may be used as a basis. A new list reflecting the qualified rent index must be generated every four years. A rent database is a collection of rents maintained on an ongoing basis that is used to determine the reference rent prevailing in a municipality. This option is only suitable for use if, among other things, (i) the collection of rents draws upon an adequate amount of rent data of existing and new lease agreements which are continuously updated, and which are representative for determining the prevailing rent level for individual properties in the respective locality, and (ii) it is recognised by the municipality or by the landlord and tenant representatives. As a result, rent databases are hardly used in practice.

Moreover, the bill to curb rental increases on tight housing markets and to strengthen the principle of who orders has to pay with respect to the business of rental agents – tenancy law amendment act (*Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des*

*Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz*) (the “Tenancy Law Amendment Act 2015”) which came into force on 1 June 2015 practically limits residential rent increases and establishes maximum rent levels (so-called *Mietpreisbremse*) for private residential properties. Through 2020, the German federal states may pass decrees which determine regions of tense housing supply for a period of up to five years in which the restrictions apply. In these regions, under new lease contracts, landlords may not charge rents exceeding the higher of (i) 110% of the locally prevailing comparative rent level or (ii) the previous tenant’s rent. These restrictions do not apply for the first lease of (i) a new or (ii) fully modernised residential unit. A residential unit is deemed fully modernised if the modernisation costs amount to at least one third of a fictional comparable newly built residential unit’s value. The federal states of Baden-Württemberg, Berlin Brandenburg, Bremen, Hamburg, Hesse, North Rhine-Westphalia, Rhineland-Palatinate, Schleswig-Holstein, Thuringia, and Bavaria have already passed ordinances ordering the application of these rent limitations. For Berlin and Hamburg, these rent limitations apply throughout the city with effect as of 1 June 2015 (for Berlin), 1 July 2015 (for Hamburg) and 1 December 2015 (for Bremen) respectively. The rent limitations in North Rhine-Westphalia apply for 22 cities and municipalities – including Cologne, Aachen, and Bonn – with effect as of 1 July 2015. The rent limitations in Baden-Württemberg apply for 68 cities and municipalities with effect as of 1 November 2015. The rent limitations in Brandenburg apply for 31 municipalities with effect as of 1 January 2016. The rent limitations in Hesse apply for 16 cities with effect as of 1 December 2015. The rent limitations in Rhineland-Palatinate apply for the cities Mainz, Trier, and Landau with effect as of 1 October 2015. The rent limitations in Schleswig-Holstein apply for 12 municipalities with effect as of 1 December 2015. The rent limitations in Thuringia apply for the cities Erfurt and Jena with effect as of 31 March 2016. The rent limitations in Bavaria will apply for 144 cities and municipalities – including Munich, Ingolstadt, and Rosenheim – with effect as of 1 August 2015. Lower Saxony will probably pass decrees in the course of the year. However, in case of a violation of the above provisions, the whole lease agreement would not be deemed void. Only the provision re the part of the agreed rent, that exceeds the permitted rent, would be invalid. Therefore the landlord would have to reimburse the tenant for the payment of the exceeding part of the rent upon demand. The above restrictions on rent increases will impair the value of the properties concerned which may have a significant negative impact on a respective portfolio.

### *Housing agents*

Also the Housing Agency Act (*Wohnungsvermittlungsgesetz*) has been reformed with the Tenancy Law Amendment Act 2015. Pursuant to the amended provisions, the one who hires a housing agent is obliged to pay the respective commission (so-called *Bestellerprinzip*). Under previously applicable law, a housing agent could demand a commission from the tenant by concluding another agreement regarding the agency of housing, though the housing agent was initially hired by the landlord. These provisions are applicable throughout Germany without a federal state’s prior ordinance.

### *Tenant’s right of revocation*

The German legislator has implemented the Consumer Rights Directive 2011/83/EU by amending the German Civil Code (*Bürgerliches Gesetzbuch*). These new provisions entered into force on 13 June 2014 and brought a variety of major changes. In contrast to the previously applicable German rights of revocation, it is now also applicable for residential tenancy law, if an agreement has been concluded between an entrepreneur on the one side and a consumer on the other, although the Directive 2011/83/EU states that the provisions would not fit to agreements for the rental of accommodations. Therefore, these changes are not applicable to commercial lease agreements.

However, pursuant to German statutory law, the tenant is entitled to a right of revocation for off-premises contracts (*Außergeschäftsraumverträge*) and distance contracts (*Fernabsatzgeschäfte*). These provisions do not apply in case the tenant already viewed the residential unit. In general the landlord



could avoid a respective right of revocation by (i) not exclusively using distance communication mediums during the conclusion of the agreement and additionally (ii) letting the consumer sign the agreement in the landlord's office.

As a legal consequence of a right of revocation the consumer, i.e. the tenant, is entitled to revoke his declaration of intention to conclude the respective agreement within a period of 14 days upon the tenant's duly information about the right of revocation by the entrepreneur, i.e. the landlord. If the tenant revokes his declaration, both parties have to return their received services. Based on this the tenant usually would have to hand back the leased object and to provide value replacement, while the landlord would have to return any rent payments. In case of the missing the tenant's duly information by the landlord, the revocation period expires at the latest 12 months and 14 days upon conclusion of the agreement and, furthermore, the tenant would not be obliged to provide value replacement if the tenant made use of an existing right of revocation.

#### *Statutory Restrictions on Selling Residential Real Estate*

If rented residential units have been converted into condominiums or such conversion is planned, the tenant has a statutory pre-emptive right under the German Civil Code to purchase the unit on the same terms as a third-party buyer. No such pre-emptive right exists, however, in instances where the unit was already a condominium at the time the lease commenced or where, in the case of a planned conversion, the seller is not contractually obliged to divide the property into residential units.

#### *Landlord's Modernization and Maintenance Measures*

The Tenancy Law Amendment Act 2013 aims to reduce Germany's primary energy demand (*Primärenergiebedarf*) by 80% (from 1990 levels) by 2050, in accordance with the so called "Energy Concept 2050" (*Energiekonzept 2050*). In order to achieve this goal, the Tenancy Law Amendment Act 2013 – only with regard to residential leases – requires the tenant to tolerate maintenance measures (*Erhaltungsmaßnahmen*) and modernization measures (*Modernisierungsmaßnahmen*). In the latter case, the tenant must receive a written notification from the landlord, which includes information regarding the nature, extent, length and rent increase resulting from the modernization measure, three months prior to the commencement of the modernization measure. If the tenant can, however, prove that the modernization measure constitutes undue hardship for himself, a family member or a member of his household, the tenant is not obliged to tolerate the modernization measure. Following the announcement of modernization measures, the tenant is entitled to a special termination right (*Sonderkündigungsrecht*) for a period of two months after the month in which the tenant received written notification. For modernization measures which sustainably reduce the final energy consumption (energy-related modernization measures) (*energetische Modernisierung*) the tenant will not be entitled to rent reductions for a period of up to three months. For such energy-related modernization measures, and for those modernization measures through which water consumption is sustainably reduced, the utility value (*Gebrauchswert*) of the rented property is sustainably increased or the housing conditions are enhanced permanently, as well as for those measures that are the result of circumstances that the landlord is not responsible for, and which are not maintenance measures, the landlord is entitled to transfer costs to tenants by way of an annual rent increase of, currently, up to 11% of the cost incurred (less the costs that would have been incurred for ordinary maintenance measures) unless the tenant can prove that the rent increase constitutes an undue burden/hardship. The German federal government is currently considering whether to limit such annual rent increases to 8% of the total cost of the modernization measures and to the period of time necessary to amortize such costs. Furthermore, the German federal government is currently considering whether to limit such rent increases based on the landlord's modernization measures to a total of EUR 3,00 per sqm for a period of 8 years following the rent increase. Following a rent increase, tenants may be entitled to a special termination right.

### *Written form requirements, notarization duty*

As a general rule in German tenancy law, rental agreements that provide for a term of more than one year must be concluded in written form. The requirements to comply with the written form have been specified by comprehensive case law.

The judicature on written form requirements was subject to far-reaching changes in recent years. A non-compliance was – *inter alia* – confirmed by court rulings where (i) the beginning of the lease term after hand-over of the leased object is not clear, where (ii) signatories and their power of representation cannot be clearly identified, or where (iii) an amendment, attachment or annex to a lease agreement does not make proper reference to the relevant (original) lease documentation in order to allow a third party to determine the actual scope of the applicable contractual framework.

However, in the event of an infringement of the requirement for the written form, the respective rental agreement is not invalid. Rather, it is deemed to have been concluded for an indefinite period with the consequence that it can be terminated at the earliest at the end of one year after handover of the leased property to the tenant subject to the statutory notice period (*i.e.* six months to the end of the quarter minus three days in the case of rental agreements for commercial premises). Against the background of the case law enacted in recent years on the formal invalidity of rental agreements (please see above), there is a risk that rental agreements that were originally compliant with the written form no longer satisfy the requirements currently applicable and – regardless of the agreed fixed term – can be terminated at short notice. However, violations of the written form requirements can be remedied if the parties to the respective lease agreement enter into an amendment agreement which complies with the written form requirements.

Furthermore, according to Sec. 311b BGB a lease agreement has to be notarially recorded if the lease agreement is legally connected to a respective real estate sale and purchase agreement. The consequence of a lacking notarial recording would be that the lease agreement would be void (to be remedied under certain conditions).

### *Operating costs*

German tenancy law allows the landlord to transfer the building's utility costs (*Betriebskosten*) to the tenant by way of contract. According to the German Utility Costs Ordinance (*Betriebskostenverordnung*), which defines the types of costs transferable by contract, utility costs include, for example, the cost of water supply, waste disposal and building insurance. Under the German Utility Costs Ordinance the landlord is generally allowed to transfer the running basic expenses for broadband network access (*laufenden Grundgebühren*) to the tenant. The costs for the initial installation are not considered utility costs but are still transferable to the tenant, in case no broadband network access existed until then, because the upgrade to broadband connection qualifies as a modernisation measure pursuant to German tenancy law.

The German Utility Costs Ordinance directly applies for residential lease agreements, but also in commercial leases often corresponding terms are stipulated or refer to the German Utility Costs Ordinance. In the latter case the transferable utility costs do not differ from that one by residential leases.

In general and pursuant to the German Civil Code the allocation of transferable utility costs occurs in proportion to the floor space. However, the parties might also agree to a respective allocation due to consumption etc.

In case of commercial lease agreements the allocation might also be determined by contract.

The Tenancy Law Amendment Act 2013 allows the landlord to outsource the supply of heating (*Wärmelieferung*) to a commercial contractor (*Heat Contracting*) and to transfer the utility costs associated with this heat contracting to the tenant. This transfer is however subject to the condition that the outsourcing procedure provides for an increase in heating supply efficiency and does not result in increased utility costs for tenants.

#### *Maintenance and repair, cosmetic repairs*

Responsibility for maintenance and repair and decorative repair works of let properties may generally be transferred to the tenants under rental agreements. However, wherever the passing over of such responsibility is contained in general terms and conditions of the agreement (or that the lease agreement constitutes general terms and conditions itself), such terms are only valid if the tenant is not otherwise unfairly disadvantaged by them. For example the German Federal Court of Justice ruled in a number of decisions that standard clauses in residential lease agreements are void if they require the tenant to make decorative repairs on a fixed schedule or require the tenant to fully renovate the flat at the end of the lease.

A trend in the case law of the German Federal Court of Justice is recognizable to the effect that restrictions originally developed for residential tenancy law are increasingly being transferred to commercial tenancies. This may result in provisions contained in residential and commercial rental agreements for cosmetic repairs and final decorative repair obligations as well as for maintenance and repair obligations no longer being enforceable against tenants in the future under certain circumstance and the costs of follow-up refurbishment or possibly also ongoing maintenance having to be borne by the landlord. The same could apply to measures carried out by tenants if they claim back refurbishment costs paid by them.

#### *Regulations on Energy Saving*

As a further point, the legislation on energy saving in buildings – for instance in the Energy Savings Ordinance (*EnEV*) – could change in the future. As of 1 May 2014, each potential buyer or tenant must be presented an energy certificate (*Energieausweis*) disclosing the property's energy efficiency prior to the conclusion of a sale and purchase or new lease agreement pursuant to the EnEV. The energy certificate must be handed over during the first viewing of the property at the latest. Should no inspection of the property take place and the energy certificate not be requested by the other party, the energy certificate must be handed over immediately after the conclusion of the respective sale and purchase or lease agreement. Additionally, in case the landlord or seller advertises the property in commercial media, the energy performance indicator reported in the existing energy certificate for the advertised property must be disclosed. An energy certificate is generally valid for ten years. The EnEV also requires structural retrofitting designed to improve the energy efficiency. Among these obligations are the insulation of top story ceilings, the replacement of certain types of heating systems and the insulation of heat conducting systems and hot-water pipes. Any non-compliance with the regulations of the EnEV is punishable by a fine. It is to be expected that the EnEV and comparable regulations will be modified further and place increasing requirements on energy consumption by buildings, particularly in the case of new buildings and modernizations. This Situation is already taken into account in long term planning, so that significant changes are not expected as a result of any tightening of the legal framework.

The German Renewable Energies Heat Act (*Erneuerbare-Energien-Wärmegesetz*) is aimed at reducing the primary energy demand (*Primärenergiebedarf*) in Germany. The Act requires that part of the heat energy demand in newly constructed buildings must be covered with renewable energies.

### *Provisions of the German Condominium Act*

Under the provisions of the German Condominium Act (*Wohnungseigentumsgesetz*), every owner of a condominium within a particular building (*Hausgrundstück*) is a member of the respective homeowners association (*Wohnungseigentümergeinschaft*). The association does not deal with any tenancy matters, but is responsible for the general administration of the building, including the introduction of house rules (*Hausordnung*), the execution of maintenance measures for commonly used parts of the building as well as the preparation of a budget (*Wirtschaftsplan*). In many cases, the administration is, due to its complexity, transferred to a third-party service provider by way of contract. The maximum duration of such agreement is limited by law to three years for the first appointment of the administrator (*Verwalter*) and to five years for re-appointments. Certain indispensable rights and duties of an appointed administrator, such as the execution of the owners' resolutions as well as maintenance measures, are set forth in the German Condominium Act.

For homeowners associations there are two possible ways of decision-making. First, owners may agree unanimously upon standing rules (*Gemeinschaftsordnung*), which may include, *inter alia*, regulations on the owners' internal affairs, the house order, the administration of the building and restrictions for the use of the apartments. The standing rules also apply to the owners' legal successors and can be amended, except for certain cases of undue hardship, only upon unanimous consent of all owners. Second, the association's assembly (*Wohnungseigentümersammlung*) may pass resolutions with a simple majority. An association's assembly must be convened by the administrator at least once a year. The owners may resolve on any matter delegated to them by statute or the association's standing rules. The number of votes that every owner may cast is thereby subject to the applicable standing rules. The standing rules may, e.g., tie the voting power to the value of the condominium owned. Resolutions of the association can be contested by any member at a civil court within a period of one month.

### **Public Law**

#### ***Land-use Planning by Municipalities***

In Germany, municipalities may determine in the context of land-use planning how the areas in their municipal territory are to be used. For this purpose, the German Building Code (*Baugesetzbuch*) provides for the instruments of the zoning plan (*Flächennutzungsplan*) and the development plan (*Bebauungsplan*). Zoning plans and development plans are to be established where necessary for urban development and order.

Depending on the requirements, municipalities may therefore establish a zoning plan that broadly outlines the nature of the land use for the entire municipal territory based on the intended urban development and likely needs of the municipality. The zoning plan may for example restrict the use of land to special types of use and may earmark land for utility facilities or for precautionary measures against hazardous effects on the environment. The zoning plan neither creates nor affects any individual rights.

On the second level, the municipality may specify in binding form the land use in individual parts of the municipal territory by way of development plans. The development plans must take into account the applicable zoning plans. For example, standards with respect to specific type and dimensions of building use, the areas on which buildings may or may not be erected as well as the size of building plots may be specified in these development plans. A development plan may also designate land as being reserved for public purposes or social housing, as well as traffic areas or as spaces to be kept free of buildings.

Although municipal planning authorities have a considerable amount of discretion (*Ermessensspielraum*) in exercising their planning competence, they are obligated to take into account

private interests in their assessment and are required by law to pursue a number of objectives the most important of which include sustainable urban development and the protection of the natural foundations of life.

Where no development plan exists, the question whether a building project is permissible depends on whether the building project should be realized in an already built-up district or on the periphery. In the first case, the permissibility basically depends on the building project's compatibility with the existing buildings in the vicinity and their specific use. Outside built-up districts, projects are only permissible subject to very narrowly-defined requirements which are generally not met by buildings designated for office use.

### ***Building Law Regulations***

The building-law regulations of the German Federal States are very extensive and contain numerous provisions, e.g. in respect of permissible building products, proper workmanship, stability, parking spaces, heating and ventilation, fire safety, means of evacuation and escape in case of emergency, distance areas, noise abatement and requirements for buildings that are suited to the needs of the disabled.

### ***Protection of Existing Buildings***

Owners of buildings which have been constructed and are used in line with a non-appealable building permit in principle enjoy constitutional protection of property with respect to such buildings. This means that the building supervisory authority must, as a rule, tolerate the respective existing building and its use, even where the building permit is unlawful or where, following the granting of the permit, the circumstances in terms of planning law or the legal situation in general have changed.

Nevertheless, as an exception to this general rule, the competent authority may demand alterations to protected existing buildings on grounds of safety or health risks from a property. Although the mere fact that a building does not comply with prevailing regulations does not constitute sufficient grounds for such action, the occurrence of concrete safety or health risks with respect to users of the building or the general public, however, allows the competent authority to demand immediate action from the owner. Relevant risks in this regard include fire risks, risks of collapse and health risks from injurious building materials such as asbestos. To the knowledge of the Company's management, there are at the moment no official orders demanding any alterations to existing buildings owned by Corestate or the Investment Structure Corestate is invested in.

The protection of existing buildings does not cover any alterations to such buildings or changes in type of use. In such cases, a new building permit is generally required which must take into account the current circumstances in terms of planning law and current building-law provisions. The conversion of office or retail space into residential space or vice versa generally requires a construction permit.

### ***Monument Protection***

In Germany, the protection of historic monuments is provided for in the monument protection laws of the Federal States. Monument protection extends not only to buildings that are monuments, but also to buildings that are part of a so-called monument area or ensemble, without being monuments themselves.

Some buildings owned by Corestate or the Investment Structure Corestate is invested in are listed for monument protection. The owner of a listed building is obligated to preserve the building using reasonable efforts. Partial or total demolition or any change in the appearance of a listed building generally requires the consent of the authority for protection of monuments. In some Federal States, such consent is also required for any change of the building's purpose. In particular, changes to the

room layout of a building or space allocation may be prohibited even if the layout or allocation in question does not meet contemporary market requirements.

In some Federal States, the owner of a listed building is in addition required to notify the competent authority of an intended sale of the property. In some Federal States, the municipality has a pre-emption right.

In some Federal States, a building is only deemed a monument if specified in a list of monuments; in other states, an entry in such a list does not have constitutive effect. Apart from the buildings already listed as monuments, several other buildings owned by Corestate or the Investment Structure Corestate is invested in, are considered eligible for listing as monuments by the relevant authority for protection of monuments, an official listing, however, is still pending. A formal listing of additional buildings is likely to occur in the future.

Buildings may also be subject to restrictions under monument protection laws if located in the vicinity of a monument (the “protection of surrounding areas”). In this case, any alterations to buildings in the vicinity of a monument are, as a rule, subject to authorisation if suited to impair the appearance of the monument.

### ***Charges for Expansion, Provision of Infrastructure and Connection to the Sewer System***

Municipalities levy charges for the provision of infrastructure and the first connection to infrastructure facilities, e.g. roads. These charges will be levied as one-off payments following completion of the infrastructure facilities and must not be levied repeatedly. In the event of subsequent measures, such as the extension or improvement of infrastructure facilities, municipalities levy expansion charges. Expansion charges may be levied repeatedly, e.g. each time after an expansion, improvement or reconstruction is carried out.

In principle, the charges for the expansion and provision of infrastructure are imposed on the property owners whose properties are developed by means of these infrastructure facilities or who benefit from the expansion or improvement of their properties. As a rule, these are the adjacent owners. In deviation from this rule, however, some state laws provide that the municipalities may introduce so-called recurring road charges in their statutes. In this case, the municipal territory is usually divided into sub-districts. Then, it is not only the adjacent owners affected by the infrastructure facility, but all property owners in the respective sub-district who come under the obligation to make contributions; this is intended to evenly distribute the costs among those who enjoy the benefit of being able to use a traffic facility in that particular sub-district. These contributions are generally charged annually. Corresponding provisions apply in the Federal States of Hesse, Rhineland-Palatinate and Thuringia.

On the basis of municipal statutes, municipalities may also levy charges for the connection to the sewer network, *i.e.* charges for connecting buildings and properties to waste water disposal or utility lines and for expanding and modifying such lines.

### ***Public Easements***

According to the building codes (*Bauordnungen*) of the German Federal States, with the exception of Bavaria and Brandenburg, owners of properties may be obligated by public easement (*Baulast*) to perform, tolerate or refrain from certain acts relating to their property. Public easements ensure compliance with public-law provisions. For example, public easements ensure adherence to the minimum spacing prescribed by law. They are entered in the register of public easements (*Baulastenverzeichnis*) and are also binding on any legal successors. Public easements only expire if the building supervisory authority issues a written waiver that is to be recorded in the register of public

easements, and they may limit the use of properties. Public easements may in particular restrict future changes to the type of use of the property and may thus impair the property value.

### ***Special Urban Construction Law***

With the instruments of special urban construction law (*Besonderes Städtebaurecht*) municipalities may counteract deficits or promote certain developments in urban construction. The instruments of special urban construction law include, for example, the designation of redevelopment, conservation or development areas. Properties in areas to which special urban construction law applies may be subject to certain restrictions. In particular the following acts may require the municipality's approval: (i) the construction, alteration and change of use of structural facilities; (ii) the conclusion or extension of agreements on the use or the utilization of a property for a definite period of more than one year (*e.g.* lease agreements); (iii) the disposal of a property; or (iv) the creation of a right encumbering the property (*e.g.* mortgage). In areas to which special urban construction law applies the municipality may also have a pre-emption right when the property is sold. In addition, the property owners may have to make financial contributions to certain measures. Some of the buildings owned by Corestate or the Investment Structure Corestate is invested in are situated in areas to which special urban construction law applies.

### ***Contamination and Harmful Soil Alterations***

Where a property is affected by existing contamination (*Altlasten*) and/or harmful soil alterations (*schädliche Bodenveränderungen*), various measures such as research, safety or remediation measures could become necessary. The competent Soil Conservation Agency (*Bodenschutzbehörde*) may order these measures in accordance with the German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz*). Such an order may be addressed in particular to the perpetrator of the contamination, its legal successor, the current owner of the contaminated property and the party in actual control of the property (*e.g.* a tenant or the beneficiary of a hereditary building right). In addition, the previous owner of the relevant property may be held liable if the title was transferred after 1 March 1999 and the previous owner was aware of or must have been aware of the contamination. The decision which of these parties is to be held liable is made at the discretion of the authority. When making its decision, the authority will generally consider which of the parties is likely to be most effective with the remediation of the existing contamination or harmful soil alteration. The party held liable by the authority may have a claim for indemnification against the other responsible parties. Unless no contractual arrangements provide otherwise, the indemnification obligation and amount depend on the extent to which the threat or damage is attributable to the respective parties. The liability is not based on fault, *i.e.* the competent authority has to prove neither negligence nor intent on the part of the parties held liable.

Further, a property may be affected by unexploded ordnance (*Kampfmittel*), *e.g.* of WW II. The legal framework differs from Federal State to Federal State. Generally speaking, the owner of the property has to take the necessary measures to ensure that constructions works are carried out in a safe manner; where warfare material is found he has to notify the relevant authorities. Dismantling, removal and detonation of discovered WW II bombs will be performed by a bomb disposal team (*Kampfmittelräumdienst*). In principle, costs incurred by such disposals are borne by the Federal Republic of Germany or by the Federal States.

To the knowledge of the management of Corestate, there are currently no official orders regarding material remediation of any existing soil or groundwater contamination. The management of Corestate is not currently aware of any immediate material action that is required in this regard.

### ***Contamination in Buildings***

In particular in older buildings, building materials may contain various hazardous substances such as asbestos, polychlorinated biphenyl (“PCB”), pentachlorophenol (“PCP”), dichlorodiphenyl-trichloroethane (“DDT”) and lindane.

Where buildings contain asbestos, a remediation may be required under certain circumstances. According to the asbestos regulations (*Asbest-Richtlinien*) of the German Federal States, a remediation obligation depends on the presence of a health threat. In this respect, a distinction must be made between friable asbestos, which is capable of releasing asbestos fibers in the air as it ages or is broken, and non-friable asbestos, from which asbestos fibers are usually not released. The latter only poses a limited risk to health. For this reason, except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos. Friable asbestos, however, entails a higher risk. It is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation and thermal protection. The asbestos regulations of the Federal States set out criteria for assessing the urgency of remediation. Re-assessments of the asbestos contained in a building have to be carried out in regular intervals. Under certain circumstances, removal and replacement of hazardous substances contained in building materials may be required. In the event of a contamination with asbestos, tenants may have a right to rent reduction. Furthermore, Tenants may claim compensation if the defect was already present at the time the lease agreement was concluded. Also, personal injuries may be asserted if the contamination is severe or poses a health risk.

The existence of PCB, DDT, PCP and lindane in buildings may under certain circumstances entitle the tenant to reduce the rent or assert personal injuries. Moreover, remediation measures may be required where PCB, DDT, PCP or lindane concentrations exceed certain thresholds.

Some of the materials used for the construction of some of the buildings owned by Corestate or the Investment Structure Corestate is invested in may contain such hazardous substances, including asbestos. In case of future construction activities or future damage to materials that contain hazardous substances (such as asbestos), special health and safety measures could apply to the removal of such materials. Corestate’s management is not aware of any current obligation to remove or replace building materials in existing buildings. However, the replacement and disposal of materials containing hazardous substances could entail significant costs and expenses.

### ***Refrigerants in Air Conditioning Equipment***

In the European Union, refrigerants used in air conditioning equipment are subject to numerous regulations. For example, under Regulation (EC) No 1005/2009 the use of certain fluorocarbons for the maintenance or servicing of existing refrigeration and air conditioning equipment has been prohibited since 1 January 2015. For this reason, equipment in which these refrigerants (*e.g.* the widely used refrigerant R22) are used must be retrofitted or replaced as soon as maintenance and servicing work require a refill of the refrigerant. Under Regulation (EC) No 517/2014 on fluorinated greenhouse gases the use of further refrigerants will be prohibited from 1 January 2020 and restrictions such as inspection requirements apply since 1 January 2015. In addition, Regulation (EC) No. 517/2014 on fluorinated greenhouse gases requires a gradual reduction of the quantities of certain fluorinated greenhouse gases that can be placed on the Union market. In the long run, this will lead to a shortage of these gases which may require the air conditioning equipment using these gases (*e.g.* the refrigerant R410a) to be retrofitted or replaced.

### ***Maintaining Waste Water Systems***

The German Water Resources Act (*Wasserhaushaltsgesetz*) provides that all waste water systems may only be installed, operated and maintained in keeping with the generally accepted standards of



technology. For real estate owners this means, for example, that they have to monitor the condition, functionality, servicing and operation of the waste water system as well as the type and quantity of waste water and the substances contained therein. Tests are performed at intervals that are stipulated in the provisions of the individual German Federal States and may also depend on whether the property in question is located in a water conservation area. Should defects be detected, the property owners must repair the waste water system. The German Water Resources Act authorises the Federal Government to issue a legal ordinance, with the approval of the German Bundesrat, in which the above-mentioned duties in respect of waste water systems are stipulated. However, that ordinance has not been issued. Until the relevant legal ordinance is issued, the Federal States are free to issue their own ordinances as regards these duties.

### ***Legionella Testing***

Pursuant to the German Federal Drinking Water Ordinance (*Trinkwasserverordnung*, “**TrinkwV**”), the owners of specified centralized heated drinking water supply facilities for commercial use are required to test the drinking water for legionella by 31 December 2013 at the latest and to repeat the test at least every three years. Further, it has to be ensured by installation of special safety devices that water supply systems used for drinking water are strictly separated from water pipings and parts of water supply systems filled with water not qualified as drinking water under TrinkwV (e.g. extinguishing or heating water). The management of Corestate is not currently aware of any infringements.

### ***German Law on Property Purchases***

Any property purchase in Germany is principally liable to RETT (*Grunderwerbssteuer*, “**GrESt**”). The payable GrESt currently amounts to 3.5% to 6.5% of the purchase price. The GrESt rate is determined at the level of the Federal States.

Under the RETT Act (*Grunderwerbssteuergesetz – GrEStG*), each acquisition of a share of at least 95% in a company owning real estate in Germany is subject to GrESt. Prior to 6 June 2013, the situation was still different and it was possible to avoid GrESt by way of a share deal, by only acquiring 94.9% of the shares in a company owning real estate and up to 94.9% of the shares in an intermediate company holding the remaining 5.1% of the shares in the company owning real estate. As a result, the acquirer factually held all shares in a company owning real estate without becoming liable to GrESt.

On 30 June 2013, the Act for Implementation of the EU Directive on Mutual Assistance (*Amtshilferichtlinie Umsetzungsgesetz*) came into effect pursuant to which GrESt will also be triggered where an acquisition or transaction results in a company acquiring an economic participation of at least 95% in a company that, either (partially) directly or (partially) indirectly, owns real estate in Germany. The economic participation equals the sum of direct or indirect participations in the equity or assets of the respective company as the effective total assets, taking into account any direct or indirect participations (effective ownership).

### **Alternative Investment Fund (Act in Luxembourg implementing the alternative investment fund manager directive (2011/61/EU, AIFMD))**

Corestate’s subsidiary, Corestate Capital Fund Management S. à r. l. was authorised by the CSSF on 21 January 2015 to act as an Alternative Investment Fund Manager (“**AIFM**”) within the meaning of the law of 12 July 2013 (Law of 12 July 2013), implementing the Alternative Investment Fund Managers Directive (“**AIFMD**” or “**Directive 2011/61/EU**”) in Luxembourg (the “**AIFM Act**”). The AIFM authorisation was granted to Corestate Capital Fund Management S. à r. l. for the management

of real estate Alternative Investment Funds (“AIF”). As of the date of this Prospectus the Corestate-AIFM does not manage any AIF.

However, the Group is currently in the process of setting up two (2) specialized investment funds (*fonds d’investissement spécialisé*, “FIS/SIF”) under the Luxembourg act of 13 February 2007, as amended (the “SIF Act”) which will both be investing in real estate assets and will each qualify as an AIF. Each AIF will take the legal form of a limited partnership under Luxembourg law (*société en commandite simple*, “SCS”) managed by its general partner (*associé commandité*) which itself takes the legal form of a private limited company under Luxembourg law (*société à responsabilité limitée*, S.à r.l.).

Subject to regulatory approval by the CSSF, the relevant AIF will appoint the Corestate-AIFM as its respective external AIFM. Also, subject to regulatory approval by the CSSF, the relevant AIF will appoint Hauck & Aufhäuser Privatbankiers KGaA, Niederlassung Luxemburg, as its depositary in accordance with the AIFM Act. The appointment of a depositary is mandatory under the SIF Act as well as the AIFM Act. The depositary has to ensure *inter alia* the correct safekeeping of the assets of the AIFs (to the extent these can be safekept) and in particular in relation to the aforementioned AIFs the correct verification of ownership in relation to assets, which by their nature cannot be safe-kept, such as non-financial instruments etc. The depositary is also required to monitor cash flows and distributions and any other payments to be made by or for the benefit of the respective AIF in accordance with the AIFM Act.

In accordance with its status as AIFM, the Corestate-AIFM is allowed to provide services in relation to real estate AIFs such as (i) the management of investments (i.e. portfolio management and risk management), (ii) marketing, and (iii) activities related to the assets of AIFs it manages.

As an authorised AIFM, the Corestate-AIFM benefits from the marketing passport introduced under the AIFM Act. This marketing passport allows the AIFM to market AIFs it manages, (irrespective of whether those AIFs are established in Luxembourg or in another member state of the European Union), to professional investors within the European Union. The marketing passport principles will be extended to the entire EEA as soon as the the AIFMD (and all of its relevant implementing measures) has been integrated in the EEA Agreement.

As an authorised AIFM, the Corestate-AIFM is subject to the transparency rules established by the AIFM Rules. Transparency obligations under the AIFM Rules contain provisions in relation to the annual report, disclosure to investors and reporting to the national financial regulator under Annex IV of the AIFMD-CDR. Notwithstanding the above, the AIFM status does not prevent the Corestate-AIFM to comply with additional national legal and regulatory requirements in relation to the provision of its services to or the management of investment funds such as *e.g.* product laws for specialized investment funds under the SIF Act (such as the two aforementioned AIF in the course of being set-up) or any other undertakings for collective investments in the Grand Duchy of Luxembourg. Therefore, the Corestate-AIFM may have to apply for further authorisations and licenses with the CSSF, as the case may be, to extend its current scope of authorised services and activities beyond what is being provided for under the AIFM Rules. It should be noted that any other entity within our Group which might wish to provide similar or other services which require the prior authorisation of any other competent regulatory authority would need to apply for its own authorisation at the competent regulatory authority. There might be the risk that a required authorisation will not be granted by the competent regulatory authority.

Moreover, as of the date of this Prospectus there are three (3) registered AIFs, qualifying as internally-managed (*de minimis*) AIFs under the AIFM Act (CORESTATE Shelf Holdco 3 S.à r.l., CORESTATE Vie Developments S.à r.l., SOEST Holdco S.à r.l.).

## **Swiss Financial Market Supervisory Authority (FINMA)**

FINMA is the supervisory authority responsible for financial regulation in Switzerland. It is responsible for, *inter alia*, the supervision of banks, insurance companies, stock exchanges and securities dealers, collective investment schemes as well as asset managers and fund management companies.

On 29 June 2015, CCAG obtained the licence by the Swiss Financial Markets Authority FINMA to offer and distribute collective investment schemes within the meaning of the Collective Investment Schemes Act of Switzerland to qualified investors and is subject to the supervision of FINMA. With the granting of the licence, CCAG was authorised by FINMA to offer and distribute collective investment schemes *inter alia* to banks, asset managers, certain insurance companies, and to ultra high net worth individuals subject to their consent to be classified as qualified investors within the meaning of the Collective Investment Schemes Act of Switzerland.

## CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In addition to the subsidiaries included in the Audited Consolidated Financial Statements, the Group maintains or has maintained certain relationships with related parties as detailed below. Parties are generally considered to be related in accordance with IAS 24 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. Under the revised accounting standard IAS 24 for related party disclosures, related parties include key management personnel, that is, persons having authority and responsibility for planning, directing and controlling, directly or indirectly, the activities of the relevant entity, including any executive or non-executive director, and close members of the key management personnel's families.

During the financial years ended 31 December 2013, 2014 and 2015 and during the six months period ended 30 June 2016 up to the date of this Prospectus, there have been no relevant related party transactions in the aforementioned sense except as described in this section.

In the opinion of the management of the Company, all transactions with related entities and persons have been entered into at arm's length terms.

### ***1. Transactions regarding Project Highstreet I***

The following transactions are related to Project Highstreet I. Initially the respective assets had been held for warehousing purposes and, after respective value creation, had been converted into the Highstreet I investment product. Moreover, the described transactions served to fund the acquisition of such warehousing assets initially held for warehousing purposes.

#### *Share purchase agreements between CCAG and Thomas Landschreiber and Ralph Winter in relation to shares held in Corestate SAND HoldCo S.à r.l.*

On 6 October 2014, CCAG entered into share purchase agreements with Thomas Landschreiber and Ralph Winter in relation to the sale and transfer of shares held by CCAG in Corestate SAND HoldCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, and with a share capital of EUR 101,786, to Thomas Landschreiber and Ralph Winter. Pursuant to the share purchase agreements, CCAG sold and transferred 1,607 shares and 2,411 shares in Corestate SAND HoldCo S.à r.l. to Thomas Landschreiber and Ralph Winter, respectively, for a consideration of EUR 1,607 and EUR 2,411, respectively. The share purchase agreement was concluded in connection with the acquisition of an asset, which was pre-financed by Thomas Landschreiber and Ralph Winter.

An interim dividend in the total amount of EUR 3,722,125 in respect of the financial year ended 31 December 2014 was paid by Corestate SAND HoldCo S.à r.l. to CCAG, vitB AG (now W5 Group AG), Ralph Winter and Thomas Landschreiber which resulted from the dividend distribution claim of the aforementioned shareholders of Corestate SAND HoldCo S.à r.l. pro rata to their respective shareholdings in Corestate SAND HoldCo S.à r.l. According to a trust agreement between vitB AG (now W5 Group AG) and Ralph Winter as of 3 October 2014, all earnings and other payments resulting from the shares held by Ralph Winter in Corestate SAND HoldCo S.à r.l. are for the benefit of vitB AG (now W5 Group AG).

#### *Share purchase and transfer agreement in relation to shares in HIGHSTREET PropCo I GmbH*

On 12 November 2014, Corestate SAND HoldCo S.à r.l. as seller entered into a share purchase and transfer agreement regarding all shares in HIGHSTREET PropCo I GmbH, a limited liability company incorporated under the laws of the Federal Republic of Germany with a registered share capital of EUR 35,000, with Corestate Highstreet HoldCo S.à r.l. and Highstreet AcquiCo S.à r.l. as purchasers.

The share capital of HIGHSTREET I PropCo I GmbH was divided into two shares with one share having a nominal amount of EUR 31,500 (“**Highstreet I Share 1**”) and one share having a nominal amount of EUR 3,500 (“**Highstreet I Share 2**”). Pursuant to the share purchase agreement, Corestate SAND HoldCo S.à r.l. sold and transferred the Highstreet I Share 1 to Corestate Highstreet HoldCo S.à r.l. for a purchase price of EUR 3,420,000.00 and the Highstreet I Share 2 to Highstreet AcquiCo S.à r.l. for a purchase price of EUR 380,000.00, so that Corestate Highstreet HoldCo S.à r.l. holds 90% and Highstreet AcquiCo S.à r.l. holds 10% of the share capital of HIGHSTREET PropCo I GmbH.

*Loan purchase agreement between CCAG, vitB AG (now and hereinafter W5 Group AG), Ralph Winter, Thomas Landschreiber, Corestate Highstreet HoldCo S.à r.l. and Highstreet PropCo I GmbH*

Pursuant to a loan purchase agreement also dated 12 November 2014, CCAG, W5 Group AG, Ralph Winter, Thomas Landschreiber assigned to Corestate Highstreet HoldCo S.à r.l. the right to receive from Highstreet PropCo I GmbH repayment of the shareholder loans provided by each of them. Pursuant to the loan purchase agreement, Corestate Highstreet HoldCo S.à r.l. would receive EUR 11,500,000 originally payable to CCAG, EUR 11,973,214 originally payable to W5 Group AG, EUR 1,497,589 originally payable to Ralph Winter and EUR 998,393 originally payable to Thomas Landschreiber, including all interest accrued. The aggregate consideration to be paid by Corestate Highstreet HoldCo S.à r.l. for the loan purchase agreement was EUR 26,000,000, of which EUR 11,500,000 was paid to CCAG, EUR 12,000,000 was paid to W5 Group AG, EUR 1,500,000 was paid to Ralph Winter and EUR 1,000,000 was paid to Thomas Landschreiber.

The transferred loans initially served to pre-fund the acquisition of the property that is owned by Highstreet PropCo I GmbH.

*Share purchase agreement in relation to shares in HIGHSTREET FinCo I S.à r.l.*

On 7 March 2016, CCAG as seller entered into a share purchase agreement regarding all shares in HIGHSTREET FinCo I S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg with a share capital of EUR 50,000, with Corestate HIGHSTREET TopCo Limited as purchaser. Pursuant to the share purchase agreement, CCAG sold and transferred all 50,000 shares in HIGHSTREET FinCo I S.à r.l. with a par value of EUR 1.00 each to HIGHSTREET TopCo Limited for a purchase price of EUR 50,000 so that HIGHSTREET TopCo Limited holds 100% of the share capital of HIGHSTREET FinCo I S.à r.l.

## ***2. Transactions relating to Project Highstreet II***

The following transactions are related to Project Highstreet II. Initially the respective assets had been held for warehousing purposes and, after respective value creation, had been converted into the Highstreet II investment product. Moreover, the described transactions served to fund the acquisition of such warehousing assets initially held for warehousing purposes.

*Loan purchase agreement and set-off agreement between vitB AG (now and hereinafter W5 Group AG) and CCAG*

Pursuant to a loan purchase agreement dated 28 May 2015 between CCAG and W5 Group AG, CCAG assigned to W5 Group AG a claim for repayment of a loan in the amount EUR 4,550,000 granted by CCAG as shareholder in favor of Highstreet II PropCo I GmbH. The consideration under the loan purchase agreement amounted to EUR 4,536,350.

The consideration under the loan purchase agreement was settled pursuant to a set-off agreement dated 28 May 2015 between CCAG and W5 Group AG. The consideration under the loan purchase agreement payable by W5 Group AG to CCAG was fully set-off against a claim relating to payment of outstanding dividends in the amount of EUR 4,536,350 payable by CCAG to W5 Group AG after

Ralph Winter – the original creditor of the dividend claim – assigned his claim to receive dividend payments by CCAG to W5 Group AG.

The transaction served to finance the acquisition of warehousing assets and *inter alia* to abbreviate the payment mechanism (*Verkürzung des Zahlungswegs*).

*Loan purchase agreement between CCAG, vitB AG (now and hereinafter W5 Group AG), Corestate II Highstreet HoldCo S.à r.l. and Highstreet II PropCo I GmbH*

On 30 June 2015, CCAG, W5 Group AG, Corestate II Highstreet HoldCo S.à r.l. and Highstreet II PropCo I GmbH entered into a loan purchase agreement, pursuant to which CCAG and W5 Group AG each assigned the right to receive repayment of shareholder loans amounting to EUR 4,550,000 and EUR 4,550,000 (in each case including interest accrued) respectively from Highstreet II PropCo I GmbH to Corestate II Highstreet HoldCo S.à r.l. The aggregate consideration for the loan purchase agreement was EUR 9,100,000, of which EUR 4,550,000 was paid to CCAG and EUR 4,550,000 was paid to W5 Group AG.

The transaction served to finance the acquisition of warehousing assets and *inter alia* to abbreviate the payment mechanism (*Verkürzung des Zahlungswegs*).

*Share purchase agreement between CCAG and vitB AG (now and hereinafter W5 Group AG) in relation to shares in Soest HoldCo S.à r.l.*

On 7 May 2015, CCAG entered into a share purchase agreement with W5 Group AG in relation to the sale and transfer of a portion of CCAG's shares in Soest HoldCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, which was a wholly-owned subsidiary of CCAG with a share capital of EUR 75,000. Under the share purchase agreement, CCAG sold and transferred 13,650 shares in Soest HoldCo S.à r.l. to W5 Group AG for an aggregate purchase price of EUR 13,650.00. The purpose of the transaction was the contemplated entry of W5 Group AG in the structure of Project Highstreet II.

*Share purchase agreement in relation to shares in HIGHSTREET II PropCo I GmbH*

Soest HoldCo S.à r.l. is a subsidiary of CCAG set up in order to acquire retail assets in Soest.

On 30 June 2015 Soest HoldCo S.à r.l. entered into a share purchase agreement with Corestate HIGHSTREET II HoldCo S.à r.l. and Highstreet II AcquiCo Ltd, each a wholly owned subsidiary of CCAG, in relation to the sale and transfer of the entire share capital in HIGHSTREET II PropCo I GmbH. The share capital of HIGHSTREET II PropCo I GmbH was divided into two classes of shares, in which the par value of each share in the first class of shares was EUR 31,500 (“**Highstreet II Class One Shares**”) and the par value of each share in the second class of shares was EUR 3,500 (“**Highstreet II Class Two Shares**”). Pursuant to the share purchase agreement, Soest HoldCo S.à r.l. sold and transferred the Highstreet II Class One Shares to Corestate HIGHSTREET II HoldCo S.à r.l. for a purchase price of EUR 2,250,000 and the Highstreet II Class Two Shares to Highstreet II AcquiCo Ltd. for a purchase price of EUR 250,000.

### **3. Transactions relating to the “Captive” Investment Structure (Highstreet III)**

*Loan agreement with Ralph Winter and Corestate Captive Propco III S.à r.l.*

Under a loan agreement dated 5 June 2015 Ralph Winter as lender granted a EUR 2,450,000 loan to Corestate Captive Propco III S.à r.l. as borrower. The purpose of the loan was to partly finance an advance payment of the purchase price in respect of the purchase of a property located in Paderborn. The agreement stipulates an interest rate of 10% p.a. and a term until 30 September 2015. The loan

may be repaid at any time and must be repaid if the borrower obtains sufficient liquidity by itself or through its direct shareholder or indirect shareholder (CAP HoldCo S.à r.l. and CAP Finco S.à r.l. (“**CAP Finco**”), respectively). In case of such repayment the borrower must pay a repayment fee in an amount that, when aggregated with the interest accrued until the repayment, will equal 5% of the loan amount. The loan was settled on 5 August 2015 in connection with a draw down of a tranche of the below loan agreement as of 7 July 2015 (with Intershop Holding AG) in the amount of EUR 6,255,011.13 which was paid out to Cap FinCo S.à r.l. after deduction of EUR 2.45 million thus totalling EUR 3,567,093.34. As at the date of this Prospectus no amounts are outstanding under this loan.

*Loan agreement with Thomas Landschreiber and Corestate Captive Propco III S.à r.l.*

Under a loan agreement dated June 2015 Thomas Landschreiber as lender granted a EUR 825,000 loan to Corestate Captive Propco III S.à r.l. as borrower. The purpose of the loan was to partly finance an advance payment of the purchase price in respect of the purchase of a property located in Paderborn. The agreement stipulates an interest rate of 10% p.a. and a term until 30 September 2015. The loan may be repaid at any time and must be repaid if the borrower obtains sufficient liquidity by itself or through its direct shareholder or indirect shareholder (CAP HoldCo S.à r.l. and CAP Finco, respectively). In case of such repayment the borrower must pay a repayment fee that, when aggregated with the interest accrued until the repayment, will equal 5% of the loan amount. The loan was repaid on 1 October 2015. As at the date of this Prospectus, no amounts were outstanding under this loan agreement.

*Loan agreement with Corestate MCIF GmbH & Co. KG and Corestate Captive Propco III S.à r.l.*

Under a loan agreement dated June 2015 Corestate MCIF GmbH & Co. KG as lender granted a EUR 175,000 loan to Corestate Captive Propco III S.à r.l. as borrower. The purpose of the loan was to partly finance an advance payment of the purchase price in respect of the purchase of a property located in Paderborn. The agreement stipulates an interest rate of 10% p.a. and a term until 30 June 2016. The loan may be repaid at any time and must be repaid if the borrower obtains sufficient liquidity by itself or through its direct shareholder or indirect shareholder (CAP HoldCo S.à r.l. and CAP Finco, respectively). In case of such repayment the borrower must pay a repayment fee that, when aggregated with the interest accrued until the repayment, will equal 5% of the loan amount. The loan was repaid on 8 October 2015. As at the date of this Prospectus, no amounts were outstanding under this loan agreement.

#### **4. Transactions relating to the “Donald” Investment Structure**

*Loan purchase and transfer agreements in relation to loan receivables against Miller Development S.à r.l.*

On 7 April 2016, Donald HoldCo S.à r.l. as seller entered into a loan purchase and transfer agreement regarding a part of the rights and obligations of the principal amount outstanding and any accrued but unpaid interest under the loan agreement originally entered into by Müller 34 GmbH as lender and Miller Development S.à r.l. as borrower dated 21 August 2015 (as amended by amendment agreement dated 23 March 2016) and subsequently assigned by Müller 34 GmbH to Donald HoldCo S.à r.l. (“**Miller Loan**”) in a total amount of EUR 18,875 with Platin 1313 GmbH, a company owned by Thomas Landschreiber, as purchaser. Pursuant to the loan purchase and transfer agreement, Donald HoldCo S.à r.l. sold and transferred its rights and obligations regarding the loan amount of EUR 18,875 to Platin 1313 GmbH for a purchase price of EUR 18,875.

Also on 7 April 2016 and following the conclusion of the loan purchase and transfer agreement referred to above, Donald HoldCo S.à r.l. as seller entered into a loan purchase and transfer agreement

regarding the remaining part of the rights and obligations of the principal amount outstanding and any accrued but unpaid interest under the Miller Loan in a total amount of EUR 106,961 with W5 Group AG as purchaser. Pursuant to the loan purchase and transfer agreement, Donald HoldCo S.à r.l. sold and transferred its rights and obligations regarding the loan amount of EUR 106,961 to W5 Group AG for a purchase price of EUR 106,961.

*Share purchase agreement in relation to shares in Miller Development S.à r.l.*

On 7 April 2016, Donald HoldCo S.à r.l. as seller entered into a share purchase agreement regarding all shares of Donald HoldCo S.à r.l. in Miller Development S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg with a share capital of EUR 41,176, with W5 Group AG as purchaser. The share capital of Miller Development S.à r.l. was divided into 41,176 shares of which Donald HoldCo S.à r.l. held 35,000 shares. Pursuant to the share purchase agreement, Donald HoldCo S.à r.l. sold and transferred all of its 35,000 shares to W5 Group AG for a purchase price of EUR 265,000 so that W5 Group AG holds 100% of the share capital of Miller Development S.à r.l.

*Share purchase agreement in relation to shares in Donald HoldCo S.à r.l.*

On 7 April 2016, W5 Group AG as seller entered into a share purchase agreement regarding all shares of W5 Group AG in Donald HoldCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg with a share capital of EUR 25,000, with CCAG as purchaser. The share capital of Donald HoldCo S.à r.l. was divided into two classes of shares, in which the par value of each share in the first class of shares (class A ordinary shares) was EUR 4,687 held by CCAG and the par value of each share in the second class of shares (class B preference shares) was EUR 20,313 held by W5 Group AG. Pursuant to the share purchase agreement, W5 Group AG sold and transferred all of its 20,313 class B preference shares with a par value of EUR 1.00 each to CCAG for a purchase price of EUR 4,658,575 so that CCAG holds 100% of the share capital of Donald HoldCo S.à r.l.

**5. Transactions relating to the “ACROSS (Frankfurt Eschersheimer Landstraße 7)” Investment Structure**

ACROSS (EL7) S.à r.l. is a subsidiary of CCAG set up in order to acquire a property and the subsequent re-development of a serviced apartment complex in the city centre of Frankfurt am Main, Germany,

*Share purchase agreements in relation to shares in ACROSS (EL7) S.à r.l.*

On 29 June 2016, ACROSS HoldCo S.à r.l. as seller entered into two share purchase agreements regarding all shares of ACROSS HoldCo S.à r.l. in ACROSS (EL7) S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg with a share capital of EUR 30,000, with ACROSS TopCo 1 S.à r.l. and ACROSS TopCo 2 S.à r.l. as purchasers. Pursuant to the share purchase agreement with ACROSS TopCo 1 S.à r.l., ACROSS HoldCo S.à r.l. sold and transferred 3,000 shares with a par value of EUR 1.00 each to ACROSS TopCo 1 S.à r.l. for a purchase price of EUR 744,400 so that ACROSS TopCo 1 S.à r.l. holds 10% of the share capital of ACROSS (EL7) S.à r.l. Pursuant to the share purchase agreement with ACROSS TopCo 2 S.à r.l., ACROSS HoldCo S.à r.l. sold and transferred 27,000 shares with a par value of EUR 1.00 each to ACROSS TopCo 2 S.à r.l. for a purchase price of EUR 6,699,600 so that ACROSS TopCo 2 S.à r.l. holds 90% of the share capital of ACROSS (EL7) S.à r.l.



## **6. Loan agreement between Ralph Winter and CCAG**

CCAG entered into a loan agreement with its controlling shareholder, Ralph Winter on 22 October 2010. Pursuant to this agreement, CCAG provided a EUR 765,000 loan to Ralph Winter for an initial term of five years which was extended until 31 December 2015. The loan is interest-bearing at an interest rate of 2.25% per annum. The loan plus interest was fully repaid to CCAG on 30 June 2016. As at the date of this Prospectus no amounts are outstanding under this loan agreement.

## **7. Transactions relating to Project Ben**

*Share purchase agreement between CCAG and vitB AG (now and hereinafter W5 Group AG) in relation to shares in Corestate IREI Holding S.A.*

Corestate IREI Holding S.A. a public limited company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg is the ultimate parent company set up for Project Ben. W5 Group AG acceded to this project to become a Co-investor on 4 March 2015 and CCAG entered into a share purchase agreement with W5 Group AG in relation to the sale and transfer of a portion of CCAG's shares in Corestate IREI Holding S.A. Pursuant to the share purchase agreement, CCAG sold and transferred 5,455,711 ordinary shares, 641,848 class A shares, 641,848 class B shares, 641,848 class C shares, 641,848 class D shares, 641,848 class E shares, 641,848 class F shares, 641,848 class G shares, 641,848 class H shares, and 641,848 class I shares in the share capital of Corestate IREI Holding S.A. to W5 Group AG for an aggregate purchase price of EUR 1,000,000.

## **8. Loans relating to Project T6**

Under a loan agreement dated 6 November 2015 Thomas Landschreiber as lender granted a EUR 1,500,000 loan to CCHSA as borrower. The purpose of the loan was to finance capital needs in connection with a change in the closing mechanics of Project T6. The loan was repaid on 30 June 2016. As at the date of this Prospectus no amounts are outstanding under this loan agreement.

Under a loan agreement dated 6 November 2015 vitB AG (now W5 Group AG) as lender granted a EUR 1,700,000 loan to CCHSA as borrower. The purpose of the loan was to finance capital needs in connection with a change in the closing mechanics of Project T6. The loan was repaid on 30 June 2016. As at the date of this Prospectus no amounts are outstanding under this loan agreement.

## **9. Financing agreement between Intershop Holding AG, vitB AG (now and hereinafter W5 Group AG), CAP Finco S.à r.l. and CCAG**

Intershop Holding AG, a shareholder previously holding 28.07% in the Company, and W5 Group AG, a wholly owned investment company of our shareholder Ralph Winter, entered into a loan agreement with CAP Finco S.à r.l., a wholly-owned subsidiary of the Company ("**CAP Finco**"), and CCAG on 7 July 2015 pursuant to which CAP Finco was granted a EUR 47,500,000 revolving credit facility (bridge facility) for the purposes of acquiring certain commercial (retail) properties in Germany and in order to provide financing for Project Salud through a subsidiary. The aforementioned loan of Ralph Winter granted to Corestate Captive Propco III S.à r.l. was settled within the draw down of a tranche of the credit facility, whereas the loans granted by Corestate MCIF GmbH & Co. KG and Thomas Landschreiber were repaid.

The loan agreement has been amended on 30 September 2015 by, *inter alia*, extending the loan purpose to allow for the drawdown of a loan in the amount of up to EUR 3,500,000 to fund a guarantee to be provided in the context of Project Salud.

Pursuant to a termination and security release agreement dated 10 June 2016 the loan has been repaid in full.

### ***10. Management Consultancy Agreement with vitB AG (now and hereinafter W5 Group AG)***

CCAG entered into a management consultancy agreement with W5 Group AG on 30 June 2013. Under the terms of the management consultancy agreement, W5 Group AG will provide consultancy services, *inter alia*, relating to the strategic development and investor relations to the Company. The term of the management consultancy agreement is for five years, ending on 30 June 2018. Pursuant to the terms of the management consultancy agreement, the consultancy services will be provided by Ralph Winter personally. For the services provided, W5 Group AG will receive an annual flat rate fee of CHF 450,000 (excluding VAT if applicable and expenses), payable quarterly in four instalments each of CHF 112,500.

In the financial years 2013, 2014 and 2015 and the period from 1 January 2016 to the date of this Prospectus, the amount paid to W5 Group AG by CCAG was in total EUR 2,801,000 (including costs and expenses).

The Company entered into a (new) management consultancy agreement with W5 Group AG on 27 September 2016 according to which W5 Group AG shall provide certain consultancy services to the Company (the “**Management Consultancy Agreement**”) and replacing the aforementioned agreement between CCAG and W5 Group AG effectively upon trading of the Company’s Shares on the open market (*Freiverkehr*) (Entry Standard) of the Frankfurt Stock Exchange (“**First Day of Trading**”). By entering into the Management Consultancy Agreement, the Company and the Corestate group intend to ensure the provision of consultancy services of W5 Group AG with the support of Ralph Winter to the Corestate group.

Under the terms of the Management Consultancy Agreement, W5 Group AG will provide consultancy services *inter alia* regarding strategic development, business plan, executive staffing, advice within the scope of Mr. Winter’s function within the senior advisor circle and as observer (without voting right) in the investment committee and supervisory board of the Company as well as capital raising. Neither W5 Group AG, its employees nor Ralph Winter assume a position or the responsibility of a body (*Organ*) of the Company or the Corestate group.

For the services provided, W5 Group AG will receive an annual flat fee of EUR 395,000 (excluding VAT (if applicable) and expenses), payable in four quarterly instalments each of EUR 98,750. Expenses of W5 Group AG will be reimbursed; regarding a personal assistant and a secretary up to an indexed amount of EUR 95,000 (if applicable excluding VAT) per annum.

The fixed term of the Management Consultancy Agreement is for five years conditioned upon the occurrence of the First Day of Trading. The Company may terminate the Management Consultancy Agreement only for good cause. W5 Group AG may terminate the Management Consultancy Agreement with six months’ prior notice to the end of a month as well as for good cause for which the Company is responsible.

### ***11. Sublease agreement between CCAG and vitB AG (now and hereinafter W5 Group AG)***

CCAG as sub-sub-lessor and W5 Group AG as sub-sub-lessee entered into a sublease agreement dated 8 November 2011 for office space (owner and main landlord: KFZ Immobilien AG). The rent per month amounts to CHF 1,340. The sublease agreement can be terminated by giving 3 months prior notice per the end of every month.

### ***12. Joint Venture and Co-Investment Agreements***

On 27 July 2012, vitB AG (now and hereinafter W5 Group AG) and CCAG as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “Energy” concerning an acquisition of a residential real estate portfolio located in Germany with an aggregate

transaction (equity) value of EUR 18.7 million. Of the total funds to be provided by the clients, W5 Group AG contributed a total amount of EUR 2,225,000 and CCAG contributed a total amount of EUR 2,000,000. The transaction was completed on 14 February 2014.

On 8 February 2013, Ralph Winter and CCAG as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “Squirrel” concerning an acquisition of a residential real estate portfolio in Germany with an aggregate transaction (equity) value of EUR 34 million. Of the total funds to be provided by the clients, Ralph Winter contributed a total amount of EUR 1,400,000 and CCAG contributed a total amount of EUR 1,950,000.

On 15 May 2014, Ralph Winter and CCAG as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “Ben” concerning an acquisition of a German stock corporation. Of the total funds to be provided by the clients, Ralph Winter contributed a total amount of EUR 135,000 and CCAG contributed a total amount of EUR 10,100,000. On 26 September 2014, CCAG transferred a part of its commitment in the amount of EUR 4,000,000 to a third party client. On 4 March 2015, vitB AG (now and hereinafter W5 Group AG) acceded to the joint venture and co-investment agreement with regard to project “Ben” as new client. For this purpose, CCAG sold and transferred a portion of its commitment to W5 Group AG in the amount of EUR 1,000,000.

On 7 November 2014, vitB AG (now and hereinafter W5 Group AG) and CCAG as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “Highstreet” concerning an acquisition of a real estate portfolio comprising retail properties located in Germany with an aggregate transaction value of EUR 52.75 million. Of the total funds to be provided by the clients, W5 Group AG contributed a total amount of EUR 6,000,000 and CCAG contributed a total amount of EUR 6,450,000. The joint venture and co-investment agreement was amended by amendment agreements as of 7 March 2016 and 10 March 2016. The transaction is on-going.

On 26 April 2016, W5 Group AG and CCAG as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “Highstreet V” concerning an acquisition of a real estate portfolio comprising retail properties located in Germany with asset value of up to EUR 114,304,000. Of the total funds to be provided by the clients, W5 Group AG contributed a total amount of EUR 1,000,000 and CCAG contributed a total amount of EUR 1,300,000. The transaction is on-going.

On 11 May 2016, W5 Group AG and Thomas Landschreiber as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “Rose” concerning the acquisition of a property in Munich, Germany, and the subsequent development of a serviced apartment complex on the acquired plot. Of the total funds to be provided by the clients, W5 Group AG contributed a total amount of EUR 5,155,120 and Thomas Landschreiber contributed a total amount of EUR 649,207. The transaction is on-going as of the date of this prospectus.

On 24 June 2016, W5 Group AG and the Company as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “ACROSS (Frankfurt Eschersheimer Landstraße 7)” concerning the acquisition of a property and the subsequent re-development of a serviced apartment complex in the city centre of Frankfurt am Main, Germany. Of the total funds to be provided by the clients, W5 Group AG contributed a total amount of EUR 3,150,000 and the Company contributed a total amount of EUR 1,100,000. The transaction is on-going.

### ***13. Project Investments***

In December 2014, vitB AG (now and hereinafter W5 Group AG) together with CCAG invested in project “Donald” concerning an acquisition of three real properties located in Germany which, as the

case may be, shall be used for project development purposes. The aggregate transaction (equity) value amounts to EUR 7 million. The transaction is on-going.

In December 2014, vitB AG (now and hereinafter W5 Group AG) together with CCAG invested in project “Soest” concerning an acquisition of a retail property (shopping centre) located in Germany with an aggregate transaction (equity) value of EUR 18.25 million. The transaction was completed in December 2014.

#### **14. Termination Agreement with Philipp Burns**

On 29 July 2013, CCAG and Philipp Burns, former Chief Executive Officer of CCAG, entered into a settlement agreement to settle all outstanding claims resulting from the terminated management service agreement between CCAG and Philipp Burns. The parties to the termination agreement agreed that CCAG shall pay to Philipp Burns (i) a compensation of EUR 1,425,000 (consisting of several tranches, partially excluding withholding tax) as well as (ii) EUR 565,909.09 net as full and final exit payment with regard to Project Berry in which Philipp Burns personally was invested. Furthermore, the so called long term incentive plan was terminated under a separate agreement between CCAG, Philipp Burns, Ralph Winter and Thomas Landschreiber as of 29 July 2013 providing for no additional payment.

#### **15. Call-/Put-Option Agreement/Assumption of Call-/Put-Option Agreement regarding shares in Corestate Capital Advisors GmbH**

Ralph Winter and Michael Schleich, the former sole shareholder of the legal predecessor of Corestate Capital Advisors GmbH, GREAT German Real Estate Advisory Team GmbH, entered into a Call-/Put-Option Agreement regarding the sale and transfer of all shares in GREAT German Real Estate Advisory Team GmbH on 3 December 2009. Under the Call-/Put-Option Agreement Michael Schleich was entitled to sell all shares in GREAT German Real Estate Advisory Team GmbH to Ralph Winter or a third party nominated by Ralph Winter from 31 December 2010 onwards (and subsequently at all times at 1 January and 1 July of each year) and Ralph Winter or a third party nominated by Ralph Winter was entitled to acquire such shares at any time. The purchase price amounted to EUR 31,000 (plus interest in the amount of 6% per year since 23 April 2009). Ralph Winter, CCAG and Michael Schleich entered into a transfer agreement regarding the Call-/Put-Option Agreement on 7 August 2013 with which Ralph Winter’s contractual rights and obligations were transferred to CCAG. As a consequence, Ralph Winter was released from any rights and obligations resulting from the Call-/Put-Option Agreement as of 3 December 2009 and replaced by CCAG. CCAG acquired all shares in Corestate Capital Advisors on 7 August 2013 and paid EUR 25,000 (plus interest in the amount of 6% per year since 23 April 2009) to Michael Schleich.

#### **16. Overview – Transactions with Key Management Personnel**

The following table sets out the volume of transactions with Key Management Personnel.

<b>Transactions with Key Management Personnel</b>				
<i>(k€)</i>	<b>1/1/- 30/6/2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Short-term employee benefits	(1,344)	(1,561)	(1.165)	(2,261)
Bonus awards (MCIF)	(200)	(921)	(527)	(346)
Post-employment pension	-	(142)	(125)	(221)
Equity settled share based payment	(6)	(6)	(12)	(12)
Service Agreement termination benefits	-	-	-	(998)

Cost reimbursements to member of the administrative board	(124)	(457)	(7)	(11)
Profit Distributions to key management personnel from MCIF	-	(55)	(123)	(191)

### **17. Transactions with Investment Structures**

CCAG or the Company, respectively, invest typically between 5% and 10% in each of its Investment Structures alongside its clients as alignment capital investment. Since CCAG or the Company, respectively, provide comprehensive real estate investment management services to, and are acting as asset manager for such Investments Structures, these Investment Structures 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 as well as Asset Management Agreements, and are entered into with and approved by our clients.

The following table sets out the volume of transactions with Investment Structures.

<b>Transactions with Investment Structures (Associates)</b>				
<i>(k€)</i>	<b>1/1/- 30/6/2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenue from Acquisition Related Fees	3,129	4,483	2,919	7,757
Revenue from Asset and Property Management	3,459	6,744	4,331	3,823
Revenues from Sales Fees	-	491	602	2,126
Revenue from Promote realized	-	12,298	8,567	2,997
Proceeds from Selling Property Holding Companies	13,302	2,506	3,800	-
Loans received from Associates	-	-	1,671	3,354
Interest income from Associates	22	172	67	60
Interest expenses from Associates	(6)	-	-	-

Please refer to “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” for more information.

### **18. Advisory Agreements with Blattmann Advokatur & Notariat**

vitB AG (now and hereinafter W5 Group AG), CCAG and Corestate Capital Transactions AG entered into advisory agreements with Blattmann Advokatur & Notariat, the law firm of which Micha Blattmann is a partner. The advisory agreements with CCAG and Corestate Capital Transactions AG were mutually terminated on 16/19 October 2015 and on 1 September 2016, respectively.

Please refer to the Section “*Certain Information Regarding the Members of the Management Board Supervisory Board and Members of the Senior Management*” for more information.

### **19. Guarantee and Subscription Agreement**

On 2 September 2016, Daniel Schoch, Ralph Winter, CCAG, Thomas Landschreiber and the Company entered into a guarantee and subscription agreement (“**Guarantee and Subscription Agreement**”). Under this agreement the Company has undertaken to issue and Daniel Schoch agreed to subscribe to shares of the Company representing 0.625% of the Company’s share capital (as at the date of the Offering) for a subscription price equal to the accounting par value per share provided that the Company's Management Board has resolved its final decision to launch the Offering. 25% of such shares are subject to a lock up for 12 months and the remaining 75% are subject to a lock up of 36 months in each case following the first day of listing in any regulated or unregulated market.

## ***20. Loan agreements between Ralph Winter and the Company***

Under a loan agreement dated 31 August 2016, Ralph Winter as lender granted a EUR 1,000,000 loan to the Company as borrower. The purpose of the loan is to (indirectly) finance a part of an advance payment of the purchase price for the acquisition of a commercial property located in Bocholt, Neutor-Center, by an affiliate of the Company, Highstreet VI PropCo I. S.à r.l. The loan agreement stipulates an interest rate of 10% p.a. and a term until 15 December 2016. The lender pays the loan amount directly to Highstreet VI PropCo I. S.à r.l. The loan may be repaid at any time and must be repaid if the borrower obtains sufficient liquidity by means of debt or equity or by other business activities to prepay the loan taking into account the capital requirements of the borrower and its affiliated companies within the meaning of Secs. 15 AktG et seq. In case of such repayment the borrower must pay a repayment fee in an amount that, when aggregated with the interest accrued until the repayment, will lead to an interest rate of 5% of the loan amount. As at the date of this Prospectus EUR 1,000,000 are outstanding under this loan agreement excluding accrued interest.

Under a loan agreement dated 28 July 2016 between Ralph Winter as lender and the Company as borrower Ralph Winter has granted a loan to the Company for general corporate purposes in an amount of EUR 6 million. The loan has a term of six months and bears interest at a rate of 8% p.a. It can be prepaid at any time without triggering prepayment costs. No security has been granted to secure the loan. As at the date of this Prospectus, the loan is outstanding in an amount of EUR 6 million.

## ***21. Loan agreement between Thomas Landschreiber and the Company***

Under a loan agreement dated 31 August 2016, Thomas Landschreiber as lender granted a EUR 1,000,000 loan to the Company as borrower. The purpose of the loan is to (indirectly) finance a part of an advance payment of the purchase price for the acquisition of a commercial property located in Bocholt, Neutor-Center, by an affiliate of the Company, Highstreet VI PropCo I. S.à r.l. The loan agreement stipulates an interest rate of 10% p.a. and a term until 15 December 2016. The lender pays the loan amount directly to Highstreet VI PropCo I. S.à r.l. The loan may be repaid at any time and must be repaid if the borrower obtains sufficient liquidity by means of debt or equity or by other business activities to prepay the loan taking into account the capital requirements of the borrower and its affiliated companies within the meaning of Secs. 15 AktG et seq. In case of such repayment the borrower must pay a repayment fee in an amount that, when aggregated with the interest accrued until the repayment, will lead to an interest rate of 5% of the loan amount. As at the date of this Prospectus EUR 1,000,000 are outstanding under this loan agreement excluding accrued interest.

## ***22. Share Purchase and Transfer Agreement between Ralph Winter and Michael Schleich***

Ralph Winter as seller and Michael Schleich, managing director of a subsidiary of the Company, as purchaser entered into a share purchase and transfer agreement regarding the sale and transfer of 78,869 shares in the Company. The share purchaser and transfer agreement was completed thereby settling certain outstanding claims of Michael Schleich (see “Information Existing Shareholders” for more information on the shareholder structure of the Company).

## ***23. Investment Advisory Agreement with W5 Group LLC and the Company***

The Company 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 the date of this Prospectus, 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.

#### ***24. Termination Agreement between Ralph Winter and Thomas Landschreiber***

Ralph Winter and Thomas Landschreiber have entered into a termination agreement on 23 September 2016 terminating the lock-up agreement which was entered into between Ralph Winter and Thomas Landschreiber within the aborted IPO in 2015 dated 14/16 October 2015. The parties to the termination agreement consider that due to the aborted IPO in 2015, the initial lock-up agreement was not effective. However, as a matter of precaution, Ralph Winter and Thomas Landschreiber have terminated such lock-up agreement by means of the termination agreement dated 23 September 2016. The termination agreement provides that the initial lock-up agreement dated 14/16 October 2015 is terminated and that the rights and obligations from such agreement have expired.

#### ***25. Investment in private placement***

Mr Ralph Winter formally invested in the private placement but immediately transferred the issued Shares to an escrow agent holding such Shares for third party investors being obliged to only invest in listed shares.

#### ***26. Termination Agreement between the Company, CCAG, Ralph Winter and Thomas Landschreiber***

Intershop Holding AG exited from the Shareholders' Agreement and Participation Agreement on 30 June 2016 within the context of the sale and transfer by Intershop Holding AG of its stake in the Company to Ralph Winter. Certain rights and obligations remaining from the Shareholders' Agreement and Participation Agreement applicable only to Ralph Winter and Thomas Landschreiber (e.g. sales restrictions), were terminated with effect as of completion of the date of the inclusion to trading of the Company's Shares in the open market (*Freiverkehr*) of the Frankfurt Stock Exchange by means of the termination agreement entered into by the Company, CCAG, Ralph Winter and Thomas Landschreiber on 27 September 2016.

#### ***27. Contemplated intermediary purchase of a bond***

In context of the proposed student housing transaction with a fund vehicle established by Bayerische Versorgungskammer as purchaser (**BVK Vehicle**) (please also refer to "*Recent Developments and Outlook*"), a vehicle held by the Company may consider to facilitate the redemption of a bond amounting to approximately EUR 9 million by purchasing such bond, however, such purchase being fully financed and secured by the BVK Vehicle. Subsequently, the bond shall be sold back to the issuer based on the same conditions like the aforementioned sale and purchase so that the contemplated measure shall have no economic or accounting effects. The contemplated measure presupposes the consummation of the transaction. It is still uncertain whether the described measure is finally favored by the parties to the transaction (including the aforementioned vehicle held by the Company) or whether alternative facilitating measures are favored.

## INFORMATION ON EXISTING SHAREHOLDERS

### Shareholder Structure

The following table sets forth the direct existing shareholders of the Company at the date of the Prospectus as well as their shareholdings.

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<b>Direct Shareholder</b>	<b>At the date of the Prospectus (figures are mathematically rounded)</b>
Ralph Winter	<i>66.1%</i>
Management of Company (including Thomas Landschreiber, Daniel Schoch, Micha Blattmann, Urs Felder)	<i>6.5%</i>
Free Float	<i>27.4%</i>
<b>Total</b>	<b><i>100.00%</i></b>

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## GENERAL INFORMATION ABOUT THE COMPANY AND ITS PRINCIPAL SHAREHOLDERS

### History and Formation of the Company

The Company was incorporated on 21 August 2015. Our principal operating subsidiary, CCAG is a company incorporated under the laws of Switzerland, with its registered office at Baarerstrasse 135, CH-6300 Zug, Switzerland.

The following table sets out key milestones of CCAG:

<b>Month/Year</b>	<b>Key Milestones</b>
June 2006	Foundation of CCAG by Ralph Winter and Thomas Landschreiber
2006 to 2009	Acquisition and management of a German residential and commercial real estate portfolio with a combined value of EUR 1.4 billion for institutional clients
2010	Introduction of new product strategy, i.e. club deals from semi-institutional and ultra high net worth clients with alignment capital from CCAG
May 2010	Launch of first club deal in Germany and raised equity of EUR 34.0 million
October 2012	Launch of our club deal in Austria comprising student housing and raised equity of EUR 5.0 million
October 2012 to April 2013	Launched 4 club deals (Project Energy, Project Squirrel, Project Vitu and Project T6) and raised total equity of EUR 126.7 million
July 2013	Further vertical integration along the real estate chain by the acquisition of Capera to expand property management expertise
August 2013	Capital Increase by Intershop Holding AG of EUR 17.6 million; Intershop Holding AG becomes minority shareholder
2013	Entry into Austrian real estate market by way of landmark EUR 70 million student home development in Vienna
November 2014	Launch of a new investment product – retail assets in Project Highstreet and raised equity of EUR 52.8 million
December 2014	Further increase of Austrian market presence with regard to a real estate project with a projected volume of EUR 431 million
January 2015	Corestate Capital Fund Management S.à r.l. obtained its AIFM authorization from the CSSF
February 2015	CCAG entered into an exclusive joint venture with leading local market participants Espacio and OHL to enter the Spanish market; first transaction is a landmark high-rise tower in Madrid (EUR 240m)
June 2015	CCAG obtained the license by the Swiss Financial Markets Authority FINMA to distribute collective investment schemes

August 2015	Incorporation of the Company as new holding company of the Corestate-group
October 2015	Strategic partnership with Sistema Capital Partners for a co-investment program to raise and jointly manage third party capital
June 2016	Ralph Winter buys stake of Intershop Holding AG in Corestate Capital Holding S.A.
September 2016	The Company completed a privat placement in an aggregated amount of approximately EUR 43 million by way of a cash capital increase subscribed by new investors

On 2 August 2013, Ralph Winter, Thomas Landschreiber and Intershop Holding AG entered into a Shareholders' Agreement (*Aktionärsbindungsvertrag*) in relation to their respective rights and obligations as shareholders of Corestate Capital AG (CCAG).

On 2 August 2013, Ralph Winter, Thomas Landschreiber and Intershop Holding AG entered into a participation agreement regarding CCAG ("**Participation Agreement**", *Beteiligungsvertrag*).

Intershop Holding AG exited from the Shareholders' Agreement and Participation Agreement on 30 June 2016 within the context of the sale and transfer by Intershop Holding AG of its stake in the Company to Ralph Winter. Certain rights and obligations applicable only to Ralph Winter and Thomas Landschreiber, were terminated on 27 September 2016 with effect as of completion of the date of the inclusion to trading of the Company's Shares in the open market (*Freiverkehr*) of the Frankfurt Stock Exchange. Please refer to "*Material Contracts*" and "*Certain Relationships and Related Party Transactions*" for more information.

On 21 September 2015, Ralph Winter entered into a call option agreement regarding the sale of 5.9189% of the share capital and the voting rights in the Company as at 21 September 2015 with a third party acquirer which is not known to the Company.

On 15 December 2014, Ralph Winter acquired 621 Participation Certificates from Nikolai Dëus von Homeyer. The board of CCAG approved the transfer with resolution dated 11 May 2015. The purchase was combined with the set-off of a former loan claim. Another transfer of 1146 Participation Certificates from Thomas Herschinger to Ralph Winter took place on 29 April 2015 and was formally approved by the board of CCAG on 11 May 2015.

## GENERAL INFORMATION ON THE COMPANY AND THE GROUP

### **Formation, Incorporation, entry in the companies register, registered office, name, Financial Year**

The Company was incorporated as a public limited liability company (*société anonyme*) under Luxembourg law on 21 August 2015. The Company is registered in the Companies Register under the number B199780. The Company's registered office is 35, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg (tel. +352 2663 7222). The Company is the Corestate Groups' holding company. The Company and the Corestate Group primarily operates under the commercial name "Corestate".

Pursuant to article 25 of the Articles of Association, the Company's accounting year is the calendar year.

### **Duration of the Company and Corporate Purpose**

The Company was established for an unlimited period of time.

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.

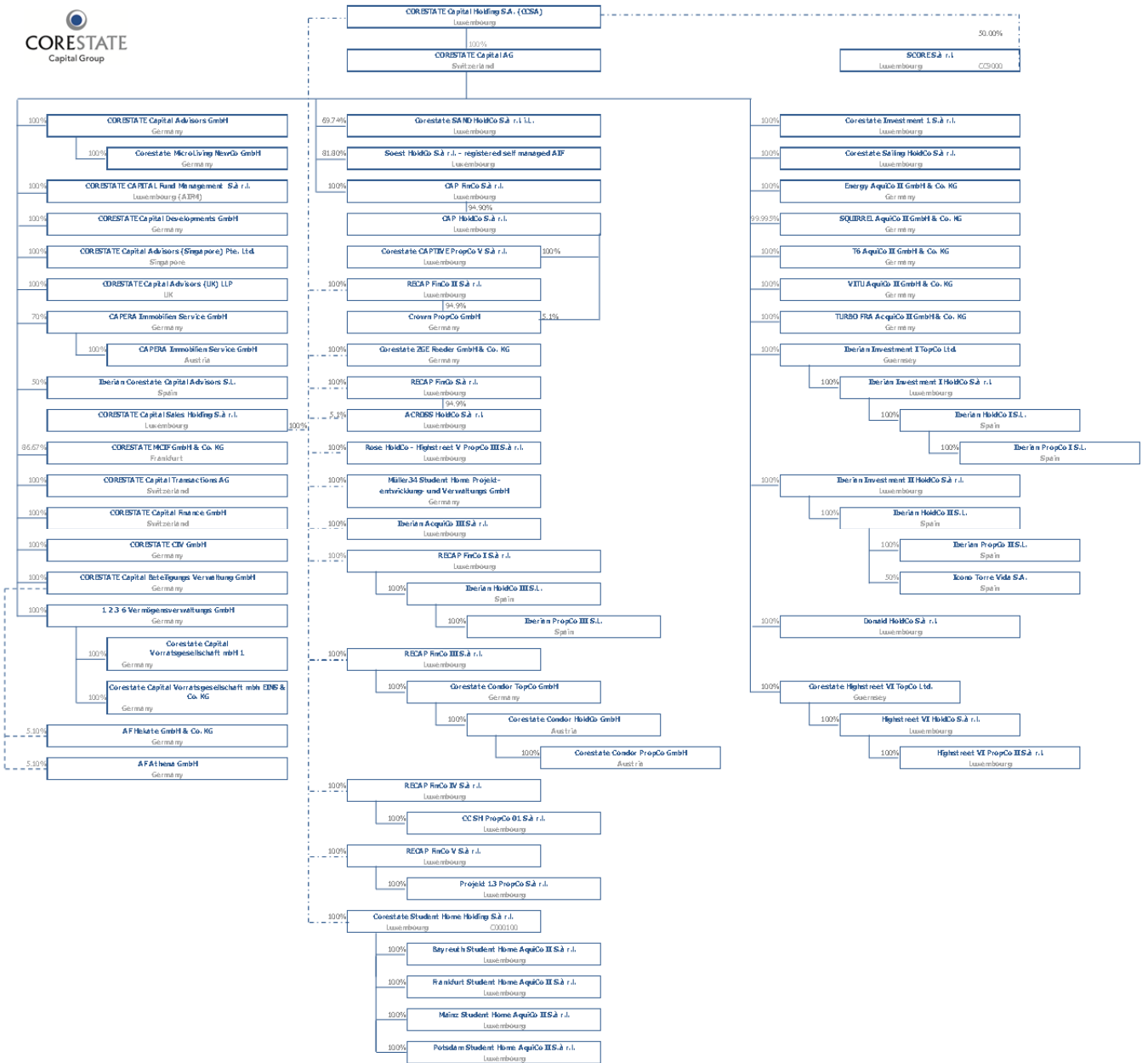
In general, the Company may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its purpose.

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.

### **Group Structure**

The Company is the holding company of CCAG and of the Corestate Group. The Company's business is primarily conducted by the relevant operating subsidiaries. The CCAG's consolidated financial statements include all material subsidiaries whose financial and business policy can be controlled by the Company, either directly or indirectly, and the equity interests of the group whose financial and business policy can be influenced by the group to a significant extent. The group of consolidated companies includes 51 subsidiaries as of the date of this Prospectus.

The following diagram sets forth a (simplified) summary of the Company's significant subsidiaries as of the date of this Prospectus. The shareholdings are calculated on the basis of the economic interest in the respective entity. The shareholdings set out below are rounded mathematically.



## Significant Subsidiaries

The following table provides an overview of the Company's significant subsidiaries as of the date of this Prospectus. The shareholdings reflect the Companies' direct and indirect economic interest in the respective entity. This means that shares held by the respective company itself are not taken into account when computing the percentage of participation. As of the date of the Prospectus, no amount was outstanding under the issued shares for the subsidiary listed below. The significant subsidiaries' field of business is real estate investment and related services.

Company's significant subsidiaries		
Name	Seat and Country of incorporation	% equity interest
CORESTATE CAPITAL AG	Zug/Switzerland	100.00%
CAP FinCo S.à r.l.	Luxembourg	100.00%
CORESTATE Capital Advisors (Singapore) Pte. Ltd.	Singapore	100.00%
CORESTATE Capital Advisors GmbH	Frankfurt am Main/Germany	100.00%
CORESTATE Capital Developments GmbH	Frankfurt am Main/Germany	100.00%
CORESTATE CAPITAL Fund Management S.à r.l.	Luxembourg	100.00%
CAPERA Immobilien Service GmbH	Neu-Isenburg/Germany	70.00%

## Auditors

Ernst & Young S.A., 35E avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg ("E&Y Lux") audited the consolidated financial statements of the Company as of and for the year ended 31 December 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and issued an unqualified auditors' report. The interim condensed consolidated financial statements of the Company for the period from 1 January 2016 to 30 June 2016 are unaudited.

E&Y Lux conducted audit in accordance with International Standards on Auditing as adopted for Luxembourg by the CSSF. E&Y Lux is a member of the Luxembourg Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises*) qualifying as *cabinet de révision agréé*.

Ernst & Young Ltd., Maagplatz 1, CH-8010 Zurich, Switzerland audited the consolidated financial statements of Corestate Capital AG prepared in accordance with IFRS as of and for the financial years ended 31 December 2014 and 31 December 2013, and issued in each case an unqualified auditor's report. Ernst & Young Ltd. is a member EXPERTsuisse, the Swiss Expert Association for Audit, Tax and Fiduciary.

## Notifications, Paying Agent

Announcements of the Company are published on the Company's website ([www.corestate-capital.com](http://www.corestate-capital.com)).

The paying agent and LuxCSD principal agent is BNP Paribas Securities Services, Luxembourg branch, with registered office at 60, avenue J.-F. Kennedy, L-5826 Luxembourg, Grand Duchy of Luxembourg.

## DESCRIPTION OF SHARE CAPITAL OF CORESTATE CAPITAL HOLDING S.A. AND APPLICABLE REGULATIONS

### Current Share Capital; Shares

The Company's share capital is set at set at nine hundred forty-five thousand eight hundred one Euro and fourteen Cent (EUR 945,801.14), represented by twelve million six hundred ten thousand six hundred eighty-one (12,610,681) shares without a par value, all of which are fully paid up. All shares have the same rights and entitlements.

### *Development of the Share Capital since the Company's Foundation*

The share capital of the Company has developed as follows:

As of the incorporation of the Company on 21 August 2015 the Company had a share capital of EUR 35,000, divided into 1,750,000 shares with a par value of two cents (EUR 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 par value, being two cent (EUR 0.02).

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 (EUR 159,846) in order to bring it from its previous amount of thirty-five thousand Euro (EUR 35,000) represented by one million seven hundred fifty thousand (1,750,000) shares, up to a new amount of one hundred ninety-four thousand eight hundred forty-six Euro (EUR 194,846), represented by nine million seven hundred forty-two thousand three hundred (9,742,300) shares, through the creation and issuance of seven million nine hundred ninety-two thousand three hundred (7,992,300) shares of the Company, with a par value of two cents of an Euro (EUR 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 twenty-nine million five hundred eighty thousand eight hundred forty-six Euro (EUR 29,580,846) 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.



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 five hundred and fifty-five thousand one hundred and fifty-four Euro (EUR 555,154) in order to bring it from its current amount of one hundred and ninety-four thousand eight hundred and forty-six Euro (EUR 194,846) represented by nine million seven hundred and forty-two thousand three hundred (9,742,300) shares, up to a new amount of seven hundred and fifty thousand Euro (EUR 750,000), represented by ten million (10,000,000) shares, through the creation and issuance of two hundred fifty-seven thousand seven hundred (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 fifty-five thousand one hundred and fifty-four Euro (EUR 555,154), contributed by the shareholders as follows:

- Ralph Winter contributed five hundred and twelve thousand four hundred and thirty-four Euro (EUR 512,434) in cash against the issuance of two hundred and thirty-seven thousand eight hundred and seventy (237,870) new shares in the Company,
- Thomas Landschreiber contributed thirty-seven thousand one hundred and twenty-two Euro (EUR 37,122) in cash against the issuance of seventeen thousand two hundred and thirty-two (17,232) new shares in the Company,
- Christine Winter contributed three thousand five hundred and ninety-eight Euro (EUR 3,598) in cash against the issuance of one thousand six hundred and seventy (1,670) new shares in the Company, and
- Silke Hechler (née Otto) contributed two thousand Euro (EUR 2,000) in cash against the issuance of nine hundred and twenty-eight (928) new shares in the Company.

On 30 June 2016 Intershop Holding AG sold and transferred its stake in the Company to Ralph Winter. In September 2016, Ralph Winter sold and transferred shares in the Company to various individuals (*inter alia* Messrs. Blattmann, Felder, Gaido, Schleich and other persons close to the Company as to certain other persons which are not known to the Company).

On 28 September 2016, the management board of the Company has authorised the issuance to new investors of two million five hundred thirty-two thousand three hundred fifty-four (2,532,354) new shares without par value for an aggregate subscription price of one hundred eighty-nine thousand nine hundred twenty-six Euro and sixty-one Cent (EUR 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 seven hundred and fifty thousand Euro (EUR 750,000) up to a new amount of nine hundred thirty-nine thousand nine hundred twenty-six Euro and sixty-one Cent (EUR 939,926.61) represented by twelve million five hundred thirty-two thousand three hundred fifty-four (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 one hundred eighty-nine thousand nine hundred twenty-six Euro and sixty-one Cent (EUR 189,926.61) and a contribution in cash dedicated to the Company's capital surplus account (*Compte 115 du Plan Comptable Luxembourgeois – Apport en capitaux propres non rémunéré par des titres*) amounting to forty-two million eight hundred sixty thousand ninety-one Euro and thirty-nine Cent (EUR 42,860,091.39), in both cases effected by the investors taking part in the private placement (**PP Investors**) which will be deposited initially on an escrow account with escrow agent Hauck & Aufhäuser Privatbankiers KGaA, Luxembourg Branch, pursuant to the terms and conditions of an escrow agreement dated 26 September 2016. The issue price amounted to EUR 17 per share.

Immediately after the Private Placement Authorised Capital Issuance, the shares issued pursuant to such Private Placement Authorised Capital Issuance have been deposited in an escrow account with Hauck & Aufhäuser Privatbankiers KGaA, Luxembourg Branch, pursuant to the terms and conditions of an escrow agreement dated 26 September 2016, and shall be released following the listing and trading of the Shares of the Company on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in accordance with the terms and conditions set out in the escrow agreement to the investors. Simultaneously, the deposited contribution in cash dedicated to the Company's surplus account shall be released to such Company's surplus account.

Generally the PP Investors comprise both long-term existing clients of the Company as well as certain new investors (including institutional investors). The total number of PP Investors is 30 and the shareholdings range from 0.01% to 2.4% (except for Mr. Ralph Winter who holds 66.1% of the Shares). The proceeds of the private placement shall be applied for financing the future growth of the Company, warehousing as well as other business development activities that will contribute to increase the Company's fee generating Assets under Management

On 28 September 2016, the management board of the Company has also authorised the issuance to Mr Daniel Schoch of seventy-eight thousand three hundred twenty-seven 78,327 new Shares without par value for an aggregate subscription price of five thousand eight hundred seventy-four Euro and fifty-three Cent (EUR 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 nine hundred thirty-nine thousand nine hundred twenty-six Euro and sixty-one Cent (EUR 939,926.61) up to a new amount of nine hundred forty-five million eight hundred one Euro and fourteen Cent (EUR 945,801.14) represented by twelve million six hundred ten thousand six hundred eighty-one (12,610,681) shares without par value (the **DS Authorised Capital Issuance**).

On the same date, the management board of the Company appeared before a Luxembourg notary public to formally record the Private Placement Authorised Capital Issuance and the DS Authorised Capital Issuance in the form of an acknowledgement deed.

### **Authorised Capital**

The authorised capital of the Company was originally set at two hundred and seventy thousand five hundred and twenty-five Euro (EUR 270,525) represented by a maximum of three million six hundred and seven thousand (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 one million twenty thousand five hundred twenty-five Euros (EUR 1,020,525) represented by thirteen thousand six hundred and seven (13,607,000) shares without par value.

Pursuant to article 5.5 of the Company's Articles of Association, the Management Board is authorised (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 31 August 2016, and expiring on the fifth anniversary of such date, to increase the current share capital up to the amount of the authorised 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 authorised 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 Company's 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 authorised 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 authorised capital.

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

As of this date, two million six hundred ten thousand six hundred eighty-one (2,610,681) shares representing a share capital increase of one hundred ninety-five thousand eight hundred one Euro and fifteen Cent (EUR 195,801.15) have been issued by the management board out of the authorised capital, pursuant to the Private Placement Authorised Capital Issuance and the DS Authorised Capital Issuance and as such, an amount of seventy-four thousand seven hundred twenty-three Euro and eighty-five Cent (EUR 74,723.85) represented by two million four hundred thirty thousand one hundred forty-seven (2,430,147) shares without par value remains available as authorised capital.

### **Ownership and Transferability of the Shares**

Dematerialized shares are only represented, and the ownership of such shares will only be established by a record in the name of the shareholder in a securities account. LuxCSD may issue or request the Company to issue certificates relating to dematerialized shares for the purpose of international circulation of securities.

The dematerialized shares issued by the Company shall be recorded at all times in the single issuance account (*compte d'émission*) of the Company held with LuxCSD, which shall indicate the identification elements of these dematerialized shares, the number of shares issued and any subsequent changes.

The shares will be freely transferable in accordance with the legal requirements for dematerialized shares, that is, through book entry transfers (*virement de compte à compte*). The Management Board may, however, impose transfer restrictions for shares that are registered, listed, quoted, dealt in or have been placed in certain jurisdictions in compliance with the requirements applicable therein.

For the purposes of identifying the shareholders, the Company may, at its expense, request from LuxCSD the name, nationality, date of birth or date of incorporation and the address of the account holders in LuxCSD's own books which immediately confers or may confer in the future voting rights at the Company's general meetings of the shareholders, together with the number of shares held by each of them and, where applicable, the limits the shares may be subject to. LuxCSD shall provide the Company with the identification data on the holders of the securities accounts in its own books and the number of shares held by each of them.

The same information on the holders of shares for own account shall be gathered by the Company through the account holders, whether in Luxembourg or abroad, who have a securities account with LuxCSD which is credited with the shares in question.

The Company may request the persons indicated on the lists given to it to confirm that they hold the shares for own account.

When a person who holds an account with LuxCSD or an account keeper or a foreign account keeper does not communicate the information requested by the Company in accordance with Article 17 of the Dematerialization Law, within two months as from the request or, if he communicated incomplete or

erroneous information relating to his quality or the quantity of the shares held by him, the Company may suspend until regularization the voting rights up to the amount of the shares for which the information requested was not received.

### **Purchase of 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.

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.

Without prejudice to the principle of equal treatment of shareholders in the same situation (which may be waived by a unanimous shareholder vote) and the provisions of the Market Abuse Regulation (as defined below), pursuant to the 1915 Companies Act, the Company may acquire its own shares either itself or through a person acting in its own name but on the Company's behalf subject to the following statutory conditions (the "**Statutory Conditions**"):

- (1) the authorisation to acquire shares is to be given by a general shareholders' meeting, which determines the terms and conditions of the proposed acquisition and in particular the maximum number of shares to be acquired, the duration of the period for which the authorisation is given and which may not exceed five years and, in the case of acquisition for value, the maximum and minimum consideration;
- (2) the acquisitions must not have the effect of reducing the net assets of the Company below the aggregate of the subscribed capital and the reserves which may not be distributed under the law or the Articles of Association; and
- (3) only fully paid-up shares may be included in the transaction.

At the time each authorised acquisition is carried out, the Management Board must ensure that the statutory conditions mentioned in the preceding paragraph are complied with.

Where the acquisition of the Company's own shares is necessary in order to prevent serious and imminent harm to the Company, no authorisation will be required from the general shareholders' meeting. In such a case, the next general shareholders' meeting must be informed by the Management Board of the reasons for and the purpose of the acquisitions made, the number and par values, or in the absence thereof, the accounting par value of the shares acquired, the proportion of the subscribed capital which they represent and the consideration paid for them.

No authorisation will likewise be required from the general shareholders' meeting in the case of shares acquired either by the Company itself or by a person acting in his own name but on behalf of the Company for the distribution thereof to the staff of the Company. The distribution of any such shares must take place within 12 months from the date of their acquisition.

None of the abovementioned statutory conditions, except for the condition described under (2) above, apply to the acquisition of:

- (a) shares acquired pursuant to a decision to reduce the capital or in connection with the issue of redeemable shares;
- (b) shares acquired as a result of a universal transfer of assets;

- (c) fully paid-up shares acquired free of charge or acquired by banks and other financial institutions pursuant to a purchase commission contract;
- (d) shares acquired by reason of a legal obligation or a court order for the protection of minority shareholders, in particular, in the event of a merger, the division of the Company, a change in the Company's object or form, the transfer abroad of its registered office or the introduction of restrictions on the transfer of shares;
- (e) shares acquired from a shareholder in the event of failure to pay them up; and
- (f) fully paid-up shares acquired pursuant to an allotment by court order for the payment of a debt owed to the Company by the owner of the Shares.

Shares acquired in the cases indicated under (b) to (f) must, however, be disposed of within a maximum period of three years after their acquisition, unless the par value, or, in the absence of par value, the accounting par value of the shares acquired, including shares which the Company may have acquired through a person acting in its own name, but on behalf of the Company, does not exceed 10% of the subscribed capital.

If the shares so acquired are not disposed of within the period prescribed, they must be cancelled. The subscribed capital may be reduced by a corresponding amount. Such a reduction is compulsory where the acquisition of shares and their subsequent cancellation results in the Company's net assets having fallen below the amount of the subscribed capital and the reserves which may not be distributed under the law or the Articles of Association.

Any shares acquired in contravention of the above condition (a) or the Statutory Conditions must be disposed of within a period of one year after the acquisition. Have they not been disposed of within that period, they must be cancelled.

In those cases where the acquisition by the Company of its own shares is permitted in accordance with the foregoing, the holding of such shares is subject to the following conditions: (i) among the rights attaching to the shares, the voting rights in respect of the Company's own shares are suspended and such shares are not taken into account for the calculation of the quorum and the majority of shareholder meetings; and (ii) if the said shares are included among the assets shown in the balance sheet, a non-distributable reserve of the same amount is to be created among the liabilities.

Where the Company has acquired own shares in accordance with the abovementioned, the Management Board may decide to suspend the dividend rights of such shares. If the Management Board decides to suspend the dividend rights of the Company's own shares, dividend coupons remain attached to such shares. In this case, the distributable profit is reduced by the number of shares held by the Company and the amounts that should have been attributed to them are held until the sale of these shares, together with their coupons attached. The Company may also chose to distribute the full amount of distributable profits among those shares whose dividend right is not suspended. In this case, accrued coupons on the Company's own shares are destroyed.

Where the Company has acquired own shares in accordance with the abovementioned, the annual report of the Management Board must indicate: (i) the reasons for acquisitions made during the financial year, (ii) the number and the par value of the shares acquired and disposed of during the financial year and the proportion of the subscribed capital which they represent, (iii) in the case of acquisition or disposal for value, the consideration for the shares, and (iv) the number and par value of all the shares acquired and held in the Company's portfolio as well as the proportion of the subscribed capital which they represent.

## **General Provisions Governing a Liquidation of the Company**

The Company may only be voluntarily dissolved by a resolution passed at an extraordinary general shareholders' meeting subject to the quorum and majority requirements for an amendment to the Articles of Association. The quorum is at least one half (1/2) of all the shares issued and outstanding. In the event the required quorum is not reached at the first extraordinary general shareholders' meeting, a second extraordinary general shareholders' meeting may be convened, through a new convening notice, at which shareholders can validly deliberate and decide regardless of the number of shares present or represented. A two-thirds (2/3) majority of the votes cast by the shareholders present or represented is required at any such extraordinary general shareholders' meeting.

In the event of a loss of at least half of the net assets, the Management Board must convene an extraordinary general shareholders' meeting within two months as of the date on which the Management Board discovered or should have ascertained this loss of capital. At this extraordinary general shareholders' meeting, shareholders will resolve on the possible dissolution of the Company. The quorum is at least one half (1/2) of all the shares issued and outstanding. In the event the required quorum is not reached at the first extraordinary general shareholders' meeting, a second extraordinary general shareholders' meeting may be convened, through a new convening notice, at which shareholders can validly deliberate and decide regardless of the number of shares present or represented. A two-thirds (2/3) majority of the votes cast by the shareholders present or represented is required at any such extraordinary general shareholders' meeting. Where the loss equals or exceeds three quarters (3/4) of the net assets, the same procedure must be followed, it being understood, however, that the dissolution only requires the approval of shareholders representing 25% of the votes cast at the meeting.

The Company, once dissolved, is deemed to exist for as long as necessary for its proper liquidation.

If the Company is dissolved for any reason, the general shareholders' meeting will have the most extensive powers to appoint the liquidator(s), determine their powers and fix their remuneration. The powers of the Management Board in office will end at the time when the liquidators are appointed. In case the general shareholders' meeting fails to appoint the liquidator(s), the members of the Management Board then in office will, *vis-à-vis* third parties, be deemed to be the liquidators of the Company.

The principal duty of the liquidators consists of winding up the Company by paying its debts, realizing its assets and distributing them to the shareholders. If the financial situation so warrants, pre-payments of liquidation dividends may be made by the liquidator in accordance with the 1915 Companies Act.

After payment of all debts and liabilities of the Company or deposit of any funds to that effect, the liquidation surplus will be used to reimburse in cash or securities the amount paid up on the shares. If all the shares are not equally paid up, the liquidator(s) shall restore equality either by a call for funds or a prior distribution. The balance of the liquidation surplus will be distributed equally between all shares.

Pursuant to the 1915 Companies Act, upon the termination of the liquidation, the liquidators report to a general shareholders' meeting, at which one or several special auditor(s) are appointed to report on the liquidation. This auditor's report is submitted for approval to a general shareholders' meeting, at which a resolution to close the liquidation of the Company is taken.

Neither the 1915 Companies Act nor the Articles of Association currently provide for special rights of shareholders on a winding up.

## General Provisions Governing Share Capital Increases and Share Capital Decreases

The subscribed share capital of the Company may be increased or decreased by a resolution passed at an extraordinary general shareholders' meeting subject to the quorum and majority requirements for an amendment to the Articles of Association.

The extraordinary general shareholders' meeting may also amend the Articles of Association for the purpose of authorising the Management Board to increase the subscribed share capital within the limits of the authorised capital. As at the date of this Prospectus, article 5.5 of the Articles of Association provides that the authorised capital of the Company is set at two hundred and seventy thousand five hundred and twenty-five Euro (EUR 270,525) represented by three million six hundred and seven thousand (3,607,000) shares without a par value. The Management Board is authorised for a period starting 31 August 2016 and expiring on 31 August 2021, to increase the current issued capital up to the amount of the authorised share capital, in whole or in part from time to time.

In the event of decrease of the share capital with a repayment to the shareholders or a waiver of their obligation to pay up their shares, creditors whose claims predate the publication of the minutes of the extraordinary general shareholders' meeting may, within 30 days from such publication, apply for the constitution of security to the judge presiding over the chamber of the *Tribunal d'Arrondissement* dealing with commercial matters and sitting in urgency. The judge may only reject such an application if the creditor already has adequate safeguards or if such security is unnecessary having regard to the assets of the Company. No payment may be made or waiver given to the shareholders until such time as the creditors have obtained satisfaction or until the judge presiding over the chamber of the *Tribunal d'Arrondissement* dealing with commercial matters has ordered that their application should not be granted. No creditor protection rules apply in the case of a reduction in the subscribed capital for the purpose of offsetting losses incurred which are not capable of being covered by means of other own funds or to include sums in a reserve provided that such reserve does not exceed 10% of the reduced subscribed capital.

In the event of a capital increase in cash with the issuance of new shares, the existing shareholders have a preferential right to subscribe for the new shares, *pro rata* to the part of the share capital represented by the shares that they already have. The Management Board determines the period within which the preferential subscription rights can be exercised. The period during which those rights can be traded and exercised may not be less than 14 days from the publication of the subscription offer in the RESA (*Recueil Electronique des Sociétés et Associations*) and two Luxembourg newspapers. If however all the shares are in registered form, the existing shareholders may be informed by registered letter or by other means of communication individually accepted by their recipients and ensuring their information.

The preferential subscription rights are transferable throughout the exercise period, and no restrictions may be imposed on such transferability other than those applicable to the shares in respect of which the right arises.

Pursuant to article 32-3 of the 1915 Companies Act, the preferential subscription rights of existing shareholders in case of a capital increase by means of a contribution in cash may not be restricted or withdrawn by the Articles of Association. Nevertheless, the Articles of Association may authorise the Management Board to withdraw or restrict these preferential subscription rights in relation to an increase of capital made within the limits of the authorised capital. Such authorisation is only valid for a maximum of five years from publication in the RESA (*Recueil Electronique des Sociétés et Associations*) of the relevant amendment of the Articles of Association. The Management Board must draw up a report to the general meeting on the detailed reasons for the restriction or withdrawal of the preferential subscription rights which must include in particular the proposed issue price. It may be renewed on one or more occasions by the extraordinary general meeting, deliberating in accordance

with the requirements for amendments to the Articles of Association, for a period which, for each renewal, may not exceed five years. As at the date of this Prospectus, the Articles of Association authorise the Management Board to increase the capital and to restrict or withdraw the preferential subscription rights of shareholders in relation to an increase of capital made within the limits of the authorised capital. (See “*Authorised capital*”).

In addition, an extraordinary general shareholders’ meeting called upon to resolve, on the conditions prescribed for amendments to the Articles of Association, either upon an increase of capital or upon the authorisation to increase the capital, may limit or withdraw preferential subscription rights or authorise the Management Board to do so. Any proposal to that effect must be specifically announced in the convening notice. Detailed reasons therefore must be set out in a report prepared by the Management Board and presented to the extraordinary general shareholders’ meeting dealing, in particular, with the proposed issue price. This report must be made available to the public at the Company’s registered office, and on its website. An issuance of shares to banks or other financial institutions with a view to their being offered to the shareholders of the Company in accordance with the decision relating to the increase of the subscribed capital does not constitute an exclusion of the preferential subscription rights pursuant to the 1915 Companies Act.

### **Amendment to the Rights of Shareholders**

Any amendments to the rights of the shareholders set out in the Articles of Association require the amendment of the Articles of Association. An amendment to the Articles of Association must be approved by an extraordinary general shareholders’ meeting of the Company held in front of a Luxembourg public notary in accordance with the quorum and majority requirements applicable to an amendment to the Articles of Association. A two-thirds majority of the votes cast by the shareholders present or represented is required at any such general shareholders’ meeting. The Articles of Association do not provide for any specific conditions that are stricter than required by Luxembourg law.

### **Shareholdings Disclosure Requirements**

#### ***Disclosure of Transactions of Persons Discharging Management Responsibilities***

The new European legal regime under the Market Abuse Regulation (EU) No 569/2014 of the European Parliament and of the Council of 16 April, 2014 on market abuse (repealing Directive 2003/6/EC on insider dealing and market manipulation) (the “**Market Abuse Regulation**”) is directly applicable to the Company as from the moment where the Shares have been admitted to trading on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (which constitutes a multilateral trading facility (“**MTF**”) or a request for admission to trading on such MTF has been made.

Pursuant to Article 19 of the Market Abuse Regulation, persons discharging managerial responsibilities within the Company and, as applicable, persons who have a close link with such persons (being “persons closely associated with a person discharging managerial responsibilities”) must notify the CSSF and the Company of all transactions conducted on their own account and relating to the shares of the Company or debt instruments of the Company (if any) which are admitted to trading on a EU regulated market or multilateral trading facility or to derivatives or other financial instruments linked thereto. The disclosure must be made within three business days following the conclusion of each individual transaction. The Company shall ensure that such information is made public promptly and no later than three business days after the transaction.

For the purpose of the Market Abuse Regulation, “persons discharging managerial responsibilities within the Company” include (i) members of the administrative, management or supervisory bodies of the Company and (ii) senior executives having regular access to inside information relating, directly or



indirectly, to the Company, and the power to make managerial decisions affecting the future developments and business prospects of the Company.

Persons closely associated with a person discharging managerial responsibilities within the Company include the following persons:

- the spouse of a person discharging managerial responsibilities, or any partner of that person considered to be equivalent to a spouse in accordance with national law,
- dependent children of the person discharging managerial responsibilities in accordance with national law,
- other relatives of the person discharging managerial responsibilities, who have shared the same household as that person for at least one year on the date of the transaction concerned,
- any legal person, trust estate or other trust, or any association without legal personality, whose managerial responsibilities are discharged by a person discharging managerial responsibilities within the Company or by another person closely associated with such person, or which is directly or indirectly controlled by such a person, or that is set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such person.

Notification is only required once a total amount of EUR 5,000 in managers' transactions has been reached within one calendar year.

As the Company intends to apply for the inclusion to trading of the Shares on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) section 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) will apply additionally.

Under section 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) an issuer which has applied for or approved of its financial instruments to be admitted to trading on a German multilateral trading facility or on a German open market (*Freiverkehr*) and with its registered seat in another country than Germany is required to notify the company's register (*Unternehmensregister*) of the transaction and inform BaFin on the publication of the notification without undue delay (*unverzüglich*), but not before publication of such notification, if its financial instruments are only included to trading on a German multilateral trading facility or on a German open market (*Freiverkehr*).

### **EU Short Selling Regulation (Ban on Naked Short Selling)**

Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (the “**EU Short Selling Regulation**”), the European Commission’s delegated regulation for the purposes of detailing it and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of 15 November 2012 only permit the short selling of shares when specific criteria are met. Under the provisions of the EU Short Selling Regulation, significant net short selling positions in shares must be reported to the BaFin and also published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net-Short Positions (*Netto-Leerverkaufspositionsverordnung*) of 17 December 2012. The net short selling positions are calculated by offsetting the short positions a natural person or legal entity has in the shares issued by the issuer concerned with the long positions it has in this capital. The details are regulated in the EU Short Selling Regulation and the other regulations the European Commission enacted on short selling to specify it. In certain situations described in detail in the EU Short Selling Regulation, the BaFin may restrict short selling and comparable transactions.

## **DESCRIPTION OF THE GOVERNING BODIES OF CORESTATE CAPITAL HOLDING S.A.**

### **Overview**

The Management Board of the Company is made up of three members, appointed by the Supervisory Board.

The business address of each member of the Management Board, Supervisory Board and Senior Management of the Company is 35, Avenue Monterey, L-2163 Luxembourg, and our telephone number at that address is +352 2637 2222.

### **Management Board of the Company**

The Company is managed by the Management Board. According to the Articles of Association, the Management Board must be composed of at least two members. The members of the Management Board shall be appointed by the Supervisory Board. The Supervisory Board shall also determine the number of members of the Management Board, their remuneration and the terms of their office. Currently, the Management Board consists of three members.

The members of the Management Board shall be elected for a term of three years. The members of the Management Board shall be eligible for re-appointment. A member of the Management Board may be removed with or without cause and/or replaced, at any time, by a resolution adopted by the Supervisory Board. The Company's Articles of Association also provide for the possibility of an audit committee (the "**Audit Committee**"), to be appointed by the Supervisory Board.

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

The Management Board is vested with the broadest powers to perform, or to cause to be performed, all acts of disposition and administration in the Company's interest. All powers not expressly reserved by the 1915 Companies Act or by the Company's Articles of Association to the general shareholders' meeting or the Supervisory Board fall within the competence of the Management Board.

The Management Board meets as often as the business and interests of the Company require.

The Management Board may validly deliberate and make decisions only if at least one half of its members is present or represented. Decisions are made by the majority of the votes of the members present or represented. If a member of the Management Board abstains from voting or does not participate to a vote in respect of a proposed resolution, this abstention or non-participation is taken into account in calculating the majority as a vote against the proposed resolution. In circumstances of emergency only, a meeting of the Management Board may be held by conference call, video conference or by similar means of communication in accordance with the Articles of Association. In circumstances of emergency only, a resolution of the Management Board may also be passed in writing, which must be signed by each member of the Management Board.

At least every three months, the Management Board must submit a written report to the Supervisory Board, in which it describes the status of the Company's business activities and the provisional development. In addition, the Management Board must inform the Supervisory Board of any events that might have a noticeable effect on the Company's situation. The Management Board must also submit to the Supervisory Board those documents it shall provide to the auditors in accordance with the 1915 Companies Act.

The following table sets out the name, position and the year of appointment for each member of the Management Board.

<b>Name</b>	<b>Date of birth</b>	<b>Position</b>	<b>year first appointed</b>
Sascha Wilhelm	30 March 1976	CEO	2015
Daniel Schoch	31 March 1974	CFO	2015
Thomas Landschreiber	25 June 1968	CIO	2015

The following is a summary of the business experience of the current members of the Management Board.

**Sascha Wilhelm (born 1976)** is Chief Executive Officer and is responsible for asset management, property management, human resources, operations, as well as information technology. Sascha Wilhelm has more than 12 years of real estate industry experience. Sascha Wilhelm has been Chief Operating Officer of CCAG since 2014. He joined the Corestate group as managing director and Head of Asset Management of Corestate Capital Advisors GmbH in 2012. Prior to that, Sascha Wilhelm was the Head of Real Estate Management at Seitz Real Estate Group from 2005 to 2012. Sascha Wilhelm graduated from the University of Augsburg with a Law degree in 2001 followed by the second state exam in 2003. He obtained a Master in Business Administration (International Real Estate Management) from London Southbank University in 2008. Sascha Wilhelm is admitted as lawyer to the German Bar.

**Daniel Schoch (born 1974)** is Chief Financial Officer and is responsible for financing, tax and investment structuring, controlling and reporting, risk management, and investor relations. Daniel Schoch has approximately 15 years of experience as CFO on board/senior management level in both private equity and corporate structures. Daniel Schoch joined the Corestate-Group in April 2008. Prior he was Chief Financial Officer of Baubecon Holding GmbH, a residential real estate company with more than EUR 1.5 billion of assets under management, from 2006 to 2008 responsible for, *inter alia*, finance and treasury, risk management, controlling and accounting. From 2001 to 2006, Daniel Schoch was Chief Financial Officer of Carl Zeiss SMT AG and responsible for, *inter alia*, controlling and treasury, risk management, global purchasing and business infrastructure. In his capacity as Chief Financial Officer, Daniel Schoch also led the group's international mergers and acquisitions activities. From 2000 to 2001 Daniel Schoch was the Senior Vice President of Finance at the semiconductor technology division of Carl Zeiss AG. From 1999 to 2000 Daniel Schoch was the Financial Controller of subsidiaries of the corporate department at Carl Zeiss AG. From 1998 to 1999, Daniel Schoch was management associate of finance at TRW Inc., an automobile component supplier based in the US. From 1997 to 1998 Daniel Schoch was financial analyst at ITT Automotive Europe GmbH. Daniel Schoch graduated from the International School of General Management, Bad Waldsee (now Zeppelin University) with a degree in international business administration in 1997.

**Thomas Landschreiber (born 1968)** is the Chief Investment Officer. He is Co-Founder of CCAG and a member of its Investment Committee as well as Chairman of CCAG's Administration Board. Thomas Landschreiber has direct responsibility for asset management and is actively involved in deal sourcing and execution. Thomas Landschreiber has more than 25 years of experience in the real estate industry. Prior to founding CCAG, Thomas Landschreiber worked as Vice President in the real estate

team of CERBERUS Beteiligungsberatung GmbH in Frankfurt from 2004 to 2006, where he was responsible for due diligence and advised on acquisitions, asset management and asset sales. Prior, Thomas Landschreiber worked for Vivacon AG as distribution manager responsible for purchase and rating of listed real estate, set up and marketing of sales schemes for apartments on heritable building right and subsidized housing co-operative and as Sales Manager for SAB, Bad Homburg, focusing on structuring disposals of commercial portfolios as well as sales coordination and conceptual design of real estate products. From 1988 to 1996 Thomas Landschreiber worked for HVB AG dealing with real estate financing of large portfolios. Thomas Landschreiber is a qualified banker. For further information regarding a pending public accusation please refer to the second paragraph of the risk factor “A member of our management board is subject to a public accusation by the Frankfurt Prosecutor’s Office”.

The following table lists additional relevant positions with companies and enterprises held by the members of the Management Board as of the date of this Prospectus and during the last five years, excluding positions held with the subsidiaries of the Company:

Name	Positions	Position
		still held?
		Yes/No
Sascha Wilhelm	YOUNIQ GmbH – Chairman of the Supervisory Board	Yes
	SEITZ REAL ESTATE GROUP – Managing Partner	No
	WBG GmbH - Member of Advisory Board ( <i>Beirat</i> )	No
Daniel Schoch	CORESTATE IREI Holding S.A. – Director	No
	YOUNIQ AG - Chairman of the Supervisory Board	No
	WBG GmbH – Chairman of Advisory Board ( <i>Beirat</i> )	No
	Corestate Ben BidCo AG (now YOUNIQ GmbH) – Chairman of the Supervisory Board	No
Thomas Landschreiber	YOUNIQ GmbH – Member of the Supervisory Board	Yes
	WBG GmbH - Member of Advisory Board ( <i>Beirat</i> )	No

### ***Management Service Agreements***

The management service agreements of the Management Board Members have been entered into for a period until 31 December 2019 (Sascha Wilhelm and Daniel Schoch) and 31 December 2018 (Thomas Landschreiber), respectively, and will terminate automatically as of the respective date unless they are prolonged by way of mutual agreement. Prior to the the respective date, they may be terminated by either party for cause with immediate effect; a termination with due notice is not permitted. None of the management service agreements contains a change-of-control clause. No benefits will be provided

by the Company to the Management Board Members in case their management service agreements are not prolonged beyond 31 December 2019 or 31 December 2018, respectively.

### ***Compensation and Other Benefits of the Management Board Members***

The Management Board Members are entitled to a fixed remuneration and an annual bonus. The amount of the latter is dependent on the achievement of certain targets. Effective as of the end of the fiscal year within which the initial listing of the shares of the Company at a stock exchange, the open market or equivalents thereto, the decisive bonus criteria are (i) the Funds from Operation per Share or another earnings target (pursuant to the business plan of the whole Corestate-Group as annually set out by the Management Board and confirmed by the Supervisory Board), (ii) the development of the share price of the Company or, respectively, a share price based performance component (pursuant to the provisions as individually agreed between the Management Board Member and the Supervisory Board) and (iii) the Management Board Member's individual performance as determined at the reasonable discretion of the Supervisory Board. Each bonus criteria shall be weighed with one third. Prior to this date, only bonus criteria (i) and (iii) shall apply, whereby bonus criterion (i) shall be weighed with two thirds and bonus criterion (iii) with one third. Payments under bonus criterion (iii) may vary between zero and a certain cap; whereas bonus criteria (i) and (ii) are structured as follows: there is no bonus payment if the respective criterion is only fulfilled by 50% or less, above 50% the respective payment increases straight proportionally (*linear*) up to a cap of 200% for each of (i) and (ii).

Furthermore, the Management Board Members are eligible for participation in a long-term incentive. Under the respective plan, they are entitled to shares in the Company of a certain value. These shares shall be granted to the Management Board Members over a period of 12 to 48 months as follows:

- Thomas Landschreiber: all shares shall be granted 12 months following the initial listing of the shares of the Company at a stock exchange, the open market or equivalents thereto;
- Daniel Schoch: 50% of the shares shall be granted 30 months and further 50% 38 months in each case following the initial listing of the shares of the Company at a stock exchange, the open market or equivalents thereto;
- Sascha Wilhelm: 50% of the shares shall be granted 36 months and further 50% 48 months in each case following the initial listing of the shares of the Company at a stock exchange, the open market or equivalents thereto.

One third of the variable remuneration of each member of the management board will be contributed into the management co-investment fund MCIF serving as a long-term management participation and incentive scheme / management investment pool *inter alia* for the members of the management board of the Company. MCIF invests, as the case may be, in specific Investment Structures alongside with the clients of the Company and thereby extends the alignment concept of the Company to the members of the management board (see also "*Material Contracts*" for more information).

In addition, 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 Management Board Members are subject to a post-contractual non-compete covenant for a period of six months following the effective termination of their management service agreements. During the non-compete period, they shall be entitled to 100% of their most recent fixed remuneration.

The following overview provides an individualised description of the fixed, short and long term remuneration of the Management Board Members under their management service agreements (assuming that all bonus criteria are on target):

	Sascha Wilhelm	Daniel Schoch	Thomas Landschreiber
<b>Entitlement</b>	<b>Scope (in EUR)</b>		
Annual fixed remuneration	325,000	400,000	430,000
Annual target bonus	380,000	300,000	335,000
Total annual target remuneration	705,000	700,000	765,000
Long-term incentive granted upon the initial listing of the shares of the Company at a stock exchange, the open market or equivalents thereto	666,667	500,000	1,000,000

Furthermore, Daniel Schoch and Thomas Landschreiber are entitled to the following special payments under their management service agreements:

- Daniel Schoch shall, upon a capital increase of the Company that exceeds a certain issue volume, receive a one-off payment in the amount of EUR 200,000.
- Thomas Landschreiber shall, for each full calendar year within which the initial listing of the shares of the Company at a stock exchange, the open market or equivalents thereto did not take place, receive an annual fixed payment in the amount of CHF 366,000 as compensation for the loss of benefits under his previous employment agreement.

The following overview provides an individualised description of the overall remuneration and benefits of the Management Board Members for the financial year 2015.

	Sascha Wilhelm	Daniel Schoch	Thomas Landschreiber
<b>Entitlement</b>	<b>Scope (in EUR)</b>		
Overall Remuneration	448,494	517,263	961,863

In addition, market standard benefits are granted to (some) of the members of the Management Board, *inter alia* notional social security payments, assumption of private health care and other insurance payments as well as D&O and E&O insurance coverage at usual market terms.

### ***Shareholdings of the Management Board Members***

Thomas Landschreiber currently holds 668,764 shares in the Company. Apart from this, no member of the Management Board directly or indirectly holds any shares in the Company or options on shares in the Company.

However except for Daniel Schoch, who, as of the date of the Offering, will hold shares in the Company representing 0.625% of the Company's share capital (as at the date of the Offering) pursuant to the Guarantee and Subscription Agreement.

Please refer to *Certain Relationships and Related-Party Transactions* for more information.

### ***Supervisory Board of the Company***

According to the Articles of Association, the Supervisory Board must be composed of at least three members. The members of the Supervisory Board shall be elected for a term not exceeding six years and shall be eligible for re-appointment. The members of the Supervisory Board shall be appointed by the general meeting of shareholders. The general meeting of shareholders shall also determine the number of members of the Supervisory Board, their remuneration and the terms of their office.

A member of the Supervisory Board may be removed with or without cause and/or replaced, at any time, by a resolution adopted by the general meeting of shareholders. Currently, the Supervisory Board consists of three members.

The members of the Supervisory Board were appointed by the general shareholders' meeting for a term that will expire after the annual General Meeting that will approve the annual accounts of the accounting year ending on 31 December 2017.

The Supervisory Board shall carry out the permanent supervision of the Management Board, without being authorised to interfere with such management. The Supervisory Board may validly deliberate and make decisions only if at least one half of its members is present or represented. Decisions are made by the majority of the votes of the members present or represented. If a member of the Supervisory Board abstains from voting or does not participate to a vote in respect of a proposed resolution, this abstention or non-participation is taken into account in calculating the majority as a vote against the proposed resolution. In circumstances of emergency only, a meeting of the Supervisory Board may be held by conference call, video conference or by similar means of communication in accordance with the Articles of Association. In circumstances of emergency only, a resolution of the Supervisory Board may also be passed in writing, which must be signed by each member of the Supervisory Board.

The Supervisory Board may require the Management Board to provide information of any kind which it needs to exercise its supervision. The Supervisory Board may undertake or arrange for any investigations necessary for the performance of its duties.

Pursuant to article 15 of the Articles of Association, the following transactions and measures are subject to the prior consent of the Supervisory Board on the terms and conditions further set out in the Articles of Association (provided that no such prior consent shall be required for any alignment capital investment (and any related transaction or measure) that is not in excess of EUR 10,000,000 per single investment or per associated subsequent investments):

(a) the acquisition and disposal of participations in other companies or any consolidation or amalgamation with any other company as well as the acquisition and disposal of businesses or enterprises or parts thereof which has or is expected to have a significant effect on the business of the Group;

- (b) the entry into any joint venture, partnership, consortium or other similar arrangement which has or is expected to have a significant effect on the business of the Group;
- (c) the entry into, surrender or material variation of any unusual or onerous contract which has or is expected to have a significant effect on the business of the Group or is not in the ordinary course of business;
- (d) the giving of any guarantee or indemnity, which has or is expected to have a significant effect on the business of the Group;
- (e) the entry or amendment of any credit agreement or other financing transaction which has or is expected to have a significant effect on the business of the Group or is outside of the ordinary course of business (other than an initial public offering);
- (f) dealing in a way (including the acquisition or disposal, whether outright or by way of licence or otherwise howsoever) with intellectual property other than in the ordinary course of business which has or is expected to have a significant effect on the business of the Group;
- (g) any use of the authorised capital pursuant to article 5.5 of these Articles (provided that the issuance of shares in view of an initial public offering shall not require any consent by the Supervisory Board); and
- (h) the implementation of any stock option plan and of the remuneration package of the Management Board; and
- (i) any Related Party Transaction.

For the purpose of this Article 15,

**Group** means the Company and its Subsidiaries; and

**Related Party Transaction** means any transaction or agreement (regardless of its value) between **(1)** **(a)** a member of the Management Board or the Supervisory Board (or a family member up to the second degree, or a company or entity of any sort in which such member holds a participation in the capital, is a member of any corporate body or exercises in any other form a significant influence) or **(b)** a shareholder (or a family member up to the second degree, or a company or entity of any sort in which such shareholder holds a participation in the capital, is a member of any corporate body or exercises in any other form a significant influence), and **(2)** the Company or any Subsidiary.

and

**Subsidiary** shall have the meaning set out in article 309 (2) of the Companies Act, as applied in conjunction with article 310 of the Companies Act.

The following table sets out the name, business address, and the year of appointment for each of the members of the Supervisory Board. The term of the respective mandates of the members of the Supervisory Board will expire after the annual general meeting that will approve the annual accounts of the accounting year ending on 31 December 2017.



<b>Name</b>	<b>Date of birth</b>	<b>Business address</b>	<b>Position</b>	<b>Year first appointed</b>
Micha Blattmann	6 November 1973	35, Avenue Monterey, L-2163 Luxembourg	Chairman	2015
Urs Felder	4 March 1959	35, Avenue Monterey, L-2163 Luxembourg	Member	2015
Ulrich Plett	2 February 1957	35, Avenue Monterey, L-2163 Luxembourg	Member	2015

The following is a summary of the business experience of the current members of the Supervisory Board.

**Micha Blattmann (born 1973)** is admitted lawyer and is practicing in his law firm Blattmann Advokatur & Notariat, Neuheim. He is also partner at the hedge fund Vicenda Asset Management AG, Zug with focus on alternative and real asset investment strategies as well as the issuance of secured notes and bonds. Micha Blattman previously 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 previously worked as lawyer at Bär & Karrer and Andersen Legal. Micha Blattmann holds a licentiate of law of the University of Zurich and a master of laws (LL.M.) of University of California, Los Angeles, School of Law. Micha Blattmann is admitted to the bar of the Higher Court of the Canton of Zug, Switzerland.

**Ulrich Plett (born 1957)** has over 35 years experience in the audit sector. Ulrich Plett was partner from 1991 to 2015 at Arthur Andersen and Ernst & Young in the Barcelona and Berlin office and headed the assurance department of Ernst & Young, most recently as managing office partner of the Berlin office of Ernst & Young. Prior, he worked in the Barcelona, Hamburg and Chicago offices of Arthur Andersen from 1980 to 1993. Ulrich Plett's experience is primarily focused on publicly listed corporations, family businesses and governmental owned companies (essential clients included Axel Springer, Universal Music, Dussmann, TLG Immobilien, BVG, Jungheinrich). Since July, 2015 he is self employed advisor at UPW7 GmbH Wirtschaftsprüfungsgesellschaft. Ulrich Plett holds a business degree from the universities Muenster and Munich and is tax advisor and certified public accountant.

**Urs Felder (born 1959)** is self-employed accounting and tax advisor and founder and chief executive officer at FELUR Swiss Treuhand AG, Zurich since 2008. Prior he was senior partner and Head of the tax department at TREUCO AG, Zurich from 1998 to 2007. From 1992 to 1998 Urs Felder worked in the tax department of UBS AG, Zurich. From 1989 to 1992 Urs Felder worked as accountant and tax advisor, specialized in tax matters. Urs Felder graduated with a law degree from University of Bern. He obtained a Ph.D. (Dr. iur.) from University of Freiburg (Switzerland) and the certificate as Swiss certified tax expert in 1996.

The following table lists additional relevant positions with companies and enterprises held by the members of the Supervisory Board as of the date of this Prospectus and during the last five years, excluding positions held with the subsidiaries of the Company.

<b>Name</b>	<b>Positions</b>	<b>Position still held? Yes/No</b>
Micha Blattmann	• BRCH Holding AG – Non Executive Director	No
	• Vicenda Group AG – Executive Director	No
	• Vicenda Asset Management AG – Executive Board	Yes
	• Azteca Holding AG – Non Executive Director	Yes
	• AZC Capital SACV – Non Executive Director	Yes
	• Desarrollo Vivienda MK1 S.A.P.I. De C.V. – Non Executive Director	No
	• FCM Investments AG – Non Executive Director	Yes
	• Limedo Business Ltd, BVI – Non Executive Director	Yes
	• Thalos Investment Platform S.A. – Non-Executive Director	Yes
	• M&G International Investments Switzerland AG – Non Executive Board	Yes
Ulrich Plett	• Blattmann Rechtsanwälte AG – Executive Board	yes
	• Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft - Partner	No
Urs Felder	• UPW7 GmbH Wirtschaftsprüfungsgesellschaft - Managing Director	Yes
	• Abetaia AG – Executive director	Yes
	• A&M Global Family Office AG – Independent director	No
	• adpad AG – Executive director	No
	• Argumentum Holding AG – Executive director	No
	• Aurasol Ltd – Executive director	Yes
	• Avelina Holding Ltd. – Executive director	No
	• BAMBU AG – Executive director	Yes
• Banes AG – Executive director	Yes	

<b>Name</b>	<b>Positions</b>	<b>Position still held? Yes/No</b>
	• BVW Holding AG – Independent director	Yes
	• CIS Holding AG – Executive director	No
	• CONCILIUS Schweiz AG – Executive director/Liquidator	Yes
	• Contrex Bau AG – Executive director	Yes
	• CORESTATE CAPITAL AG - Independent Director	Yes
	• DataOne AG – Independent director	Yes
	• Daval Holding AG – Independent director	No
	• Decade Investment Corp. – Executive director	Yes
	• Diri Invest AG – Liquidator	No
	• FELUR Swiss Treuhand AG – Executive director	Yes
	• Fincons 01 GmbH – Executive director	Yes
	• Finess Blumengrosshandel AG – Independent director	No
	• Fortuitus AG – Independent director	Yes
	• Free Mind Ltd. – Executive director	Yes
	• Gomenn Chemie AG – Executive director/Liquidator	No
	• GRUBA AG – Executive director/Liquidator	Yes
	• Herbamedicus GmbH – Independent director	Yes
	• Imconsult GmbH – Executive director	Yes
	• Imperial Swiss Drums GmbH – Executive director	No
	• Kuppi AG – Liquidator	No
	• Langara Consult AG – Executive director	No
	• Lek Invest GmbH – Executive director	Yes
	• Margel Pharmaceutical AG – Executive director	No

Name	Positions	Position still held? Yes/No
	• MAST Biosurgery AG – Independent director	Yes
	• Mayfair Hill Ltd. – Executive director	No
	• Mercigo AG – Executive director	No
	• Minyan Foundation – Executive director	Yes
	• MS-ONE Holding AG – Independent director	Yes
	• NAS Holding S.à r.l. – Executive director	No
	• OP-CE Europe AG – Executive director	No
	• Rinka AG – Liquidator	No
	• RO-Technologies AG – Independent director	Yes
	• State Street Europe Holdings Switzerland GmbH – Independent director	Yes
	• State Street International Holdings Switzerland GmbH – Independent director	Yes
	• TALENTspy AG - Independent Director	No
	• Thomas Invest AG – Executive director	Yes
	• Treasure Finance Ltd. – Executive director/Liquidator	No
	• Vertex GmbH – Executive director/Liquidator	No
	• W5 Group AG – Executive director	Yes
	• Warner Bros. International Television Production Switzerland GmbH – Independent director	Yes
	• WBD consulting Ltd – Executive director/Liquidator	No
	• West B Financing AG – Executive director/Liquidator	No
	• YB Immobilien GmbH – Liquidator	No
	• Zanflex AG – Independent director	No
	• zazil sa – Executive director	Yes

### ***Shareholdings of the Supervisory Board Members***

The following members of the supervisory board hold shares in the Company as at the date of this Prospectus as follows:

- Micha Blattmann: 41,175 shares
- Urs Felder: 27,500 shares

No further members of the supervisory board members directly or indirectly hold any shares in the Company.

### ***Observer Seat in the Supervisory Board***

Since Atlant Opportunity S. à r.l. has committed the largest investment within the private placement, the Company and its then actual shareholders have prior to the execution of the private placement agreed to grant Atlant Opportunity S. à r.l. a provisional observer position within the Supervisory Board. In particular, such observer to be nominated by Atlant Opportunity S. à r.l. shall be entitled to attend meetings of the Supervisory Board as well as its committees (if any) and may speak at any such meetings upon its explicit request but shall not be entitled to vote on any items put on the agenda of such meetings and shall not be counted in for quorum purposes. The actual observer shall be provided with all information that is actually sent to the members of the Supervisory Board or its committees (if any). The actual observer shall keep confidential all information and documents that she/he received but is entitled to pass them on to Atlant Opportunity S. à r.l. Such observer position will be provisional and will automatically end upon, e.g., a public offering of the Company's shares after the actual contemplated listing on the non-regulated market.

### ***Remuneration of the Supervisory Board Members***

Each member of the Supervisory Board shall be entitled to an annual fee in a gross amount of EUR 25,000. The deputy chairman of the Supervisory Board shall be entitled to an annual fee in a gross amount of EUR 37,500 and the chairman of the Supervisory Board shall be entitled to an annual fee in a gross amount of EUR 50,000.

The annual fee shall be payable (after deduction of all applicable taxes) in a single lump sum within 10 days after the end of each financial year.

In addition to the annual fee, each member of the Supervisory Board shall be entitled to EUR 750 for each meeting such member attends in person (physically or via phone). The Supervisory Board Members shall further be reimbursed of all reasonable and properly documented costs incurred as part of their mandate and benefit from a market-standard D&O insurance.

The General Meeting may resolve upon additional fee arrangements for Supervisory Board members.

### ***Share Participation Plan and Employee Offering***

The Company currently does not have a share participation plan in place.

### ***Supervisory Board Committees***

The Supervisory Board has not established committees.

## ***The Founders of the Company***

The Company was incorporated on 21 August 2015 by Ralph Winter, Thomas Landschreiber, Intershop Holding AG, Christine Winter and Silke Hechler (née Otto), who are the founders of the Company.

**Ralph Winter** is self-employed management consultant. Ralph Winter is founder of CCAG. Ralph Winter has approximately 30 years of experience in the real estate industry, especially in Europe. From 2003 to 2006 Ralph Winter established and led the real estate team of Cerberus Beteiligungsberatung GmbH based in Frankfurt, where he grew investment volume to more than EUR 5 billion in residential and commercial real estate and non-performing loans.

From 1995 to 2000, Ralph Winter was managing partner of SAB GmbH responsible for analysis, selection and design of real estate offers for private real estate investors and raising of equity capital for investments. Ralph Winter was co-founder and manager of KVV Konzeptionsgesellschaft zur Vermittlung von Vermögensanlagen GmbH from 1985 to 1995. Ralph Winter is a member of the executive committee of the Urban Land Institute (ULI) Germany, and a member of the advisory board of the European Business School Real Estate Management Institute (EBS REMI). He is also a member of the advisory board of the International Real Estate Business School (IREBS) Eltville.

The summary of the business experience of Thomas Landschreiber is set out in the paragraph “Management Board of the Company”.

**Intershop Holding AG**, the oldest listed real estate company of Switzerland, seated in Zürich, is a Swiss real estate stock company, listed in the SIX Swiss Exchange, that primarily invests in Swiss commercial real estate with development potential. Intershop Holding AG has longstanding experience with respect to the development and marketing of commercial real estate. Intershop Holding AG has been active in Switzerland, Germany, USA, France, and the Czech Republic since its foundation and has been concentrating exclusively on the domestic Suisse real estate market since 1997. Intershop Holding AG acquires, develops, administrates and sells real estate, preferably in urban centres and main traffic arteries in the main business regions of Switzerland, in particular, those in Zurich, Berne and Geneva. The investment real estate portfolio of Intershop Holding AG provides a strong and secure base for earnings due to the optimised mix of use and location of real estate. As at 31 December 2015, the portfolio consisted of some 60 properties with a total leasable area of approximately 582,000 m<sup>2</sup> and a market value of over CHF 1 billion. The market capitalization of Intershop Holding AG currently amounts to approximately CHF 800 million. Intershop Holding AG sold and transferred its stake in the Company to Ralph Winter in June 2016.

**Silke Hechler (née Otto)** holds a degree in hotel management. She worked *inter alia* for Corestate Capital AG as office manager from 2006 to 2014 and for Cerberus Deutschland Beteiligungsberatung GmbH (Frankfurt/Main) from 2003 to 2006 as office manager. Prior to that, she was assistant to the management of Mastercard Europe (Frankfurt/Main) from 2002 to 2003.

**Christine Winter** is a paediatrician and lives and is practicing in Switzerland.

## **Certain Information Regarding the Members of the Management Board, Supervisory Board and Member of the Senior Management**

In the last five years, no member of the Management Board, the Supervisory Board or the Senior Management has been convicted of fraudulent offences. In the last five years, no member of the Management Board, the Supervisory Board or the Senior Management, has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager. In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated

professional bodies) against the members of the Management Board, the Supervisory Board in this paragraph or against the Senior Management, nor have sanctions been imposed by the aforementioned authorities. Even though there are no official public incriminations and/or sanctions, our Chief Investment Officer, Thomas Landschreiber, is subject to a pending investigation by the German prosecutor's office. For further details please refer to the second paragraph of the risk factor "*Risk Factors – Risks relating to our business – A member of our management board is subject to a public accusation by the Frankfurt Prosecutor's Office*".

No court has ever disqualified any of the members of the Management Board, the Supervisory Board or the Senior Management from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

To the extent that Management, Supervisory Board or the Senior Management Members directly or indirectly hold shares in the Company, there can be special interests arising from their shareholding, apart from their positions on the governing body. Conflicts of interest may also arise as a result of the fact that Management or Supervisory Board or Senior Management Members simultaneously exercise executive functions in the Group. In other respects, Management or Supervisory Board or Senior Management Members do not have existing conflicts of interest or potential conflicts of interest with respect to their obligations to the Company based on their private interests, membership in governing bodies of companies, or other obligations.

No member of the Management Board, the Supervisory Board or the Senior Management has entered into a service agreement with a company of the Group that provides for special benefits, such as severance pay, at the end of the business relationship (other than pensions or compensation in the case of an early termination of the service agreement, which is determined on the basis of the remaining term of the agreement and the contractually agreed upon compensation). The members of the Management Board are not bound by restrictive covenants and may therefore engage in competing activities following the end of their office.

### **Mandate Agreement**

In January 2014, Blattmann Advokatur & Notariat, entered into a mandate agreement (the "**Agreement**") as an independent advisor (the "**Advisor**") with vitB AG (now and hereinafter W5 Group AG), Zug, (the "**Principal**"). Under the Agreement, the Advisor is obliged to support the Principal operationally and as an advisor regarding several projects, in particular several participations of the Principal. The Principal is obliged to remunerate the Advisor under the Agreement providing a fixed and variable remuneration and to reimburse any expenses.

### **Engagement Letter**

On 16 December 2013, CCAG and Blattmann Advokatur & Notariat (the "**Advisor**") entered into an Engagement Letter (the "**Engagement Letter**") for an indefinite period of time regarding the performance of several services for CCAG or related companies. According to the Engagement Letter, the services which had to be performed by the Advisor for CCAG or the Group comprise *inter alia* services regarding investment projects in various geographical regions and advice with regard to client development activities potential new offerings and projects in new markets and prospective activities in the Ultra-High-Net-Worth (UHNW) and family office market in Europe. For the year 2015 (1 January until 29 October 2015) CCAG paid the Advisor for the performance of the services a fee of CHF 327,407.06. The parties to the Engagement Letter have entered into a Termination Agreement on 16/19 October 2015 terminating the Engagement Letter.

## **Agency Agreement**

On 23 October 2014, Corestate Capital Transactions AG and Blattmann Advokatur & Notariat (the “**Agent**”), entered into an agency agreement (the “**Agency Agreement**”) for an indefinite time period regarding the performance of several services for Corestate Capital Transactions AG. The services which had to be performed by the Agent comprised *inter alia* attracting of new potential equity or equity like investors for transactions and providing contacts between investors and Corestate Capital Transactions AG. For the year 2016 Corestate Capital Transactions AG paid the Agent no fee for the performance of the services. The parties to the Agency Agreement have entered into a termination agreement terminating the Agency Agreement with effect as of 1 September 2016.

There are no family relationships between the members of the Management Board and those of the Supervisory Board, or of the Senior Management either among themselves or in relation to the members of the other body.

## **Shareholders’ Meeting**

General shareholders’ meetings shall be held at the registered office or any other place in Luxembourg indicated in the convening notice for the general shareholders’ meeting.

Convening notices for every general shareholders’ meeting shall contain the agenda and shall take the form of an announcement filed with the Trade and Companies Register and published in the RESA (*Recueil Electronique des Sociétés et Associations*) and in a Luxembourg newspaper at least 15 (fifteen) days before the relevant meeting.

With regard to registered shareholders, the convening notice shall be sent to them 8 (eight) days before the meeting via mail, unless they have accepted to receive such information by another means of communication. Evidence that this formality has been complied with is not required.

The Articles of Association provide that the annual general shareholders’ meeting is held on the last Friday of the month of April at 10 a.m. Luxembourg time. If such day is not a business day in Luxembourg, the annual general shareholders’ meeting shall be held on the following business day, at the same hour.

In respect of those matters for which a quorum of half of the share capital is required in the Articles of Association and by law, the general shareholders’ meeting shall not validly deliberate unless at least half of the capital is represented. If this condition is not satisfied, a second general shareholders’ meeting may be convened by an announcement filed with the Trade and Companies Register and published in the RESA (*Recueil Electronique des Sociétés et Associations*) and in a Luxembourg newspaper at least 15 (fifteen) days before the relevant meeting.

Except as otherwise provided in the Articles of Association and by law, resolutions shall be adopted by the simple majority of the votes validly cast without counting the abstentions and with no quorum being required. Resolutions to amend the Articles of Association may be adopted by a majority of two thirds of the votes validly cast, without counting the abstentions, if the quorum of half of the share capital is met. If the quorum requirement of half of the share capital of the Company is not met at the first general meeting of shareholders, then the shareholders may be re-convened to a second general meeting of shareholders. No quorum is required in respect of such second meeting and the resolutions are adopted by a supermajority of two-thirds of the votes validly cast, without counting the abstentions.

Each share entitles the holder to one vote.



One or more shareholders representing at least 10% of the Company's capital can request that items be added to the agenda of the general shareholders' meeting. Requests must be notified in writing to the Company, at the latest five (5) days before the general shareholders' meeting.

Except as otherwise provided by the law, any shareholder may be represented at a general shareholders' meeting by a proxyholder who does not need to be a shareholder himself.

In the event that a share is held by more than one person, the Company has the right to suspend the exercise of all rights attached to that share until one person has been appointed as sole owner in relation to the Company.

The Articles of Association provide that, if provided for in the relevant convening notice, any shareholder may vote by correspondence in advance of the general shareholders' meeting. The ballot forms in which it is not indicated in which way the votes shall be cast or if the vote is to be withheld are considered void. To be taken into consideration, ballot forms completed and signed as required must be received by the Company at least seventy-two (72) hours before the general shareholders' meeting.

The Articles of Association provide that, if provided for in the relevant convening notice, any shareholder may participate in the general shareholders' meeting by conference call, video conference or similar means of communication in accordance with the Articles of Association.

The Management Board has the right to postpone the meeting by four weeks. The Management Board must do so if requested by shareholders representing at least 10% of the Company's subscribed capital. Such postponement shall cancel all decisions taken.

The annual general shareholders' meeting shall be held on the last Friday of the month of April at 10 a.m. Luxembourg time. If such day is not a business day in Luxembourg, the meeting shall be held on the next following business day, at the same hour. The annual general shareholders' meeting shall examine, in particular, the reports of the Management Board and the independent auditor (*réviseur d'entreprises agréé*) and, if thought fit, approve the annual accounts and the consolidated accounts. It shall also determine the allocation of the profit and decide by special vote on the discharge of the members of the Management Board and the Supervisory Board from their liability for the performance of their duties over the previous financial year.

The Management Board and Supervisory Board may convene extraordinary general shareholders' meetings as often as the Company's interests so require. An extraordinary general shareholders' meeting must be convened upon the request of one or more shareholders who together represent at least one tenth of the Company's share capital. In such event, the requesting shareholders shall indicate in their request the items to be put on the agenda and the Management Board shall convene the general meeting so as to be held within the month of the request addressed to it.

The minutes of the general shareholders' meeting shall be signed by the members of the bureau of the meeting and any shareholders who so requires.

Convening notice, agenda, proposed resolutions, ballot papers, proxy and any document to be submitted to the general meeting shall be available as from the day of convening of the general meeting on the Company's website ([www.corestate-capital.com](http://www.corestate-capital.com)). After the general shareholders' meeting, the results of the vote and the minutes shall be published on the Company's website.

### **Senior Management of the Group**

The Group has a senior management within the meaning of the prospectus directive, to which Matthias Sprenker belongs.

**Matthias Sprenker (born 1954)** is self-employed lawyer and general counsel of the Corestate-Group. Matthias Sprenker joined the Corestate-Group in 2008. Prior he worked for the BauBecon-Group, BauBecon Treuhand GmbH and BIO Beteiligungs-GmbH and other entities of the BauBecon-Group from 2006 to 2008, *inter alia*, as Legal Counsel and Managing Director and was responsible, *inter alia*, for legal matters, authority regulations and competence guidelines, company reorganization, claim management and due diligence monitoring. From February 2006 to December 2006 he was consultant at the ACMI GmbH for Ceberus Beteiligungs GmbH Deutschland and was responsible for the reorganization of the BauBeCon-Group and for the preparation of the initial public offering of BauBeCon-Group. Before 2006, Matthias Sprenker was self-employed lawyer and notary. Matthias Sprenker graduated from the University of Münster with a law degree in 1978 followed by the second state exam in 1981. He is publicly appointed as notary in North-Rhine Westphalia and is admitted as lawyer to the German Bar. Furthermore, he is authorised as “Conseil Economique” by the *Ministere des Classes Moyenne, du Tourisme et le Logement of Luxembourg*.

The following table lists additional relevant positions with companies and enterprises held by Matthias Sprenker as of the date of this Prospectus and during the last five years, including positions held with the subsidiaries of the Company:

<b>Name</b>	<b>Positions</b>	<b>Position still held? Yes/No</b>
Matthias Sprenker	HIGHSTREET IV HoldCo S.à r.l. – Managing Director	Yes
	CAP FinCo S.à r.l. – Managing Director	Yes
	Iberian Investments I HoldCo S.à r.l. – Managing Director	Yes
	Iberian Investments II HoldCo S.à r.l. – Managing Director	Yes
	Iberian Investments III HoldCo S.à r.l. – Managing Director	Yes
	Corestate HIGHSTREET II HoldCo S.à r.l. – Managing Director	Yes
	Corestate Highstreet HoldCo S.à r.l. – Managing Director	Yes
	Corestate VIE Developments S.à r.l. – Managing Director	Yes
	Donald HoldCo S.à r.l. – Managing Director	Yes
	Soest HoldCo S.à r.l. i. L. – Managing Director	Yes
	Corestate SAND HoldCo S.à r.l. – Managing Director	Yes
	CORESTATE IREI Holding S.A. – Administrateur	Yes
Corestate Turbo FRA HoldCo S.à r.l. – Managing	Yes	

<b>Name</b>	<b>Positions</b>	<b>Position still held? Yes/No</b>
	Director	
	T6 HoldCo S.à.r.l. – Managing Director	Yes
	Squirrel AcquiCo I S.à.r.l. – Managing Director	Yes
	CORESTATE CAPITAL Fund Management S.à r.l. – Managing Director	Yes
	Corestate Turbo HoldCo S.à.r.l. – Managing Director	Yes
	Corestate Energy HoldCo S.à.r.l. i.L. – Managing Director	Yes
	Sailing HoldCo I S.à.r.l. – Managing Director	Yes
	Corestate Sailing HoldCo I S.à.r.l. – Managing Director	Yes
	Corestate Berry HoldCo S.à.r.l. i.L. – Managing Director	Yes
	Phoenix Holdco I S.à.r.l. – Managing Director	Yes
	Sechep Investments Holding II S.à r.l. – Managing Director	Yes
	Sechep Investments Holding S.à r.l. – Managing Director	Yes
	Corestate German Residential Limited – Managing Director of all Lux-Property Companies	Yes
	Sechep Investments Holding S.à r.l. as General Counsel – Consultancy Contracts	Yes
	VITU HoldCo S.A. – Managing Director	Yes
	Corestate Capital Holding S.A. Director	No
	Oyster I Holdco S.à r.l. – Managing Director	No
	Imara Investments Holding II S.à r.l. – Managing Director	No
	Imara Investments Holding I S.à r.l. – Managing Director	No
	Corestate German Commercial Properties Fund Limited Partnership – Managing Director of all Lux-Property Companies	No

<b>Name</b>	<b>Positions</b>	<b>Position still held? Yes/No</b>
	Imara Investments Holding II S.à r.l. as General Counsel – Consultancy Contracts	No
	Germavest Real Estate – Managing Director	Yes
	HIGHSTREET PropCo II S.à r.l. – Managing Director	Yes
	HIGHSTREET PropCo III S.à r.l. – Managing Director	Yes
	HIGHSTREET AcquiCo S.à r.l. – Managing Director	Yes
	HIGHSTREET II AcquiCo S.à r.l. – Managing Director	Yes
	HIGHSTREET II PropCo I S.à r.l. – Managing Director	Yes
	HIGHSTREET II PropCo II S.à r.l. – Managing Director	Yes
	HIGHSTREET II PropCo III S.à r.l. – Managing Director	Yes
	Miller Development S.à r.l. – Managing Director	Yes
	CAP HoldCo S.à r.l. – Managing Director	Yes
	Corestate CAPTIVE PropCo II S.à r.l. – Managing Director	Yes
	Corestate CAPTIVE PropCo III S.à r.l. – Managing Director	Yes
	Corestate CAPTIVE PropCo IV S.à r.l. – Managing Director	Yes
	Corestate CAPTIVE PropCo V S.à r.l. – Managing Director	Yes
	HIGHSTREET IV PropCo II S.à r.l. – Managing Director	Yes
	HIGHSTREET IV PropCo III S.à r.l. – Managing Director	Yes
	Atlant Berry Investments Holding S.à r.l. – Managing Director	No
	CCEF II Sailing HoldCo S.à r.l. – Managing Director	No

<b>Name</b>	<b>Positions</b>	<b>Position still held? Yes/No</b>
	REIP P-first S.à r.l. – Managing Director	No
	REIP P-second S.à r.l. – Managing Director	No
	Corestate Turbo HoldCo S.à r.l. – Managing Director	Yes
	HIGHSTREET FinCo I S.à.r.l– Managing Director	Yes
	HIGHSTREET FinCo II S.à.r.l– Managing Director	Yes
	CORESTATE Capital Sales Holding S.à.r.l– Managing Director	Yes
	DONALD InvestCo S.à.r.l– Managing Director	Yes
	RECAP FinCo I S.à.r.l– Managing Director	Yes
	RECAP FinCo II S.à.r.l– Managing Director	Yes
	Highstreet V HoldCo S.à.r.l– Managing Director	Yes
	Highstreet V PropCo V S.à.r.l– Managing Director	Yes
	ROSE HoldCo S.à.r.l– Managing Director	Yes
	ROSE PropCo S.à.r.l– Managing Director	Yes
	HIGHSTREET Premium I HoldCo S.à.r.l– Managing Director	Yes
	HIGHSTREET Premium I PropCo II S.à.r.l	Yes
	HIGHSTREET Premium I PropCo III S.à.r.l– Managing Director	Yes
	HIGHSTREET Premium I PropCo IV S.à.r.l– Managing Director	Yes
	ACROSS TopCo 1 S.à.r.l– Managing Director– Managing Director	Yes
	ACROSS TopCo 2 S.à.r.l– Managing Director	Yes
	ACROSS HoldCo S.à.r.l– Managing Director	Yes
	ACROSS (EL7) S.à.r.l– Managing Director	Yes
	RECAP FinCo S.à.r.l– Managing Director	Yes
	RECAP FinCo IV S.à.r.l– Managing Director	Yes

<b>Name</b>	<b>Positions</b>	<b>Position still held? Yes/No</b>
	CC SH PropCo 01 S.à.r.l– Managing Director	Yes
	HIGHSTREET VI HoldCo S.à.r.l– Managing Director	Yes
	HIGHSTREET VI PropCo II S.à.r.l	Yes

### ***Compensation and Other Benefits of the Member of the Senior Management***

As Matthias Sprenger exercises his functions as self employed consultant all revenues are subject to the applicable VAT in Luxembourg amounting to 17%. In the financial year 2015, Matthias Sprenger has received a fixed compensation in a gross amount of EUR 130,250. In addition, the amount of the variable remuneration amounted to EUR 90,000 (gross) for his functions within the Corestate-group as managing director of Corestate Capital Fund Management S.à r.l. The total amount of the remuneration (including fix and variable remuneration) was EUR 220,250 (gross). Furthermore, a lease agreement between Corestate Capital Fund Management S.à r.l. and the owner of the apartment which is used by Matthias Sprenger has been concluded in August 2014. The monthly rent amounts to EUR 3,500 p.a. In the financial year 2015, an amount of EUR 42,000 was paid by Corestate Capital Fund Management S.à r.l. under the lease agreement; until July 2014 the monthly lease was paid by Sechep Investments Holding S.à r.l.

In addition, Matthias Sprenger received remuneration for certain offices in various Investment Structures paid by the respective companies of these Investment Structures.

### ***Shareholdings of the Member of the Senior Management***

Matthias Sprenger does not hold any shares in the Company as at the date of this Prospectus.

### **Corporate Governance**

The Company supports the principles of good Corporate Governance for the purpose of responsible, transparent management and control focused on the long-term growth of company value. This is a prerequisite for cultivating the trust of national and international investors and financial markets, business partners, employees and the general public in the Company.

As a Luxembourg *société anonyme* that is traded on the non-regulated market (Entry Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in Germany, 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 Luxembourg law on the exercise of certain rights of the shareholders at general meetings of listed companies dated 24 May 2011, as amended, is not applicable either.

Nonetheless, the Company has decided to follow, on a voluntary basis and to the extent compatible with its business, the German corporate governance rules. Certain rules will apply to the Company only to the extent allowed by Luxembourg corporate law and subject to certain reservations stemming from the Company's corporate structure.

## TAXATION IN THE GRAND DUCHY OF LUXEMBOURG

The following is a summary of certain tax matters arising under the current tax laws in Luxembourg and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the date of this Prospectus, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws (which may be retrospective) will not occur. The summary is limited to a general description of certain tax consequences in Luxembourg with respect to ownership of our Shares by investors, and does not purport to be a comprehensive nor exhaustive description of all the tax considerations that may be relevant to a decision to purchase our Shares.

**Prospective investors should consult their tax advisors regarding Luxembourg tax and other tax consequences of owning and disposing our Shares. It is emphasized that neither our Company, our Directors nor any other persons involved in the Offering accept responsibility for any tax effects or liabilities resulting from the purchase, holding or disposal of our Shares.**

### *Tax Residency*

From a Luxembourg tax perspective, Luxembourg companies are considered as being resident in Luxembourg provided that they have either their registered office or their central administration in Luxembourg.

Resident companies are fully taxable in Luxembourg. The net taxable profit of a resident company is subject to corporate income tax and municipal business tax at ordinary rates in Luxembourg.

An individual will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding and/or disposal of the shares in a Luxembourg entity or the execution, performance or enforcement of his/her rights thereunder.

### *Corporate Income Tax and Municipal Business Tax*

For the year 2016, the aggregate corporate income tax and municipal business tax rate amounts to 29.22% (including the solidarity surcharge) for companies located in Luxembourg-City. As from 1 January 2016, the minimum corporate income tax was abolished. The minimum corporate tax was replaced by a minimum net worth tax applicable as from 1 January 2016. For companies which own financial assets, amounts owed by affiliated undertakings, transferable securities, cash at bank, cash in postal cheque accounts, cheques and cash in hand (accounted for in accounts 23, 41, 50 and 51 of the standard chart of accounts (Grand Ducal Decree of 16 June 2009)) exceeding 90% of their total balance sheet and if their balance sheet exceeds EUR 350,000, the minimum net worth tax due amounts to EUR 3,210.

Liability to corporate income tax and municipal business tax extends to a corporation's worldwide income (including capital gains), subject to the provisions of any relevant double taxation treaty. The taxable income of a corporation is computed by application of all rules of the Luxembourg income tax law of 4 December 1967, as amended (*loi concernant l'impôt sur le revenu*) and of the Luxembourg municipal business tax law dated 1 December 1936, as amended (*Gewerbesteuer-gesetz*), as commented and currently applied by the Luxembourg tax authorities. Under the income tax law and municipal business tax law, all income of a corporation will be taxable in the fiscal period to which it economically relates and all deductible expenses of a corporation will be deductible in the fiscal period to which they economically relate. Under certain conditions, dividends and liquidation proceeds received by a corporation from qualifying participations and capital gains realized by a corporation on

the sale of such participations may be exempt from Luxembourg corporation taxes under the Luxembourg participation exemption.

### ***Dividends Distributions***

Dividends paid by a Luxembourg corporation to its shareholders are generally subject to a 15% withholding tax in Luxembourg. Under certain conditions, a corresponding tax credit may be granted to the shareholders. Responsibility for the withholding of the tax is assumed by the Luxembourg corporation.

The applicable withholding tax rate may be reduced under a double tax treaty concluded by Luxembourg.

A withholding tax exemption applies under the participation exemption if cumulatively:

- (i) the shareholder of the Luxembourg company being a Qualifying Luxembourg Company (as defined below) is an eligible parent (as defined below) (“**Eligible Parent**”); and
- (ii) at the time the dividend is made available, the Eligible Parent has held or commits to hold a participation of at least 10% (or a participation with an acquisition price of at least EUR 1.2 million) for an uninterrupted period of at least 12 months in the Qualifying Luxembourg Company;

Holding a participation through a tax transparent entity is deemed to be a direct participation in the proportion of the net assets held in this entity.

An Eligible Parent includes notably:

- a) a company (*organisme à caractère collectif*) covered by Article 2 of the Parent-Subsidiary Directive or a Luxembourg permanent establishment thereof;
- b) a company (*organisme à caractère collectif*) resident in a State having a double tax treaty with Luxembourg and liable to a tax corresponding to Luxembourg corporate income tax ;
- c) a capital company (*société de capitaux*) or a cooperative company (*société cooperative*) resident in a Member State of the European Economic Area other than an EU Member State and liable to a tax corresponding to Luxembourg corporate income tax or a Luxembourg permanent establishment thereof; or
- d) a Swiss capital company (*société de capitaux*) which is subject to corporate income tax in Switzerland without benefiting from an exemption.

A Qualifying Luxembourg Company includes:

- a) a Luxembourg resident company (*organisme à caractère collectif*) fully subject to tax and covered by Article 2 of the Parent-Subsidiary Directive;
- b) a Luxembourg capital company (*société de capitaux*) fully subject to tax and not covered by Article 2 of the Parent-Subsidiary Directive.

No withholding tax is levied on capital gains and liquidation proceeds.



## ***Individual Income Tax***

For the purposes of this paragraph, a disposal may include a sale, an exchange, a contribution, a redemption and any other kind of alienation of the participation.

### ***Luxembourg Resident Shareholders***

#### **Luxembourg Resident Individuals**

Dividends and other payments derived from the shares held by resident individual shareholders, who act in the course of the management of either their private wealth or their professional/business activity, are subject to income tax at the ordinary progressive rates. Under current Luxembourg tax laws, 50% of the gross amount of dividends received by resident individuals from the company may however exempt from income tax, if the distributing company is a Luxembourg capital company fully subject to tax, a EU company covered by Article 2 of the Parent-Subsidiary Directive or a company resident in a State having a double tax treaty with Luxembourg and liable to a tax corresponding to Luxembourg corporate income tax.

Capital gains realized on the disposal of the shares by resident individual shareholders, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either (i) as speculative gain or (ii) as gain on a substantial participation.

(i) Capital gains are deemed to be speculative if the shares are disposed of within six months after their acquisition or if their disposal precedes their acquisition. Speculative gains are subject to income tax as miscellaneous income at ordinary rates.

(ii) A participation is deemed to be substantial where a resident individual shareholder holds or has held, either alone or together with his/her spouse or partner and/or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the company whose shares are being disposed of the Substantial Participation (“**Substantial Participation**”). A shareholder is also deemed to alienate a Substantial Participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a Substantial Participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period). Capital gains realized on a Substantial Participation more than six months after the acquisition thereof are subject to income tax as miscellaneous income at the half-global rate method (*i.e.*, the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the Substantial Participation).

Capital gains realized on the disposal of the shares by resident individual shareholders, who act in the course of their professional/business activity, are subject to income tax at ordinary rates.

Capital gains are determined as being the difference between the price for which the shares have been disposed of (minus expenses incurred for such disposal) and the book value.

#### **Luxembourg Resident Companies**

Dividends and other payments derived from the shares held by Luxembourg resident fully taxable companies are subject to income taxes, unless the conditions of the participation exemption, as described below, are satisfied.

If the conditions of the participation exemption are not met, 50% of the dividends distributed by an entity to a Luxembourg fully taxable resident company are nevertheless exempt from income tax, if the distributing company is a Luxembourg capital company fully subject to tax, an EU company covered by Article 2 of the Parent-Subsidiary Directive or a company resident in a State having a

double tax treaty with Luxembourg and is liable to a tax corresponding to Luxembourg corporate income tax.

Under the participation exemption, dividends derived from the shares may be exempt from income tax at the level of the shareholder if cumulatively:

- (i) the shareholder is a Luxembourg resident fully taxable company, a Luxembourg permanent establishment of a company (*organisme à caractère collectif*) covered by Article 2 of the Parent-Subsidiary Directive, a Luxembourg permanent establishment of capital company (*société de capitaux*) resident in a State having a double tax treaty with Luxembourg or a Luxembourg permanent establishment of a capital company (*société de capitaux*) or a cooperative company (*société coopérative*) resident in a Member State of the European Economic Area other than an EU Member State (“**Qualified Parent**”); and
- (ii) at the time the dividend is put at the shareholder’s disposal, the shareholder has held or commits to hold a participation of at least 10% (or a participation with an acquisition price of at least EUR 1.2 million) for an uninterrupted period of at least 12 months in the Qualifying Shareholding.

A Qualifying Shareholding includes:

- a) a company (*organisme à caractère collectif*) covered by Article 2 of the Parent-Subsidiary Directive;
- b) a Luxembourg resident capital company (*société de capitaux*) fully subject to tax and not covered by Article 2 of the Parent-Subsidiary Directive;
- c) a non Luxembourg resident capital company (*société de capitaux*) liable to a tax corresponding to Luxembourg corporate income tax.

Liquidation proceeds are assimilated to dividends and may be exempt under the same conditions.

Capital gains realized by a Luxembourg resident company on the disposal of the shares are subject to income tax at ordinary rates, unless the conditions of the participation exemption, as described below, are satisfied. Under the participation exemption, capital gains realized on the shares may be exempt from income tax at the level of the shareholder if cumulatively:

- (i) the shareholder is a Qualified Parent; and
- (ii) at the time the capital gain is realized, the receiving company has held or commits itself to hold a direct participation of at least 10% (or a participation with an acquisition price of at least EUR 6 million) for an uninterrupted period of at least 12 months in a Qualifying Shareholding.

Capital gains are determined as being the difference between the price for which the shares have been disposed of (minus expenses incurred for such disposal) and the book value.

Capital gains are not exempt to the extent they correspond to losses and expenses in relation to the relevant participation, which have been deducted for tax purposes in the past (recapture rule).

For the purposes of the participation exemption, shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

### Luxembourg Resident Companies Benefiting from a Special Tax Regime

A shareholder which is a Luxembourg resident company benefiting from a special tax regime, such as (i) an undertaking for collective investment governed by the law of 17 December 2010, as amended, (ii) a specialized investment fund governed by the law of 13 February 2007, as amended or (iii) a family wealth management company governed by the law of 11 May 2007, as amended, is exempt from income tax in Luxembourg. Dividends and capital gains derived from the shares are thus not subject to Luxembourg income tax in their hands.

### **Luxembourg Non-Resident Shareholders**

Non-resident shareholders, who have neither a permanent establishment, a permanent representative nor a fixed place of business in Luxembourg to which or whom the shares or the income thereon are attributable, are not liable to any Luxembourg income tax, whether they receive payments of dividends or realize capital gains on the disposal of the shares, except capital gains realized on a Substantial Participation (please refer to definition above under the heading “Luxembourg Resident Individuals”) within the first six months of the acquisition thereof, which are subject to income tax in Luxembourg at ordinary rates (subject to the provisions of any relevant double tax treaty) and except for the withholding tax mentioned above.

Non-resident shareholders having a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which or whom the shares or the income thereon are attributable, must include any income received, as well as any gain realized on the disposal of the shares, in their taxable income for Luxembourg tax assessment purposes, unless the conditions of the participation exemption, as described below, are satisfied.

If the conditions of the participation exemption are not fulfilled, 50% of the gross amount of dividends received by a Luxembourg permanent establishment, permanent representative or fixed place of business are however exempt from income tax provided the distributing company is a Luxembourg capital company fully subject to tax, an EU company covered by Article 2 of the Parent-Subsidiary Directive or a company resident in a State having a double tax treaty with Luxembourg and liable to a tax corresponding to Luxembourg corporate income tax.

Capital gains are determined as being the difference between the price for which the shares have been disposed of (minus expenses incurred for such disposal) and the book value.

Under the participation exemption, dividends derived from the shares may be exempt from income tax if cumulatively

- (i) the shares are attributable to a qualified permanent establishment (as defined below) (“**Qualified Permanent Establishment**”) and
- (ii) at the time the dividend is put at the disposal of the Qualified Permanent Establishment, it has held or commits to hold a participation of at least 10% (or a participation with an acquisition price of at least EUR 1.2 million) for an uninterrupted period of at least 12 months in a Qualifying Shareholding.

A Qualified Permanent Establishment means:

- a) a Luxembourg permanent establishment of a company (*organisme à caractère collectif*) covered by Article 2 of the Parent-Subsidiary Directive;
- b) a Luxembourg permanent establishment of a capital company (*société de capitaux*) resident in a State having a double tax treaty with Luxembourg; and

- c) a Luxembourg permanent establishment of a capital company (*société de capitaux*) or a cooperative company (*société coopérative*) resident in a Member State of the European Economic Area other than an EU Member State.

Liquidation proceeds are assimilated to a received dividend and may be exempt under the same conditions.

Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Under the participation exemption, capital gains realized on the shares may be exempt from income tax (subject to the recapture rule) if cumulatively:

- (i) the shares are attributable to a Qualified Permanent Establishment; and
- (ii) at the time the capital gain is realized, the Qualified Permanent Establishment has held or committed itself to hold a direct participation of at least 10% (or a participation with an acquisition price of at least EUR 6 million) for an uninterrupted period of at least 12 months in a Qualifying Shareholding.

Under Luxembourg tax laws currently in force (subject to the provisions of double taxation treaties), capital gains realized by a Luxembourg non-resident shareholder (not acting via a permanent establishment, a permanent representative or a fixed place of business in Luxembourg through which/whom the shares are held or to which/whom the income thereon is attributable) are not taxable in Luxembourg unless (a) the shareholder holds a Substantial Participation in the company and the disposal of the shares takes place less than six months after the shares were acquired or (b) the shareholder has been a former Luxembourg tax resident for more than fifteen years and has become a non tax resident, at the time of the realization of the capital gain, less than five years ago.

### ***Net Worth Tax***

A net worth tax of 0.5% is levied annually on the total taxable net assets of Luxembourg companies. Net worth tax is levied at a rate of 0.5% on an amount of unitary value up to and including EUR 500 million. When the unitary value exceeds the aforementioned threshold, net worth tax is calculated as follows: (i) EUR 2.5 million (which corresponds to a rate of 0.5% applied to the amount of EUR 500 million); and (ii) 0.05% calculated on the taxable amount exceeding EUR 500 million.

For companies which own financial assets, amounts owed by affiliated undertakings, transferable securities, cash at bank, cash in postal cheque accounts, cheques and cash in hand (accounted for in accounts 23, 41, 50 and 51 of the standard chart of accounts (Grand Ducal Decree of 16 June 2009)) exceeding 90% of their total balance sheet and if their balance sheet exceeds EUR 350,000, a minimum net worth tax is due amounting to EUR 3,210. To the extent the aforementioned thresholds for the minimum net worth tax of EUR 3,210 are not met, Luxembourg companies would be subject to a minimum net worth tax ranging between EUR 535 – EUR 32,100 depending on the balance sheet total at the closing of the preceding financial year. Net worth is referred to as the unitary value (*valeur unitaire*), as generally determined on 1 January of each year. The unitary value is in principle calculated as the difference between (i) assets estimated at their fair market value (*valeur estimée de réalisation*), and (ii) liabilities *vis-à-vis* third parties.

Luxembourg resident shareholders, as well as non-resident shareholders who have a permanent establishment, a permanent representative or fixed place of business in Luxembourg to which the shares are attributable, are subject to Luxembourg net worth tax on such shares, except if the shareholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the law of 17 December 2010, as amended, (iii) a securitization company governed by the law of 22 March 2004, as amended, on securitization, (iv) a company governed by the

law of 15 June 2004, as amended, on venture capital vehicles, (v) a specialized investment fund governed by the law of 13 February 2007, as amended or (vi) a family wealth management company governed by the law of 11 May 2007, as amended.

Under the participation exemption, a participation held by a Qualified Parent in a Qualifying Subsidiary or attributable to a Qualified Permanent Establishment should be exempt from Luxembourg net worth tax.

### ***Other Taxes***

The incorporation of an entity through a contribution (in cash or in kind) to its share capital as well as further share capital increase or other amendment to the articles of incorporation of the entity are subject to a fixed registration duty of EUR 75.

Under current Luxembourg tax laws, no registration tax or similar tax is in principle payable by the Shareholder upon the acquisition, holding or disposal of the shares. However, a fixed registration duty of EUR 12 may be due upon registration of the shares in Luxembourg in the case of legal proceedings before Luxembourg courts, in case the shares must be produced before an official Luxembourg authority, or in the case of a registration of the shares on a voluntary basis.

No inheritance tax is levied on the transfer of the shares upon death of a shareholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Gift tax may be due on a gift or donation of the shares, if the gift is recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

The disposal of the shares is not subject to a Luxembourg registration tax or stamp duty, unless recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

## TAXATION IN GERMANY

### *General*

The following is a summary of certain tax matters arising under the current tax laws in Germany and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the date of this Prospectus, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws (which may be retrospective) will not occur. The summary is limited to a general description of certain tax consequences in Germany with respect to ownership of our Shares by investors, and does not purport to be a comprehensive nor exhaustive description of all the tax considerations that may be relevant to a decision to purchase our Shares. This summary in particular does not include a discussion of tax considerations that may be relevant for investment funds or German tax exempt entities.

**Prospective investors should consult their tax advisors regarding German tax and other tax consequences of owning and disposing our Shares. It is emphasized that neither our Company, our Directors nor any other persons involved in the Offering accept responsibility for any tax effects or liabilities resulting from the purchase, holding or disposal of our Shares.**

### *Tax Residency*

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source.

### *Corporate Income Tax and Trade Tax*

The earnings of corporate entities with seat or place of management in Germany are subject to corporate income tax of 15.0% plus a solidarity surcharge (*Solidaritätszuschlag*) of 5.5% on this amount (that is, a total tax rate of 15.825%). In addition, income generated at their German permanent establishments is also usually subject to trade tax of between 7.0% and 17.5%, depending on the multiplier applied by the relevant municipal authority. Trade tax is generally based on the taxable income as determined for corporate income tax purposes taking into account, however, certain add-backs and deductions.

### *Individual Income Tax and Trade Tax*

Individuals are subject to tax on their worldwide income if they meet either of the following conditions:

- They have a domicile in Germany for their personal use.
- They have a “customary place of abode” in Germany. This means that they are present in Germany for an uninterrupted period of six months that may fall in two calendar years.

German tax resident individuals are subject to tax on their taxable income based on progressive tax rates, currently up to a top marginal rate of 45% (plus solidarity surcharge of 5.5 % thereon, plus church tax, if applicable).

To the extent the shares are held as business assets, individuals would also usually be subject to German trade tax of between 7.0 % and 17.5 %, depending on the multiplier applied by the relevant municipal authority. Trade tax is generally based on the taxable income as determined for income tax

purposes taking into account, however, certain add-backs and deductions. Trade tax is generally fully or partly credited towards the individual's income tax by a lump sum procedure.

### ***Taxation of Dividends***

#### *Withholding Tax*

Dividends paid by the Company to a German tax resident are subject to withholding tax (*Kapitalertragsteuer*) at a rate of 25% provided a domestic branch of the domestic or foreign credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsspezialist*), a domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or a domestic securities trading bank (*inländische Wertpapierhandelsbank*) has custody of or administers the shares and disburses or credits the dividends (hereinafter referred to as “**German Disbursing Agent**”). The Company assumes no responsibility for the withholding of German taxes at the source. A solidarity surcharge of 5.5% is also levied on the withholding tax amount, resulting in a total withholding of 26.375%. Church tax, if applicable, is also withheld by the German Disbursing Agent unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office (*Bundeszentralamt für Steuern*). The assessment basis for the withholding tax is the dividend approved by the general shareholders' meeting.

In the case of dividends paid by the Company, German withholding tax is generally withheld by the German Disbursing Agent regardless of whether and to what extent the dividend is exempt from tax at the level of a German tax resident shareholder. Under certain requirements the German Disbursing Agent holding shares in custody is not required to impose withholding tax on dividends. This requires in particular that (i) the shareholder is a corporation, association of persons or estate which is tax resident in Germany, or (ii) the shares belong to the domestic business assets of a shareholder and such shareholder declares this fact to the German Disbursing Agent on the designated official form.

Dividends paid by the Company on shares held in custody with a German Disbursing Agent to (i) individuals having neither their place of residence nor their habitual abode in Germany or (ii) corporations whose statutory seat and place of management is outside of Germany, are generally – subject to exceptions (see “Shareholders Tax Resident Outside of Germany” below) – not subject to a German limited tax liability and therefore no German withholding tax should be levied by the German Disbursing Agent.

#### *Shareholders Tax Resident in Germany*

##### Shares Held as Part of the Private Assets of Individuals

Dividends paid by a foreign corporation to German individuals holding the shares as private assets are subject to a flat tax (*Abgeltungsteuer*) of 25% plus solidarity surcharge of 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if any) that is withheld by the German Disbursing Agent. In case no withholding tax has been withheld (e.g. because the Shares are administered by a person other than a German Disbursing Agent), the flat tax is imposed in the assessment procedure. Income-related expenses incurred in connection with private investment income are not tax deductible. The only deduction that may be made is an annual flat-rate savings allowance of EUR 801 (EUR 1,602 for joint-filing spouses) on all private capital income (*Einkünfte aus Kapitalvermögen*). Shareholders may apply for the whole amount of their capital income, including dividends, to be taxed at the income tax rate based on their personal circumstances instead of the flat-rate withholding tax if this results in a lower tax liability. In such case, it is also not possible to deduct any income-related expenses other than the flat-rate savings allowance. Furthermore, dividend income can only be offset by losses from capital income, except for losses generated by the disposal of shares.

Individual shareholders, who privately hold, directly or indirectly, an interest of at least 25% in the company, and shareholders who privately hold, directly or indirectly, at least 1% in the company and work for the Company, may request an exemption from the flat-rate withholding tax. In this case, 60% of the dividends paid to the shareholder is subject to income tax according to the applicable rate plus solidarity surcharge. In these circumstances, expenses incurred in connection with dividend income are generally 60% tax-deductible.

If final foreign withholding tax was withheld and remitted by the distributor of the dividend, such withholding tax can in principle and subject to certain limitations be credited on the German income tax (either in the withholding procedure by the German Disbursing Agent, or in the assessment process). The credit is limited to the income tax actually assessed in Germany on the dividend income.

#### Shares Held as Part of the Business Assets of Corporations

Dividends paid to corporations that are German tax residents are generally exempt from tax, provided that the incorporated entity holds a direct participation of at least 10% in the share capital of the company that is paying the dividend at the beginning of the calendar year in which the dividends are paid. The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Participations in the share capital of the company which a corporate shareholder holds through a partnership, including co-entrepreneurships (*Mitunternehmenschaften*), are attributable to such corporate shareholder only on a pro rata basis at the ratio of the interest share of the corporate shareholder in the assets of relevant partnership. In case the tax exemption applies, 5% of the tax-exempt dividends are treated as non-deductible operating expenses and are subject to tax. Business expenses actually incurred in connection with dividend income from a tax perspective are generally tax-deductible. For trade tax purposes, dividends are only exempt as described above if the entity that is receiving the dividends held a stake of at least 15% in the share capital of the Company since the beginning of the assessment period. For dividends received from a Company resident in another EU-member state, the trade tax exemption as described above applies, if at least 10% in the share capital of the Company are held at the beginning of the assessment period. Otherwise, the dividends will be fully subject to trade tax.

If final foreign withholding tax was withheld and remitted, such final foreign withholding tax is in general not creditable on German corporate tax at the level of the corporation. Only in case dividend income is considered as taxable income (e.g. because the 10% minimum shareholding is not fulfilled), foreign withholding tax credit might be available subject to certain limitations. A credit on German trade tax is not possible according to German tax law.

#### Shares Held as Part of the Business Assets of Sole Proprietors

60% of the dividends paid to individuals who are German tax residents and who hold shares as part of their business assets are subject to income tax according to the applicable rate. A solidarity surcharge of 5.5% of this amount also applies as well as church tax (if any). Business expenses incurred in connection with dividend income from a tax perspective are generally only 60% tax-deductible. If the shares are held in a German commercial establishment, the dividends are also subject to trade tax, which is fully or partly credited towards the individual's income tax by a lump-sum method. The dividends are exempt from trade tax, provided that the shareholder held at least 15% of the Company's share capital since the beginning of the relevant assessment period. For dividends received from a Company resident in another EU-member state, the trade tax exemption as described above applies, if at least 10% in the share capital of the Company are held at the beginning of the assessment period.

German withholding tax amounts should be creditable against the income tax due and any excess withholding tax should be refunded. If final foreign withholding tax was withheld and remitted, such



withholding tax can be credited on the German income tax. The credit is limited to the income tax actually assessed in Germany on the dividend income. A credit on German trade tax is not possible according to German tax law.

#### Shares Held as Part of the Business Assets of a Commercial Partnership

Income tax or corporate income tax (including solidarity surcharge) is not levied at the level of the partnership (*Mitunternehmerschaft*) but rather at the level of the respective partner. The income or corporate income taxation for each partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in its profit share are taxed in accordance with the principles applicable to corporations (see “Shares Held as Part of the Business Assets of Corporations” above). If the partner is an individual and the shares are held as business assets of the partnership, dividends contained in their profit share are taxed in accordance with the principles applicable to sole proprietors (see “Shares Held as Part of the Business Assets of a Sole Proprietor” above). Subject to certain conditions, an individual partner may request that its personal income tax be lowered for earnings not withdrawn from the partnership. If the shares are held as business assets of a German commercial establishment, trade tax is levied at the level of the partnership. Dividends are exempt from trade tax provided that the partnership held at least 10% of the Company’s share capital at the beginning of the relevant assessment period. In relation to partners that are corporations, 5% of the dividend income is considered to be non-deductible business expenses and will be subject to trade tax. If an individual holds an interest in the partnership, the proportionate trade tax may be credited fully or partly towards the individual’s income tax by means of a lump-sum method.

#### Shares Held as Part of the Assets of Certain Companies in the Financial and Insurance Sector

The tax exemption applicable to dividends does not apply to dividends paid to certain corporations in the financial and insurance sector. Dividends from shares that are, pursuant to Articles 102 through 106 of the Commission Regulation 575/2013 of 26 June 2013 (directly or in conjunction with Section 1a of the German Banking Act (*Gesetz über das Kreditwesen*)), part of the trading books of banks and financial services institutions, as well as dividends from shares that are acquired by certain financial enterprises in the meaning of the German Banking Act (*Gesetz über das Kreditwesen*) with the aim of generating a short-term proprietary trading profit, are fully liable for corporate income tax (plus solidarity surcharge). If the stake held at the beginning of the relevant assessment period is 10% or higher, subject to certain conditions, the dividends can be fully exempted from trade tax. Dividends from shares that are classified as investments in the case of life insurers, health insurers and pension funds are fully subject to corporate income tax and trade tax. However, an exemption to the foregoing, and thus a 95% effective corporate income tax exemption, applies to dividends obtained by the aforementioned companies to which the Parent-Subsidiary Directive applies.

#### *Shareholders Tax Resident Outside of Germany*

Dividends paid to shareholders who are not German tax residents (individuals and corporations) are generally not subject to German taxation (see “Withholding Tax” above).

However, if shares are held as part of business assets located in Germany for tax purposes (i.e. via a permanent establishment or as a part of business assets for which a permanent representative in Germany has been appointed), the provisions outlined above with respect to the taxation of shareholders that are German tax residents holding shares as business assets apply accordingly.

## ***Gains on disposal of Shares***

### *Withholding Tax*

Capital gains derived by a German tax resident from the sale of shares are generally subject to withholding tax (*Kapitalertragsteuer*) at a rate of 25% provided there is a German Disbursing Agent that has custody of or administers the shares or that sells the shares and disburses or credits shareholders for their capital gains. A solidarity surcharge of 5.5% is also levied on the withholding tax amount, resulting in a total withholding of 26.375%. Church tax, if applicable, is also already withheld by the German Disbursing Agent unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office.

The amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the book value or acquisition costs (as the case may be) of the shares. Under certain circumstances the withholding tax may be applied to 30% of the proceeds from the sale.

The German Disbursing Agent holding the shares in custody is under certain requirements not required to impose withholding tax (see “*Taxation of Dividends – Withholding Tax*” above).

Capital Gains realized on shares held in custody with a German Disbursing Agent to shareholders tax resident outside of Germany (see “*Shareholders Tax Resident Outside of Germany*” below) are generally – subject to exceptions – not subject to a German limited tax liability and therefore no German withholding tax should be levied by the German Disbursing Agent.

### *Shareholders Tax Resident in Germany*

#### Shares Held as Part of the Private Assets of Individuals

Capital gains are classified as income from capital investments (*Einkünfte aus Kapitalvermögen*) and are subject to income tax (plus solidarity surcharge and church tax, if any) irrespective of how long the shares have been held at the flat rate of 25% (plus 5.5% solidarity surcharge, resulting in a total withholding of 26.375%, and church tax, if any). The taxable capital gain is calculated by deducting the acquisition costs of the shares and the expenses directly related to the disposal from the proceeds of the disposal. A shareholder’s income tax and solidarity surcharge liability is generally satisfied through the withholding of the withholding tax. In case no withholding has been made, the flat tax is levied in the assessment process. Shareholders may, however, request that a tax assessment be carried out on their income from capital investments at their personal income tax rates if this results in a lower tax liability. Income from capital investments may be reduced only by a flat-rate savings allowance of EUR 801 (EUR 1,602 for joint-filing spouses); it is not possible to further deduct income-related expenses actually incurred except for expenses incurred directly in connection with the disposal. Capital gains generated by the disposal of shares can be offset against any type of losses from capital investment income while capital losses incurred on the disposal of shares can only be offset against capital gains from the disposal of shares.

If the shareholder making the disposal – or, in the event of a sale of shares acquired without consideration, its legal predecessor – held a direct or indirect stake of at least 1% in the Company’s share capital at any time in the five years preceding the disposal, any capital gains realized are deemed to be trading income. In such cases the capital gains are 60% taxable at the individual tax rate of the shareholder. German withholding tax withheld and remitted is generally credited towards the shareholder’s tax liability, or, in case of withholdings in excess of the assessed tax liability, refunded.

Final foreign withholding or assessed tax (if any) is in principle and subject to certain limitations creditable against the German income tax arising on the capital gains (either by the German Disbursing Agent in the withholding procedure, or in the assessment process).

#### Shares Held as Part of the Business Assets of Corporations

Gains from the disposal of shares held by incorporated entities that are German tax residents are generally not subject to withholding tax and are in principle exempt from corporate income tax and trade tax. However, 5% of the capital gains are deemed non-deductible business expenses and are thus subject to corporate income tax (plus solidarity surcharge) and – if the shares are held as part of the commercial business assets in Germany – to trade tax. Consequently, capital gains are generally 95% exempt from tax. As a rule, losses on disposals and other profit reductions in connection with the shares sold may not be deducted as business expenses.

#### Shares Held as Part of the Business Assets of a Sole Proprietor

60% of the gains from the disposal of the shares is subject to income tax (plus solidarity surcharge and church tax, if any) at the individual tax rate of the shareholder and – if the shares are held as part of commercial business assets in Germany – to trade tax. The trade tax is (partially) credited to the shareholder's personal income tax by means of a lump-sum method. Generally, only 60% of the losses on disposals and business expenses commercially linked to the shares sold may be deducted.

German withholding tax amounts (if any) should be creditable against the income tax due and any excess withholding tax and solidarity surcharge should be refundable. Final foreign withholding or assessed tax (if any) is in principle and subject to certain limitations creditable against the German income tax arising on the capital gains.

#### Shares Held as Part of the Business Assets of a Commercial Partnership

Income tax or corporate income tax is not levied at the level of the partnership (*Mitunternehmerschaft*) but at the level of the respective partner. If shares are held as business assets of the partnership, taxation is determined as if the partner held a direct interest in the Company, according to the rules outlined above depending on whether the partner is a corporation (see “Gains on disposal of shares – Shareholders Tax Resident in Germany – Shares Held as Part of the Business Assets of Corporations”) or an individual (see “Gains on disposal of shares – Shareholders Tax Resident in Germany – Shares Held as Part of the Business Assets of Sole Proprietors”). Upon request and subject to further conditions, a partner that is an individual may, subject to certain conditions, have its personal income tax lowered for earnings not withdrawn from the partnership.

For a partnership, capital gains are subject to trade tax if the shares are part of the business assets of a German commercial permanent establishment of the partnership. 5% of these gains are subject to trade tax insofar as they relate to the profit share of a partner that is a corporation and 60% insofar as they relate to the profit share of a partner that is an individual. In the latter case, the proportionate trade tax is (partially) credited to the partner's personal income tax by means of a lump-sum method.

#### Shares Held as Part of Assets of Certain Companies in the Financial and Insurance Sector

Capital gains realized by certain corporations in the financial and insurance sector are, as an exception to the aforementioned rules, fully taxable (see “Shares Held as Part of the Assets of Certain Companies in the Financial and Insurance Sector” above). The full tax liability applies to gains from the disposal of shares in the trading books of banks and financial services companies, to gains from the disposal of shares that were acquired by financial enterprises with the aim of generating a short-term proprietary trading profit, as well as to gains from the disposal of shares held as investments by life insurers, health insurers and pension funds.

### *Shareholders Resident Outside of Germany*

Gains from the disposal of shares held by shareholders that are not German tax residents (individuals and corporations) should generally not be subject to German taxation.

However, if capital gains are derived from the disposal of shares which are held as part of business assets located in Germany (i.e. via a permanent establishment or as part of business assets for which a permanent representative in Germany has been appointed) by shareholders resident outside of Germany, the provisions outlined above with respect to the taxation of shareholders that are German tax residents holding the shares as business assets principally apply accordingly (see “Shareholders Tax Resident in Germany” above).

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

The transfer of shares to another person upon death or as a gift is generally subject to German inheritance or gift tax in the following circumstances:

- (i) the place of residence, customary place of abode, place of management or registered office of the testator, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five consecutive years outside of Germany without having a place of residence in Germany (this term is extended to ten years for German expatriates with U.S. residence); or
- (ii) the testator’s or donor’s shares were part of business assets for which there was a place of business in Germany or for which a permanent representative was appointed;

### ***German CFC taxation***

German resident investors (individuals or corporate shareholders) collectively holding 50% or more of the shares or voting rights in the Company may become subject to the German CFC rules (*Hinzurechnungsbesteuerung*) pursuant to the German Foreign Relations Tax Act (*Außensteuergesetz*) to the extent that the income of the Company or any subsidiary qualifies as (low taxed) passive income (*Zwischeneinkünfte*) for German CFC rules purposes.

Irrespective of the 50% threshold each German resident shareholder that holds at least 1% of the shares or voting rights in the Company may become subject to the German CFC rules to the extent that the income of the Company qualifies as passive capital investment income (*Zwischeneinkünfte mit Kapitalanlagecharakter*) provided that gross earnings, on which the passive capital investment income are based make up more than 10% of the entire gross earnings of all passive income of the Company in the respective financial year or exceed the amount of EUR 80,000 per annum at the level of the Company or in relation to the overall allocable passive income at the level of the shareholder.

However, in either of the above situations German CFC rules may not result in an income attribution for German tax purposes to the extent that the German resident investor is able to evidence to the German tax authorities that the Company has generated the relevant income from activities that support an active business, or carries out an actual business in Luxembourg.

### ***Other Taxes***

No German capital transfer tax, value added tax, stamp duty or similar taxes are levied on the purchase or disposal of shares or other forms of share transfer. Wealth tax is currently not levied in Germany. However, an entrepreneur can opt to pay value-added tax on the sale of shares, despite being generally exempt from value-added tax, if the shares are sold to another entrepreneur for the entrepreneur’s business.

On 22 January 2013, the Council of the EU approved the resolution of the ministers of finance from 11 member states (including Germany) to introduce a financial transaction tax within the framework of enhanced cooperation. On 14 February 2013, the European Commission accepted the Proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax. The plan focuses on levying a financial transaction tax of 0.1% (0.01% for derivatives) on the purchase and sale of financial instruments. The directive awaits the unanimous agreement of the 11 participating member states.

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# **Unaudited Interim Condensed Consolidated Financial Statements**

CORESTATE Capital Holding S.A.

Luxembourg

(until 23 September 2015: CORESTATE Capital AG, Zug/Switzerland)

*for the period from 1 January 2016 to 30 June 2016*



## Interim Consolidated Statement of Financial Position

<i>(in k€)</i>	Notes 2016	unaudited 30.06.2016	audited 31.12.2015
<b>Non-Current Assets</b>			
Property, Plant and Equipment		782	642
Intangible Assets		70	96
Shares in Subsidiaries		0	-
Investment in Associates and Joint Ventures	D.1	31,409	29,247
Other Financial Instruments		32	31
Deferred Tax Assets		1,717	2,406
<b>Total Non-Current Assets</b>		<b>34,010</b>	<b>32,421</b>
<b>Current Assets</b>			
Advance Payments for Property Purchase Prices	D.2	12,022	1,000
Inventories	D.3	-	39,216
Receivables from Associates	D.4	6,628	11,469
Receivables from Joint Venture	D.5	5,886	5,755
Trade Receivables		3,802	3,984
Other short-term Receivables		337	1,329
Current Income Tax Assets		126	122
Other Short-term Assets		994	940
Restricted Cash		-	2,800
Cash and Cash Equivalents		23,920	9,647
<b>Total Current Assets</b>		<b>53,714</b>	<b>76,263</b>
<b>TOTAL ASSETS</b>		<b>87,724</b>	<b>108,684</b>
<b>Equity</b>			
Share Capital		195	195
Other Reserves		33,858	24,292
Net Profit/(Loss) for the Period		5,154	9,656
<i>Subtotal Capital Accounts of shareholders of parent company</i>		<i>39,207</i>	<i>34,143</i>
Non-controlling Interests		262	213
<b>Total Equity</b>		<b>39,469</b>	<b>34,356</b>
<b>Non-Current Liabilities</b>			
Long-term Financial Liabilities to Banks	D.6	14,606	25,378
Net Employee defined Benefit Liabilities		443	443
Other non-current Liabilities	D.7	20,908	1,275
<b>Total Non-Current Liabilities</b>		<b>35,958</b>	<b>27,096</b>
<b>Current Liabilities</b>			
Short-term Financial Liabilities to Banks		184	0
Short-term Liabilities to Associates	D.8	359	91
Trade Payables		7,208	8,258
Current Income Tax Liabilities		612	603
Other Current Liabilities	D.9	3,933	38,279
<b>Total Current Liabilities</b>		<b>12,296</b>	<b>47,232</b>
<b>SUBTOTAL LIABILITIES</b>		<b>48,254</b>	<b>74,328</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>87,724</b>	<b>108,684</b>

## Interim Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the Period from 1 January to 30 June 2016

<i>(in k€)</i>	<b>Notes 2016</b>	<b>unaudited 01.01.2016 - 30.06.2016</b>	<b>unaudited 01.01.2015 - 30.06.2015</b>
Revenue from Acquisition Related Fees	E.1	2,938	2,623
Revenue from Asset and Property Management	E.2	11,359	10,771
Revenue from Promote Fees realised	E.3	-	3,260
<i>Total Revenue from Real Estate Investment Management</i>		<i>14,297</i>	<i>16,654</i>
<i>Total Expenses from Real Estate Investment Management</i>		<i>(12,116)</i>	<i>(10,210)</i>
<b>Total Earnings from Real Estate Investment Management</b>		<b>2,182</b>	<b>6,444</b>
<i>Share of Profit or Loss from Associates and Joint Ventures</i>	D.1	<i>1,031</i>	<i>1,563</i>
<i>Expenses from Management of Associates and Joint Ventures</i>		<i>(256)</i>	<i>(342)</i>
<b>Total Earnings from Alignment Capital Management</b>		<b>775</b>	<b>1,221</b>
Net Rental Income		172	211
Revenue from Service Charges		-	14
Net Gain from Selling Property Holding Companies		8,543	2,506
<i>Total Income from Real Estate Operations/Warehousing</i>		<i>8,715</i>	<i>2,731</i>
<i>Expenses from Real Estate Operations/Warehousing</i>		<i>(84)</i>	<i>(534)</i>
<b>Total Earnings from Real Estate Operations/Warehousing</b>		<b>8,631</b>	<b>2,198</b>
General and Administrative Expenses		(3,434)	(3,159)
Other Income		173	163
<b>Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)</b>		<b>8,326</b>	<b>6,866</b>
Depreciation and Amortisation		(167)	(157)
<b>Earnings before Interest and Taxes (EBIT)</b>		<b>8,159</b>	<b>6,710</b>
Financial Income		242	86
Financial Expenses	D.4	(2,089)	(570)
<b>Earnings before Taxes (EBT)</b>		<b>6,312</b>	<b>6,227</b>
Income Tax Expense		(1,104)	186
<b>Net Profit/(Loss) for the Period</b>		<b>5,208</b>	<b>6,413</b>
<i>of which attributable to equity holders of parent company</i>		<i>5,154</i>	<i>6,030</i>
<i>of which attributable to non-controlling interests</i>	C.8	<i>54</i>	<i>383</i>
<b>Total Revenues <sup>1</sup></b>		<b>14,469</b>	<b>16,879</b>
<b>Total Expenses <sup>2</sup></b>		<b>(15,890)</b>	<b>(14,245)</b>

<sup>1</sup> not including Share of Profit or Loss from Associates and Net Gain from Selling Property Holding Companies

<sup>2</sup> excluding Financial Expenses and Depreciation and Amortisation

<i>(in k€)</i>	<b>Notes 2016</b>	<b>unaudited</b>	<b>unaudited</b>
		<b>01.01.2016 - 30.06.2016</b>	<b>01.01.2015 - 30.06.2015</b>
<b>Earnings per Share (in €):</b>			
Basic, Profit for the Year attributable to Ordinary Equity Holders of the Parent	F.1	0.53	0.75
Diluted, Profit for the Year attributable to Ordinary Equity Holders of the Parent	F.1	0.53	0.75
<b>Other Comprehensive Income (in k€)</b>			
<u>Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):</u>			
Net Other Comprehensive Loss to be Reclassified to Profit or Loss in Subsequent Periods		-	-
<u>Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):</u>			
Remeasurement Gains (Losses) on Defined Benefit Plans		-	(45)
Income Tax Effect		-	7
Net other Comprehensive Income/(Loss) not to be Reclassified to Profit or Loss in Subsequent Periods		-	(39)
<b>Other Comprehensive Income/(Loss) for the Period, Net of Tax</b>		<b>-</b>	<b>(39)</b>
<b>Total Comprehensive Income for the Period, Net of Tax</b>		<b>5,208</b>	<b>6,374</b>
<i>of which attributable to equity holders of parent company</i>		5,154	5,991
<i>of which attributable to non-controlling interests</i>		54	383

## Interim Consolidated Statement of Changes in Equity for the Period 1 January to 30 June 2016

<i>(in k€)</i>	SHARE CAPITAL	PARTICIPATION CAPITAL	Legal Reserve	Additional Capital Paid In	Retained Earnings	Other Revaluations	OTHER RESERVES	NET PROFIT/ (LOSS) FOR THE PERIOD	SUBTOTAL CAPITAL ACCOUNTS OF MAJORITY SHARE-HOLDERS	Non-controlling interests in Paid-In Capital and Capital Reserve	Non-controlling interests in Profit for the period	NON-CONTROLLING INTERESTS	TOTAL EQUITY
<b>Closing Balance of Capital Accounts as at 31 December 2014 (audited)</b>	<b>90</b>	<b>27</b>	60	10,020	15,895	(47)	<b>25,928</b>	12,333	<b>38,378</b>	(1,072)	1,410	<b>338</b>	<b>38,717</b>
Profit for the period	-	-	-	-	-	-	-	6,030	6,030	-	383	383	6,413
Other comprehensive income	-	-	-	-	-	(39)	(39)	-	(39)	-	-	-	(39)
Total Comprehensive Income for the Period	-	-	-	-	-	(39)	(39)	6,030	5,991	-	383	383	6,374
Share issuance expense	-	-	-	-	(992)	-	(992)	-	(992)	-	-	-	(992)
Equity-settled share-based payment	-	-	-	-	6	-	6	-	6	-	-	-	6
Dividends paid	-	-	-	(10,020)	(3,820)	-	(13,840)	-	(13,840)	(90)	-	(90)	(13,930)
Reclassification/others	-	-	-	-	12,328	-	12,328	(12,333)	(5)	1,446	(1,410)	36	31
<b>Closing Balance of Capital Accounts as at 30 June 2015 (unaudited)</b>	<b>90</b>	<b>27</b>	60	-	23,417	(86)	<b>23,391</b>	6,030	<b>29,539</b>	284	383	<b>667</b>	<b>30,206</b>
<b>Closing Balance of Capital Accounts as at 31 December 2015 (audited)</b>	<b>195</b>	<b>-</b>	-	-	24,482	(190)	<b>24,292</b>	9,656	<b>34,143</b>	(218)	431	<b>213</b>	<b>34,356</b>
Profit for the period	-	-	-	-	-	-	-	5,154	5,154	-	54	54	5,208
Total Comprehensive Income for the Period	-	-	-	-	-	-	-	5,154	5,154	-	54	54	5,208
Acquisition of Non-controlling interests	-	-	-	-	(108)	-	(108)	-	(108)	-	-	-	(108)
Equity-settled share-based payment	-	-	-	-	6	-	6	-	6	-	-	-	6
Reclassification/others	-	-	-	-	9,668	-	9,668	(9,656)	12	427	(431)	(5)	7
<b>Closing Balance of Capital Accounts as at 30 June 2016 (unaudited)</b>	<b>195</b>	<b>-</b>	-	-	34,048	(190)	<b>33,858</b>	5,154	<b>39,207</b>	208	54	<b>262</b>	<b>39,469</b>

## Interim Consolidated Statement of Cash Flows for the Period from 1 January to 30 June 2016

<i>(in k€)</i>	unaudited 01.01.2016- 30.6.2016	unaudited 01.01.2015- 30.06.2015
<b>Earnings before Taxes (EBT)</b>	<b>6,312</b>	<b>6,227</b>
<u>Adjustments:</u>		
Amortisation of intangible assets	36	39
Depreciation of property, plant and equipment	132	116
Equity-settled share-based payment	6	6
Effect from valuation on derivatives	-	77
Impairment loss on investment securities	-	0
Net loss/(gain) on disposal of property, plant and equipment	40	3
Net loss/(gain) on disposal of intangible assets	-	6
Finance costs	76	192
Interest income	(22)	(37)
Provisions	-	8
Share of results of Associates and Joint Ventures including Management expenses	(1,031)	(1,331)
Total adjustments	(763)	(920)
<b>Operating cash flows before changes in working capital</b>	<b>5,549</b>	<b>5,307</b>
<u>Changes in working capital</u>		
Increase from sale of inventories	14,985	-
Decrease from purchase of inventories and advance payments	(12,022)	-
Changes in receivables and other assets that are not attributable to investing activities	6,800	(9,498)
Changes in liabilities that are not attributable to financing activities	12,165	18
Total changes in working capital	21,928	(7,506)
Income taxes received/(paid)	(403)	(843)
<b>Net cash flows from operating activities</b>	<b>27,075</b>	<b>(3,042)</b>
Outflow for acquisition of subsidiaries	-	(26)
Outflow for Alignment Capital Investments (Associates and Loans)	(11,852)	(5,418)
Inflow from repayment of Alignment Capital Investments (Associates and Loans)	6,520	13,743
Inflow from profit realised of Alignment Capital Investments	-	120
Purchase of property, plant and equipment	(312)	(45)
Advanced payments on property acquisitions	-	(3,450)
Additions to intangible assets	(10)	(6)
<b>Net cash flows generated from/(used in) investing activities</b>	<b>(5,654)</b>	<b>(15,339)</b>
Share issuance expense	-	(154)
Dividend payments	-	(10,268)
Dividends paid to non-controlling interests	-	(90)
Purchase of Derivatives	-	(20)
Sale/(Acquisition) of non-controlling interests	(108)	14
Proceeds from loans and borrowings	20,378	11,016
Repayment of loans and borrowings	(27,863)	-
Interest Paid	(2,378)	(68)
Interest Received	22	-
<b>Net cash flows (used in)/from financing activities</b>	<b>(9,948)</b>	<b>430</b>
<b>Cash and cash equivalents at beginn of Period</b>	<b>12,447</b>	<b>21,820</b>
Net increase in cash and cash equivalents	11,473	(17,951)
<b>Cash and cash equivalents at end of Period</b>	<b>23,920</b>	<b>3,869</b>

## Selected explanatory Notes to the Interim Consolidated Financial Statements for the Period from 1 January to 30 June 2016

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## **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 35, avenue Monterey, L-2163 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.

The Interim Condensed Consolidated Financial Statements of CORESTATE Capital Holding S.A. and its subsidiaries (collectively, the Group) for the six months ended 30 June 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 27 September 2016.

CCH SA was established on 21 August 2015. The Company's financial year starts on 1 January and ends on 31 December of each year.

As of the incorporation of the Company on 21 August 2015 the Company had a share capital of € 35,000, divided into 1,750,000 shares with a nominal value of € 0.02 each. 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 € 159,846 in order to bring it from its current amount of € 35,000 up to a new amount of € 194,846, represented by 9,742,300 shares, through the creation and issuance of 7,992,300 shares of the Company, with a nominal value of € 0.02 each. This capital increase was implemented through a contribution in kind of the shareholders shares (registered shares) and participation certificates in CORESTATE Capital AG, Zug/Switzerland, (hereafter "CC AG"), having a total contribution value of € 29,580,846.

This restructure and the establishment of the new group holding company, CORESTATE Capital Holding S.A., is considered to be a common control transaction as defined by International Financial Reporting Standard 3 "Business Combinations" (Appendix B). Accordingly the directors of the Group have prepared the consolidated financial statements as if the parent company had been in existence since the establishment of CORESTATE Capital AG in June 2006, except for issuance of new share capital. The consolidated statements of the CORESTATE Capital Holding S.A. assume that the parent company was holding 100% of the shares since the beginning of the operation.

The Company's shares are not 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).

CCH SA is a real estate investment manager specialising in the creation and subsequent realisation of real estate related investments in Europe. CCH SA and its subsidiaries (the Group) are active as a principal investor, co-investor and asset and property manager in Europe and are focused on residential, commercial (primarily retail, office) real estate and student housing. Geographically, the Group primarily concentrates on the German market but also seeks for other attractive markets in Europe such as Austria and Spain. As per 30 June 2016, the Group employs about 258 real estate experts across 5 offices in 5 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

Joint ventures were created successfully in Spain and Austria during 2015.

## **B. SIGNIFICANT ACCOUNTING POLICIES**

### **B.1 Basis of preparation**

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the Annual Financial Statements, and should be read in conjunction with the Group's annual Consolidated Financial Statements as at 31 December 2015.

The Interim Condensed Consolidated Financial Statements are presented in Euros, which is the presentation currency of the Group and the functional currency of the parent company. 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.

### **B.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.



## C. SEGMENT INFORMATION

The following tables present assets and liabilities information as well as revenue and profit information for the Group's operating segments for the six months ended 30 June 2016 and 2015, respectively.

Segment Information for the period from 1 January 2016 to 30 June 2016							
(k€)	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/ Warehousing	Total Segments	Overhead (not allocated)	Adjustments and eliminations	Consolidated Financial Statements
<b>Revenues:</b>							
Revenues	14,297	-	172	14,469	-	-	14,469
Inter-segment revenues	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>14,297</b>	<b>-</b>	<b>172</b>	<b>14,469</b>	<b>-</b>	<b>-</b>	<b>14,469</b>
<b>Income/expenses</b>							
Expenses from Real Estate Investment Management	(12,116)	-	-	(12,116)	-	-	(12,116)
Share of Profit or Loss from Associates and Joint Ventures	-	1,031	-	1,031	-	-	1,031
Expenses from Management of Associates and Joint Ventures	-	(256)	-	(256)	-	-	(256)
Net Gain from Selling Property Holding Companies	-	-	8,543	8,543	-	-	8,543
Expenses from Real Estate Operations	-	-	(84)	(84)	-	-	(84)
General and Administrative Expenses	-	-	-	-	(3,434)	-	(3,434)
Depreciation & Amortisation	-	-	-	-	(167)	-	(167)
Financial Income	-	-	-	-	242	-	242
Financial Expenses	-	-	-	-	(2,089)	-	(2,089)
Other income/expenses and taxes	-	-	-	-	(932)	-	(932)
<b>Segment Profit</b>	<b>2,182</b>	<b>775</b>	<b>8,631</b>	<b>11,588</b>	<b>(6,380)</b>	<b>-</b>	<b>5,208</b>
<b>Total Assets (30. June 2016)</b>	<b>3,845</b>	<b>60,903</b>	<b>3,745</b>	<b>68,493</b>	<b>19,231</b>	<b>-</b>	<b>87,724</b>
<b>Total Liabilities (30. June 2016)</b>	<b>2,407</b>	<b>21,428</b>	<b>6,472</b>	<b>30,307</b>	<b>17,948</b>	<b>-</b>	<b>48,254</b>
<b>Other disclosures</b>							
Investment in associates	-	31,351	-	31,351	-	-	31,351
Investment in joint ventures	-	58	-	58	-	-	58
Segment investments	326	8,101	-	8,427	1	-	8,428
Segment Information for the period from 1 January 2015 to 30 June 2015							
(k€)	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/ Warehousing	Total Segments	Overhead (not allocated)	Adjustments and eliminations	Consolidated Financial Statements
<b>Revenues:</b>							
Revenues	16,654	-	225	16,879	-	-	16,879
Inter-segment revenues	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>16,654</b>	<b>-</b>	<b>225</b>	<b>16,879</b>	<b>-</b>	<b>-</b>	<b>16,879</b>
<b>Income/expenses</b>							
Expenses from Real Estate Investment Management	(10,210)	-	-	(10,210)	-	-	(10,210)
Share of Profit or Loss from Associates	-	1,563	-	1,563	-	-	1,563
Expenses from Management of Associates	-	(342)	-	(342)	-	-	(342)
Net Gain from Selling Property Holding Companies	-	-	2,506	2,506	-	-	2,506
Expenses from Real Estate Operations	-	-	(534)	(534)	-	-	(534)
General and Administrative Expenses	-	-	-	-	(3,159)	-	(3,159)
Depreciation & Amortisation	-	-	-	-	(157)	-	(157)
Financial Income	-	-	-	-	86	-	86
Financial Expenses	-	-	-	-	(570)	-	(570)
Other income/expenses and taxes	-	-	-	-	350	-	350
<b>Segment Profit</b>	<b>6,444</b>	<b>1,221</b>	<b>2,198</b>	<b>9,862</b>	<b>(3,449)</b>	<b>-</b>	<b>6,413</b>
<b>Total Assets (30. June 2015)</b>	<b>8,131</b>	<b>39,737</b>	<b>5,978</b>	<b>53,846</b>	<b>5,629</b>	<b>-</b>	<b>59,475</b>
<b>Total Liabilities (30. June 2015)</b>	<b>3,657</b>	<b>11,478</b>	<b>3,435</b>	<b>18,571</b>	<b>10,699</b>	<b>-</b>	<b>29,270</b>
<b>Other disclosures</b>							
Investment in associates	-	26,402	-	26,402	-	-	26,402
Segment investments	52	13,726	-	13,778	-	-	13,778

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

## D. NOTES TO THE INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (30 JUNE 2016 VERSUS 31 DECEMBER 2015)

### D.1 Investment in Associates and Joint Ventures

Investment in Associates - Overview					
Name of associate	Country of incorporation	Place of business	Project	Economic participation quote*	
				30.6.2016	31.12.2015
Corestate VIE Developments S.à r.l.	Luxembourg	Austria	DANUBE	9,700%	9,700%
TURBO FRA AcquiCo II GmbH & Co. KG (until Dec 2015: Corestate Turbo FRA HoldCo S.à r.l.)	Luxembourg	Germany	TURBO FRA	10,000%	10,000%
CORESTATE IREI Holding S.A.	Luxembourg	Germany	BEN	22,374%	23,910%
Donald HoldCo S.à r.l.	Luxembourg	Germany	DONALD	n.a.	18,748%
Müller 34 GmbH	Frankfurt am Main	Germany	DONALD	5,100%	n.a.
Corestate Highstreet TopCo Limited	Guernsey	Germany	HIGHSTREET I	12,311%	12,227%
Corestate Highstreet II TopCo Limited	Guernsey	Germany	HIGHSTREET II	8,216%	8,216%
Highstreet IV TopCo Limited	Guernsey	Germany	HIGHSTREET IV	9,545%	9,545%
Highstreet V TopCo Limited	Guernsey	Germany	HIGHSTREET V	3,470%	n.a.
Highstreet Premium I TopCo Limited	Guernsey	Germany	HIGHSTREET PI	10,000%	10,000%
ACROSS TopCo 1 S.à r.l.	Luxembourg	Germany	ACROSS	10,000%	n.a.
ACROSS TopCo 2 S.à r.l.	Luxembourg	Germany	ACROSS	10,000%	n.a.
ROSE PropCo S.à r.l.	Luxembourg	Germany	ROSE	5,390%	n.a.
Corestate Berry HoldCo S.à r.l. i.L.	Luxembourg	Germany	BERRY	10,804%	10,804%
Corestate Energy HoldCo S.à r.l. i.L.	Luxembourg	Germany	ENERGY	10,695%	10,695%
Corestate Turbo HoldCo S.à r.l.	Luxembourg	Austria	TURBO VIE	7,905%	7,905%
T6 HoldCo S.à r.l.	Luxembourg	Germany	T6	19,091%	19,091%
Squirrel AcquiCo I S.à r.l.	Luxembourg	Germany	SQUIRREL	5,735%	5,735%
Sailing HoldCo I S.à r.l.	Luxembourg	Germany	SAILING	5,210%	5,210%
VITU TopCo Limited	Guernsey	Germany	VITU	5,096%	5,096%
Phoenix HoldCo I S.à r.l.	Luxembourg	Germany	PHOENIX	4,800%	4,800%

\*Participation quote according to Joint Venture and Co-Investment Agreement

In the first six month of the financial year 2016 CCH SA acquired shares in Project HIGHSTREET V, ACROSS and ROSE and reduced its participation in Project DONALD by selling shares to further investors.

### Investment in Joint Venture - Overview

Name of Joint Venture	Country of incorporation	Place of business	Project	Economic participation quote	
				30.6.2016	31.12.2015
Iberian Corestate Capital Advisors S.L.	Spain	Spain	IBERIAN Advisors	50,000%	50,000%
Icono Torre Vida S.A.	Spain	Spain	SALUTE	50,000%	50,000%
SCORE S.à r.l.	Luxembourg	Luxembourg	SCORE	50,000%	50,000%

### Investment in Associates and Joint Ventures - Movement in carrying value

*Period ended 30 June 2016 (k€)*

Project	1 Jan 2016	Additions	Share of profit/ (loss) for the period	Dividends and capital repayments received in cash	Disposals	30 June 2016
BEN	5,082	878	1,700	-	-	7,659
HIGHSTREET PI	18	4,550	15	-	-	4,583
HIGHSTREET IV	4,308	-	(60)	-	-	4,248
HIGHSTREET I	7,011	50	(341)	(3,007)	-	3,714
TURBO VIE	3,161	-	(22)	-	-	3,139
HIGHSTREET II	2,979	-	12	-	-	2,991
DANUBE	1,260	790	-	-	-	2,050
ACROSS	-	1,350	(41)	-	-	1,309
TURBO FRA	899	-	(72)	-	-	827
ROSE	-	331	(2)	-	-	329
DONALD	820	-	(175)	-	(426)	219
HIGHSTREET V	-	128	-	-	-	128
ENERGY	108	-	-	-	-	108
SQUIRREL	38	-	-	-	-	38
VITU	11	-	-	(0)	-	11
T6	3,495	-	-	(3,495)	-	0
BERRY	0	-	-	-	-	0
SAILING	0	-	-	-	-	0
PHOENIX	1	-	18	(18)	(0)	(0)
<b>Associates, total</b>	<b>29,189</b>	<b>8,077</b>	<b>1,031</b>	<b>(6,520)</b>	<b>(426)</b>	<b>31,351</b>
IBERIAN Advisors	25	-	-	-	-	25
SALUTE	29	-	-	-	-	29
SCORE	4	-	-	-	-	4
<b>Joint Venture, total</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58</b>
<b>Total</b>	<b>29,247</b>	<b>8,077</b>	<b>1,031</b>	<b>(6,520)</b>	<b>(426)</b>	<b>31,409</b>

## D.2 Advance Payments for Property Purchase Prices

<b>Advance Payments for Property Purchase Prices</b>		
<i>(k€)</i>	<b>30 June 2016</b>	<b>31 Dec 2015</b>
Property located in Kronberg	9.572	-
Property located in Madrid	2.450	-
Property located in Halle	-	1.000
<b>Total</b>	<b>12.022</b>	<b>1.000</b>

## D.3 Inventories

<b>Inventories</b>		
<i>Financial Year (k€)</i>	<b>2016 Total</b>	<b>2015 Total</b>
Acquisition cost		
As of 1 January	39,216	0
Additions	13,469	59,473
Sale of property holding companies	(52,684)	(20,257)
<b>As of 30 June/31 December</b>	<b>0</b>	<b>39,216</b>
Write-downs to net realisable value		
As of 1 January	0	0
<b>As of 30 June/31 December</b>	<b>0</b>	<b>0</b>
<b>Total (Carrying amount)</b>	<b>0</b>	<b>39,216</b>

Inventories comprise real estate properties of segment "Real Estate Operations and Warehousing" which are to be sold (real estate properties held for trading purposes).

With various sale and purchase agreements the Group sold commercial property holding subsidiaries to Project HIGHSTREET PI (refer to note F.4).

## D.4 Receivables from Associates

Receivables from Associates		
(k€)	30 June 2016	31 Dec 2015
Receivables from Project HIGHSTREET V	2,497	-
Receivables from Project VITU	1,002	1,000
Receivables from Project HIGHSTREET PI	773	-
Receivables from Project TURBO FRA	651	634
Receivables from Project ACROSS	468	-
Receivables from Project BEN	297	-
Receivables from Project TURBO VIE	277	20
Receivables from Project ENERGY	194	165
Receivables from Project T6	179	8,949
Receivables from Project DONALD	119	7
Receivables from Project HIGHSTREET I	86	60
Receivables from Project SAILING	24	-
Receivables from Project HIGHSTREET IV	19	631
Receivables from Project PHOENIX	15	-
Receivables from Project HIGHSTREET II	10	3
Receivables from Project SQUIRREL	(1)	-
others	18	-
<b>Total</b>	<b>6,628</b>	<b>11,469</b>

The Receivables from Project HIGHSTREET V of mainly result from acquisition and onboarding fees in accordance with the Joint Venture and Co-Investment Agreement in connection with the structuring and implementation of the Project (k€ 1,409) as well as a bridge loan granted to the Project (k€ 977).

The Receivables from Project VITU (k€ 1,002; 31 December 2015: k€ 1,000) and Project T6 (k€ 179; 31 December 2015: k€ 8,949) result mainly from the Promote fee, which are paid when the corresponding funds on the escrow accounts are released.

The Receivables from HIGHSTREET PI mainly comprises bridge loan granted to HIGHSTREET PREMIUM I PropCo S.à r.l. for the interim financing of the acquisition of a commercial building located in Bremerhaven (k€ 750 plus accrued interests). The unsecured loan bears a fixed interest of 5% per annum.

The unsecured loans granted to Turbo FRA GmbH (k€ 651; 31 December 2015: k€ 634) bears a fixed interest of 6% per annum.

The Receivables from Project ACROSS of k€ 468 result from the acquisition fees (k€ 400 plus Lux VAT) not paid yet.

## D.5 Receivables from Joint Venture

Receivables from Joint Venture		
(k€)	30 June 2016	31 Dec 2015
Interest-bearing loan granted to Project SALUD (including accrued interests)	3,773	3,725
Receivables from Project SCORE	1,134	1,354
Receivables from IBERIAN Advisors - Costs recharges	979	676
<b>Total</b>	<b>5,886</b>	<b>5,755</b>

In October 2015 the group entity Iberian HoldCo II S.L. has granted two loans to Project SALUD. The unsecured loan with a nominal value of k€ 3,460 is used in order to partially collateralise the guarantees to the city council of Madrid in connection with the tender process regarding a surface right agreement. The unsecured loan with a nominal value up to k€ 239 is used to partially pay the costs incurred by the Joint Venture in the ordinary course of business. The interest rates of both loans are one-month EURIBOR plus a margin of 300bps. The loans are repayable including accrued interests on the termination date, which means the earlier of the date in which all the guarantees and the deposit therein are returned or at the latest three years after the date on which the loan was granted.

The Receivables from Project SCORE result from the invoiced entry fee in connection with the Joint-Venture and Co-Investment Agreement of Project HIGHSTREET Premium I (k€ 1,157 plus VAT). In 2016 the receivable was reduced through payments in an amount of k€ 220.

## D.6 Long-term Financial Liabilities to Banks

Long-term Financial Liabilities to Banks						
(k€)	Nominal amount	Maturity	Interest rate	Face value as of 30 June 2016	Face value as of 31 Dec 2015	
Schwyzner Kantonalbank Lombard Fixed-Term	max. CHF 10m	30.06.2020	Euribor plus margin	8,786	8,000	
Rüsselsheimer Volksbank eG	10,500	30.06.2021	Euribor plus margin	5,820	-	
Deutsche Hypothekenbank AG	24,750	31.03.2021	Euribor plus margin	-	17,378	
<b>Total</b>				<b>14,606</b>	<b>25,378</b>	

With loan agreement dated 22 March 2016, Rüsselsheimer Volksbank eG granted the Group company Crown PropCo GmbH k€ 6,000 (thereof current portion: k€ 180) for the part-financing of the purchase price and capital expenditures relating to a commercial building in Kronberg. The loan facility with a variable interest amounts to a maximum of k€ 10,500 and is secured by a land charge and an assignment of rent receivables.

Under the master agreement with Schwyzner Kantonalbank for a credit facility of up to CHF 10m valid until end of 2020, CC AG may draw either in € or CHF and both on a fixed or variable interest basis. On 30 June 2016, the facility was utilised in an aggregate amount of € 8.75m and in the following interest tranches:

- Tranche k€ 4,550: Term from 8 November 2015 until 7 November 2016 with a fix interest of 1.71% p.a..
- Tranche k€ 3,450: Term from 6 December 2015 until 5 December 2016 with a fix interest of 1.68% p.a..
- Tranche k€ 750: Term from 3 May 2016 until 2 November 2016 with a fix interest of 1.60% p.a..

On 13 December 2015, Deutsche Hypothekenbank (Aktiengesellschaft) paid to the Group company Corestate CAPTIVE PropCo III S.à r.l. k€ 17,500 for the part-financing of the purchase price of a

commercial building in Paderborn. In 2016, all shares in Corestate CAPTIVE PropCo III S.à r.l. were sold to Project HIGHSTREET PI (refer to note F.4) and the bank loan was fully repaid.

## D.7 Other non-current Liabilities

<b>Other non-current Liabilities</b>		
<i>(k€)</i>	<b>30 June 2016</b>	<b>31 Dec 2015</b>
Bridge loans from SO Holding AG	19,228	-
Liabilities from employee benefits	1,680	1,275
<b>Total</b>	<b>20,908</b>	<b>1,275</b>

The bridge loans from SO Holding AG, Pfäffikon/Switzerland, (k€ 19,228) reflects the drawn amounts under a revolving financing facility agreement with SO Holding AG as lenders up to a maximum amount of k€ 25,000 and relates to the acquisition of real estate properties. The loan with a final maturity date in June 2020 is secured by pledging of all shares in RECAP FinCo I S.à r.l. Fixed interest is charged at 8.00% per annum.

Liabilities from employee benefits result from the annual MCIF contribution (refer to note F.5.2).

## D.8 Short-term Liabilities to Associates

<b>Short-term Liabilities to Associates</b>		
<i>(k€)</i>	<b>30 June 2016</b>	<b>31 Dec 2015</b>
Liabilities due to Project HIGHSTREET PI	201	90
Liabilities due to Project BEN	23	-
Liabilities due to Project HIGHSTREET I	57	-
Liabilities due to Project HIGHSTREET II	77	-
Other Projects	1	1
<b>Total</b>	<b>359</b>	<b>91</b>

Short Term Loans reflect mainly purchase prices from the acquisition of shares (k€ 90; Project HIGHSTREET PI) and accrued management fees.

## D.9 Other Current Liabilities

Other Current Liabilities		
<i>(k€)</i>	30 June 2016	31 Dec 2015
Liabilities from employee benefits	1,464	2,790
Short-term liabilities from other taxes (VAT, stamp duty)	929	1,023
Bridge loan from SECHEP INVESTMENTS Holding S.à r.l.	490	-
Liabilities from CAPERA's minority shareholders	263	258
Prepayments received	250	200
Deferred income	155	3
Accrued Asset and Property Management revenues	125	475
Liabilities from social security contributions	33	20
Liabilities from share-based payments	25	215
Deposits received	13	43
Bridge loan from SO Holding AG (accrued interests)	4	-
Bridge loan from Intershop Holding AG	-	21,205
Bridge loan from vitB AG (warehousing)	-	4,014
Liabilities from purchase prices not paid yet	-	3,200
Bridge loan from vitB AG	-	1,726
Bridge loan from Thomas Landschreiber	-	1,523
Concession agreement	-	1,050
Advance payments from tenants	-	259
Liabilities due to legal advice	-	245
Liabilities from purchase prices not paid yet (Sistema)	-	4
Others	181	26
<b>Total</b>	<b>3,933</b>	<b>38,279</b>

SECHEP INVESTMENTS Holding S.à r.l. granted CCH SA an unsecured bridge loan of k€ 465 (plus accrued interests of k€ 25).

The bridge loans from Intershop Holding AG, Thomas Landschreiber and vitB AG were repaid in full (including accrued interests and commitment fees) during the first six month of 2016.



**E. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (30 JUNE 2016 VERSUS 30 JUNE 2016)**

**E.1 Revenue from Acquisition Related Fees**

<b>Revenue from Acquisition Related Fees</b>		
<i>(k€)</i>	<b>01.01.2016 - 30.06.2016</b>	<b>01.01.2015 - 30.06.2015</b>
Revenue from Acquisition Fee	2,438	2,123
Revenue from Onboarding Fee	500	500
<b>Total</b>	<b>2,938</b>	<b>2,623</b>

**E.2 Revenue from Asset and Property Management**

<b>Revenue from Asset and Property Management</b>		
<i>(k€)</i>	<b>01.01.2016 - 30.06.2016</b>	<b>01.01.2015 - 30.06.2015</b>
Revenue from Property Management Fee	5,466	4,238
Revenue from Asset Management Fee	5,568	5,362
Revenue from Sales Fee from third party AM	88	764
Revenue Other Fees	-	205
Other Revenues	238	203
<b>Total</b>	<b>11,359</b>	<b>10,771</b>

**E.3 Revenue from Promote Fees realised**

In the first six month of the financial year 2016 Promote Fees have not been realised (in 2015 Promote Fee realised related from services provided for Project T6 (k€ 3,260)).

## F. OTHER INFORMATION

### F.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. In this context ordinary share includes the registered shares of CCH SA for both periods.

In the calculation of the weighted average number of ordinary shares outstanding during the reporting period, the issue date of 23 September 2015 was used as the basis with regard to the new equity shares (1,750,000) issued in connection with the establishment of CCH SA through cash contributions. Until 23 September 2015, 7,992,300 shares have been considered.

The following table reflects the income and share data used in the basic earnings per share computations:

<b>Earnings per share</b>		
<i>(k€)</i>	<b>1.1.-30.6.2016</b>	<b>1.1.-30.6.2015</b>
<u>Profit attributable to ordinary equity holders of the parent:</u>		
Continuing operations	5,154	6,030
<b>Profit attributable to ordinary equity holders of the parent for basic earnings</b>	<b>5,154</b>	<b>6,030</b>
<u>Weighted average number of ordinary shares:</u>		
Share capital	9,742,300	7,992,300
<b>Weighted average number of ordinary shares (total)</b>	<b>9,742,300</b>	<b>7,992,300</b>
<b>Earnings per share</b>	<b>0.53 €</b>	<b>0.75 €</b>

For the first six month of the financial years 2016 and 2015, the diluted result per share corresponds to the undiluted result per share since there were no material instruments with dilutive effects outstanding.

### F.2 Commitments and contingencies

#### F.2.1 Capital commitments

At 30 June 2016, the Group has outstanding commitments of k€ 1,353 relating to Project HIGH-STREET V and k€ 585 relating to Project BEN.

#### F.2.2 Guarantees

Except for an Intra-Group guarantee in favour of CORESTATE Capital Advisors GmbH there are no guarantees outstanding since the Group follows a strict non-recourse financing and security structure.

### F.3 Group entities

CCH SA (previous year: CC AG) was the parent company of the Group. The ultimate controlling party is Ralph Winter.

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

With the exception of CORESTATE MCIF GmbH & Co.KG the equity interest is equal to the voting rights. The Group does not hold the majority of voting rights in CORESTATE MCIF GmbH & Co.KG (only 2 voting rights), but has the power to direct its relevant activities.

Group entities			
		30 June 2016	31 Dec 2015
Name	Seat and Country of incorporation	% equity interest	% equity interest
<b>Corestate Capital Holding S.A.</b>	<b>Luxembourg</b>	<b>Parent Company</b>	<b>Parent Company</b>
CORESTATE CAPITAL AG	Zug/Switzerland	100.00%	100.00%
1 2 3 6 Vermögensverwaltung GmbH (CORESTATE Co Investment Verwaltungs GmbH)	Frankfurt am Main/Germany	100.00%	100.00%
ACROSS HoldCo S.à r.l. (Highstreet VI PropCo 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%	94.90%
CORESTATE Capital Advisors (Singapore) Pte. Ltd.	Singapore	100.00%	100.00%
CORESTATE Capital Advisors (UK) LLP	London/Great Britain	100.00%	100.00%
CORESTATE Capital Advisors GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Beteiligungs Verwaltung GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Developments GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Finance GmbH	Zug/Switzerland	100.00%	100.00%
CORESTATE CAPITAL Fund Management S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Capital Sales Holding S.à r.l. (Highstreet II PropCo III S.à r.l.)	Luxembourg	100.00%	100.00%
CORESTATE Capital Transactions AG	Zug/Switzerland	100.00%	100.00%
Corestate Capital Vorratsgesellschaft mbH 1	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Capital Vorratsgesellschaft mbH EINS & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
Corestate CAPTIVE PropCo V S.à r.l.	Luxembourg	100.00%	94.90%
CORESTATE CIV GmbH	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Investment 1 S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Sailing HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Corestate ZGE Feeder GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	n.a.
Crown PropCo GmbH	Frankfurt am Main/Germany	100.00%	n.a.
DONALD HoldCo S.à r.l.	Luxembourg	100.00%	n.a.
Energy Aquico II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%

Group entities (continued)			
		30 June 2016	31 Dec 2015
Name	Seat and Country of incorporation	% equity interest	% equity interest
Iberian HoldCo I S.L.	Madrid/Spain	100.00%	100.00%
Iberian HoldCo II S.L.	Madrid/Spain	100.00%	100.00%
Iberian HoldCo III S.L.	Madrid/Spain	100.00%	100.00%
Iberian Investment I HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Iberian Investment I TopCo Ltd.	Guernsey	100.00%	100.00%
Iberian Investment II HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Iberian PropCo I S.L.	Madrid/Spain	100.00%	100.00%
Iberian PropCo II S.L.	Madrid/Spain	100.00%	100.00%
Iberian PropCo III S.L.	Madrid/Spain	100.00%	100.00%
Müller34 Student Home Projektentwicklung- und Verwaltung GmbH	Frankfurt am Main/Germany	100.00%	n.a.
RECAP FinCo I S.à r.l. (Iberian Investment III HoldCo S.à r.l.)	Luxembourg	100.00%	100.00%
RECAP FinCo II S.à r.l. (Highstreet VI PropCo IV S.à r.l.)	Luxembourg	100.00%	100.00%
RECAP FinCo 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%
T6 AcquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
TURBO FRA AcquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
VITU AcquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
SQUIRREL AcquiCo 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%
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	70.00%	70.00%
CAPERA Immobilien Service GmbH	Vienna/Austria	70.00%	70.00%
Corestate SAND HoldCo S.à r.l.	Luxembourg	69.74%	69.74%
Corestate CAPTIVE PropCo II S.à r.l.	Luxembourg	n.a.	94.90%
Corestate CAPTIVE PropCo III S.à r.l.	Luxembourg	n.a.	94.90%
Corestate CAPTIVE PropCo IV S.à r.l.	Luxembourg	n.a.	94.90%
ACROSS (EL7) S.à r.l. (Highstreet VI PropCo III S.à r.l.)	Luxembourg	n.a.	100.00%
Corestate CAPTIVE PropCo I GmbH	Frankfurt am Main/Germany	n.a.	100.00%
HIGHSTREET FinCo I S.à r.l. (Highstreet II AcquiCo S.à r.l.)	Luxembourg	n.a.	100.00%
HIGHSTREET FinCo II S.à r.l.	Luxembourg	n.a.	100.00%
Highstreet TopCo II Ltd. (Highstreet IV AcquiCo Ltd.)	Luxembourg	n.a.	100.00%
Highstreet V AcquiCo Ltd.	Luxembourg	n.a.	100.00%
Highstreet V HoldCo S.à r.l.	Luxembourg	n.a.	100.00%
Highstreet V PropCo II Sarl	Luxembourg	n.a.	100.00%
Highstreet V TopCo Ltd.	Guernsey	n.a.	100.00%
ROSE PropCo S.à r.l. (Highstreet V PropCo IV S.à r.l.)	Luxembourg	n.a.	100.00%

In the first six month of the financial years 2016 and 2015, various shelf-companies and companies without business were acquired or founded, however, business combinations have not been occurred.

#### F.4 Deconsolidation

During the first six month of the financial year 2016, the following real estate holding companies (all non-operative companies are summarised as "others") were deconsolidated from the Group:

	CORESTATE CAPTIVE PropCo I GmbH	CORESTATE CAPTIVE PropCo II S.à r.l.	CORESTATE CAPTIVE PropCo III S.à r.l.	CORESTATE CAPTIVE PropCo IV S.à r.l.	Miller Development S.à r.l.	Müller34 GmbH (formerly Donald PropCo GmbH)	ACROSS (EL7) S.à r.l.	others	TOTAL
(k€)									
Date of sale	01.01.2016	01.01.2016	01.01.2016	01.01.2016	31.03.2016	31.03.2016	01.04.2016		
Total proceeds from sale	435	1,613	3,798	13	265	6,066	7,444	323	19,956
thereof sales prices (cash)	435	1,613	3,798	13	265	5,856	7,444	148	19,571
Number of shares sold	35,000	12,500	12,500	12,500	35,000	35,000	30,000		
Voting rights sold (%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		
Goodwill	-	-	-	-	29	2,088	-	-	2,117
Advance Payments for Property Purchase Prices	1,000	-	-	-	-	-	-	0	1,000
Inventories	1,186	940	36,990	99	424	2,870	10,175	-	52,684
Receivables	-	-	340	-	-	-	-	-	340
Other assets	23	-	0	12	2	94	16	25	172
Cash and cash equivalents	20	14	3,023	40	0	806	1,851	336	6,091
<b>Total assets</b>	<b>2,228</b>	<b>955</b>	<b>40,354</b>	<b>150</b>	<b>455</b>	<b>5,859</b>	<b>12,042</b>	<b>361</b>	<b>62,404</b>
Financial liabilities due to banks	-	-	17,380	-	-	-	6,020	0	23,400
Other provisions	-	-	-	-	-	5	-	-	5
Current tax liabilities	-	2	2	2	1	-	-	3	9
Liabilities from affiliated companies	1,015	1,010	22,358	50	173	339	-	1	24,946
Trade payables	1,122	5	182	30	14	489	61	78	1,983
Other payables	79	3	367	75	2	120	2	104	750
<b>Total liabilities</b>	<b>2,217</b>	<b>1,020</b>	<b>40,288</b>	<b>157</b>	<b>190</b>	<b>953</b>	<b>6,083</b>	<b>186</b>	<b>51,093</b>
<b>Fair value of net assets sold</b>	<b>12</b>	<b>(65)</b>	<b>66</b>	<b>(7)</b>	<b>265</b>	<b>4,905</b>	<b>5,959</b>	<b>176</b>	<b>11,311</b>
Non-controlling interests	-	-	-	-	-	-	-	-	-
<b>Gain/(loss) from deconsolidation</b>	<b>423</b>	<b>1,678</b>	<b>3,733</b>	<b>19</b>	<b>-</b>	<b>1,160</b>	<b>1,485</b>	<b>147</b>	<b>8,645</b>
Revenues generated until deconsolidation	-	-	-	-	-	-	-	-	-
Profit/(loss) until date of deconsolidation	-	6	-	-	-	-	(13)	(58)	(65)

The real estate holding companies CORESTATE CAPTIVE PropCo I GmbH (commercial property in Halle), CORESTATE CAPTIVE PropCo II S.à r.l. (commercial property in Bremerhaven), CORESTATE CAPTIVE PropCo III S.à r.l. (commercial property in Paderborn) and CORESTATE CAPTIVE PropCo IV S.à r.l. (commercial property in Hamburg) were sold to Project HIGHSTREET PI (refer to note D.1).

ACROSS (EL7) S.à r.l. with an office building in Frankfurt am Main was sold to Project ACROSS (refer to note D.1).

At the end of March 2016, the Group sold 94.9% of the shares in Müller34 GmbH to a third party. Müller34 GmbH holds a plot of land in Berlin for the subsequent development of a student house. The remaining 5.1% of the shares in Müller34 GmbH are recognised as an investment in associates (refer to note D.1).

## F.5 Related party information

Parties are generally considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions.

Note F.3 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, shareholder
- Thomas Landschreiber, shareholder
- INTERSHOP Holding AG, Zurich, Switzerland, shareholder
- W5 Group AG (formerly: vitB AG), Zug, Switzerland

Ralph Winter is a senior advisor to CC AG through a consultancy agreement between W5 Group AG (formerly vitB AG) and CC AG. W5 Group AG is an investment company wholly-owned by Ralph Winter.

### CCH SA Key Management Personal:

- Sascha Wilhelm (Chief Executive Officer of CORESTATE Capital Holding S.A. and a chairman 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
- Daniel Schoch (Chief Financial Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 21 August 2015

#### Member of the Supervisory Board:

- Micha Blattmann (Chairman, Manager, whose professional address is General-Guisan Strasse 15, CH-6300 Zug/Switzerland) – since 23 September 2015
- Urs Felder (self-employed tax and accounting Expert, whose professional address is at FELUR Swiss Treuhand AG, Sihlramtsstrasse 5, CH-8001 Zurich/Switzerland) – since 21 August 2015
- Ulrich Plett (Wirtschaftsprüfer, whose professional address is Clausewitzstr. 7, D-10629 Berlin/Germany) – since 23 September 2015
- 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

#### 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.

CC AG and CCH SA invests typically between 5% and 10% in each of its investment products alongside its investors as alignment capital investment. Since CC AG provides comprehensive real estate investment management services to, and is acting as asset manager for such investments structures, these investment structures 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 Asset Management Agreements (AMA), and are entered into with and approved by its investors. Note D.1 provides an overview of the Group's Investment in Associates.

#### Joint Venture (cooperation with local partners)

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 Group is also selectively looking at other attractive European real estate markets such as Austria and Spain. In selected markets the Group envisage structured growth through efficient resource allocation and ensuring necessary market expertise, typically by cooperating with local partners. This cooperation may take the form of an exclusive joint venture in a specific market (as already established in Spain).

### F.5.1 Transactions with shareholders and shareholder related entities

<b>Transactions with shareholders and shareholder related entities</b>		
<i>(k€)</i>	<b>01.01.2016 - 30.06.2016</b>	<b>01.01.2015 - 30.06.2015</b>
Fees paid to W5 Group AG under consultancy agreements	(205)	(188)
Cost reimbursements to W5 Group AG	(135)	(222)
Rental income from sublease with W5 Group AG	7	8
Interests expenses from shareholder loans	(2,342)	(63)
Interests income on loans granted to shareholders	6	6
Dividends (including capital repayments) paid to shareholders	-	(10,165)
Acquisition/sale of Shares in Subsidiaries to shareholders	(4,982)	1,014
Proceeds from loans granted by shareholders	-	3,275
Repayment of loans granted by shareholders	(27,814)	-
Repayments of loans granted to shareholders	855	-

With share and purchase agreement dated 7 April 2016 (and amendment dated 21 April 2016) the Group company CC AG acquired all outstanding shares (81.25%) in DONALD HoldCo S.à r.l. from W5 Group AG for a purchase price amounting to k€ 4,982.

The loan granted to the shareholder Ralph Winter (k€ 0; 31 December 2015: k€ 855) was repaid in full on 30 June 2016. The loan was secured by pledging of 4,164 shares (including dividend rights) in CC AG. Fix interest was charged at 1.50% per annum.

### F.5.2 Transactions with Key Management Personnel

<b>Transactions with Key Management Personnel</b>		
<i>(k€)</i>	<b>01.01.2016 - 30.06.2016</b>	<b>01.01.2015 - 30.06.2015</b>
Short-term employee benefits	(1,344)	(954)
Post-employment pension	-	(113)
Cost reimbursements to member of the supervisory board	(124)	(60)
Bonus awards (MCIF)	(200)	(527)
Equity-settled share-based payment	(6)	(6)

Under the MCIF scheme, executive directors as well as certain other senior manager 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 CC AG in alignment capital investments, and serves 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. All pay-outs to the MCIF participants are made in cash (cash-settled share-based payment transaction). As of 30 June 2016, k€ 405 (as of 31 December 2015: k€ 546) has been recognized as expense relating to MCIF (this amount also represents the fair value of MCIF related annual bonus awards). The respective liability recognized in the Statement of Financial Position as per 30 June 2016 is k€ 1,680 (as of 31 December 2015: k€ 1,275).

The Group's CFO was granted an option to acquire 1.25% of CCAG at 50% of the fair value (equity settled share-based payment plan) in 2007, contingent on the fulfilment of specified vesting conditions. The service period commenced on 28 December 2007. The vesting period is variable and vesting occurs as soon as performance conditions (total revenues, implementation of certain company

structures and functions) are cumulatively fulfilled. Upon vesting the option can be exercised within 36 months. The exercise price to acquire 1.25% of CCAG will be based on a company valuation, to be performed by a renowned expert.

The award was granted prior to the adoption of IFRS and under previous GAAP no estimate of fair value or estimates of the length of the vesting period had to be made nor can these estimates be developed without using hindsight. At the date of transition management has estimated the fair value of the award reflecting conditions existing at transition. The fair value has been determined based on the acquisition of a non-controlling interest stake by a third party. For the periods since transition to IFRS management has estimated that all vesting conditions would be met around the Company's initial public offering (expected to take place in 2016). Management has determined that it is appropriate to expense the fair value of the award determined at transition on a straight-line basis over the period from 2007 to 2016.

Total fair value of this award is k€ 110 (as of 31 December 2015: k€ 104). For the first six month of the financial year 2016 and 2015, k€ 6 were recognized as personnel expense.

### F.5.3 Transactions with Associates (Co-Investments)

The terms and condition agrees with Associates for the services of CCH SA Group are negotiated and set out in the underlying documentation for each investment product entered into with the respective investor (JVCIA, AMA etc.). Hence, such terms and conditions are at arm's length.

<b>Transactions with Associates (Co-Investments)</b>		
<i>(k€)</i>	<b>01.01.2016 - 30.06.2016</b>	<b>01.01.2015 - 30.06.2015</b>
Revenue from Aquisition Related Fees	3,129	3,300
Revenue from Asset and Property Management	3,459	2,289
Revenue from Promote Fees realized	-	3,416
Proceeds from Selling Property Holding Companies	13,302	2,500
Interest income from Associates	22	22
Interests expenses from Associates	(6)	(16)

The Proceeds from Selling Property Holding Companies comprise Project HIGHSTREET PI (k€ 5,858) and Project ACROSS (k€ 7,444) (we refer to note F.4). In previous year, the Group company Soest HoldCo S.à r.l sold its real estate holding subsidiary to Project HIGHSTREET II for a sales price of k€ 2,500 (received in July 2015). The gain from the transactions amounted to k€ 7,338 (previous year k€ 2,514).

We refer for items in the Statement of Financial Position to Notes D.1, D.4 and F.18 for further details on the receivables, liabilities and other transactions with Associates.

### F.6 Significant events after the reporting date (subsequent events)

- Ralph Winter repurchases shares of CORESTATE Capital Holding S.A. from Intershop Holding AG: In July 2016 Intershop Holding AG sold its 28% stake in CORESTATE Capital Holding S.A. to its majority shareholder Ralph Winter.
- Further, with agreement dated 28 July 2016 Ralph Winter has granted CORESTATE Capital Holding S.A. a bridge loan in an amount of k€ 6,000. The unsecured loan bears an interest of 8% p.a. and is due for repayment at 28 January 2017 at latest.
- The General Meeting of the shareholders of CORESTATE Capital Holding S.A. held on 5 August 2016 approved of a distribution out of the freely available reserves of the Company. The distribution in an aggregate amount of k€ 6,000 should be allocated pro rata among the shareholders based on their participation in the share capital of the Company. The distribution was paid in cash on 8 August 2016.



- 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 € 0.02 each, into shares without nominal value. Further, the General Meeting resolved to increase the share capital by an aggregate amount of € 555,154.00 to a new amount of € 750,000.00 (represented by 10,000,000 shares). In this context, the authorised capital was also increased to a new amount of € 270,525.00 (represented by 3,607,000 shares without a nominal value but a minimum subscription price of € 0.075 each).
- The economic ownership of the real estate properties located in Madrid/Spain and Kronberg/Germany were transferred to the Group in the third quarter of 2016.
- The sales process of the investments invested in the student houses of Project BEN and Project TURBO VIE is still ongoing.

Save for the matters set out above, there have been no events since the reporting date which could have a significant effect on the net assets, financial position or results of operations of the Group.

Luxembourg, \_\_\_\_\_ 2016

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Sascha Wilhelm  
Chief Executive Officer

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Daniel Schoch  
Chief Financial Officer

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Thomas Landschreiber  
Chief Investment Officer

# **Consolidated Financial Statements**

CORESTATE Capital Holding S.A.  
Luxembourg  
(until 23 September 2015: CORESTATE Capital AG, Zug/Switzerland)

*for the year from 1 January 2015 to 31 December 2015*

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# **Management Report**

CORESTATE Capital Holding S.A.  
Luxembourg

(until 23 September 2015: CORESTATE Capital AG, Zug/Switzerland)

*for the year from 1 January 2015 to 31 December 2015*

## **MANAGEMENT REPORT**

### **A.1 Company Background**

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 35, avenue Monterey, L-2163 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, and was originally established on 21 August 2015. The Company's financial year starts on 1 January and ends on 31 December of each year. The first financial year was a short period from 21 August 2015 to 31 December 2015.

CCH SA is a fully integrated real estate investment manager covering all elements of the real estate investment lifecycle. As integral part of its investment philosophy, CCH SA will typically co-invests by way of alignment capital in its product offerings. In addition, the Company together with its subsidiaries (the Group) provides asset and property management services for its clients and investment products. Its product offering primarily covers residential, commercial, and student housing assets (including developments), and addresses all risk / return profiles, i.e. from core / core plus to value add / opportunistic. Its international clients base is largely made up by private ((ultra) high-net-worth individuals (U)HNWI) and semi-institutional investors. The Group's key markets are Germany, Austria, and Spain, and 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 at 31 December 2015, the Group employed about 249 FTE (previous year 224 FTE).

The Group focuses on three key business segments being

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

### **A.2 Market and Product Offering Development**

The Group's core market, Germany, continues to be characterized by strong increase in pricing levels and corresponding yield compression on the back of continued capital inflows to real estate largely driven by the European Central Bank's quantitative easing policy. While demand was predominantly driven by foreign investors in past years, German listed property companies supported by their access to "cheap" capital as well as German insurance companies and pension schemes seeking stable and yielding investments have further accelerated the spike in property prices in 2015. In addition, the more aggressive lending policy of German real estate lenders is fueling the demand. Consequently, the Group has continued to successfully exit its remaining residential real estate investments in Germany. Since the German real estate market does not offer opportunistic investment opportunities at this stage, and as a reaction to a shift of client's return preferences, the Group has shifted its investment product offering to more stable and yielding investments. To complete the product range, and also continue to address opportunistic return requirements, the Company has further intensified its efforts of establishing a joint venture for the Spanish market, and, selectively, has engaged in residential and student housing development transactions in Austria.

### A.3 Key Financial Highlights

The consolidated total revenues of the Group (including Total Revenue from Real Estate Investment Management as well as Net Rental Income and Revenues from Service Charges) have grown by c. 42% vs 2014 to k€ 39,914 (previous year: k€ 28,093). Such growth was primarily supported by a strong transaction activity as well as income generated from the sale of real estate originally held for warehousing purposes. While acquisition-related fees were up c. 87% vs the prior year, and particularly driven by further successfully placed HIGHSTREET retail investment products, promote fees realized rose to k€ 12,174 (previous year: k€ 6,838) or by c. 78%) as a result of the successful exits from the T6 / Squirrel / TURBO FRA investment products. The revenue contribution from real estate assets held for warehousing purposes was k€ 1,879 (previous year: nil). Fees generated from the Group's asset and property management services were up c. 14% to k€ 20,886 (previous year: k€ 18,261) predominantly driven by fees realized under a short-term asset management contract in relation to the VITU portfolio sold in 2014.

The total expenses of the Group (excluding financial expenses as well as Depreciation and Amortization) have increased to k€ 35,642 from k€ 22,491. Such increase by c. 58% is distorted by a one-off impact in relation to the cancelled initial public offering of k€ 5,825 as well as by operating cost in relation to the warehoused real estate assets of k€ 824. Adjusted for such items, the total expenses of the Group grew to k€ 28,993 or by c. 29%. Relevant drivers were real estate investment management with an increase of k€ 3,216 as well as general and administrative expense (net of cancelled IPO-related expenses) with an increase of k€ 2,927. Such increases in cost were primarily driven by incremental headcount hired throughout 2015 for the Group's property management platform in the course of new third party mandates acquired as well as for further developing and professionalizing the Group's organizational set-up. Further impacts resulted from an increased level of sunk cost in relation to aborted transactions, in particular in the course of the market entry in Spain, as well as from operating cost for the Singapore capital raising operations.

Other key contributors to the development of the Group's net profit of k€ 10,087 (down k€ 3,656 vs 2014) were gains realized from the transfer of a real estate asset held for warehousing purposes into an HIGHSTREET investment product established for the Company's clients (k€ 2,506) as well as the Group's share of profit from associates and joint ventures (k€ 4,695) predominantly resulting from the sale of the Group's co-investments Squirrel, T6 and Turbo FRA (k€ 602, k€ 738 and k€ 2,264, respectively) as well as the pro-rated income in relation to the Turbo VIE student housing development project (k€ 1,752).

Financial expenses of k€ 3,458 (previous year: k€ 631) particularly include expenses in relation to the Group's debt financing facilities provided by Schwyzer Kantonalbank (k€ 132), Intershop Holding AG (k€ 1,789) and vitB AG (k€ 336) as well as Deutsche Hypothekenbank AG (k€ 239) in relation to the warehousing asset Paderborn. Income Taxes primarily include current income tax expenses of k€ 122 as well as a deferred income taxes (k€ 1,850) in relation to tax loss carry forwards resulting from the cost in relation to the cancelled IPO of the Company.

The Group' total assets increased by k€ 45,296 to k€ 108,684 by 31 December 2015 (previous year: k€ 63,388) mainly due to the introduction of warehousing concept for certain real estate assets dedicated for the subsequent transfer into real estate investment products. Alignment investments grew, on a net basis, from k€ 22,536 to k€ 29,247 and reflects the Group's further extension of its HIGHSTREET retail based investment product offering as well as the exit from certain residential portfolios. Cash and Cash equivalents at year-end 2015 were down from k€ 21,820 to k€ 9,647 resulting from a dividend payment (k€ 13,840) as well as proceeds from the T6 exit only converting into cash in January 2016 (k€ 12,240). The Group's total equity ratio decreased from c. 61% as at 31 December 2015 to c. 32% as a consequence of the bank financing relating to the warehoused asset in Paderborn (k€ 17,378) as well as the balance outstanding under the revolving credit facility agreement with Intershop Holding AG and vitB AG (k€ 25,219) and the dividend payment in relation to the financial year 2014.

## A.4 Business Development and Outlook

For the financial year 2016, the Group is expecting a further increase of its investment volume, in particular fueled by the launch of additional HIGHSTREET retail based investment offerings as well as various student housing / serviced living development projects. Consequently, acquisition-related fees as well as revenues from asset and property management should grow vs 2015 while revenues from promote fees realized are projected to decline versus 2015 levels given that the Group has successfully exited relevant alignment capital investments in prior periods. Besides providing investment product offerings for its existing (U)HNWI and semi-institutional clients base, the Group will intensify its efforts to access German insurance companies and pension schemes, and will aim at converting certain of its existing student housing assets into long-term institutional fund products. While the Company is expecting further strong capital inflows to (German) real estate on the back of continued "quantitative easing" generally as well as in particular based on its successful track record of past investments and attractive in-place product offering, further compression in yields as well as an overall lack of supply of appropriate investment opportunities may impose certain restrictions for the Group's development in 2016.

Luxembourg, 8 April 2016

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Sascha Wilhelm  
Chief Executive Officer

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Daniel Schoch  
Chief Financial Officer

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Thomas Landschreiber  
Chief Investment Officer

## Independent auditor's report

To the Shareholders of  
Corestate Capital Holding S.A.  
35, avenue Monterey  
L-2163 Luxembourg  
Grand Duchy of Luxembourg

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Corestate Capital Holding S.A., which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors' responsibility for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the "réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.



*Responsibility of the "réviseur d'entreprises agréé" (continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Corestate Capital Holding S.A. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Report on other legal and regulatory requirements**

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Pavel Nesvedov

Luxembourg, 8 April 2016

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## Consolidated Statement of Financial Position

<i>(in k€)</i>	<b>Notes 2015</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	F.1	642	679
Intangible Assets		96	167
Shares in Subsidiaries		-	0
Investment in Associates and Joint Ventures	F.2	29,247	22,536
Other Financial Instruments		31	31
Long-term Loans to Associates	F.3	-	715
Deferred Tax Assets	F.4	2,406	813
<b>Total Non-Current Assets</b>		<b>32,421</b>	<b>24,942</b>
<b>Current Assets</b>			
Advance Payments for Property Purchase Prices	F.5	1,000	-
Inventories	F.6	39,216	-
Receivables from Associates	F.7	11,469	9,753
Receivables from Joint Venture	F.8	5,755	-
Trade Receivables	F.9	3,984	4,387
Other short-term Receivables	F.10	1,329	1,842
Current Income Tax Assets		122	1
Other Short-term Assets	F.11	940	645
Restricted Cash	F.12	2,800	-
Cash and Cash Equivalents	F.12	9,647	21,820
<b>Total Current Assets</b>		<b>76,263</b>	<b>38,447</b>
<b>TOTAL ASSETS</b>		<b>108,684</b>	<b>63,388</b>
<b>Equity</b>			
Share Capital	F.13	195	90
Participation Capital		-	27
Other Reserves	F.14	24,292	25,928
Net Profit/(Loss) for the Period		9,656	12,333
<i>Subtotal Capital Accounts of shareholders of parent company</i>		<i>34,143</i>	<i>38,378</i>
Non-controlling Interests	F.15	213	338
<b>Total Equity</b>		<b>34,356</b>	<b>38,717</b>
<b>Non-Current Liabilities</b>			
Long-term Financial Liabilities to Banks	F.16	25,378	8,000
Net Employee defined Benefit Liabilities	F.17	443	307
Other non-current Liabilities		1,275	1,388
<b>Total Non-Current Liabilities</b>		<b>27,096</b>	<b>9,695</b>
<b>Current Liabilities</b>			
Short-term Financial Liabilities to Banks	F.18	0	2
Short-term Liabilities to Associates	F.19	91	1,849
Trade Payables	F.20	8,258	3,228
Current Income Tax Liabilities	F.21	603	1,142
Other Current Liabilities	F.22	38,279	8,755
<b>Total Current Liabilities</b>		<b>47,232</b>	<b>14,977</b>
<b>SUBTOTAL LIABILITIES</b>		<b>74,328</b>	<b>24,672</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>108,684</b>	<b>63,388</b>

## Consolidated Statement of Profit and Loss and Other Comprehensive Income for the Year from 1 January to 31 December 2015

<i>(in k€)</i>	Notes 2015	Financial Year 2015	Financial Year 2014
Revenue from Acquisition Related Fees	G.1	4,483	2,391
Revenue from Asset and Property Management	G.2	20,886	18,261
Revenue from Sales Fees	G.3	491	602
Revenue from Promote Fees realised	G.4	12,174	6,838
<i>Total Revenue from Real Estate Investment Management</i>		<i>38,034</i>	<i>28,093</i>
<i>Total Expenses from Real Estate Investment Management</i>	G.5	<i>(19,779)</i>	<i>(16,563)</i>
<b>Total Earnings from Real Estate Investment Management</b>		<b>18,255</b>	<b>11,530</b>
<i>Share of Profit or Loss from Associates and Joint Ventures</i>	G.6	<i>4,695</i>	<i>4,373</i>
<i>Expenses from Management of Associates and Joint Ventures</i>	G.7	<i>(667)</i>	<i>(1,004)</i>
<b>Total Earnings from Alignment Capital Management</b>		<b>4,028</b>	<b>3,370</b>
Net Rental Income		1,322	-
Revenue from Service Charges		557	-
Net Gain from Selling Property Holding Companies	G.8	2,506	3,765
<i>Total Income from Real Estate Operations/Warehousing</i>		<i>4,386</i>	<i>3,765</i>
<i>Expenses from Real Estate Operations/Warehousing</i>	G.9	<i>(2,077)</i>	<i>(558)</i>
<b>Total Earnings from Real Estate Operations/Warehousing</b>		<b>2,308</b>	<b>3,207</b>
General and Administrative Expenses	G.10	(13,118)	(4,366)
Other Income	G.11	803	1,222
<b>Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)</b>		<b>12,276</b>	<b>14,963</b>
Depreciation and Amortisation	G.12	(349)	(332)
<b>Earnings before Interest and Taxes (EBIT)</b>		<b>11,927</b>	<b>14,631</b>
Financial Income	G.13	173	218
Financial Expenses	G.14	(3,458)	(631)
<b>Earnings before Taxes (EBT)</b>		<b>8,642</b>	<b>14,218</b>
Income Tax benefit/(expense)	G.15	1,446	(474)
<b>Net Profit/(Loss) for the Period</b>		<b>10,087</b>	<b>13,743</b>
<i>of which attributable to equity holders of parent company</i>		<i>9,656</i>	<i>12,333</i>
<i>of which attributable to non-controlling interests</i>	F.15	<i>431</i>	<i>1,410</i>
<b>Total Revenues <sup>1</sup></b>		<b>39,914</b>	<b>28,093</b>
<b>Total Expenses <sup>2</sup></b>		<b>(35,642)</b>	<b>(22,491)</b>

<sup>1</sup> not including Share of Profit or Loss from Associates and Net Gain from Selling Property Holding Companies

<sup>2</sup> excluding Financial Expenses and Depreciation and Amortisation

<i>(in k€)</i>	<b>Notes 2015</b>	<b>Financial Year 2015</b>	<b>Financial Year 2014</b>
<b>Earnings per Share (in €):</b>			
Basic, Profit for the Year attributable to Ordinary Equity Holders of the Parent	I.1	1.12	1.54
Diluted, Profit for the Year attributable to Ordinary Equity Holders of the Parent	I.1	1.12	1.54
<b>Other Comprehensive Income (in k€)</b>			
<u>Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):</u>			
Net (Loss)/Gain on Available-for-sale Financial Assets			3
Net Other Comprehensive Loss to be Reclassified to Profit or Loss in Subsequent Periods	F.14	-	3
<u>Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):</u>			
Remeasurement Gains (Losses) on Defined Benefit Plans		(167)	38
Income Tax Effect		24	(6)
Net other Comprehensive Income/(Loss) not to be Reclassified to Profit or Loss in Subsequent Periods	F.14	(143)	32
<b>Other Comprehensive Income/(Loss) for the Period, Net of Tax</b>		<b>(143)</b>	<b>36</b>
<b>Total Comprehensive Income for the Period, Net of Tax</b>		<b>9,944</b>	<b>13,779</b>
<i>of which attributable to equity holders of parent company</i>		9,513	12,369
<i>of which attributable to non-controlling interests</i>	F.15	431	1,410

## Consolidated Statement of Changes in Equity for the Period 1 January to 31 December 2015

<i>(in k€)</i>	Notes 2015	SHARE CAPITAL	PARTICI- PATION CAPITAL	Legal Reserve	Additional Capital Paid In	Retained Earnings	Other Re- valuations	OTHER RESERVES	NET PROFIT/ (LOSS) FOR THE PERIOD	SUBTOTAL CAPITAL ACCOUNTS OF MAJORITY SHARE- HOLDERS	Non- controlling interests in Paid-In Capital and Capital Reserve	Non- controlling interests in Profit for the period	NON- CON- TROLLING INTERESTS	TOTAL EQUITY
<b>Closing Balance of Capital Accounts as at 31 December 2013 (audited)</b>		<b>90</b>	<b>27</b>	60	17,145	8,090	(83)	<b>25,212</b>	7,786	<b>33,115</b>	226	(189)	<b>37</b>	<b>33,152</b>
Profit for the period		-	-	-	-	-	-	-	12,333	12,333	-	1,410	1,410	13,743
Other comprehensive income	F.14	-	-	-	-	-	36	36	-	36	-	-	-	36
<b>Total Comprehensive Income for the Period</b>		-	-	-	-	-	36	36	12,333	12,369	-	1,410	1,410	13,779
Acquisition of Minority Interests		-	-	-	-	-	-	-	-	-	-	-	-	-
Equity-settled share-based payment		-	-	-	-	12	-	12	-	12	-	-	-	12
Dividends paid		-	-	-	(7,125)	-	-	(7,125)	-	(7,125)	(1,118)	-	(1,118)	(8,243)
Reclassification/others		-	-	-	0	7,793	-	7,793	(7,786)	7	(180)	189	9	16
<b>Closing Balance of Capital Accounts as at 31 December 2014 (audited)</b>		<b>90</b>	<b>27</b>	60	10,020	15,895	(47)	<b>25,928</b>	12,333	<b>38,378</b>	(1,072)	1,410	<b>338</b>	<b>38,717</b>
Profit for the period		-	-	-	-	-	-	-	9,656	9,656	-	431	431	10,087
Other comprehensive income		-	-	-	-	-	(143)	(143)	-	(143)	-	-	-	(143)
<b>Total Comprehensive Income for the Period</b>		-	-	-	-	-	(143)	(143)	9,656	9,513	-	431	431	9,944
Issue of new capital (including contribution in kind)		195	-	-	-	-	-	-	-	195	-	-	-	195
Equity-settled share-based payment		-	-	-	-	9	-	9	-	9	-	-	-	9
Dividends paid	F.14	-	-	-	(10,020)	(3,820)	-	(13,840)	-	(13,840)	(545)	-	(545)	(14,385)
Reclassification/others		(90)	(27)	(60)	-	12,397	-	12,338	(12,333)	(113)	1,399	(1,410)	(12)	(124)
<b>Closing Balance of Capital Accounts as at 31 December 2015</b>		<b>195</b>	<b>-</b>	-	-	24,482	(190)	<b>24,292</b>	9,656	<b>34,143</b>	(218)	431	<b>213</b>	<b>34,356</b>

## Consolidated Statement of Cash Flows for the Period 1 January to 31 December 2015

<i>(in k€)</i>	<b>Notes 2015</b>	<b>Financial Year 2015</b>	<b>Financial Year 2014</b>
<b>Earnings before Taxes (EBT)</b>		<b>8,642</b>	<b>14,218</b>
<u>Adjustments:</u>			
Amortisation of intangible assets		119	96
Depreciation of property, plant and equipment		235	236
Equity-settled share-based payment		12	12
Effect from valuation on derivatives		77	-
Impairment loss on investment securities		0	(0)
Net loss/(gain) on disposal of property, plant and equipment		3	-
Net loss/(gain) on disposal of intangible assets		6	-
Finance costs		333	384
Interest income		(78)	(67)
Provisions		(6)	69
Share of results of Associates and Joint Ventures		(5,114)	(4,373)
Total adjustments		(4,413)	(3,642)
<b>Operating cash flows before changes in working capital</b>		<b>4,229</b>	<b>10,575</b>
<u>Changes in working capital</u>			
Increase from sale of inventories		25,339	-
Decrease from purchase of inventories and advance payments		(60,473)	-
Changes in receivables and other assets that are not attributable to investing activities		(6,801)	(5,414)
Changes in liabilities that are not attributable to financing activities		4,412	6,405
Total changes in working capital		(37,522)	990
Income taxes received/(paid)		(806)	(336)
<b>Net cash flows from operating activities</b>	<b>I.7</b>	<b>(34,100)</b>	<b>11,230</b>
Outflow for acquisition of subsidiaries		(26)	(1,169)
Outflow for Alignment Capital Investments (Associates and Loans)		(13,708)	(23,684)
Inflow from repayment of Alignment Capital Investments (Associates and Loans)		2,413	14,174
Inflow from profit realised of Alignment Capital Investments		6,957	4,133
Advance dividends		-	1,408
Purchase of property, plant and equipment		(202)	(267)
Acquisition of real estate property		-	-
Additions to intangible assets		(8)	(123)
<b>Net cash flows generated from/ (used in) investing activities</b>	<b>I.7</b>	<b>(4,575)</b>	<b>(5,527)</b>
Dividend payments		(13,840)	(7,125)
Dividends paid to non-controlling interests		(545)	(1,118)
Purchase of Derivatives		(20)	-
Sale/(Acquisition) of non-controlling interests		14	-
Proceeds from loans and borrowings		77,785	8,000
Repayment of loans and borrowings		(32,791)	(4,450)
Interest Paid		(1,300)	(105)
<b>Net cash flows (used in)/from financing activities</b>	<b>I.7</b>	<b>29,302</b>	<b>(4,798)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>F.12</b>	<b>21,820</b>	<b>20,915</b>
Net increase in cash and cash equivalents		(9,373)	905
<b>Cash and cash equivalents at 31 December</b>	<b>F.12</b>	<b>12,447</b>	<b>21,820</b>

# **Notes to the Consolidated Financial Statements**

CORESTATE Capital Holding S.A.  
Luxembourg

(until 23 September 2015: CORESTATE Capital AG, Zug/Switzerland)

*for the year from 1 January 2015 to 31 December 2015*

## Notes to the Consolidated Financial Statements for the Period 1 January to 31 December 2015

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## **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 35, avenue Montebrey, L-2163 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. The ultimate beneficial owner of the Company is Ralph Winter.

CCH SA was established on 21 August 2015. The Company's financial year starts on 1 January and ends on 31 December of each year. The first financial year was a short period from 21 August 2015 to 31 December 2015.

As of the incorporation of the Company on 21 August 2015 the Company had a share capital of € 35,000, divided into 1,750,000 shares with a nominal value of € 0.02 each. 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 € 159,846 in order to bring it from its current amount of € 35,000 up to a new amount of € 194,846, represented by 9,742,300 shares, through the creation and issuance of 7,992,300 shares of the Company, with a nominal value of € 0.02 each. This capital increase was implemented through a contribution in kind of the shareholders shares (registered shares) and participation certificates in CORESTATE Capital AG, Zug/Switzerland, (hereafter "CC AG"), having a total contribution value of € 29,580,846.

This restructure and the establishment of the new group holding company, CORESTATE Capital Holding S.A., is considered to be a common control transaction as defined by International Financial Reporting Standard 3 "Business Combinations" (Appendix B). Accordingly the directors of the Group have prepared the consolidated financial statements as if the parent company had been in existence since the establishment of CORESTATE Capital AG in June 2006, except for issuance of new share capital. The consolidated statements of the CORESTATE Capital Holding S.A. assume that the parent company was holding 100% of the shares since the beginning of the operation.

The Company's shares are not 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). An initial public offering ("IPO") of CORESTATE Capital Holding S.A., which was planned in November 2015, did not take place. The difficult market environment for IPOs in the German and UK stock markets, which are of particular relevance to the Company, had led the Company and the principal shareholders to cancel the IPO of the Company. All costs incurred with the planned IPO are recognised in the profit and loss account.

CCH SA is a real estate investment manager specialising in the creation and subsequent realisation of real estate related investments in Europe. CCH SA and its subsidiaries (the Group) are active as a principal investor, co-investor and asset and property manager in Europe and are focused on residential, commercial (primarily retail, office) real estate and student housing. Geographically, the Group primarily concentrates on the German market but also seeks for other attractive markets in Europe such as Austria and Spain. As per 31 December 2015, the Group employs about 249 (previous year 224) real estate experts across 5 offices in 5 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

Joint ventures were created successfully in Spain and Austria during 2015.

The consolidated financial statements of CORESTATE Capital Holding S.A. and its subsidiaries (the Group) for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 21 April 2016. The consolidated financial statements are subject to approval by the Annual General Meeting.

## **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 2015.

Parent company was until the 23 September the CORESTATE Capital AG, Zug/Switzerland. On 23 September 2015, Corestate Capital Holding S.A., Luxembourg, acquired 100 % of the equity share capital of CORESTATE Capital AG. This restructure and the establishment of the new group holding company, Corestate Capital Holding S.A., is considered to be a common control transaction as defined by International Financial Reporting Standard 3 'Business Combinations' (Appendix B). Accordingly the directors of the Group have prepared the consolidated financial statements as if the parent company had been in existence since the establishment of CORESTATE Capital AG in June 2006 by applying the pooling of interests method (note B.3.1). The consolidated statements of the Corestate Capital Holding S.A. assume that the parent company was holding 100% of the shares since the beginning of the operation.

The following new standards and interpretations and amendments to existing standards and interpretations are applicable for the first time for financial years beginning on 1 January 2015:

- Improvements to IFRSs (2010-2012 EU effective date: 1 July 2014): These improvements required additional disclosures in the Group's financial statements.
- Improvements to IFRSs (2011-2013) (EU effective date: 1 July 2014): These improvements had no material impact on the Group's financial statements.

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, derivative financial instruments and plan assets that 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.

### **B.2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of CCH SA and its subsidiaries as at 31 December 2015. 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 result 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**

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 financial 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.

Business combinations involving entities under common control are accounted for by applying the pooling of interests method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity as adjustment of the Participation Capital and Legal Reserves.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

### **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 income statement 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 from Associates/Joint Ventures on the face of the consolidated comprehensive income statement.

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 income statement.

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 financial instruments such as derivatives, plan assets, and non-financial assets such as investment properties, 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 C.2.1, 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
Plan assets	Note F.17

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 recognised in the financial statements on a recurring basis, 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 investment officer, chief operating officer and chief finance officers.

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 properties**

A property is regarded as sold when the significant risks and returns have been transferred to the buyer. For conditional exchanges (i.e. when the transfer of title is dependent on the payment of the sales price), 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 usually occurs when all rights, entitlements and obligations shall be assumed by 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 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 include a one-time-onboarding fee and typical acquisition and structuring fees amounting between 1.0% and 1.5% of the purchase price of the underlying assets of the portfolio. 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 0.5% and 0.8% 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.

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 C.2.1) 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.

#### **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.

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 Profit of Loss from Associates**

Share 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. Share Profit or Loss from Associates is presented as a separate line item in the income statement.

### **B.3.5.6 Finance Income and Finance 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 or Finance Income in the income statement.

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

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 re-assessed 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.

### **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 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:

- 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 derecognition 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.3.9 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.3.9.1 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.

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

#### **B.3.9.2 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. The Group acts only as a lessor in regard to its office sub-lease agreements.

#### **B.3.10 Investment properties**

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 an 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.3.11 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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

- Software 3 to 5 years

The amortisation period and the amortisation method for an intangible asset is reviewed at least at the end of each reporting period. The amortisation expense on intangible assets is recognised in the income statement as Depreciation and Amortisation.

#### **B.3.12 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 valued at the lower of cost and net realisable value.

The costs include freehold and leasehold rights for land, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads, but excluding borrowing costs.

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.3.13 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.3.13.1 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

This category is the most relevant to the Group. 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. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

###### 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 finance costs.

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 primarily 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 is 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.

### **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 finance 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 finance costs 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.

### **B.3.13.2 Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, and payables.

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 (only relevant to Associates).

#### **Subsequent measurement**

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

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities designated upon initial recognition as at fair value through 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.

##### Loans and payables

After initial recognition, interest-bearing payables, loans and other liabilities are subsequently measured at amortised cost.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or 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.

### **B.3.13.3 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.3.14 Derivative financial instruments**

Derivative financial instruments, such as interest rate swaps and caps to hedge interest rate risks, are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured 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.

Any gains or losses arising from changes in the fair value of derivatives are recognised in profit or loss.

The Group or its investments do not apply for hedge accounting.

### **B.3.15 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.3.16 Provisions**

Provisions (mainly in Associates) 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 income statement 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 finance cost.

### **B.3.17 Employee benefits**

Total personnel expenses amounted to k€ 15,237 in the 2015 financial year (previous year k€ 13,303). This includes employer pension scheme contributions for defined contribution plans in Germany of k€ 643 (previous year k€ 591).

#### **B.3.17.1 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.3.17.2 Pensions and other post-employment benefits**

Based on the statutory requirements in Switzerland, in its Swiss entity, the Group has to operate a defined benefit pension plan, which requires contributions to be made to a fund administered by an independent insurance company.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.



### **B.3.18 Share-based payments**

The Group has cash-settled, share-based compensation plans, under which it receives services from qualifying employees in exchange of a liability to transfer cash for amounts that are based on the price of equity instruments of another group entity.

For cash-settled share-based payment transactions, services received and the liability incurred are measured at the fair value of the liability. Until and at settlement, the fair value of the liability is re-measured at the end of each reporting period with any changes in fair value recognized in profit or loss for the period.

The Group has equity-settled, share-based compensation plans, under which it receives services from qualifying employees in exchange for equity instruments. The employee services received in exchange for the grant of the equity-settled payments are measured at the fair value of the equity instruments granted and are recognized as expenses, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards.

### **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 2015, and which have not been applied in preparing these consolidated financial statements are:

- IAS 1 Amendment - Disclosure Initiative (EU effective date: 1 January 2016): This amendment is not expected to have any material impact on the Group's financial statements.
- Improvements to IFRSs (2012-2014) (EU effective date: 1 January 2016): These improvements are not expected to have any material impact on the Group's financial statements.
- 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.
- IAS 27 Amendment - Equity Method In Separate Financial Statements (EU effective date: 1 January 2016): This amendment is not expected to have any impact on the Group's financial statements.
- IAS 16 and IAS 38 Amendment - Clarification of Acceptable Methods of Depreciation and Amortisation (EU effective date: 1 January 2016): This amendment is not expected to have any impact on the Group's financial statements.
- IFRS 11 Amendment - Accounting for Acquisitions of Interests in Joint Operations (EU effective date: 1 January 2016): 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 company. These are not yet effective in the EU and hence have not been applied in preparing these consolidated financial statements:

- 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. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will

have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

- 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. 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 is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.
- In January 2016, IASB published IFRS 16 "Leases". 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. Uses with a total term of a maximum of twelve months, and leases of so called low value assets (purchase price up to USD 5,000) are excluded from this principle.

IFRS 16 is to be applied to fiscal years starting on or after January 1, 2019. Early adoption is permitted, as long as IFRS 15 has already been applied. The EU endorsement of IFRS 16 is still pending. We are currently evaluating the effects of the new standard might have on the accounting for leases.

- IAS 19 Amendment - Defined Benefit Plans: Employee Contributions (EU effective date: 1 February 2015): This amendment is not expected to have any material impact on the Group's financial statements.

## 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 Success fee**

In some Projects, the Group is entitled to receive a success fee ("Promote fee") equalling to 15% - 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, the relevant transaction has been closed and becomes 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 Groups services rendered in connection with the Asset Management Agreements.

### **C.2.2 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) and the residual value method, respectively.

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 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) as well as from 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 Investment in Associate

(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2015	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
HIGHSTREET I	8,117	7,564	<b>7,011</b>	6,459	5,906
BEN	6,197	5,640	<b>5,082</b>	4,524	3,966
HIGHSTREET IV	4,406	4,358	<b>4,308</b>	4,242	4,176
T6 <sup>2)</sup>	3,495	3,495	<b>3,495</b>	3,495	3,495
TURBO VIE	3,714	3,438	<b>3,161</b>	2,885	2,609
HIGHSTREET II	3,397	3,196	<b>2,979</b>	2,727	2,476
DANUBE <sup>1)</sup>	1,260	1,260	<b>1,260</b>	1,260	1,260
TURBO FRA	1,090	994	<b>899</b>	804	709
DONALD <sup>1)</sup>	820	820	<b>820</b>	820	820
ENERGY <sup>2)</sup>	108	108	<b>108</b>	108	108
SQUIRREL <sup>2)</sup>	38	38	<b>38</b>	38	38
HIGHSTREET PI <sup>1)</sup>	18	18	<b>18</b>	18	18
VITU <sup>2)</sup>	11	11	<b>11</b>	11	11
PHOENIX <sup>2)</sup>	1	1	<b>1</b>	1	1
BERRY <sup>2)</sup>	0	0	<b>0</b>	0	0
SAILING <sup>2)</sup>	0	0	<b>0</b>	0	0
<b>Total</b>	<b>32,670</b>	<b>30,938</b>	<b>29,189</b>	<b>27,390</b>	<b>25,590</b>

<sup>1)</sup> Initial at-equity valuation at cost

<sup>2)</sup> Investment properties are sold, only undistributed profits

#### Sensitivity analysis to determine the change in Joint Ventures

(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2015	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
IBERIAN Advisors <sup>1)</sup>	25	25	<b>25</b>	25	25
SALUTE <sup>1)</sup>	29	29	<b>29</b>	29	29
SCORE <sup>1)</sup>	4	4	<b>4</b>	4	4
<b>Total</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>

<sup>1)</sup> Initial at-equity valuation at cost

**Sensitivity analysis to determine the change in Investment in Associate**

(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2014	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
HIGHSTREET I	8,108	7,756	<b>7,405</b>	7,054	6,703
BEN	6,221	5,610	<b>4,956</b>	4,240	3,472
TURBO FRA	4,356	4,056	<b>3,755</b>	3,454	3,154
ENERGY <sup>2)</sup>	1,693	1,693	<b>1,693</b>	1,693	1,693
TURBO VIE	1,748	1,579	<b>1,410</b>	1,241	1,072
T6	1,913	1,533	<b>1,153</b>	773	392
DONALD <sup>1)</sup>	1,091	1,091	<b>1,091</b>	1,091	1,091
SQUIRREL	1,097	1,026	<b>950</b>	874	799
PHOENIX <sup>2)</sup>	112	112	<b>112</b>	112	112
VITU <sup>2)</sup>	11	11	<b>11</b>	11	11
BERRY	0	0	<b>0</b>	0	0
SAILING	0	0	<b>0</b>	0	0
<b>Total</b>	<u>26,350</u>	<u>24,468</u>	<u><b>22,536</b></u>	<u>20,543</u>	<u>18,499</u>

<sup>1)</sup> Initial at-equity valuation at cost

<sup>2)</sup> Investment properties are sold, only undistributed profits

**Sensitivity analysis to determine the change in Long-term Loans to Associates**

(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2014	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
SAILING	1,067	891	<b>715</b>	539	363
<b>Total</b>	<u>1,067</u>	<u>891</u>	<u><b>715</b></u>	<u>539</u>	<u>363</u>

## **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 include

- the origination, structuring and execution of investment products tailored to the needs of its investors 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, as well as success fees (Promotes). Such fees are typically based on the volume of the underlying assets under management and the management performance.

### **D.2 Alignment Capital Management**

A key element to the business model of the Group is the alignment of interests with that of its investors, which is implemented by co-investments of CCH SA and/or its subsidiaries alongside its investors in the various investment products. 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 for a period of not more than 18 months

(therefore recognized as inventories), the Group is able to secure asset supply while still setting up and structuring the investment product for the investors. 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 year ended 31 December 2015							
(k€)	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/Warehousing	Total Segments	Overhead (not allocated)	Adjustments and eliminations	Consolidated Financial Statements
<b>Revenues:</b>							
Revenues	38,034	-	1,880	39,914	-	-	39,914
Inter-segment revenues	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>38,034</b>	<b>-</b>	<b>1,880</b>	<b>39,914</b>	<b>-</b>	<b>-</b>	<b>39,914</b>
<b>Income/expenses</b>							
Expenses from Real Estate Investment Management	(19,779)	-	-	(19,779)	-	-	(19,779)
Share of Profit or Loss from Associates and Joint Ventures	-	4,695	-	4,695	-	-	4,695
Expenses from Management of Associates and Joint Ventures	-	(667)	-	(667)	-	-	(667)
Net Gain from Selling Property Holding Companies	-	-	2,506	2,506	-	-	2,506
Expenses from Real Estate Operations	-	-	(2,077)	(2,077)	-	-	(2,077)
General and Administrative Expenses	-	-	-	-	(13,118)	-	(13,118)
Depreciation & Amortisation	-	-	-	-	(349)	-	(349)
Financial Income	-	-	-	-	173	-	173
Financial Expenses	-	-	(2,386)	(2,386)	(1,073)	-	(3,458)
Other income/expenses and taxes	-	-	-	-	2,248	-	2,248
<b>Segment Profit</b>	<b>18,255</b>	<b>4,028</b>	<b>(77)</b>	<b>22,206</b>	<b>(12,118)</b>	<b>-</b>	<b>10,087</b>
<b>Total Assets</b>	<b>6,277</b>	<b>48,150</b>	<b>44,491</b>	<b>98,917</b>	<b>9,767</b>	<b>-</b>	<b>108,684</b>
<b>Total Liabilities</b>	<b>5,760</b>	<b>551</b>	<b>44,712</b>	<b>51,023</b>	<b>23,305</b>	<b>-</b>	<b>74,328</b>
<b>Other disclosures</b>							
Investment in associates	-	29,189	-	29,189	-	-	29,189
Investment in joint ventures	-	58	-	58	-	-	58
Segment investments	210	21,494	-	21,704	-	-	21,704

Segment Information for the year ended 31 December 2014							
(k€)	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/Warehousing	Total Segments	Overhead (not allocated)	Adjustments and eliminations	Consolidated Financial Statements
<b>Revenues:</b>							
Revenues	28,093	-	-	28,093	-	-	28,093
Inter-segment revenues	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>28,093</b>	<b>-</b>	<b>-</b>	<b>28,093</b>	<b>-</b>	<b>-</b>	<b>28,093</b>
<b>Income/expenses</b>							
Expenses from Real Estate Investment Management	(16,563)	-	-	(16,563)	-	-	(16,563)
Share of Profit or Loss from Associates	-	4,373	-	4,373	-	-	4,373
Expenses from Management of Associates	-	(1,004)	-	(1,004)	-	-	(1,004)
Net Gain from Selling Property Holding Companies	-	-	3,765	3,765	-	-	3,765
Expenses from Real Estate Operations	-	-	(558)	(558)	-	-	(558)
General and Administrative Expenses	-	-	-	-	(4,366)	-	(4,366)
Depreciation & Amortisation	-	-	-	-	(332)	-	(332)
Financial Income	-	-	-	-	218	-	218
Financial Expenses	-	-	-	-	(631)	-	(631)
Other income/expenses and taxes	-	-	-	-	748	-	748
<b>Segment Profit</b>	<b>11,530</b>	<b>3,370</b>	<b>3,207</b>	<b>18,107</b>	<b>(4,363)</b>	<b>-</b>	<b>13,743</b>
<b>Total Assets</b>	<b>10,749</b>	<b>34,252</b>	<b>-</b>	<b>45,001</b>	<b>18,387</b>	<b>-</b>	<b>63,388</b>
<b>Total Liabilities</b>	<b>12,928</b>	<b>2,642</b>	<b>-</b>	<b>15,569</b>	<b>9,102</b>	<b>-</b>	<b>24,672</b>
<b>Other disclosures</b>							
Investment in associates	-	22,536	-	22,536	-	-	22,536
Segment investments	392	16,784	-	17,176	-	-	17,176

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

The Group operates currently with a focus on Germany, Austria and Spain. The Group has segmented its capital allocation by geographical area based on the location of the properties under its Real Estate Investment Management as well as Real Estate Operations/Warehousing business. The following table sets forth the Group's capital allocation (comprising of 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

<b>Geographical Segment Information (Secondary Segments)</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
<b>Capital Allocation</b>	<b>86,687</b>	<b>33,004</b>
Germany	76,433	23,594
Austria	4,441	9,410
Spain	4,456	-
Luxembourg	1,357	-
<b>Revenues</b>	<b>39,914</b>	<b>28,093</b>
Germany	37,757	26,962
Austria	1,000	1,130
Luxembourg	1,157	-

The Group's revenues comprise the revenue from segment Real Estate Investment Management (acquisition and sales fees, Asset and Property Management 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, financing (including Financial Income and Expenses) and Income Taxes (including Deferred and Current Taxes) are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are generally on an arm's length basis in a manner similar to transactions with third parties.

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 comprise in addition to Promote fees also sales fees and Asset and Property Management fees.

<b>Information about Projects and customers with more than 10% of the Group's revenues</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Project T6	8,790	-
Project Vitu	-	9,658

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Inter-segment revenues are eliminated on consolidation. In the Group, sales and transactions between reportable segments are only of minor importance. Intra-segment transactions include:

- Interest-bearing loans (k€ 214; previous year: k€ 105)
- Liability remuneration to general partners (k€ 10; previous year: k€ 10)
- Cost-plus agreements with CORESTATE Capital Advisors (UK) Ltd. and CORESTATE Capital Advisors GmbH (k€ 3,011; previous year: k€ 5,128)
- Other services (k€ 1,771; previous year: k€ 284)

## **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. (Refer to Note C.2.2)

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

<b>Property, Plant and Equipment</b>		
<i>Financial Year (k€)</i>		
	<b>2015 Total</b>	<b>2014 Total</b>
Acquisition cost		
As of 1 January	1,105	730
Additions	202	267
Changes from Business combinations and sales of subsidiaries	0	108
Disposals	(3)	0
<b>As of 31 December</b>	<b>1,304</b>	<b>1,105</b>
Amortisation and impairment losses		
As of 1 January	427	191
Depreciation charge for the year	235	236
<b>As of 31 December</b>	<b>662</b>	<b>427</b>
<b>Total (Carrying amount)</b>	<b>642</b>	<b>679</b>

Property, plant and equipment exclusively comprise cars as well as office and other equipment. Office and other equipment is mainly part of the Group's property management company CAPERA Immobilien Service GmbH ("CAPERA").

The equipment and cars are depreciated on a straight-line basis over a period of 2 to 10 years.

## F.2 Investment in Associates and Joint Ventures

Investment in Associates - Overview						
Name of associate	Country of incorporation	Place of business	Project	Share of profit	Economic participation quota	
					2015	2014
Corestate VIE Developments S.à r.l.	Luxembourg	Austria	DANUBE	pro rata share	9.700%	49.000%
TURBO FRA AcquiCo II GmbH & Co. KG (until Dec 2015: Corestate Turbo FRA HoldCo S.à r.l.)	Luxembourg	Germany	TURBO FRA	pro rata share	10.000%	48.000%
CORESTATE IREI Holding S.A.	Luxembourg	Germany	BEN	pro rata share	23.910%	23.910%
Donald HoldCo S.à r.l.	Luxembourg	Germany	DONALD	pro rata share	18.748%	18.748%
Corestate Highstreet TopCo Limited	Guernsey	Germany	HIGHSTREET I	pro rata share	12.227%	12.227%
Corestate Highstreet II TopCo Limited	Guernsey	Germany	HIGHSTREET II	pro rata share	8.216%	n.a.
Highstreet IV TopCo Limited	Guernsey	Germany	HIGHSTREET IV	pro rata share	9.545%	n.a.
Highstreet Premium I TopCo Limited	Guernsey	Germany	HIGHSTREET PI	pro rata share	10.000%	n.a.
Corestate Berry HoldCo S.à r.l. i.L.	Luxembourg	Germany	BERRY	pro rata share	10.804%	10.804%
Corestate Energy HoldCo S.à r.l. i.L.	Luxembourg	Germany	ENERGY	pro rata share	10.695%	10.695%
Corestate Turbo HoldCo S.à r.l.	Luxembourg	Austria	TURBO VIE	pro rata share	7.905%	7.905%
T6 HoldCo S.à r.l.	Luxembourg	Germany	T6	pro rata share	19.091%	6.364%
Squirrel AcquiCo I S.à r.l.	Luxembourg	Germany	SQUIRREL	pro rata share	5.735%	5.735%
Sailing HoldCo I S.à r.l.	Luxembourg	Germany	SAILING	pro rata share	5.210%	5.210%
VITU TopCo Limited	Guernsey	Germany	VITU	pro rata share	5.096%	5.096%
Phoenix HoldCo I S.à r.l.	Luxembourg	Germany	PHOENIX	Interests from Profit Participating loan	4.800%	4.800%

Investment in Joint Venture - Overview						
Name of Joint Venture	Country of incorporation	Place of business	Project	Share of profit	Economic participation quota	
					2015	2014
Iberian Corestate Capital Advisors S.L.	Spain	Spain	IBERIAN Advisors	pro rata share	50.000%	n.a.
Icono Torre Vida S.A.	Spain	Spain	SALUTE	pro rata share	50.000%	n.a.
SCORE S.à r.l.	Luxembourg	Luxembourg	SCORE	pro rata share	50.000%	n.a.

The Group company CC AG together with Promociones Y Propiedades Inmobiliarias Espacio S.L.U. ("Espacio") and OHL Desarrollos, both based in Madrid, (together the "JV Partners") have joined forces to create a Spanish real estate platform. The joint venture agreement between the JV Partners was signed on 3 February 2015. The purpose of the joint venture is to combine the companies' respective areas of expertise, market know-how and networks. Its objective is to build a portfolio in Spain providing investment opportunities for the partners and international clients. The JV Partners have agreed to co-operate to establish, on an ongoing basis, joint venture and co-Investment structures together with one or several third party clients to fund investment vehicles and/or one or several regulated real estate fund(s) investing directly or indirectly in the Spanish real estate market (residential and/or commercial properties). The JV Partners intend to provide inter alia investment, financing, administration and management services to the Investment Vehicles, whereas only CC AG shall formally act as manager vis-à-vis third parties. The fees for the services will be split among the JV Partners (55% for CC AG and 45% for Espacio and OHL Desarrollos). The equity investment of the JV Partners is intended to amount to about 5% to 10% of the total equity portion for the investment business in the respective Investment Vehicles. In general, on each deal CC AG shall provide funding

of 50% of the JV Partners Equity Portion, whereas Espacio and OHL Desarrollos each shall provide 25% of the JV Partners Equity Portion. The JV Partners established a meeting of the JV Partners (the "JV Advisory Board") which decides upon the investment business. The Spanish JV Agreement also includes a non-compete and exclusive exclusivity obligations for JV Partners. In particular, during the term of the Spanish JV Agreement, and except as otherwise permitted under some specific circumstances, the JV Partners (including any of their subsidiaries) undertake to present all matters concerning any investment business and deal in the Spanish real estate market first and exclusive to the JV Advisory Board to allow the usage of such in the investment business. In general, the term of this JV Agreement shall be 10 years from the signing date, i.e. until 3 February 2025 and also provides for termination events.

The JV Partners agreed to incorporate "IBERIAN CORESTATE Capital Advisors S.L." as a service company in order to support the JV Partners in carrying out the investment business to act as a delegate with regard to the management agreements of the real estate properties (**Project IBERIAN Advisors**). The services may comprise, inter alia, services with regard to the acquisition or sales process of residential and commercial properties and services relating to the development of real estate properties and/or portfolios. CC AG holds 50% and OHL Desarrollos and Espacio each hold 25% in the Service Company. The Spanish JV Agreement also provides for a shareholders' agreement to govern their joint shareholding in relation to the Service Company, which includes, among other provisions, unanimous approval of all JV Partners to pass certain resolutions, the approval of the other JV Partners for certain share transfers, the need for the unanimous consent of all JV Partners for the distribution

A first project under the joint venture agreement is the aforementioned landmark real estate project in Madrid where the Joint Venture obtained leasehold rights of 75 years. It is planned that construction shall start in July 2016. On 8 October 2015, the Group company Iberian Holdco II, S.L.U., acquired a portion of 49.0% of the shares in Icono Torre Vida S.A.U. (but with 50% of the economic rights) from the Spanish joint venture partner Espacio for a total consideration of k€ 29 and granted a loan to Icono Torre Vida S.A.U. in the amount of approx. EUR 3.5 million in order to partially collateralise guarantees issued by a bank to the city council of Madrid in order to cover up in connection with the development of **Project SALUD**.

On 20 October 2015 and amendment on 30 December 2015, CCH SA and Sistema Capital Partners S.à r.l. entered into a joint venture agreement (**Project SCORE**). Under the joint venture agreement CCH SA acquired from Sistema Capital Partners S.à r.l. 50% of the shares in SCORE S.à r.l., a limited liability company (société à responsabilité limitée) incorporated on 13 October 2015 under Luxembourg law. SCORE S.à r.l. acts as an Investment Advisor regarding Project HIGHSTREET Premium I.

**Investment in Associates and Joint Ventures - Movement in carrying value**
**Financial Year 2015 (k€)**

Project	1 Jan 2015	Additions	Share of profit/ (loss) for the year	Dividends and capital repayments received in cash	Disposals	31 Dec 2015
HIGHSTREET I	7,405	-	111	(504)	-	7,011
BEN	4,956	1,465	(339)	-	(1,000)	5,082
HIGHSTREET IV	0	4,400	(92)	-	-	4,308
T6	1,153	3,200	738	-	(1,596)	3,495
TURBO VIE	1,410	-	1,752	-	-	3,161
HIGHSTREET II	0	3,055	(76)	-	-	2,979
DANUBE	0	8,800	-	-	(7,540)	1,260
TURBO FRA	3,755	-	2,264	(285)	(4,835)	899
DONALD	1,091	384	(93)	(563)	-	820
ENERGY	1,693	-	(177)	(1,408)	-	108
SQUIRREL	950	-	602	(1,515)	-	38
HIGHSTREET Premium I	0	130	-	-	(113)	18
VITU	11	-	-	-	-	11
PHOENIX	112	-	9	(120)	-	1
BERRY	0	-	-	-	-	0
SAILING	0	3	(3)	-	-	0
<b>Associates, total</b>	<b>22,536</b>	<b>21,437</b>	<b>4,695</b>	<b>(4,395)</b>	<b>(15,083)</b>	<b>29,189</b>
IBERIAN Advisors	0	25	-	-	-	25
SALUTE	0	29	-	-	-	29
SCORE	0	4	-	-	-	4
<b>Joint Venture, total</b>	<b>0</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58</b>
<b>Total</b>	<b>22,536</b>	<b>21,495</b>	<b>4,695</b>	<b>(4,395)</b>	<b>(15,083)</b>	<b>29,247</b>

**Financial Year 2014 (k€)**

Project	1 Jan 2014	Additions	Share of profit/ (loss) for the year	Dividends and capital repayments received in cash	Disposals	31 Dec 2014
HIGHSTREET I	0	6,650	755	-	-	7,405
BEN	0	7,325	1,631	-	(4,000)	4,956
TURBO FRA	2,242	337	1,327	(152)	-	3,755
ENERGY	3,190	-	(82)	(1,416)	-	1,693
TURBO VIE	373	1,358	(321)	-	-	1,410
T6	550	-	604	(1)	-	1,153
DONALD	0	1,116	(4)	-	(20)	1,091
SQUIRREL	1,913	59	(212)	(810)	-	950
PHOENIX	361	-	0	(249)	-	112
VITU	3,799	-	702	(4,490)	-	11
BERRY	3,655	-	(301)	(3,354)	-	0
SAILING	0	-	-	-	-	0
<b>Total</b>	<b>16,082</b>	<b>16,845</b>	<b>4,102</b>	<b>(10,471)</b>	<b>(4,020)</b>	<b>22,536</b>

Concerning the reconsolidation to the profit an loss statement we refer to Notes G.6.

The following table sets out key financial information for each of the projects the Group is invested in.

Key Financial Information of the Group's investment in Associates in 2015 (by Projects)								
(k€)	PHOENIX	HIGHSTREET I	HIGHSTREET II	HIGHSTREET IV	HIGHSTREET PI	BEN	BERRY	ENERGY
Investment Property	-	143,960	75,187	13,148	-	85,000	-	-
Other non-current assets	-	231	101	-	-	3,767	-	-
Cash (restricted and free cash)	584	5,703	6,014	29,360	160	6,103	2,454	2,063
Other current assets	479	2,798	1,052	2,283	115	6,133	33	490
Non-current financial liabilities	-	(89,199)	(45,517)	-	-	(57,745)	-	-
Other non-current liabilities	-	(2,792)	(1,184)	-	-	(4,862)	-	-
Current financial liabilities	(2)	(0)	(37)	(0)	-	(1,255)	-	-
Other current liabilities	(886)	(3,436)	(1,740)	(1,713)	(174)	(10,183)	(863)	(1,851)
<b>Equity</b>	<b>174</b>	<b>57,264</b>	<b>33,876</b>	<b>43,078</b>	<b>101</b>	<b>26,957</b>	<b>1,624</b>	<b>702</b>
Revenues	25	10,653	2,267	37	-	10,578	-	-
Net Operating Income from rental operations	15	6,033	1,651	17	-	5,935	37	-
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	192	(1,420)	(738)	(606)	-	(473)	(23)	(7)
Profit/(loss) from changes in valuation of Investment Property	-	1,052	760	-	-	4,312	-	-
Interest income	0	0	-	-	-	30	9	-
Interest expenses	(0)	(1,346)	(184)	-	-	(1,690)	(1)	-
Income tax expense or income	30	(1,045)	(432)	(4)	-	(1,236)	(41)	(3)
Profit / (loss) from continuing operations	(62)	1,078	(864)	(922)	(74)	361	(304)	(217)
Post tax profit/(loss) from discontinuing operations	-	-	-	-	-	(1,557)	-	-
Other comprehensive income	-	-	-	-	-	95	-	-
Total comprehensive income	(62)	1,078	(864)	(922)	(74)	(1,101)	(304)	(217)
Capital repayment	-	504	-	-	-	-	-	-

Key Financial Information of the Group's investment in Associates in 2015 (by Projects)								
(k€)	TURBO VIE	SQUIRREL	T6	VITU	TURBO FRA	DONALD	SAILING	DANUBE
Investment Property	87,400	-	-	-	28,000	-	-	-
Other non-current assets	53	5	30,890	-	-	-	5	8,090
Cash (restricted and free cash)	5,173	1,058	7,588	2,051	1,135	865	1,644	1,172
Other current assets	1,115	23	-	5,722	316	3,706	259	16
Non-current financial liabilities	-	-	-	-	(12,919)	-	-	-
Other non-current liabilities	(9,000)	-	-	-	(3,153)	-	(11,805)	-
Current financial liabilities	(36,615)	-	-	-	(168)	(0)	-	-
Other current liabilities	(1,429)	(747)	(3,068)	(457)	(814)	(90)	(245)	(431)
<b>Equity</b>	<b>46,697</b>	<b>339</b>	<b>35,411</b>	<b>7,316</b>	<b>12,396</b>	<b>4,482</b>	<b>(10,142)</b>	<b>8,845</b>
Revenues	624	3,311	13,285	-	1,684	-	9,989	-
Net Operating Income from rental operations	269	(519)	12,005	(6)	1,170	(0)	912	-
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	(106)	(104)	10,461	(441)	(142)	-	(141)	-
Profit/(loss) from changes in valuation of Investment Property	28,910	3,697	-	-	4,982	-	80	-
Interest income	9	1	276	-	0	9	0	1,610
Interest expenses	(786)	(208)	(2,695)	-	(280)	-	(2,383)	-
Income tax expense or income	(7)	1,348	(203)	(4)	(1,737)	(5)	(166)	(3)
Profit / (loss) from continuing operations	26,684	2,075	15,884	(716)	3,926	(495)	(4,769)	(764)
Post tax profit/(loss) from discontinuing operations	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	26,684	2,075	15,884	(716)	3,926	(495)	(4,769)	(764)
Capital repayment	-	-	-	-	-	-	-	-



**Key Financial Information of the Group's investment in Associates in 2014 (by Projects)**

(k€)	SQUIRREL	T6	VITU	TURBO FRA	DONALD	SAILING
Investment Property	31,060	119,580	-	23,000	-	81,034
Other non-current assets	24	-	-	-	-	5
Cash (restricted and free cash)	8,500	5,388	3,301	892	1,038	2,332
Other current assets	4,153	2,034	5,766	1,017	4,685	5,186
Non-current financial liabilities	(12,342)	(97,913)	-	-	-	(60,163)
Other non-current liabilities	(27,955)	(251)	-	(1,419)	-	(27,596)
Current financial liabilities	(224)	(9,501)	-	(13,210)	-	(1,253)
Other current liabilities	(3,937)	(2,604)	(459)	(1,810)	(4,629)	(4,912)
<b>Equity</b>	<b>(721)</b>	<b>16,734</b>	<b>8,608</b>	<b>8,471</b>	<b>1,094</b>	<b>(5,368)</b>
Revenues	6,846	15,978	27,053	1,585	-	10,187
Net Operating Income from rental operations	421	14,387	115	998	-	3,265
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	(1,668)	9	1,077	(261)	-	-
Profit/(loss) from changes in valuation of Investment Property	1,878	4,297	34,508	5,517	-	(1,830)
Interest income	1	0	0	0	-	-
Interest expenses	(606)	(4,864)	(3,089)	(377)	-	(2,843)
Income tax expense or income	(321)	(505)	(3)	(1,425)	(3)	183
Profit / (loss) from continuing operations	(3,504)	9,213	26,910	3,412	(22)	(1,597)
Total comprehensive income	(3,504)	9,213	26,910	3,412	(22)	(1,597)
Dividends received	-	-	2,978	-	-	-

**Key Financial Information of the Group's investment in Associates in 2014 (by Projects)**

(k€)	PHOENIX	HIGHSTREET I	BEN	BERRY	ENERGY	TURBO VIE
Investment Property	2,100	85,300	81,656	-	-	42,700
Other non-current assets	-	-	3,527	-	-	66
Cash (restricted and free cash)	1,691	27,790	5,484	297	2,670	6,129
Other current assets	692	1,725	6,349	3,597	11,831	2,114
Non-current financial liabilities	-	(50,365)	(40,907)	-	-	-
Other non-current liabilities	-	(1,750)	(3,591)	-	-	(9,000)
Current financial liabilities	(2)	(72)	(10,542)	-	-	(12,180)
Other current liabilities	(4,245)	(2,447)	(15,313)	(1,966)	(1,152)	(9,404)
<b>Equity</b>	<b>236</b>	<b>60,181</b>	<b>26,662</b>	<b>1,928</b>	<b>13,348</b>	<b>20,425</b>
Revenues	347	876	2,545	(7)	639	-
Net Operating Income from rental operations	(43)	623	1,331	(65)	498	-
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	(209)	(1,367)	8,991	(161)	(2,589)	274
Profit/(loss) from changes in valuation of Investment Property	-	10,734	(72)	-	-	-
Interest income	1	-	134	211	5	2
Interest expenses	(0)	(103)	(381)	(0)	(3)	(1,260)
Income tax expense or income	(155)	(1,762)	(153)	(250)	(30)	(6)
Profit / (loss) from continuing operations	(2,172)	7,431	8,113	(393)	472	(4,052)
Total comprehensive income	(2,172)	7,431	7,419	(393)	(15,338)	(4,052)
Dividends received	249	-	-	2,736	1,302	-

### F.3 Long-term Loans to Associates

Long-term Loans to Associates		
<i>(k€)</i>	31 Dec 2015	31 Dec 2014
<b>Loans granted to Project SAILING</b>	-	<b>715</b>
Loan	592	942
Accrued interests	-	220
Individual allowance for non-recoverable loans	(592)	(447)
<b>Total</b>	-	<b>715</b>

The loan granted to Sailing HoldCo I S.à r.l (Project SAILING) was used to finance the acquisition of subsidiaries and related operating activities. The loan was unsecured and repayable in full in March 2018. Fix interest is charged at 8.0% p.a.

During the sale of all real estate holding entities of Project SAILING in December 2015, the Group received a final repayment of interests and the loan in the amount of totally k€ 750.

### F.4 Deferred Tax Assets

Deferred Tax Assets		
<i>(k€)</i>	31 Dec 2015	31 Dec 2014
<b>Deferred Tax Assets</b>	<b>2,590</b>	<b>1,068</b>
from tax loss carryforward	1,850	-
from temporary differences on liabilities	490	954
from temporary differences on receivables	186	69
from temporary differences on pensions	65	45
<b>less Deferred Tax Liabilities</b>	<b>(185)</b>	<b>(254)</b>
from temporary differences on receivables	(15)	(146)
from temporary differences on liabilities	(170)	(102)
from at-equity valuation of Associates	-	(6)
<b>Total</b>	<b>2,406</b>	<b>813</b>

Deferred tax assets and liabilities are calculated on a company by company basis.

The tax loss carry-forward regarding corporation tax based on the loss of the period of CCH SA, which mainly relates to IPO costs. A tax rate of 29.22% was used to determine these deferred taxes. The Group has determined that it cannot recognise deferred tax assets of other Group companies on tax losses carried forward in the amount of k€ 658 (previous year k€ 15).

As in previous year, the deferred taxes temporary differences mainly result from CC AG based on temporary differences between tax base and IFRS accounting. Consequently; the tax rates of CC AG (14.60%, previous year 14.60%) were used to determine deferred taxes.

Deferred tax assets from temporary differences on pension in the amount of totally k€ 38 (previous year k€ 14) were recognised through OCI and will be reclassified to profit or loss in subsequent periods.

## F.5 Advance Payments for Property Purchase Prices

Advance Payments for Property Purchase Prices		
(k€)	31 Dec 2015	31 Dec 2014
Property located in Halle	1,000	-
<b>Total</b>	<b>1,000</b>	<b>-</b>

An amount of k€ 1,000 was paid on a notary escrow account as advance payment for the warehousing asset located in Halle.

## F.6 Inventories

Inventories		
Financial Year (k€)	2015 Total	2014 Total
Acquisition cost		
As of 1 January	0	0
Additions	59,473	-
Changes from Business combinations and sales of subsidiaries	(20,257)	-
<b>As of 31 December</b>	<b>39,216</b>	<b>0</b>
Write-downs to net realisable value		
As of 1 January	0	0
<b>As of 31 December</b>	<b>0</b>	<b>0</b>
<b>Total (Carrying amount)</b>	<b>39,216</b>	<b>0</b>

Inventories comprise real estate properties of segment "Real Estate Operations and Warehousing" which are to be sold without any further modifications (real estate properties held for trading purposes).

The additions result from the acquisition of a commercial property located in Paderborn (k€ 36,990) and Soest (k€ 20,257) as well as from the recognition of incidental acquisition costs of real estate properties located in Halle, Bremerhaven and Hamburg.

With sale and purchase agreement notarised on 30 June 2015 the Group company Soest HoldCo S.à r.l sold its commercial property holding subsidiary HIGHSTREET II PropCo I GmbH to Project HIGHSTREET II (refer to note I.10).

According to the current business plan, all inventories listed as of the reporting-date are to be sold and / or handed over to the buyers in the financial year 2016. The commercial property located in Paderborn was already sold in the first quarter of 2016 (refer to note I.12 "subsequent events").

## F.7 Receivables from Associates

Receivables from Associates		
(k€)	31 Dec 2015	31 Dec 2014
Receivables from Project T6	8,949	9
Receivables from Project VITU	1,000	1,002
Receivables from Project TURBO FRA	634	307
Receivables from Project HIGHSTREET IV	631	-
Receivables from Project ENERGY	165	-
Receivables from Project HIGHSTREET I	60	-
Receivables from Project TURBO VIE	20	-
Receivables from Project DONALD	7	-
Receivables from Project HIGHSTREET II	3	-
Receivables from Project SQUIRREL	-	435
Receivables from Project DANUBE	-	8,000
<b>Total</b>	<b>11,469</b>	<b>9,753</b>

The Receivables from Project T6 comprise mainly the Promote fee including compensation payment for the amendment of asset management. The receivables were paid in full in January 2016.

The Receivables from Project VITU comprise the Promote fee (k€ 1,000), which will be paid when the corresponding funds on the escrow accounts have been released.

The unsecured loan granted to Turbo FRA GmbH bears a fixed interest of 6% per annum.

The Receivables from Project HIGHSTREET IV comprise mainly invoiced acquisition fees (k€ 530).

The Receivables from Project ENERGY result from the final profit distribution, which will be paid when the corresponding funds on the escrow accounts have been released.

The Receivables from Project DANUBE reflected a receivable in Hamerlingpark Holding GmbH from December 2014 and were reimbursed in 2015.

## F.8 Receivables from Joint Venture

Receivables from Joint Venture		
(k€)	31 Dec 2015	31 Dec 2014
Loans granted to Project SALUD	3,725	-
Receivables from Project SCORE	1,354	-
Receivables from IBERIAN Advisors - Costs recharges	676	-
<b>Total</b>	<b>5,755</b>	<b>-</b>

In October 2015 the group entity Iberian HoldCo II S.L. has granted two loans to Project SALUD. The unsecured loan with a nominal value of k€ 3,460 is used in order to partially collateralise the guarantees to the city council of Madrid in connection with the tender process regarding a surface right agreement. The unsecured loan with a nominal value up to k€ 239 is used to partially pay the costs incurred by the Joint Venture in the ordinary course of business. The interest rates of both loans are one-month EURIBOR plus a margin of 300bps. The loans are repayable including accrued interests on the termination date, which means the earlier of the date in which all the guarantees and the deposit therein are returned or at the latest three years after the date on which the loan was granted.

The Receivables from Project SCORE result from the invoiced entry fee in connection with the Joint-Venture and Co-Investment Agreement of Project HIGHSTREET Premium I (k€ 1,157 plus VAT).

## F.9 Trade Receivables

Trade receivables (k€ 3,984; previous year k€ 4,387) are non-interest bearing and are generally on terms of 30 to 90 days and relate to various fee income streams generated by the Group's Real Estate Investment Management Business.

## F.10 Other short-term Receivables

<b>Other short-term Receivables</b>		
<i>(k€)</i>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Loans to Shareholder	855	842
Notary escrow account	255	510
Receivables due from related parties	95	22
Receivables from employees and insurance claims	64	98
Transaction Costs Reimbursements	21	75
Cash in transit	5	80
Receivables due from affiliated companies	-	30
Others	33	184
<b>Total</b>	<b>1,329</b>	<b>1,842</b>

The loan granted to the shareholder Ralph Winter is repayable in full on 30 September 2016. Fix interest is charged at 1.50% per annum. In 2014, the loan was reclassified as short-term due to the maturity in September 2015. On 30 September 2015, the loan has been extended until 30 September 2016 under the same financial terms and conditions.

## F.11 Other Short-term Assets

<b>Other Short-term Assets</b>		
<i>(k€)</i>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Short-term receivables from other taxes (VAT)	553	92
Rental Deposits	183	141
Prepaid Expenses	159	308
others	44	104
<b>Total</b>	<b>940</b>	<b>645</b>

## F.12 Restricted Cash, Cash and Cash Equivalents

Restricted Cash (k€ 2,800; previous year: k€ 0) and Cash and Cash Equivalents (k€ 9,647; previous year: k€ 21,820) 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 re-

stricted 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€ 2,800 mainly include cash on CAPEX accounts.

## F.13 Share Capital

### F.13.1 Share capital

Share Capital		
(k€)	31 Dec 2015	31 Dec 2014
<b>As of 1 January</b>	<b>90</b>	<b>90</b>
Issue of new capital	35	-
Reclassification	(90)	-
Capital increase through a contribution in kind	160	-
<b>As of 31 December</b>	<b>195</b>	<b>90</b>

(until 23 September 2015: Share capital of CORESTATE Capital AG)

The share capital of CCH SA amounts to € 194,846 and is divided into 9,742,300 registered shares with a nominal value of € 0,02 each. The share capital is fully paid up. Each share entitles the bearer to one vote in the Annual General Meeting (Hauptversammlung).

Reclassification of shares in CC AG has followed the pooling of interest via capital increase through a contribution in kind of all shares in CC AG into CCH SA.

The share capital of CC AG amounted to CHF 132,795 (k€ 90) and was divided into 132,795 registered shares with a nominal value of CHF 1 each and is translated into € at historical exchange rates. The share capital is fully paid up. Each share entitles the bearer to one vote in the Annual General Meeting (Generalversammlung).

### F.13.2 Authorised capital

The authorized capital of the Company is set at ninety-five thousand Euro (€ 95,000) represented by a maximum of four million seven hundred fifty thousand (4,750,000) shares, each with a nominal value of € 0.02 (two cents of an Euro). If fully exercised this authorised capital would be added to the existing issued share capital of the Company (i.e., one hundred ninety-four thousand eight hundred forty-six Euro (€ 194,846), represented by nine million seven hundred forty-two thousand three hundred (9,742,300)) and result in an aggregate issued share capital of two hundred eighty-nine thousand eight hundred and forty-six Euros (€ 289,846) represented by fourteen million four hundred ninety two thousand and three hundred (14,492,300) shares, each with a nominal value of € 0.02 (two cents of an Euro).

Pursuant to article 5.5 of the Company's 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 the date of publication of the general meeting approving this authorization in the Mémorial C, Recueil des Sociétés et Associations, 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 Company's 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.

In connection with the Offering, the preferential subscription rights will be excluded by the Management Board when issuing the New Shares under the authorized share capital in accordance with the Articles of Association.

### **F.13.3 Share repurchases**

The Company may repurchase its own shares within the limits set forth by law.

### **F.14 Other Reserves**

Movements in group capital accounts and reserves during the reporting period are reflected in the consolidated Statement of Changes in Equity. The Annual General Meeting of CC AG held on 5 May 2014 passed a resolution for a dividend classified as a capital repayment in the amount of k€ 7,125 (€ 41.27 per ordinary share) to the holders of registered shares and participation certificates. Further, the Annual General Meeting resolved to distribute an amount of k€ 18 to the legal reserve.

At the Annual General Meeting (Generalversammlung) of CC AG held on 26 May 2015 the shareholders have decided for a dividend structured as a repayment from capital reserve about k€ 10,268 (€ 59.48 per ordinary share) due as of 29 May 2015 and a Dividend about k€ 3,572 (€ 20.69 per ordinary share) due as of 31 October 2015. The amounts have been paid fully in 2015.

Under Luxembourg GAAP CCH SA is required to allocate a minimum of 5% of its annual net income (based on its local financial statements) to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed. Due to the fact that the short-financial year 2015 of CCH SA resulted in a loss, an allocation to the legal reserve was not required.

The "Other revaluations" (k€ -190; previous year k€ -47) are part of the line item "Other reserves". Other revaluations relate to "Net (Loss)/Gain on Available-for-sale Financial Assets" (k€ 28; previous year k€ 28) and "Remeasurement Gains (Losses) on Defined Benefit Plans" (k€ -218; previous year k€ -75) which are recognised directly in OCI. An amount of k€ 28 (previous year k€ 28) will be retroactively reclassified in the Group's Income Statement under certain circumstances.

### **F.15 Non-controlling Interests**

The net profit/loss of non-controlling interests for the year 2015 relates mainly to Soest HoldCo S.à r.l. (k€ 429; previous year k€ 0) with non-controlling interests of 18.20%, CAPERA (k€ 30; previous year k€ 300) with non-controlling interests of 30.00% and CORESTATE Sand HoldCo S.à r.l (k€ -15; previous year k€ 1,118) with non-controlling interests of 30.26%.

## F.16 Long-term Financial Liabilities to Banks

Long-term Financial Liabilities to Banks					
(k€)	Nominal amount	Maturity	Interest rate	Face value as of 31 Dec 2015	Face value as of 31 Dec 2014
Deutsche Hypothekenbank AG	24,750	31.03.2021	Euribor plus margin	17,378	-
Schwyzer Kantonalbank Lombard Fixed-Term	max. CHF 10m	30.06.2020	Euribor plus margin	8,000	8,000
<b>Total</b>				<b>25,378</b>	<b>8,000</b>

Financial liabilities to banks with a remaining term of more than one year are presented as long-term financial liabilities to banks. In 2015, all liabilities with a maturity in 2016 were reclassified as short-term financial liabilities to banks (see Note F.16).

On 13 December 2015, Deutsche Hypothekenbank (Aktiengesellschaft) provided the Group company Corestate CAPTIVE PropCo III S.à r.l. with k€ 17,500 for the part-financing of the purchase price of a commercial building in Paderborn. The credit facility with a variable interest amounts to a maximum of k€ 24,750 and is secured by a land charge and an assignment of rent receivables.

In July 2014, Schwyzer Kantonalbank and CC AG have entered into a master agreement for a credit facility of up to CHF 10m valid until end of 2020. The facility will be reduced by CHF 2m annually starting 31 December 2016. The credit facility is secured by a global assignment of receivables. Further the parties have agreed the following Covenants related to local financial statements of CC AG according Swiss GAAP (OR):

- Equity ratio of more than 40%
- Earnings before interest and tax (EBIT) of more than CHF 2m p.a. with agreed adjustments

Under the master agreement, CC AG may draw either in € or CHF and both on a fixed or variable interest basis. On 31 December 2015, the facility was utilised in an aggregate amount of € 8m and in the following interest tranches:

- Tranche k€ 4,550: Term from 8 November 2015 until 7 November 2016 with a fix interest of 1.71% p.a..
- Tranche k€ 3,450: Term from 6 December 2015 until 5 December 2016 with a fix interest of 1.68% p.a..

There were neither delays nor defaults in the loan repayment and interest payments in the financial year 2015.

As per 31 December 2015 the total undrawn amounts under the credit facility financed by Schwyzer Kantonalbank amount to k€ 1,196.

## F.17 Net Employee defined Benefit Liabilities

The Group has a defined benefit pension plan in Switzerland (funded). CC AG is affiliated to the Swiss Life Collective BVG Foundation (contract no. 816576) based in Zurich for the provision of occupational benefits. All benefits in accordance with the regulations are reinsured in their entirety with Swiss Life Ltd. within the framework of the corresponding contract.

This pension plan fully reinsures the risks of disability, death and longevity with Swiss Life. Swiss Life invests the vested pension capital and provides a 100% capital and interest guarantee. The guaranteed interest was 1.75% for mandatory retirement savings and 1.25% for supplementary retirement savings. The pension plan is entitled to an annual bonus from Swiss Life comprising the effective savings, risk and cost results.

The technical administration and management of the savings account are guaranteed by Swiss Life on behalf of the collective foundation. Insurance benefits due are paid directly to the entitled persons by



Swiss Life in the name of and for the account of the collective foundation. CC AG has committed itself to pay the annual contributions and costs due under the pension fund regulations.

The contract of affiliation between CC AG and the collective foundation can be terminated by either side. In the event of a termination recipients of retirement and survivors' benefits would remain with the collective foundation. CC AG hereby commits itself to transfer its active insured members and recipients of disability benefits to the new employee benefits institution, thus releasing the collective foundation from all obligations.

So-called "fully insured" BVG plans under IAS 19 shall be considered as defined benefit plans. The reasons are as follows:

- In the event of contract cancellation there is no guarantee that the employee benefits can be continued under the same conditions,
- The risk and cost premiums are charged at different levels.

The valuation of employee benefits obligations in accordance with international accounting standards is carried out regardless of the legal configuration of the pension plans and employee benefits institutions. The standards influence solely the financial result of the company and not that of the employee benefits institution. These results are not relevant for an actuarial assessment in accordance with Article 52e, BVG.

No plan amendments, curtailment or settlement happened from 1 January 2011 till 31 December 2015.

CC AG outsources the asset liability management strategy and asset allocation to Swiss Life Ltd. The risks of disability, death and longevity are reinsured in their entirety with Swiss Life Ltd.

2015 changes in the defined benefit obligation and fair value of plan assets:

<b>Net Employee defined Benefit Liabilities</b>			
<i>(k€)</i>	<b>DBO</b>	<b>Plan assets</b>	<b>Difference</b>
<b>As of 1 January 2015</b>	<b>746</b>	<b>439</b>	<b>307</b>
Current service cost (employer)	81	-	81
Administration costs	5	-	5
Ordinary contributions paid by employees	44	44	-
Interest expense on defined benefit obligation	7	-	7
Contributions paid by plan participants	436	436	(0)
Benefits paid from plan assets	(102)	(102)	-
Past service costs	(39)	-	(39)
Interest income on plan assets	-	4	(4)
Ordinary contributions paid by employer	-	81	(81)
Return on plan assets excl. interest income	-	10	(10)
Actuarial (gain) / loss on defined benefit obligation	135	-	135
Exchange (gain) / loss	125	82	43
<b>As of 31 December 2015</b>	<b>1,439</b>	<b>996</b>	<b>443</b>
<i>Actuarial (gain)/loss arising from changes in financial assumptions</i>	<i>167</i>		

2014 changes in the defined benefit obligation and fair value of plan assets:

<b>Net Employee defined Benefit Liabilities</b>			
<i>(k€)</i>	<b>DBO</b>	<b>Plan assets</b>	<b>Difference</b>
<b>As of 1 January 2014</b>	<b>738</b>	<b>469</b>	<b>270</b>
Current service cost (employer)	121	-	121
Administration costs	6	-	6
Ordinary contributions paid by employees	31	31	-
Interest expense on defined benefit obligation	17	-	17
Contributions paid by plan participants	72	72	-
Benefits paid from plan assets	(205)	(205)	-
Interest income on plan assets	-	11	(11)
Ordinary contributions paid by employer	-	58	(58)
Return on plan assets excl. interest income	-	1	(1)
Actuarial (gain) / loss on defined benefit obligation	(38)	-	(38)
Exchange (gain) / loss	4	4	1
<b>As of 31 December 2014</b>	<b>746</b>	<b>439</b>	<b>307</b>
<i>Actuarial (gain)/loss arising from changes in financial assumptions</i>	<i>131</i>		

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

<b>Actuarial assumptions</b>		
	<b>2015</b>	<b>2014</b>
Discount rate, end of period	1.00%	1.00%
Salary increase, end of period	1.00%	1.00%
Increase in pension, end of period	0.00%	0.00%
Retirement age	M65/W64	M65/W64
Demographic assumptions	BVG 2010 GT	BVG 2010 GT

The major categories of plan assets of the fair value of the total plan assets are as follows:

<b>Disaggregated Fair Value of plan assets</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Insurance contracts (not quoted market price)	996	420
Cash (quoted market price)	-	20
<b>Total</b>	<b>996</b>	<b>439</b>

The following payments are expected contributions to the defined benefit plan in future years:

<b>Expected contributions to the defined Benefit Plan in future years</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Expected annual employee contribution in next year	53	33
Expected annual employer's contribution in next year	97	61
<u>Projected benefits expected to be paid in:</u>		
year +1	113	59
year +2	107	57
year +3	102	55
year +4	98	54
year +5	94	52
year +6 to +10	436	247
Macaulay duration in years	20.2	20.7

The average duration of the defined benefit plan obligation at the end of the reporting period is 11.6 years (2014: 12.3 years).

## **F.18 Short-term Financial Liabilities to Banks**

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

## **F.19 Short-term Liabilities to Associates**

<b>Short-term Liabilities to Associates</b>		
<i>(k€)</i>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Liabilities due to Highstreet Premium I HoldCo S.à r.l.	90	-
Liabilities due to Corestate Energy HoldCo S.à r.l. i.L.	-	1,671
Liabilities from Project SAILING	-	112
Other Projects	1	67
<b>Total</b>	<b>91</b>	<b>1,849</b>

The Liabilities due to Highstreet Premium I HoldCo S.à r.l. results from purchase of three shelf-companies from Project HIGHSTREET Premium I for a purchase price of k€ 30 for each company, which will be paid in the first quarter of 2016. Each shelf company was founded with a subscribed capital of k€ 30.

Short Term Loans from Project Energy reflected advances on profit distributions which were fully off-set against claims arising from dividend resolutions in 2015.

## **F.20 Trade Payables**

Accounts payable (k€ 8,258; previous year k€ 3,228) mainly consist of amounts due to external service providers as well as capital raising agents. The increase of trade payables compared to previous year results from the IPO costs.

## F.21 Current Income Tax Liabilities

Current Income Tax Liabilities		
(k€)	31 Dec 2015	31 Dec 2014
Swiss corporate Income taxes	354	683
German trade taxes	119	223
German income taxes	111	214
Luxembourg income taxes	19	-
Others	0	22
<b>Total</b>	<b>603</b>	<b>1,142</b>

## F.22 Other Current Liabilities

Other Current Liabilities		
(k€)	31 Dec 2015	31 Dec 2014
Bridge loan from Intershop Holding AG	21,205	-
Bridge loan from vitB AG (warehousing)	4,014	-
Liabilities from purchase prices not paid yet (ASG)	3,200	-
Liabilities from employee benefits	2,790	1,886
Bridge loan from vitB AG (CCH SA)	1,726	-
Bridge loan from Thomas Landschreiber (CCH SA)	1,523	-
Concession agreement	1,050	2,000
Short-term liabilities from other taxes (VAT, stamp duty)	1,023	933
Accrued Asset and Property Management revenues	475	3,065
Advance payments from tenants	259	-
Liabilities from CAPERA's minority shareholders	258	258
Liabilities due to legal advice	245	-
Liabilities from share-based payments	215	228
Prepayments received	200	200
Deposits received	43	43
Liabilities from social security contributions	20	46
Liabilities from purchase prices not paid yet (Sistema)	4	-
Deferred income	3	8
Others	26	89
<b>Total</b>	<b>38,279</b>	<b>8,755</b>

The bridge loan from Intershop Holding AG and vitB AG reflects the drawn amounts under a revolving financing facility agreement with Intershop Holding AG and vitB AG as lenders in an aggregate amount of k€ 47,500 and relates to the acquisition of warehousing assets in Paderborn, Bremerhaven and Hamburg. The loan is secured by pledging of all shares in CAP FinCo S.à r.l. and CAP HoldCo S.à r.l. and a pledge over bank accounts of CAP FinCo S.à r.l. The loan is repayable in full on 30 June 2016, but CAP FinCo S.à r.l. as the borrower has an option to extend the maturity date until 31 December 2016. Fixed interest is charged at 10.00% per annum.

With loan agreement dated 6 November 2015, vitB AG has granted an unsecured loan in the amount of k€ 1,700 for the financing of the working capital of CCH SA. The loan is repayable in full on 30 June 2016. Fix interest is charged at 10.00% per annum.

With loan agreement dated 6 November 2015, Thomas Landschreiber (shareholder) has granted CCH SA an unsecured loan in the amount of k€ 1,500 as a bridge financing until 30 June 2016. Fix interest is charged at 10.00% per annum.

Liabilities from purchase prices not paid yet result from the additional acquisition of shares in Project T6 from an investor as part of the wind down of the investment structure. In turn all of the profits relating to such additional shares were received and used to finance the share purchase price. The liability was paid in January 2016.

Liabilities from employee benefits relate to expected bonus payments for current financial year (payable in April 2016) as well as deferred bonus payments to members of the Group's senior management structured as contributions to the Corestate MCIF scheme.

Liabilities from concession agreements relate to an outstanding liability in the course of the wind-down of the CORESTATE German Residential Ltd. fund. The remaining amount as per 31 December 2015 was paid in the first quarter of 2016 (refer to note I.12 "subsequent events").

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

## G. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### G.1 Revenue from Acquisition Related Fees

Revenue from Acquisition Related Fees		
(k€)	2015	2014
Revenue from Acquisition Fee	3,483	1,804
Revenue from Onboarding Fee	1,000	500
Revenue from other Acquisition Related Fees	-	87
<b>Total</b>	<b>4,483</b>	<b>2,391</b>

### G.2 Revenue from Asset and Property Management

Revenue from Asset and Property Management		
(k€)	2015	2014
Revenue from Property Management Fee	9,148	9,918
Revenue from Asset Management and Sales Fee	11,052	7,657
Revenue Other Fees	-	19
Revenue from Capex Coordination Fee	-	220
Other Revenues	685	447
<b>Total</b>	<b>20,886</b>	<b>18,261</b>

### G.3 Revenue from Sales Fees

Sales Fees relates to projects with asset by asset sales structures (Project Squirrel in 2015).

### G.4 Revenue from Promote Fees realized

Revenue from Promote Fees realized		
(k€)	2015	2014
Promote realised	12,298	8,567
Success capital introduction Fee towards third parties	(124)	(1,729)
<b>Total</b>	<b>12,174</b>	<b>6,838</b>

The Promote fee realised relates to services provided for Projects T6, SQUIRREL and TURBO FRA (previous year: Projects VITU and TURBO VIE (Phase I)).

## G.5 Total Expenses from Real Estate Investment

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) allocated to the Group's Real Estate Investment Management activities.

Personnel expenses account for k€ 11,649 (previous year: k€ 10,609) and overhead expenses account for k€ 8,130 (previous year: k€ 5,954)

## G.6 Share of Profit or Loss from Associates

Share of Profit or Loss from Associates and Joint Ventures		
(k€)	2015	2014
Share of profit/(loss) for the year/net of tax	4,695	4,102
Profit from sale of shares in associates	-	272
<b>Total</b>	<b>4,695</b>	<b>4,373</b>

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.2).

## G.7 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. Personnel expenses account for k€ 385 (previous year: k€ 643) and management expenses account for k€ 281 (previous year: k€ 361)

## G.8 Net Gain from Selling Property Holding Companies

The gains from selling property holding companies under the warehousing structure relate to sales of entities to investment structures managed by the Group. The increase was due to the fact that the Group only commenced such deals in June 2015 (Project HIGHSTREET II: sale of property located in Soest; previous year Project HIGHSTREET I: sale of property located in Hanau).

## G.9 Expenses from Real Estate Operations/Warehousing

Expenses from Real Estate Operations/Warehousing		
(k€)	2015	2014
Operating expenses in relation for properties	(824)	-
Personnel expenses (allocation of costs)	(489)	(375)
Administrative expenses	(422)	-
Administrative expenses (allocation of costs)	(342)	(183)
<b>Total</b>	<b>(2,077)</b>	<b>(558)</b>

## G.10 General and Administrative Expenses

General and Administrative Expenses include both personnel and overhead expenses not allocable to either Management Expenses, Expenses from Management for Associates or Expenses from Real Estate Operations. In 2015 the IPO costs (k€ 5,825) were recognised as General and Administrative Expenses.

Personnel expenses account for k€ 2,705 (previous year: k€ 1,127) and overhead expenses (including IPO costs) account for k€ 10,413 (previous year: k€ 3,239).

## G.11 Other Income

Other Income primarily includes cost reimbursements from investment structures (k€ 690; previous year k€ 502) as well as revenues from office subleases.

## G.12 Depreciation and Amortisation

Depreciation & Amortisation		
(k€)	2015	2014
Intangible assets - scheduled depreciation	(111)	(96)
Property, plant and equipment - scheduled depreciation	(235)	(236)
<b>Total</b>	<b>(349)</b>	<b>(332)</b>

## G.13 Financial Income

Financial Income		
(k€)	2015	2014
Interest income	173	218
<b>Total</b>	<b>173</b>	<b>218</b>



## G.14 Financial Expenses

<b>Financial Expenses</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Interest expenses to related parties	(1,702)	-
Impairment losses on loans	(572)	(288)
Financing Fees	(528)	(2)
Interest expenses	(508)	(151)
Foreign currency income/expenses	(197)	(98)
SWAP valuation expenses	(77)	-
Bank Charges	(28)	(52)
Subsequent measurement of liabilities stated at fair value	21	(40)
Effects of consolidation	138	-
Others	(5)	-
<b>Total</b>	<b>(3,458)</b>	<b>(631)</b>

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

## G.15 Income Tax Expense

<b>Income Tax (expense)/benefit</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Current income tax expense	(122)	(741)
Deferred taxes	1,568	267
<b>Total</b>	<b>1,446</b>	<b>(474)</b>

<b>Current income tax (expense)/benefit</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Income tax Switzerland	63	(227)
Income tax Germany	(104)	(474)
Income tax Luxembourg	(69)	(36)
Income tax United Kingdom	-	(5)
Income tax Spain	(11)	-
<b>Total</b>	<b>(122)</b>	<b>(741)</b>

## H. INCOME TAX

### Tax rate reconciliation

According to IAS 12, the entire income taxes for the accounting period consist of current taxes on income and profit and of deferred taxes.

The table below shows the reconciliation of the tax expenses as recorded in Income Statement to the tax burden resulting from simply multiplying the consolidated IFRS accounting profit with the Luxembourg statutory income tax rate for CCH SA (previous year: Switzerland statutory income tax rate for CC AG) :

<b>Tax rate reconciliation</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Consolidated profit before taxes according to IFRS	8,642	14,218
Luxembourg (previous year Switzerland) statutory income tax rate for CCH SA (previous year CC AG)	29.220%	14.600%
<b>Projected income tax (gain) / burden</b>	<b>2,525</b>	<b>2,076</b>
Adjustments in respect of current income tax of previous years	(106)	-
Effect from write-off of deferred tax assets	1,053	(195)
Effect from permanent differences	270	53
Effect from different tax rates	(2,140)	694
Effect from dividends and other income exempt from taxation	(3,129)	(2,153)
Other differences	82	-
<b>Income tax reported in the income statement</b>	<b>(1,446)</b>	<b>474</b>
Effective tax rate	-16.73%	3.33%

## 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. In this context ordinary share includes the registered shares of CCH SA for both periods.

In the calculation of the weighted average number of ordinary shares outstanding during the reporting period, the issue date of 23 September 2015 was used as the basis with regard to the new equity shares (1,750.000) issued in connection with the establishment of CCH SA through cash contributions. Until 23 September 2015 7,992.300 shares have been considered.

For the financial years 2015 and 2014, the diluted result per share corresponds to the undiluted result per share since there were no instruments with dilutive effects outstanding.

The following table reflects the income and share data used in the basic earnings per share computations:

<b>Earnings per share</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
<u>Profit attributable to ordinary equity holders of the parent:</u>		
Continuing operations	9,656	12,333
<b>Profit attributable to ordinary equity holders of the parent for basic earnings</b>	<b>9,656</b>	<b>12,333</b>
<u>Weighted average number of ordinary shares:</u>		
Share capital	8,625,177	7,992,300
<b>Weighted average number of ordinary shares (total)</b>	<b>8,625,177</b>	<b>7,992,300</b>
<b>Earnings per share</b>	<b>1.12 €</b>	<b>1.54 €</b>

### 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 in order to maximise shareholder value. Shareholder value is measured both in terms of total return 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 2015 and 2014.

## **I.3 Commitments and contingencies**

### **I.3.1 Capital commitments**

At 31 December 2015, the Group has outstanding commitments of k€ 4,425 relating to Project HIGH-STREET Premium I, k€ 757 to Project DANUBE and k€ 1,463 relating to Project BEN.

At 31 December 2014, the Group had outstanding commitments of k€ 1,463 relating to Project BEN and k€ 384 relating to Project DONALD and k€ 147 relating to Project Sailing.

### **I.3.2 Guarantees**

Except for an Intra-Group guarantee in favour of CORESTATE Capital Advisors GmbH there are no guarantees outstanding since the Group follows a strict non-recourse financing and security structure.

### **I.3.3 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.

### **I.3.4 Collateral held by the Group**

Except for the pledged shares in connection with loans granted to shareholders and vitB AG (Note F.7) the Group did not hold any collateral at 31 December 2015.

## **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 Group does currently not use any derivative financial instruments. All investments are dominated in Euros such that foreign exchange risks are largely eliminated. Going forward, should the Group decide to use any derivative instruments, it would solely be for the purpose of limiting potential risks and not for speculative profit objectives.

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 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.14 and F.16 of the notes. 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, 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 (primarily from trade receivables) 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 to a shortage of funds using a recurring liquidity planning tool. 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.

The table below shows the maturities of financial liabilities of the Group:

<b>Maturities of financial liabilities (31 December 2015)</b>				
<i>(k€)</i>	Closing Balance 31 Dec 2015	< 1 year	1 to 5 years	> 5 year
Bank loans	25,378	423	12,834	15,647
Short-term Liabilities to Associates	91	91	-	-
Trade payables	8,258	8,258	-	-
Other financial liabilities	39,554	39,670	1,275	-
<b>Total financial liabilities</b>	<b>73,282</b>	<b>48,443</b>	<b>14,109</b>	<b>15,647</b>

<b>Maturities of financial liabilities (31 December 2014)</b>				
<i>(k€)</i>	Closing Balance 31 Dec 2014	< 1 year	1 to 5 years	> 5 year
Bank loans	8,002	133	6,757	1,663
Short-term Liabilities to Associates	1,849	1,849	-	-
Trade payables	3,228	3,228	-	-
Other financial liabilities	10,144	8,755	1,388	-
<b>Total financial liabilities</b>	<b>23,223</b>	<b>13,966</b>	<b>8,146</b>	<b>1,663</b>

With the exemption of some personnel-related liabilities, all current liabilities are expected to be settled within twelve months of the end of the reporting period. As well as repayments, interest incurred in the future usually also results in an outflow of liquidity.

## 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 loans would increase or decrease by approximately k€ 254 – based on the value of the loans as of the end of the reporting period.

### I.5.2 Fair value

Within the Group, only original financial instruments are used. Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments:

(in k€)	IAS 39 Category	Carrying amount 31 Dec 2015	Categories				Fair value 31 Dec 2015
			Amortised cost	Fair value recognised through profit and loss	Fair value recognised directly in equity (OCI)	not applicable	
Other financial instruments	<i>Afs</i>	31	-	-	31	-	31
Receivables from associates	<i>LaR</i>	11,469	11,469	-	-	-	11,469
Receivables from joint ventures	<i>LaR</i>	5,755	5,755	-	-	-	5,755
Trade receivables	<i>LaR</i>	3,984	3,984	-	-	-	3,984
Other short-term receivables	<i>LaR</i>	1,329	1,329	-	-	-	1,329
Other short-term assets	<i>LaR</i>	940	940	-	-	-	940
Cash and cash equivalents	<i>n/a</i>	12,447	-	-	-	12,447	12,447
<b>TOTAL FINANCIAL ASSETS</b>		<b>35,955</b>					<b>35,955</b>
Other non-current liabilities	<i>FLaFV</i>	1,275	-	1,275	-	-	1,275
Long-term financial liabilities to banks	<i>FLAC</i>	25,378	25,378	-	-	-	25,378
Short-term liabilities to associates	<i>FLAC</i>	91	91	-	-	-	91
Trade payables	<i>FLAC</i>	8,258	8,258	-	-	-	8,258
Other current liabilities	<i>FLAC/FLAFV</i>	38,279	38,279	-	-	-	38,279
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>73,282</b>					<b>73,282</b>

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

(in k€)	IAS 39 Category	Carrying amount 31 Dec 2014	Categories				Fair value 31 Dec 2014
			Armortised cost	Fair value recognised through profit and loss	Fair value recognised direct in equity (OCI)	not applicable	
Other financial instruments	<i>Afs</i>	31	-	-	31	-	31
Long-term loans to associates	<i>LaR</i>	715	715	-	-	-	715
Receivables from associates	<i>LaR</i>	9,753	9,753	-	-	-	9,753
Trade receivables	<i>LaR</i>	4,387	4,387	-	-	-	4,387
Other short-term receivables	<i>LaR</i>	1,842	1,842	-	-	-	1,842
Other short-term assets	<i>LaR</i>	645	645	-	-	-	645
Cash and cash equivalents	<i>n/a</i>	21,820	-	-	-	21,820	21,820
<b>TOTAL FINANCIAL ASSETS</b>		<b>39,192</b>					<b>39,192</b>
Other non-current liabilities	<i>FLaFV</i>	1,388	-	1,388	-	-	1,388
Long-term financial liabilities to banks	<i>FLAC</i>	8,000	8,000	-	-	-	8,000
Short-term financial liabilities to banks	<i>FLAC</i>	2	2	-	-	-	2
Short-term liabilities to associates	<i>FLAC</i>	1,849	1,849	-	-	-	1,849
Trade payables	<i>FLAC</i>	3,228	3,228	-	-	-	3,228
Other current liabilities	<i>FLAC/FLAFV</i>	8,755	8,755	-	-	-	8,755
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>23,223</b>					<b>23,223</b>

(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 the financial instruments are a reasonable approximation to their fair value, except for other financial instruments and certain other current liabilities which are recognized at fair value.

## I.6 Related party information

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.

Note I.8 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, shareholder
- Thomas Landschreiber, shareholder
- INTERSHOP Holding AG, Zurich, Switzerland, shareholder
- vitB AG, Zug, Switzerland

Ralph Winter is a senior advisor to CC AG through a consultancy agreement between vitB AG and CC AG. vitB AG is an investment company wholly-owned by Ralph Winter.

### CCH SA Key Management Personal:

- Sascha Wilhelm (Chief Executive Officer of CORESTATE Capital Holding S.A. and a chairman 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
- Daniel Schoch (Chief Financial Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 21 August 2015

#### Member of the Supervisory Board:

- Micha Blattmann (Chairman, Manager, whose professional address is General-Guisan Strasse 15, CH-6300 Zug/Switzerland) – since 23 September 2015
- Urs Felder (self-employed tax and accounting Expert, whose professional address is at FELUR Swiss Treuhand AG, Sihlramtsstrasse 5, CH-8001 Zurich/Switzerland) – since 21 August 2015
- Ulrich Plett (Wirtschaftsprüfer, whose professional address is Clausewitzstr. 7, D-10629 Berlin/Germany) – since 23 September 2015
- 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
- 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 Board members are entitled to receive an annual fee of k€ 25 plus VAT (if any). The deputy chairman of the Supervisory Board is entitled to receive an annual fee of k€ 37.5 plus VAT (if any) and the chairman of the Supervisory Board of k€ 50 plus VAT (if any). The annual fee is payable (after deduction of all applicable taxes) in a single lump sum 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 € 750 for each meeting such member attends in person (physically or via phone). The Supervisory Board Members shall further be reimbursed of all reasonable and properly documented costs incurred as part of their mandate and benefit from a market-standard D&O insurance. In the supervisory board meeting on 10.03.2016 the members decided to reduce the fee by 50% retrospectively.

#### 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.

CC AG invests typically between 5% and 10% in each of its investment products alongside its investors as alignment capital investment. Since CC AG provides comprehensive real estate investment management services to, and is acting as asset manager for such investments structures, these investment structures 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 Asset Management Agreements (AMA), and are entered into with and approved by its investors. Note F.2 provides an overview of the Group's Investment in Associates.

#### Joint Venture (cooperation with local partners)

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 Group is also selectively looking at other attractive European real estate markets such as Austria and Spain. In selected markets the Group envisage structured growth through efficient resource allocation and ensuring necessary market expertise, typically by cooperating with local partners. This cooperation may take the form of an exclusive joint venture in a specific market (as already established in Spain).



### I.6.1 Transactions with shareholders and shareholder related entities

The loan granted to the shareholder Ralph Winter (k€ 855; 31 December 2014: k€ 842) is repayable in full on 30 September 2016. Fix interest is charged at 1.50% per annum.

### I.6.2 Transactions with Key Management Personnel

<b>Transactions with Key Management Personnel</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Short-term employee benefits	(1,561)	(1,303)
Post-employment pension	(142)	(125)
Cost reimbursements to member of the supervisory board	(457)	(7)
Bonus awards (MCIF)	(394)	(389)
Profit Distributions to key management personnel from MCIF	(55)	(123)
Equity-settled share-based payment	(6)	(12)

<b>Transactions with shareholders and shareholder related entities</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Fees paid to vitB AG under consultancy agreements	(455)	(371)
Cost reimbursements to vitB AG	(364)	(589)
Rental income from sublease with vitB AG	15	13
Interests expenses from shareholder loans	(2,357)	-
Interests income on loans granted to shareholders	13	12
Dividends (including capital repayments) paid to shareholders	(13,790)	(8,098)
Sale of Shares in Subsidiaries or Associates to shareholders	1,014	24
Proceeds from loans granted by shareholders	49,589	14,469
Repayment of loans granted by shareholders	(21,775)	(14,469)

Some of the executive directors 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, executive directors as well as certain other senior manager 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 CC AG in alignment capital investments, and serves 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. All pay-outs to the MCIF participants are made in cash (cash-settled share-based payment transaction). As of 31 December 2015, k€ 546 (as of 31 December 2014: k€ 527) has been recognized as expense relating to MCIF (this amount also represents the fair value of MCIF related annual bonus awards). The respective liability recognized in the Statement of Financial Position as per 31 December 2015 is k€ 1,275 (as of 31 December 2014: k€ 1,388).

The Group's CFO was granted an option to acquire 1.25% of CC AG at 50% of the fair value (equity settled share-based payment plan) in 2007, contingent on the fulfilment of specified vesting conditions. The service period commenced on 28 December 2007. The vesting period is variable and vesting occurs as soon as performance conditions (total revenues, implementation of certain company structures and functions) are cumulatively fulfilled. Upon vesting the option can be exercised within 36

months. The exercise price to acquire 1.25% of CC AG will be based on a company valuation, to be performed by a renowned expert.

The fair value has been determined based on the acquisition of a non-controlling interest stake by a third party. Management has estimated that all vesting conditions would be met around the Company's initial public offering. Management has determined that it is appropriate to expense the fair value of the award determined at transition on a straight-line basis over the period from 2007 to 2015. The IPO did not take place in 2015.

Total fair value of this award is k€ 98. For the first six month of the financial year 2015 and 2014, k€ 6 were recognized as personnel expense.

### I.6.3 Transactions with Associates (Co-Investments) and Joint Ventures (cooperation with local partners)

The terms and condition agrees with Associates for the services of CC AG Group are negotiated and set out in the underlying documentation for each investment product entered into with the respective investor (JVCIA, AMA etc.). Hence, such terms and conditions are at arm's length.

<b>Transactions with Associates (Co-Investments)</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Revenue from Aquisition Related Fees	4,483	2,919
Revenue from Asset and Property Management	6,744	4,331
Revenue from Sales Fees	491	602
Revenue from Promote Fees realized	12,298	8,567
Proceeds from Selling Property Holding Companies	2,506	3,800
Interest income from Associates	172	67
<b>Balances with Associates (Co-Investments)</b>		
<i>(k€)</i>	<b>2015</b>	<b>2014</b>
Loans received from Associates	-	1,671
Liabilities from Associates	99	178
Liabilities from Joint venture partners	150	-
Receivables from Associates	11,469	9,753
Receivables from Joint Venture	5,755	-
Liabilities to related parties	28,471	-

We refer for items in the Statement of Financial Position to Notes F.3, F.5, F.8 and F.18 for further details on the receivables, liabilities and other transactions with Associates or Joint Ventures.

With sale and purchase agreement notarised on 30 June 2015 the Group company Soest HoldCo S.à r.l sold its real estate holding subsidiary to Project HIGHSTREET II for a sales price of k€ 2,500. The gain from the transaction amounted to k€ 2,514.

## I.7 Consolidated Statement of Cash Flow

The consolidated Statement of Cash Flow shows how the Group's liquid funds have changed over the course of the financial year through inflows and outflows. As per IAS 7 cash flows from operating activities are distinguished from cash flows from investment activities and cash flows from financing activities. When determining the cash flow from operating activities using the indirect method, the profit for the period was adjusted for the effects of transactions of a non-cash nature, any deferrals or ac-

cruals of past or future operating cash receipts or payments, as well as items of income or expense associated with investing or financing cash flows. Therefore, direct comparison with the corresponding changes in the published consolidated Statement of Financial Position is not possible.

In accordance with the IAS 7 option, interest paid is shown under cash flow used in/from financing activities.

The financial funds considered in the consolidated Statement of Cash Flow include cash and cash equivalents.

The cash flows from investment and financing activities are directly related to payments. The total of the cash flows from the acquisition or sale of subsidiaries is shown separately and classified as investment activity in the cash flow statement.

Cash flows from Sale of Subsidiaries and business units in 2015 (k€)	Share sales price received	Cash balance of the subsidiary	Net cash inflow/ (outflow) from sale of subsidiaries
Sale of HIGHSTREET II PropCo I GmbH	2,500	323	2,177
Sale of Other companies without operations	7,710	100	7,610
<b>Total 2015</b>	<b>10,210</b>	<b>423</b>	<b>9,786</b>

Cash flows from Acquisition of Subsidiaries in 2015 (k€)	Share purchase price paid	Cash balance of subsidiaries	Net cash (outflow)/ inflow from acquisition of subsidiaries
Acquisition/foundation of companies without business	574	547	(26)
<b>Total 2015</b>	<b>574</b>	<b>547</b>	<b>(26)</b>

Cash flows from Acquisition of Subsidiaries in 2014 (k€)	Share purchase price paid	Cash balance of subsidiaries	Net cash (outflow)/ inflow from acquisition of subsidiaries
Acquisition of Corestate Capital Fund Management S.á r.l	88	468	380
Acquisition/foundation of companies without business	2,156	607	(1,549)
<b>Total 2014</b>	<b>2,244</b>	<b>1,075</b>	<b>(1,169)</b>

Short Term Loans from Project ENERGY of k€ 1,408 (previous year: Project Berry of k€ 3,354) reflect advances on profit distributions which were fully offset against claims arising from dividend resolutions in 2015 and 2014.

## I.8 Group entities

CCH SA (previous year: CC AG) was the parent company of the Group. The ultimate controlling party is Ralph Winter.

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 subsidiaries.

With the exception of CORESTATE MCIF GmbH & Co.KG (Note C.1.1) the equity interest is equal to the voting rights.

<b>Group entities</b>			
		<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Name	Seat and Country of incorporation	% equity interest	% equity interest
<b>Corestate Capital Holding S.A.</b>	<b>Luxembourg</b>	<b>Parent Company</b>	<b>n/a</b>
CORESTATE CAPITAL AG	Zug/Switzerland	100.00%	Parent Company
CORESTATE Capital Advisors GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE CAPITAL Fund Management S.à r.l.	Luxembourg	100.00%	100.00%
CORESTATE Capital Developments GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Advisors (Singapore) Pte. Ltd.	Singapore	100.00%	100.00%
CORESTATE Capital Advisors (UK) LLP	London/Great Britain	100.00%	100.00%
CAP FinCo S.à r.l.	Luxembourg	100.00%	n.a.
CORESTATE Capital Beteiligungs Verwaltung GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Finance GmbH	Zug/Switzerland	100.00%	100.00%
CORESTATE Capital Transactions AG	Zug/Switzerland	100.00%	100.00%
Corestate Capital Vorratsgesellschaft mbH 1	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Capital Vorratsgesellschaft mbH EINS & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
Corestate CAPTIVE PropCo I GmbH	Frankfurt am Main/Germany	100.00%	n.a.
CORESTATE CIV GmbH	Frankfurt am Main/Germany	100.00%	n.a.
Corestate Investment 1 S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Sailing HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
1 2 3 6 Vermögensverwaltung GmbH (CORESTATE Co Investment Verwaltungs GmbH)	Frankfurt am Main/Germany	100.00%	100.00%
Energy Aquico II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
HIGHSTREET FinCo I S.à r.l. (Highstreet II Aquico S.à r.l.)	Luxembourg	100.00%	100.00%
HIGHSTREET FinCo II S.à r.l.	Luxembourg	100.00%	n.a.
Highstreet II PropCo III S.à r.l.	Luxembourg	100.00%	100.00%
Highstreet TopCo II Ltd. (Highstreet IV AcquiCo Ltd.)	Luxembourg	100.00%	n.a.
Highstreet V AcquiCo Ltd.	Luxembourg	100.00%	n.a.
Highstreet V HoldCo S.à r.l.	Luxembourg	100.00%	n.a.
Highstreet V PropCo II Sarl	Luxembourg	100.00%	n.a.
Highstreet V PropCo III Sarl	Luxembourg	100.00%	n.a.
Highstreet V PropCo IV Sarl	Luxembourg	100.00%	n.a.
Highstreet V TopCo Ltd.	Guernsey	100.00%	n.a.
Highstreet VI PropCo II Sarl	Luxembourg	100.00%	n.a.
Highstreet VI PropCo III Sarl	Luxembourg	100.00%	n.a.
Highstreet VI PropCo IV Sarl	Luxembourg	100.00%	n.a.
Iberian HoldCo I S.L.	Madrid/Spain	100.00%	n.a.
Iberian HoldCo II S.L.	Madrid/Spain	100.00%	n.a.
Iberian HoldCo III S.L.	Madrid/Spain	100.00%	n.a.
Iberian Investment I HoldCo S.à r.l.	Luxembourg	100.00%	n.a.
Iberian Investment I TopCo Ltd.	Guernsey	100.00%	n.a.
Iberian Investment II HoldCo S.à r.l.	Luxembourg	100.00%	n.a.
Iberian Investment III HoldCo S.à r.l.	Luxembourg	100.00%	n.a.
Iberian PropCo I S.L.	Madrid/Spain	100.00%	n.a.
Iberian PropCo II S.L.	Madrid/Spain	100.00%	n.a.
Iberian PropCo III S.L.	Madrid/Spain	100.00%	n.a.

**Group entities (continued)**

		<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Name	Seat and Country of incorporation	% equity interest	% equity interest
T6 AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
TURBO FRA AcquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
VITU AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
SQUIRREL AcquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
CAP HoldCo S.à r.l.	Luxembourg	94.90%	n.a.
Corestate CAPTIVE PropCo II S.à r.l.	Luxembourg	94.90%	n.a.
Corestate CAPTIVE PropCo III S.à r.l.	Luxembourg	94.90%	n.a.
Corestate CAPTIVE PropCo IV S.à r.l.	Luxembourg	94.90%	n.a.
Corestate CAPTIVE PropCo V S.à r.l.	Luxembourg	94.90%	n.a.
CORESTATE MCIF GmbH & Co. KG	Frankfurt am Main/Germany	86.67%	86.67%
Soest HoldCo S.à r.l. (Corestate Shelf HoldCo 2 S.à r.l. - Soest)	Luxembourg	81.80%	100.00%
CAPERA Immobilien Service GmbH	Neu-Isenburg/Germany	70.00%	70.00%
CAPERA Immobilien Service GmbH	Vienna/Austria	70.00%	n.a.
Corestate SAND HoldCo S.à r.l.	Luxembourg	69.74%	69.74%
Highstreet II PropCo I S.à r.l.	Luxembourg	n.a.	100.00%
Corestate Highstreet II HoldCo S.à r.l.	Luxembourg	n.a.	100.00%
Corestate Highstreet II TopCo Ltd.	Guernsey	n.a.	100.00%
Corestate VIE Developments S.à r.l.	Luxembourg	n.a.	100.00%
Hamerling HoldCo GmbH	Vienna/Austria	n.a.	100.00%
Highstreet II PropCo II S.à r.l.	Luxembourg	n.a.	100.00%

## I.9 Business combination

In 2015, apart from the fact that various shelf-companies were acquired or founded, business combinations have not been occurred. In 2014, the Group accounted for the following business combination:

<i>(k€)</i>	<b>Corestate Capital Fund Management S.à r.l</b>
<i>Acquisition date</i>	<i>01.01.2014</i>
<i>Total Cost of the combination (in k€)</i>	88
<i>  thereof purchase prices (cash) (in k€)</i>	88
<i>Number of shares acquired</i>	<i>87,500</i>
<i>Voting rights acquired (%)</i>	<i>100.00%</i>
Property, plant & equipment	108
Intangible assets (Software)	22
Receivables	33
Other assets	77
Cash and cash equivalents	468
<b>Total assets</b>	<b>708</b>
Trade payables	352
Other payables	269
<b>Total liabilities</b>	<b>621</b>
<b>Fair value of net assets acquired</b>	<b>88</b>
<i>Non-controlling interests</i>	-
<b>Realized bargain purchase ("lucky buy")</b>	<b>(0)</b>
<b>Revenues generated since acquisition date</b>	<b>1,081</b>
<b>Profit / (loss) since acquisition date</b>	<b>112</b>

CORESTATE Capital Fund Management S.à r.l, Luxembourg, operates as an Alternative Investment Fund Manager (AIFM) for the Group's AIF's regulated by the Alternative Investment Fund Management Directive (AIFMD).

## I.10 Deconsolidation

During the financial year 2015, the following companies were deconsolidated:

<i>(k€)</i>	<b>HIGHSTREET II PropCo I GmbH</b>	<b>Other companies without operations</b>
<i>Date of sale</i>	<i>30.06.2015</i>	<i>01.01.2015</i>
<i>Total proceeds from sale</i>	2.500	7.710
<i>  thereof sales prices (cash)</i>	2.500	7.710
<i>Number of shares sold</i>	<i>35.000</i>	
<i>Voting rights sold (%)</i>	<i>100,00%</i>	
Inventories	20.257	-
Shares in Associates	-	70
Receivables	291	2
Receivables from affiliated companies	-	8.000
Other assets	52	68
Cash and cash equivalents	323	100
<b>Total assets</b>	<b>20.924</b>	<b>8.240</b>
Derivatives	57	-
Financial liabilities due to banks	11.016	-
Liabilities from affiliated companies	9.204	-
Trade payables	582	-
Other payables	79	660
<b>Total liabilities</b>	<b>20.938</b>	<b>660</b>
<b>Net assets disposed</b>	<b>(14)</b>	<b>7.580</b>
<b>Gain/(loss) from deconsolidation</b>	<b>2.514</b>	<b>130</b>
<b>Revenues generated until deconsolidation</b>	<b>225</b>	-
<b>Profit/(loss) until date of deconsolidation</b>	<b>2</b>	-

## I.11 Leasehold contracts

### I.11.1 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 31 December 2015 (Group as Lessee)									
Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2016 (incl. VAT, k€)	minimum lease payments 2017 until 2021 (incl. VAT, k€)	minimum lease payments after 2021 (incl. VAT, k€)	Classification
Rental agreement relating to branch offices in Germany	CAPERA	various	2013-2015	max. 5 years	25	147	160	0	operating lease
Rental agreement relating to office premises in Frankfurt am Main	CC Advisors GmbH	Pensionskasse der Mitarbeiter der Höchst Gruppe VVaG	01.08.2012	29.02.2016	25	301	326	0	operating lease
Rental agreement relating to office premises in Frankfurt am Main - Residenz Argon	CC Advisors GmbH	Lepatra/Weyand	10.05.2013	undefined	2	18	81	0	operating lease
Rental agreement relating to office premises in Gera	CAPERA	Poivre Durable S.e.c.s./ Leitner Walter u. Isolde	1.6.2013/ 16.10.2014	31.05.2018/ undefined	10	99	220	76	operating lease
Rental agreement relating to office premises in Luxemburg	CC Fund Management S.à r.l.	Arthur Schummer	01.08.2014	undefined	4	42	189	0	operating lease
Rental agreement relating to office premises in London	CCH SA	AVANTA Warwick Street	18.12.2015	30.06.2016	3	15	0	0	operating lease
Rental agreement relating to office premises in Neu-Isenburg	CAPERA	DIC HI Objekt Neu-Isenburg GmbH	2013-2014	31.05.2018	10	118	167	0	operating lease
Rental agreement relating to office premises in Zug	CC AG	GoldenPeaks Capital Partners AG	01.10.2010	30.06.2016	16	187	843	0	operating lease
Rental agreement relating to office premises in Singapore	CC SINGAPORE Plc.	CORECAM Pte. Ltd.	01.09.2015	31.08.2018	12	144	228	0	operating lease
Rental agreement relating to storage/archiv in Frankfurt am Main	CC Advisors GmbH	Michael Sroka/ALS GmbH	01.01.2014	undefined	0	6	6	0	operating lease
Software and IT-Leasing	CAPERA	various	2013-2014	2016/ undefined	60	253	2	0	operating lease
Lease agreement relating to office equipment	CC Advisors GmbH	various	2011-2014	2017-2019	1	11	18	0	operating lease
Car lease contracts	various Group entities	various	2008-2014	2015-2018	45	472	464	0	operating lease
Car parking contracts	CC Advisors GmbH	various	2008-2012	undefined	4	44	110	0	operating lease
<b>Total</b>					<b>216</b>	<b>1,857</b>	<b>2,813</b>	<b>76</b>	

Detailed schedule of lease contracts as per 31 December 2014 (Group as Lessee)									
Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2015 (incl. VAT, k€)	minimum lease payments 2016 until 2020 (incl. VAT, k€)	minimum lease payments after 2020 (incl. VAT, k€)	Classification
Rental agreement relating to branch offices in Germany	CAPERA	various	2013-2014	max. 5 years	18	136	117	0	operating lease
Rental agreement relating to office premises in Frankfurt am Main	CC Advisors GmbH	Pensionskasse der Mitarbeiter der Höchst Gruppe VVaG	01.08.2012	31.07.2017	25	301	476	0	operating lease
Rental agreement relating to office premises in Frankfurt am Main - Residenz Argon	CC Advisors GmbH	Lepatra/Weyand	10.05.2013	undefined	2	18	90	0	operating lease
Rental agreement relating to office premises in Gera	CAPERA	Poivre Durable S.e.c.s./ Leitner Walter u. Isolde	1.6.2013/ 16.10.2014	31.05.2018/ undefined	8	82	184	76	operating lease
Rental agreement relating to office premises in Luxemburg	CC Fund Management S.à r.l.	Arthur Schummer	01.08.2014	undefined	4	42	210	210	operating lease
Rental agreement relating to office premises in Neu-Isenburg	CAPERA	DIC HI Objekt Neu-Isenburg GmbH	1.8.2013/ 15.12.2014	31.05.2018	10	111	202	0	operating lease
Rental agreement relating to office premises in Zug	CC AG	GoldenPeaks Capital Partners AG	01.10.2010	undefined	16	187	936	0	operating lease
Rental agreement relating to storage/archiv in Frankfurt am Main	CC Advisors GmbH	Michael Sroka/ALS GmbH	01.01.2014	undefined	0	6	9	0	operating lease
Software and IT-Leasing	CAPERA	various	2014	31.07.2015/ 31.12.2015	34	74	0	0	operating lease
Lease agreement relating to office equipment	CC Advisors GmbH	various	2011-2014	2017-2019	1	11	24	0	operating lease
Car lease contracts	various Group entities	various	2008-2014	2015-2018	42	507	889	0	operating lease
Car parking contracts	CC Advisors GmbH	various	2008-2012	undefined	4	44	132	0	operating lease
<b>Total</b>					<b>163</b>	<b>1,518</b>	<b>3,270</b>	<b>286</b>	



## I.11.2 Operating lease commitments — Group as lessor

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

Detailed schedule of lease contracts as per 31 December 2015 (Group as Lessor)									
Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2016 (incl. VAT, k€)	minimum lease payments 2017 until 2021 (incl. VAT, k€)	minimum lease payments after 2021 (incl. VAT, k€)	Classification
Sub-lease agreement regarding real estate in Zug	vitB AG	CC AG	01.10.2010	undefined	1	14	71	0	operating lease
Sub-lease agreement regarding real estate in Frankfurt/M	YOUNIQ AG	CC Advisors GmbH	01.06.2009	29.02.2016	8	16	0	0	operating lease
Sub-lease agreement regarding real estate in Frankfurt/M	CC Developments GmbH	CC Advisors GmbH	01.08.2014	29.02.2016	1	2	0	0	operating lease
<b>Total</b>					<b>10</b>	<b>32</b>	<b>71</b>	<b>0</b>	

Detailed schedule of lease contracts as per 31 December 2014 (Group as Lessor)									
Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2015 (incl. VAT, k€)	minimum lease payments 2016 until 2020 (incl. VAT, k€)	minimum lease payments after 2020 (incl. VAT, k€)	Classification
Sub-lease agreement regarding real estate in Zug	CoreCam AG	CC AG	01.07.2014	31.03.2015	4	11	0	0	operating lease
Sub-lease agreement regarding real estate in Zug	vitB AG	CC AG	01.10.2010	undefined	1	14	71	0	operating lease
Sub-lease agreement regarding real estate in Frankfurt/M	YOUNIQ AG	CC Advisors GmbH	01.06.2009	31.07.2017	8	94	149	0	operating lease
Sub-lease agreement regarding real estate in Frankfurt/M	CC Developments GmbH	CC Advisors GmbH	01.08.2014	31.07.2017	1	11	17	0	operating lease
<b>Total</b>					<b>14</b>	<b>130</b>	<b>238</b>	<b>0</b>	

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.12 Significant events after the reporting date (subsequent events)

- As of 4 March 2016 the outstanding amount of the Bridge Facility of INTERSHOP Holding AG and vitB AG (k€ 25,840) has been fully repaid.
- With SPA as of 16 February 2016 all Shares of Corestate CAPTIVE PropCo II S.à r.l. with the real estate asset located in Bremerhaven has been sold with an profit of k€ 1,682. With LPA as of 16 February 2016 the Shareholder Loans was sold for the face value including accrued interest.
- With SPA as of 16 February 2016 all Shares of Corestate CAPTIVE PropCo III S.à r.l. with the real estate asset located in Paderborn has been sold with an profit of k€ 3,740. With LPA as of 16 February 2016 the Shareholder Loans was sold for the face value including accrued interest.
- With SPA as of 16 February 2016 all Shares of Corestate CAPTIVE PropCo IV S.à r.l. with the real estate asset located in Hamburg has been sold with an profit of k€ 19. With LPA as of 16 February 2016 the Shareholder Loans was sold for the face value including accrued interest.
- With SPA as of 12 February 2016 all Shares of Corestate CAPTIVE PropCo I GmbH with the real estate asset located in Halle has been sold with an profit of k€ 438. With LPA as of 16 February 2016 the Shareholder Loans was sold for the face value including accrued interest.

Save for the matters set out above, there have been no events since the reporting date which could have a significant effect on the net assets, financial position or results of operations of the Group.

Luxembourg, 8 April 2016

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Sascha Wilhelm  
Chief Executive Officer

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Daniel Schoch  
Chief Financial Officer

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Thomas Landschreiber  
Chief Investment Officer

**Report of the auditor**

with consolidated financial statements as of 31 December 2014 of

**CORESTATE CAPITAL AG, Zug**



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To the Board of Directors  
**CORESTATE CAPITAL AG, Zug**

Zurich, 30 September 2015

## **Report of the auditor on the consolidated financial statements**

As auditor and in accordance with your instructions, we have audited the accompanying consolidated financial statements of CORESTATE CAPITAL AG, which comprise consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes, for the year ended 31 December 2014.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with the requirements of International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS.

Ernst & Young Ltd



Christian Krämer  
Licensed audit expert  
(Auditor in charge)



Simon Zogg  
Licensed audit expert

**Enclosure**

- ▶ Consolidated financial statements (consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes)

# Consolidated Financial Statements

CORESTATE Capital AG  
Zug / Switzerland

*for the period from 1 January 2014 to 31 December 2014*

## Consolidated Statement of Financial Position

<i>(in k€)</i>	<b>Notes 2014</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	F.1	679	539
Intangible Assets		167	119
Shares in Subsidiaries		0	0
Investment in Associates and Joint Ventures	F.2	22,536	16,082
Other Financial Instruments		31	27
Long-term Loans to Associates	F.3	715	759
Deferred Tax Assets	F.4	813	552
Long-term Loans to Related Parties		-	830
<b>Total Non-Current Assets</b>		<b>24,942</b>	<b>18,908</b>
<b>Current Assets</b>			
Receivables from Associates	F.5	9,753	4,591
Trade Receivables	F.6	4,387	3,007
Other short-term Receivables	F.7	1,842	419
Current Income Tax Assets		1	0
Other Short-term Assets	F.8	645	413
Cash and Cash Equivalents	F.9	21,820	20,915
<b>Total Current Assets</b>		<b>38,447</b>	<b>29,344</b>
<b>TOTAL ASSETS</b>		<b>63,388</b>	<b>48,252</b>
Share Capital	F.10	90	90
Participation Capital	F.11	27	27
Other Reserves	F.12	25,928	25,212
Net Profit/(Loss) for the Period		12,333	7,786
<i>Subtotal Capital Accounts of shareholders of parent company</i>		<i>38,378</i>	<i>33,115</i>
Non-controlling Interests	F.13	338	37
<b>Total Equity</b>		<b>38,717</b>	<b>33,152</b>
<b>Non-Current Liabilities</b>			
Long-term Financial Liabilities to Banks	F.14	8,000	-
Net Employee defined Benefit Liabilities	F.15	307	270
Other non-current Liabilities	F.16	1,388	861
<b>Total Non-Current Liabilities</b>		<b>9,695</b>	<b>1,131</b>
<b>Current Liabilities</b>			
Short-term Financial Liabilities to Banks	F.17	2	4,415
Short-term Liabilities to Associates	F.18	1,849	3,378
Trade Payables	F.19	3,228	1,771
Current Income Tax Liabilities	F.20	1,142	741
Other Current Liabilities	F.21	8,755	3,663
<b>Total Current Liabilities</b>		<b>14,977</b>	<b>13,969</b>
<b>SUBTOTAL LIABILITIES</b>		<b>24,672</b>	<b>15,099</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>63,388</b>	<b>48,252</b>

## Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the Period from 1 January to 31 December 2014

<i>(in k€)</i>	Notes 2014	Financial Year 2014	Financial Year 2013
Revenue from Acquisition Related Fees	G.1	2,391	6,947
Revenue from Asset and Property Management	G.2	18,261	12,410
Revenue from Sales Fees	G.3	602	2,126
Revenue from Promote Fees realised	G.4	6,838	2,997
<i>Total Revenue from Real Estate Investment Management</i>		<i>28,093</i>	<i>24,481</i>
<i>Total Expenses from Real Estate Investment Management</i>	G.5	<i>(16,563)</i>	<i>(11,887)</i>
<b>Total Earnings from Real Estate Investment Management</b>		<b>11,530</b>	<b>12,593</b>
<i>Share of Profit or Loss from Associates</i>	G.6	<i>4,373</i>	<i>503</i>
<i>Expenses from Management of Associates</i>	G.7	<i>(1,004)</i>	<i>(756)</i>
<b>Total Earnings from Alignment Capital Management</b>		<b>3,370</b>	<b>(253)</b>
<i>Total Income from Real Estate Operations/Warehousing</i>	G.8	<i>3,765</i>	-
<i>Expenses from Real Estate Operations/Warehousing</i>	G.9	<i>(558)</i>	-
<b>Total Earnings from Real Estate Operations/Warehousing</b>		<b>3,207</b>	<b>-</b>
General and Administrative Expenses	G.10	(4,366)	(3,336)
Other Income	G.11	1,222	258
<b>Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)</b>		<b>14,963</b>	<b>9,263</b>
Depreciation and Amortisation	G.12	(332)	(149)
<b>Earnings before Interest and Taxes (EBIT)</b>		<b>14,631</b>	<b>9,114</b>
Financial Income	G.13	218	360
Financial Expenses	G.14	(631)	(864)
<b>Earnings before Taxes (EBT)</b>		<b>14,218</b>	<b>8,609</b>
Income Tax Expense	G.15	(474)	(1,012)
<b>Net Profit/(Loss) for the Period</b>		<b>13,743</b>	<b>7,597</b>
<i>of which attributable to equity holders of parent company</i>		<i>12,333</i>	<i>7,786</i>
<i>of which attributable to non-controlling interests</i>	F.13	<i>1,410</i>	<i>(189)</i>
<b>Total Revenues <sup>1</sup></b>		<b>28,093</b>	<b>24,481</b>
<b>Total Expenses <sup>2</sup></b>		<b>(22,491)</b>	<b>(15,978)</b>

<sup>1</sup> not including Share of Profit or Loss from Associates and Net Gain from Selling Property Holding Companies

<sup>2</sup> excluding Financial Expenses and Depreciation and Amortisation



<i>(in k€)</i>	<b>Notes 2014</b>	<b>Financial Year 2014</b>	<b>Financial Year 2013</b>
<b>Earnings per Share (in €):</b>			
Basic, Profit for the Year attributable to Ordinary Equity Holders of the Parent	I.1	71.44	53.63
Diluted, Profit for the Year attributable to Ordinary Equity Holders of the Parent	I.1	71.00	53.30
<b>Other Comprehensive Income (in k€)</b>			
<u>Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):</u>			
Net (Loss)/Gain on Available-for-sale Financial Assets		3	(1)
Net Other Comprehensive Loss to be Reclassified to Profit or Loss in Subsequent Periods	F.12	3	(1)
<u>Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):</u>			
Remeasurement Gains (Losses) on Defined Benefit Plans		38	18
Income Tax Effect		(6)	(3)
Net other Comprehensive Income/(Loss) not to be Reclassified to Profit or Loss in Subsequent Periods	F.12	32	15
<b>Other Comprehensive Income/(Loss) for the Period, Net of Tax</b>		<b>36</b>	<b>14</b>
<b>Total Comprehensive Income for the Period, Net of Tax</b>		<b>13,779</b>	<b>7,611</b>
<i>of which attributable to equity holders of parent company</i>		12,369	7,800
<i>of which attributable to non-controlling interests</i>	F.13	1,410	(189)

## Consolidated Statement of Changes in Equity for the Period 1 January to 31 December 2014

<i>(in k€)</i>	Notes 2014	SHARE CAPITAL	PARTICI- PATION CAPITAL	Legal Reserve	Additional Capital Paid In	Retained Earnings	Other Re- valuations	OTHER RESERVES	NET PROFIT/ (LOSS) FOR THE PERIOD	SUBTOTAL CAPITAL ACCOUNTS OF MAJORITY SHARE- HOLDERS	Non- controlling interests in Paid-In Capital and Capital Reserve	Non- controlling interests in Profit for the period	NON- CON- TROLLING INTERESTS	TOTAL EQUITY
<b>Closing Balance of Capital Accounts as at 31 December 2012</b>		<b>64</b>	<b>19</b>	42	-	2,059	(96)	<b>2,004</b>	6,019	<b>8,106</b>	(6)	7	<b>1</b>	<b>8,107</b>
Profit for the period		-	-	-	-	-	-	-	7,786	7,786	-	(189)	(189)	7,597
Other comprehensive income	F.12	-	-	-	-	-	14	14	-	14	-	-	-	14
Total Comprehensive Income for the Period		-	-	-	-	-	14	14	7,786	7,800	-	(189)	(189)	7,611
Issue of new capital		26	8	18	17,562	-	-	17,579	-	17,614	-	-	-	17,614
Share issuance expense		-	-	-	(417)	-	-	(417)	-	(417)	-	-	-	(417)
Equity-settled share-based payment		-	-	-	-	12	-	12	-	12	-	-	-	12
Reclassification/others		-	-	-	-	6,019	-	6,019	(6,019)	-	232	(7)	225	225
<b>Closing Balance of Capital Accounts as at 31 December 2013</b>		<b>90</b>	<b>27</b>	60	17,145	8,090	(83)	<b>25,212</b>	7,786	<b>33,115</b>	226	(189)	<b>37</b>	<b>33,152</b>
Profit for the period		-	-	-	-	-	-	-	12,333	12,333	-	1,410	1,410	13,743
Other comprehensive income	F.12	-	-	-	-	-	36	36	-	36	-	-	-	36
Total Comprehensive Income for the Period		-	-	-	-	-	36	36	12,333	12,369	-	1,410	1,410	13,779
Equity-settled share-based payment		-	-	-	-	12	-	12	-	12	-	-	-	12
Dividends paid	F.12	-	-	-	(7,125)	-	-	(7,125)	-	(7,125)	(1,118)	-	(1,118)	(8,243)
Reclassification/others		-	-	-	0	7,793	-	7,793	(7,786)	7	(180)	189	9	16
<b>Closing Balance of Capital Accounts as at 31 December 2014 (audited)</b>		<b>90</b>	<b>27</b>	60	10,020	15,895	(47)	<b>25,928</b>	12,333	<b>38,378</b>	(1,072)	1,410	<b>338</b>	<b>38,717</b>

## Consolidated Statement of Cash Flows for the Period 1 January to 31 December 2014

<i>(in k€)</i>	Notes 2014	Financial Year 2014	Financial Year 2013
<b>Earnings before Taxes (EBT)</b>		<b>14,218</b>	<b>8,609</b>
<u>Adjustments:</u>			
Amortisation of intangible assets		96	27
Depreciation of property, plant and equipment		236	123
Equity-settled share-based payment		12	12
Impairment loss on investment securities		(0)	3
Net loss/(gain) on disposal of property, plant and equipment		-	10
Finance costs		384	376
Interest income		(67)	(53)
Provisions		69	(5)
Share of results of associates		(4,373)	(503)
Total adjustments		(3,642)	(10)
<b>Operating cash flows before changes in working capital</b>		<b>10,575</b>	<b>8,600</b>
<u>Changes in working capital</u>			
Decrease/(increase) in trade and other receivables		(5,260)	(2,895)
Decrease/(increase) in other assets		(155)	84
Increase/(decrease) in trade and other payables		1,095	889
Increase/(decrease) in other liabilities		5,310	(1,050)
Total changes in working capital		990	(2,972)
<b>Cash flows from operations</b>		<b>11,565</b>	<b>5,627</b>
Income taxes received/(paid)		(336)	(362)
<b>Net cash flows from operating activities</b>	<b>I.7</b>	<b>11,230</b>	<b>5,266</b>
Outflow for acquisition of subsidiaries	I.7	(1,169)	442
Outflow for Alignment Capital Investments (Associates and Loans)		(23,684)	(9,413)
Inflow from repayment of Alignment Capital Investments (Associates and Loans)		14,174	8,336
Inflow from profit realised of Alignment Capital Investments		4,133	220
Advance dividends		1,408	3,354
Purchase of property, plant and equipment		(267)	(392)
Additions to intangible assets		(123)	(134)
<b>Net cash flows generated from/ (used in) investing activities</b>	<b>I.7</b>	<b>(5,527)</b>	<b>2,413</b>
Proceeds from Issuance of New Share Capital		-	17,596
Share issuance expense		-	(490)
Dividend payments		(7,125)	(772)
Dividends paid to non-controlling interests		(1,118)	-
Proceeds from loans and borrowings		8,000	-
Repayment of loans and borrowings		(4,450)	(4,500)
Interest Paid		(105)	(257)
<b>Net cash flows (used in)/from financing activities</b>	<b>I.7</b>	<b>(4,798)</b>	<b>11,577</b>
<b>Cash and cash equivalents at 1 January</b>	<b>F.7</b>	<b>20,915</b>	<b>1,659</b>
Net increase in cash and cash equivalents		905	19,256
<b>Cash and cash equivalents at 31 December</b>	<b>F.9</b>	<b>21,820</b>	<b>20,915</b>

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## **A. CORPORATE INFORMATION**

CORESTATE Capital AG (hereafter CC AG or the Company) is a limited Company (Aktiengesellschaft) incorporated under the laws of Switzerland, with registered office at Baarerstrasse 135, CH-6300 Zug (Switzerland), registered with the trade register of Kanton Zug under number CH-113.002.233. The ultimate beneficial owner of the Company is Ralph Winter.

CC AG was established on 29 June 2006. The reporting period is equal to the calendar year.

CORESTATE Capital is a fully integrated real estate investment manager addressing all elements of the real estate investment lifecycle with a strong relationship to ca. 250 investors; as part of its investment philosophy, CC AG typically co-invests by way of alignment capital in its product offerings; the firm operates principal offices in Switzerland, Germany, Singapore and Spain as well as a nationwide network of branch offices of its CAPERA platform; as at 31 December 2014, the group employs a total of c. 224 FTEs (previous year 169 FTEs) in its target markets Germany, Spain, and Austria, and is predominantly sourcing and executing off-market transactions; the core management team has combined 8 decades of experience covering all disciplines of the real estate investment lifecycle. Its product offering primarily covers residential, commercial and student housing assets (bot existing and developments), and addresses all risk/returns types, i.e. from core/core plus to value-add/opportunistic return profiles.

A Joint venture was created successfully in Spain during the first six month in 2015.

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

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

The Consolidated Financial Statements of CORESTATE Capital AG and its subsidiaries (the Group) for the year ended 31 December 2014 were authorized for issue in accordance with a resolution of the Administrative board on 28 August 2015.

## **B. SIGNIFICANT ACCOUNTING POLICIES**

### **B.1 Basis of preparation**

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Consolidated Financial Statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value, financial liabilities at fair value through profit or loss and derivatives.

In addition to Income Statement (or profit or loss), other comprehensive income (OCI) is the second component of the Statement of Comprehensive Income.

The Consolidated Financial Statements are presented in Euros, which is the presentation currency of the Group and the functional currency of the parent Company. 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.

### **B.2 Basis of consolidation**

The Consolidated Financial Statements comprise the financial statements of CC AG and its subsidiaries as at 31 December 2014. 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 result 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**

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 financial 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.

#### **B.3.2 Investment in Associates**

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

Under the equity method, the investment in an Associate 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 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 Income Statement reflects the Group's share of the results of operations of the Associate. 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, 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 are eliminated to the extent of the interest in the Associate.

The aggregate of the Group's share of profit or loss of an Associate is shown in share of profit or loss from Associates on the face of the Income Statement.

The financial statements of the Associate 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 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. At each reporting date, the Group determines whether there is objective evidence that the investment in the Associate is impaired. If there is such evidence, the



Group calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value, and then recognises the loss as share of profit/(loss) of an Associate in the Income Statement.

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 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 statement of financial position based on current/non-current classification. An asset as 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 financial instruments such as derivatives, and non-financial assets such as investment properties, 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 C.2.1, E
Quantitative disclosures of fair value measurement hierarchy	Note E
Investment properties	Note B.3.11
Investment in unquoted equity shares	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 recognised in the financial statements on a recurring basis, 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 of the chief investment officer, chief operating officer and chief finance officers.

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 properties**

A property is regarded as sold when the significant risks and returns have been transferred to the buyer. For conditional exchanges (i.e. when the transfer of title is dependent on the payment of the sales price), 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 usually occurs when all rights, entitlements and obligations shall be assumed by the purchaser.

### **B.3.5.2 Fees**

Fees from the operating business of the Group, such as Acquisition Related Fees, Sales Fees, Asset and Property Management Fees and Promote Fees are recognised with reference to the relevant individual contractual 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 include a one-time-onboarding fee and typical acquisition and structuring fees amounting between 1.0% and 1.5% of the purchase price of the underlying assets of the portfolio. 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 portfolio 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 based in a range of 0.5% and 0.8% 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.

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.

Promote Fees are generally agreed in the underlying documentation of the Project with the investors. This Fee is a compensation for CC AG depending of the net projected returns (cash profit for the investors) of the underlying investment. Typically this fee is between 15% and 20% of the net projected returns of the Project. Economically this fee is a performance-related component of the Asset Management Fee. 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 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 and becomes payable after all investors commitments have been fully repaid.

### **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.

### **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. Such real estate holding companies were established to purchase investment property for the sale in the ordinary course of business.

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**

Share Profit or Loss from Associates reflects the Group's share of the results of operations of the Associate using the equity method as well as gains and losses from the disposal of shares in Associates. Share Profit or Loss from Associates is presented as a separate line item in the Income Statement.

#### **B.3.5.6 Finance Income and Finance 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 or Finance Income in the Income Statement.

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

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 re-assessed 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.

### **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. 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 Cash dividend 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 in Switzerland, a distribution is authorised when it is approved by the Annual General Meeting. A corresponding amount is recognised directly in equity.

### **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:

- 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 derecognition 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.

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. The Group acts only as a lessor in regard to its office sub-lease agreements.

### **B.3.11 Investment properties**

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 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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

- Software 3 to 5 years

The amortisation period and the amortisation method for an intangible asset is reviewed at least at the end of each reporting period. The amortisation expense on intangible assets is recognised in the Income Statement as Depreciation and Amortisation.

### **B.3.13 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.3.13.1 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**

This category is the most relevant to the Group. 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. The losses arising from impairment are recognised in the Income Statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

##### **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 finance costs.

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 primarily 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 of debtors is 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.

#### **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 finance 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 finance costs 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.



### **B.3.13.2 Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, and payables.

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 (only relevant to Associates).

#### **Subsequent measurement**

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

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities designated upon initial recognition as at fair value through 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. With the exemption of the liabilities to shareholders in connection with the cash-settled share-based payment plan, the Group has not designated any financial liability as at fair value through profit or loss.

##### Loans and payables

After initial recognition, interest-bearing payables, loans and other liabilities are subsequently measured at amortised cost.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or 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.

### **B.3.13.3 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.3.14 Derivative financial instruments**

Derivative financial instruments, such as interest rate swaps and caps to hedge interest rate risks, are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured 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.

Any gains or losses arising from changes in the fair value of derivatives are recognised in profit or loss.

The Group or its investments do not apply for hedge accounting.

### **B.3.15 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.

### **B.3.16 Provisions**

Provisions (mainly in Associates) 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 Income Statement 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 finance cost.

### **B.3.17 Employee benefits**

Total personnel expenses amounted to k€ 13,144 in the 2014 financial year (previous year k€ 7,782). This includes employer pension scheme contributions for defined contribution plans in Germany of k€ 591 (previous year k€ 222).

#### **B.3.17.1 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.3.17.2 Pensions and other post-employment benefits**

Against the background of statutory requirements in Switzerland, in its Swiss entity, the Group has to operate a defined benefit pension plan, which requires contributions to be made to a fund administered by an independent insurance company.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

### **B.3.18 Share-based payments**

The Group has cash-settled, share-based compensation plans, under which it receives services from qualifying employees in exchange of a liability to transfer cash for amounts that are based on the price of equity instruments of another group entity.

For cash-settled share-based payment transactions, services received and the liability incurred are measured at the fair value of the liability. Until and at settlement, the fair value of the liability is remeasured at the end of each reporting period with any changes in fair value recognized in profit or loss for the period.

The Group has equity-settled, share-based compensation plans, under which it receives services from qualifying employees in exchange for equity instruments. The employee services received in exchange for the grant of the equity-settled payments are measured at the fair value of the equity instruments granted and are recognized as expenses, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards.

### **B.4 New Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt applicable standards when they become effective.

#### 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. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

#### 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. 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 is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

## 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 C.2.2, 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 administrative board 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 (CC AG entered into an Asset Management agreement with all parties involved. A significant part of these Asset Management services is to provide the investee with CC AG'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 chang-

es or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### **C.2.1 Success fee**

In some Projects, CC AG is entitled to receive a success fee (Promote Fee) equalling to 15% - 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 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 Groups services rendered in connection with the Asset Management Agreements.

### **C.2.2 Valuation of Investment properties of Associates**

The fair value of investment property as the main assets of the Associates is determined by using recognised valuation techniques. Such fair value measurement has a direct impact on the Group's Investment in Associates, Long-term Loans to Associates and Receivables from Associates

The valuation techniques comprise both the Discounted Cash Flow (DCF) method and the residual value method, respectively.

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 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) as well as from 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 and Loans to Associates would have been affected if the relevant property value of the Associates increased / decreased by 5% and 10% (as a result of changes in the main key input parameters stated above):

<b>Sensitivity analysis to determine the change in Investment in Associate</b>					
(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2014	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
HIGHSTREET I	8,108	7,756	<b>7,405</b>	7,054	6,703
BEN	6,221	5,610	<b>4,956</b>	4,240	3,472
TURBO FRA	4,356	4,056	<b>3,755</b>	3,454	3,154
ENERGY <sup>2)</sup>	1,693	1,693	<b>1,693</b>	1,693	1,693
TURBO VIE	1,748	1,579	<b>1,410</b>	1,241	1,072
T6	1,913	1,533	<b>1,153</b>	773	392
DONALD <sup>1)</sup>	1,091	1,091	<b>1,091</b>	1,091	1,091
SQUIRREL	1,097	1,026	<b>950</b>	874	799
PHOENIX <sup>2)</sup>	112	112	<b>112</b>	112	112
VITU <sup>2)</sup>	11	11	<b>11</b>	11	11
BERRY	0	0	<b>0</b>	0	0
SAILING	0	0	<b>0</b>	0	0
<b>Total</b>	<u>26,350</u>	<u>24,468</u>	<b><u>22,536</u></b>	<u>20,543</u>	<u>18,499</u>

<sup>1)</sup> Initial at-equity valuation at cost

<sup>2)</sup> Investment properties are sold, only undistributed profits

<b>Sensitivity analysis to determine the change in Long-term Loans to Associates</b>					
(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2014	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
SAILING	1,067	891	<b>715</b>	539	363
<b>Total</b>	<u>1,067</u>	<u>891</u>	<b><u>715</u></b>	<u>539</u>	<u>363</u>

**Sensitivity analysis to determine the change in Investment in Associate**

(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2013	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
VITU	4,414	4,106	<b>3,799</b>	3,491	3,184
BERRY <sup>2)</sup>	3,655	3,655	<b>3,655</b>	3,655	3,655
ENERGY <sup>2)</sup>	3,190	3,190	<b>3,190</b>	3,190	3,190
TURBO FRA <sup>1)</sup>	2,242	2,242	<b>2,242</b>	2,242	2,242
SQUIRREL	2,282	2,098	<b>1,913</b>	1,728	1,544
T6	1,299	925	<b>550</b>	175	(199)
TURBO VIE <sup>3)</sup>	373	373	<b>373</b>	373	373
PHOENIX <sup>2)</sup>	361	361	<b>361</b>	361	361
SAILING	131	0	<b>0</b>	0	0
<b>Total</b>	<u>17,946</u>	<u>16,949</u>	<b><u>16,082</u></b>	<u>15,215</u>	<u>14,349</u>

<sup>1)</sup> No investment properties as per 31 December 2013

<sup>2)</sup> Investment properties are measured at notarised sales prices closed until the reporting date

<sup>3)</sup> Undeveloped investment properties are measured at cost

**Sensitivity analysis to determine the change in Long-term Loans to Associates**

(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2013	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
SAILING	963	926	<b>759</b>	591	424
<b>Total</b>	<u>963</u>	<u>926</u>	<b><u>759</u></b>	<u>591</u>	<u>424</u>

## **D. SEGMENT INFORMATION**

Based on its business model and related revenues and income streams, the company has determined the following reporting segments:

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

Such 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.

Today, the Group generates the majority of its revenues and income from German-based investment products.

### **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 include

- the origination, structuring and execution of investment products tailored to the needs of its investors 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, as well as success fees (Promotes). Such fees are typically based on the volume of the underlying assets under management and the management performance.

### **D.2 Alignment Capital Management**

A key element to the business model of the Group is the alignment of interests with that of its investors, which is implemented by co-investments of CC AG and/or its subsidiaries alongside its investors in the various investment products. 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 for a period of not more than 18 months, the Group is



able to secure asset supply while still setting up and structuring the investment product for the investors. 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 year ended 31 December 2014							
(k€)	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/ Warehousing	Total Segments	Overhead (not allocated)	Adjustments and eliminations	Consolidated Financial Statements
<b>Revenues:</b>							
Revenues	28,093	-	-	28,093	-	-	28,093
Inter-segment revenues	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>28,093</b>	<b>-</b>	<b>-</b>	<b>28,093</b>	<b>-</b>	<b>-</b>	<b>28,093</b>
<b>Income/expenses</b>							
Expenses from Real Estate Investment Management	(16,563)	-	-	(16,563)	-	-	(16,563)
Share of Profit or Loss from Associates	-	4,373	-	4,373	-	-	4,373
Expenses from Management of Associates	-	(1,004)	-	(1,004)	-	-	(1,004)
Net Gain from Selling Property Holding Companies	-	-	3,765	3,765	-	-	3,765
Expenses from Real Estate Operations	-	-	(558)	(558)	-	-	(558)
General and Administrative Expenses	-	-	-	-	(4,366)	-	(4,366)
Depreciation & Amortisation	-	-	-	-	(332)	-	(332)
Financial Income	-	-	-	-	218	-	218
Financial Expenses	-	-	-	-	(631)	-	(631)
Other income/expenses and taxes	-	-	-	-	748	-	748
<b>Segment Profit</b>	<b>11,530</b>	<b>3,370</b>	<b>3,207</b>	<b>18,107</b>	<b>(4,363)</b>	<b>-</b>	<b>13,743</b>
<b>Total Assets</b>	<b>10,749</b>	<b>34,252</b>	<b>-</b>	<b>45,001</b>	<b>18,387</b>	<b>-</b>	<b>63,388</b>
<b>Total Liabilities</b>	<b>12,928</b>	<b>2,642</b>	<b>-</b>	<b>15,569</b>	<b>9,102</b>	<b>-</b>	<b>24,672</b>
<b>Other disclosures</b>							
Investment in associates	-	22,536	-	22,536	-	-	22,536
Segment investments	392	16,784	-	17,176	-	-	17,176
Segment Information for the year ended 31 December 2013							
(k€)	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/ Warehousing	Total Segments	Overhead (not allocated)	Adjustments and eliminations	Consolidated Financial Statements
<b>Revenues:</b>							
Revenues	24,481	-	-	24,481	-	-	24,481
Inter-segment revenues	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>24,481</b>	<b>-</b>	<b>-</b>	<b>24,481</b>	<b>-</b>	<b>-</b>	<b>24,481</b>
<b>Income/expenses</b>							
Expenses from Real Estate Investment Management	(11,887)	-	-	(11,887)	-	-	(11,887)
Share of Profit or Loss from Associates	-	503	-	503	-	-	503
Expenses from Management of Associates	-	(756)	-	(756)	-	-	(756)
General and Administrative Expenses	-	-	-	-	(3,336)	-	(3,336)
Depreciation & Amortisation	-	-	-	-	(149)	-	(149)
Financial Income	-	-	-	-	360	-	360
Financial Expenses	-	-	-	-	(864)	-	(864)
Other income/expenses and taxes	-	-	-	-	(754)	-	(754)
<b>Segment Profit</b>	<b>12,593</b>	<b>(253)</b>	<b>-</b>	<b>12,341</b>	<b>(4,744)</b>	<b>-</b>	<b>7,597</b>
<b>Total Assets</b>	<b>7,567</b>	<b>20,686</b>	<b>-</b>	<b>28,253</b>	<b>19,999</b>	<b>-</b>	<b>48,252</b>
<b>Total Liabilities</b>	<b>7,790</b>	<b>1,215</b>	<b>-</b>	<b>9,005</b>	<b>6,094</b>	<b>-</b>	<b>15,099</b>
<b>Other disclosures</b>							
Investment in associates	-	16,082	-	16,082	-	-	16,082
Segment investments	526	8,636	-	9,162	-	-	9,162

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

The Group operates currently with a focus on Germany and Austria. The Group has segmented its capital allocation by geographical area based on the location of the properties under its Real Estate Investment Management business. The following table sets forth the Group's capital allocation (comprising of In-

vestment in Associates, Long-term Loans to Associates and Receivables from Associates) and revenues by geography for the periods indicated

<b>Geographical Segment Information (Secondary Segments)</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
<b>Capital Allocation</b>	<b>33.004</b>	<b>21.432</b>
Germany	23.594	20.351
Austria	9.410	1.081
<b>Revenues</b>	<b>28.093</b>	<b>24.481</b>
Germany	26.962	24.322
Austria	1.130	158

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, financing (including Financial Income and Expenses) and Income Taxes (including Deferred and Current Taxes) are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are generally on an arm's length basis in a manner similar to transactions with third parties.

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.

<b>Information about Projects and customers with more than 10% of the Group's revenues</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
Project VITU	9.658	7.606
Project SQUIRREL	-	2.552
CORESTATE German Residential Limited	-	4.596
Project BERRY	-	2.035

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Inter-segment revenues are eliminated on consolidation. In the Group, sales and transactions between reportable segments are only of minor importance. Intra-segment transactions include:

- Interest-bearing loans (k€ 105; previous year: k€ 41)
- Liability remuneration to general partners (k€ 10; previous year: k€ 5)
- Cost-plus agreements with CORESTATE Capital Advisors (UK) Ltd. and CORESTATE Capital Advisors GmbH (k€ 5,128; previous year: k€ 2,432)
- Other services (k€ 284; previous year: k€ 233)

## **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 administrative board.

## F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### F.1 Property, Plant and Equipment

<b>Property, Plant and Equipment</b>		
<i>Financial Year (k€)</i>		
	<b>2014 Total</b>	<b>2013 Total</b>
Acquisition cost		
As of 1 January	730	213
Additions	267	392
Changes from Business combinations and sales of subsidiaries	108	136
Disposals	0	(10)
<b>As of 31 December</b>	<b>1,105</b>	<b>730</b>
Amortisation and impairment losses		
As of 1 January	191	68
Depreciation charge for the year	236	123
<b>As of 31 December</b>	<b>427</b>	<b>191</b>
<b>Total (Carrying amount)</b>	<b>679</b>	<b>539</b>

Property, plant and equipment exclusively comprise cars as well as office and other equipment. The equipment and cars are depreciated on a straight-line basis over a period of 2 to 10 years.

## F.2 Investment in Associates

<b>Investment in Associates - Overview</b>					
Name of associate	Country of incorporation	Place of business	Project	Economic participation quote	
				2014	2013
Corestate VIE Developments S.à r.l.	Luxembourg	Austria	DANUBE	49.000%	n.a.
Corestate Turbo FRA HoldCo S.à r.l.	Luxembourg	Germany	TURBO FRA	48.000%	48.000%
CORESTATE IREI Holding S.A.	Luxembourg	Germany	BEN	23.910%	n.a.
Donald HoldCo S.à r.l.	Luxembourg	Germany	DONALD	18.748%	n.a.
Corestate Highstreet TopCo Limited	Guernsey	Germany	HIGHSTREET I	12.227%	n.a.
Corestate Berry HoldCo S.à r.l. i.L.	Luxembourg	Germany	BERRY	10.804%	10.804%
Corestate Energy HoldCo S.à r.l. i.L.	Luxembourg	Germany	ENERGY	10.695%	10.695%
Corestate Turbo HoldCo S.à r.l.	Luxembourg	Austria	TURBO VIE	7.910%	10.000%
T6 HoldCo S.à r.l.	Luxembourg	Germany	T6	6.364%	6.364%
Squirrel AcquiCo I S.à r.l.	Luxembourg	Germany	SQUIRREL	5.735%	5.735%
Sailing HoldCo I S.à r.l.	Luxembourg	Germany	SAILING	5.210%	5.210%
VITU TopCo Limited	Guernsey	Germany	VITU	5.096%	5.096%
Phoenix HoldCo I S.à r.l.	Luxembourg	Germany	PHOENIX	4.800%	4.800%

<b>Investment in Associates - Movement in carrying value</b>						
<i>Financial Year 2014 (k€)</i>						
Project	1 Jan 2014	Additions	Share of profit/ (loss) for the year	Dividends and capital repayments received in cash	Disposals	31 Dec 2014
HIGHSTREET I	0	6,650	755	-	-	<b>7,405</b>
BEN	0	7,325	1,631	-	(4,000)	<b>4,956</b>
TURBO FRA	<b>2,242</b>	337	1,327	(152)	-	<b>3,755</b>
ENERGY	<b>3,190</b>	-	(82)	(1,416)	-	<b>1,693</b>
TURBO VIE	<b>373</b>	1,358	(321)	-	-	<b>1,410</b>
T6	<b>550</b>	-	604	(1)	-	<b>1,153</b>
DONALD	0	1,116	(4)	-	(20)	<b>1,091</b>
SQUIRREL	<b>1,913</b>	59	(212)	(810)	-	<b>950</b>
PHOENIX	<b>361</b>	-	0	(249)	-	<b>112</b>
VITU	<b>3,799</b>	-	702	(4,490)	-	<b>11</b>
BERRY	<b>3,655</b>	-	(301)	(3,354)	-	<b>0</b>
SAILING	0	-	-	-	-	<b>0</b>
<b>Total</b>	<b>16,082</b>	<b>16,845</b>	<b>4,102</b>	<b>(10,471)</b>	<b>(4,020)</b>	<b>22,536</b>

**Investment in Associates - Movement in carrying value**

*Financial Year 2013 (k€)*

Project	1 Jan 2013	Additions	Share of profit/ (loss) for the year	Dividends and capital repayments received in cash	Disposals and transfers	31 Dec 2013
VITU	0	3,000	799	-	-	3,799
BERRY	9,737	-	(76)	(6,006)	-	3,655
ENERGY	3,637	-	(440)	(6)	-	3,190
TURBO FRA	0	2,304	(33)	-	(29)	2,242
SQUIRREL	50	1,301	1,018	(456)	-	1,913
T6	50	2,029	(531)	-	(998)	550
TURBO VIE	476	-	(103)	-	-	373
PHOENIX	974	-	(129)	(485)	-	361
SAILING	0	2	(2)	-	-	0
<b>Total</b>	<b>14,924</b>	<b>8,636</b>	<b>503</b>	<b>(6,953)</b>	<b>(1,028)</b>	<b>16,082</b>

The following table sets out key financial information for each of the projects the Group is invested in.

**Key Financial Information of the Group's investment in Associates in 2014 (by Projects)**

(k€)	SQUIRREL	T6	VITU	TURBO FRA	DONALD	SAILING
Investment Property	31,060	119,580	-	23,000	-	81,034
Other non-current assets	24	-	-	-	-	5
Cash (restricted and free cash)	8,500	5,388	3,301	892	1,038	2,332
Other current assets	4,153	2,034	5,766	1,017	4,685	5,186
Non-current financial liabilities	(12,342)	(97,913)	-	-	-	(60,163)
Other non-current liabilities	(27,955)	(251)	-	(1,419)	-	(27,596)
Current financial liabilities	(224)	(9,501)	-	(13,210)	-	(1,253)
Other current liabilities	(3,937)	(2,604)	(459)	(1,810)	(4,629)	(4,912)
<b>Equity</b>	<b>(721)</b>	<b>16,734</b>	<b>8,608</b>	<b>8,471</b>	<b>1,094</b>	<b>(5,368)</b>
Revenues	6,846	15,978	27,053	1,585	-	10,187
Net Operating Income from rental operations	421	14,387	115	998	-	3,265
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	(1,668)	9	1,077	(261)	-	-
Profit/(loss) from changes in valuation of Investment Property	1,878	4,297	34,508	5,517	-	(1,830)
Interest income	1	0	0	0	-	-
Interest expenses	(606)	(4,864)	(3,089)	(377)	-	(2,843)
Income tax expense or income	(321)	(505)	(3)	(1,425)	(3)	183
Profit / (loss) from continuing operations	(3,504)	9,213	26,910	3,412	(22)	(1,597)
Total comprehensive income	(3,504)	9,213	26,910	3,412	(22)	(1,597)
Dividends received	-	-	2,978	-	-	-

**Key Financial Information of the Group's investment in Associates in 2014 (by Projects)**

(k€)	PHOENIX	HIGHSTREET I	BEN	BERRY	ENERGY	TURBO VIE
Investment Property	2,100	85,300	81,656	-	-	42,700
Other non-current assets	-	-	3,527	-	-	66
Cash (restricted and free cash)	1,691	27,790	5,484	297	2,670	6,129
Other current assets	692	1,725	6,349	3,597	11,831	2,114
Non-current financial liabilities	-	(50,365)	(40,907)	-	-	-
Other non-current liabilities	-	(1,750)	(3,591)	-	-	(9,000)
Current financial liabilities	(2)	(72)	(10,542)	-	-	(12,180)
Other current liabilities	(4,245)	(2,447)	(15,313)	(1,966)	(1,152)	(9,404)
<b>Equity</b>	<b>236</b>	<b>60,181</b>	<b>26,662</b>	<b>1,928</b>	<b>13,348</b>	<b>20,425</b>
Revenues	347	876	2,545	(7)	639	-
Net Operating Income from rental operations	(43)	623	1,331	(65)	498	-
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	(209)	(1,367)	8,991	(161)	(2,589)	274
Profit/(loss) from changes in valuation of Investment Property	-	10,734	(72)	-	-	-
Interest income	1	-	134	211	5	2
Interest expenses	(0)	(103)	(381)	(0)	(3)	(1,260)
Income tax expense or income	(155)	(1,762)	(153)	(250)	(30)	(6)
Profit / (loss) from continuing operations	(2,172)	7,431	8,113	(393)	472	(4,052)
Total comprehensive income	(2,172)	7,431	7,419	(393)	(15,338)	(4,052)
Dividends received	249	-	-	(2,736)	1,302	-

**Key Financial Information of the Group's investment in Associates in 2013 (by Projects)**

(k€)	PHOENIX	BERRY	ENERGY	TURBO VIE	SQUIRREL	T6	VITU	TURBO FRA	SAILING
Investment Property	9,100	863	55,775	11,183	75,670	117,813	150,992	-	82,864
Other non-current assets	18	18	119	-	777	-	1,157	-	5
Cash (restricted and free cash)	9,290	3,168	3,753	49	9,002	5,727	14,980	5,525	1,770
Other current assets	1,802	34,295	2,370	108	4,293	1,391	12,470	-	4,366
Non-current financial liabilities	-	-	(21,228)	-	(37,543)	(105,176)	(92,991)	-	(61,352)
Other non-current liabilities	-	(36)	(3,523)	(6,843)	(40,714)	(212)	-	-	(25,357)
Current financial liabilities	(1)	-	(1,288)	-	(566)	(8,892)	(484)	-	(476)
Other current liabilities	(17,802)	(5,783)	(7,185)	(770)	(8,136)	(2,755)	(11,976)	(80)	(5,590)
<b>Equity</b>	<b>2,407</b>	<b>32,525</b>	<b>28,794</b>	<b>3,727</b>	<b>2,783</b>	<b>7,897</b>	<b>74,148</b>	<b>5,444</b>	<b>(3,771)</b>
Revenues	3,067	4,862	8,569	7	8,896	10,497	19,871	-	9,822
Net Operating Income from rental operations	1,274	3,608	1,072	7	3,066	9,448	7,280	-	1,028
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	(1,166)	(1,562)	(3,613)	-	(31,620)	(3,417)	18,391	(74)	-
Profit/(loss) from changes in valuation of Investment Property	(391)	125	(2,932)	-	2,216	(8,279)	(4,008)	-	4
Interest income	123	781	16	1	3	0	2	-	0
Interest expenses	(393)	(1,310)	(738)	(496)	(856)	(3,309)	(2,304)	-	(2,785)
Income tax expense or income	(548)	(94)	(4)	(5)	(200)	(4)	(2)	-	(246)
Profit / (loss) from continuing operations	2,980	498	(8,393)	(1,034)	(29,885)	(8,705)	17,596	(81)	(2,120)
Other comprehensive income	-	-	73	-	-	-	-	-	-
Total comprehensive income	2,980	498	(8,320)	(1,034)	(29,885)	(8,705)	17,596	(81)	(2,120)
Dividends received	452	135	-	-	-	-	-	-	-

### F.3 Long-term Loans to Associates

**Long-term Loans to Associates**

(k€)	31 Dec 2014	31 Dec 2013
<b>Loans granted to Project SAILING</b>	<b>715</b>	<b>759</b>
Loan	942	809
Accrued interests	220	153
Individual allowance	(447)	(204)
<b>Total</b>	<b>715</b>	<b>759</b>

The loan granted to Sailing HoldCo I S.à r.l (Project SAILING) is used to finance the acquisition of subsidiaries and related operating activities. The loan is unsecured and repayable in full in March 2018. Fix interest is charged at 8.0% p.a.

#### F.4 Deferred Tax Assets

Deferred Tax Assets		
<i>(k€)</i>	31 Dec 2014	31 Dec 2013
<b>Deferred Tax Assets</b>	<b>1.068</b>	<b>606</b>
from temporary differences on liabilities	954	479
from temporary differences on receivables	69	80
from temporary differences on pensions	45	48
<b>less Deferred Tax Liabilities</b>	<b>(254)</b>	<b>(54)</b>
from temporary differences on receivables	(146)	-
from temporary differences on liabilities	(102)	(49)
from at-equity valuation of Associates	(6)	(5)
<b>Total</b>	<b>813</b>	<b>552</b>

Deferred tax assets and liabilities are calculated on a company by company basis. As in previous year, deferred taxes result mainly from CC AG. Consequently; the tax rates of CC AG (14.60%, previous year 14.88%) were used to determine deferred taxes.

Deferred tax assets from temporary differences on pension in the amount of totally k€ 14 (previous year k€ 19) were recognised through OCI and will be reclassified to profit or loss in subsequent periods.

#### F.5 Receivables from Associates

Receivables from Associates		
<i>(k€)</i>	31 Dec 2014	31 Dec 2013
Receivables from Project DANUBE	8,000	-
Receivables from Project VITU	1,002	65
Receivables from Project SQUIRREL	435	501
Loan granted to Project TURBO FRA	307	-
Receivables from Project T6	9	166
Receivables from Project ENERGY	-	2,997
Loan granted to Project TURBO VIE	-	708
Receivables from Project PHOENIX	-	153
<b>Total</b>	<b>9,753</b>	<b>4,591</b>

The Receivables from Project DANUBE reflects a receivable in Hamerlingpark Holding GmbH from December 2014.

The Receivables from Project VITU result mainly from the Promote fee (k€ 1,000), which will be paid when the corresponding funds on the escrow accounts have been released.

The unsecured loan granted to Turbo FRA GmbH bears a fixed interest of 6% per annum.



The Receivables from Project ENERGY resulted from the Promote fee (k€ 2,997) which was paid in March 2014.

The bridge loan granted to Turbo Ö2 Liegenschaftsbesitzverwaltungs GmbH (Project TURBO VIE) was used to finance the acquisition of subsidiaries and the operating activities. The unsecured loan was repayable in full in 2014. Fix interest rate was charged at 7% per annum.

## F.6 Trade Receivables

Trade receivables (k€ 4,387; previous year k€ 3,007) are non-interest bearing and are generally on terms of 30 to 90 days and relate to various fee income streams generated by the Group's Real Estate Investment Management Business.

## F.7 Other short-term Receivables

<b>Other short-term Receivables</b>		
<i>(k€)</i>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Loans to Shareholder	842	-
Notary escrow account	510	-
Receivables from employees and insurance claims	98	4
Cash in transit	80	17
Transaction Costs Reimbursements	75	94
Receivables due from affiliated companies	30	-
Receivables due from related parties	22	275
Others	184	29
<b>Total</b>	<b>1,842</b>	<b>419</b>

The loan granted to the shareholder Ralph Winter is secured by pledging of 4,164 shares (including dividend rights) in CC AG and repayable in full on 30 September 2015. Fix interest is charged at 1.50% per annum. In 2014, the loan was reclassified as short-term due to the maturity in September 2015.

## F.8 Other Short-term Assets

<b>Other Short-term Assets</b>		
<i>(k€)</i>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Prepaid Expenses	308	133
Rental Deposits	141	95
Short-term receivables from other taxes (VAT)	92	95
others	104	89
<b>Total</b>	<b>645</b>	<b>413</b>

## **F.9 Cash and Cash Equivalents**

Cash and cash equivalents (k€ 21,820; previous year: k€ 20,915) comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

## **F.10 Share Capital**

The share capital of the Company amounts to CHF 132,795 (k€ 90) and is divided into 132,795 registered shares with a nominal value of CHF 1 each and is translated into EUR at historical exchange rates. The share capital is fully paid up. Each share entitles the bearer to one vote in the Annual General Meeting (Generalversammlung).

## **F.11 Participation Certificates**

The participation certificates of the Company amounts to CHF 39,839 (k€ 27) and is divided into 39,839 registered participation certificates with a nominal value of CHF 1 each and is translated into EUR at historical exchange rates. The participation capital is fully paid up.

Participation certificates do grant the same right to net profits and liquidation results as ordinary shares but do not bear any voting or associated rights.

## **F.12 Other Reserves**

Movements in group capital accounts and reserves during the reporting period are reflected in the Consolidated Statement of Changes in Equity. The legal reserve (k€ 60; previous year: k€ 60) is restricted based on the Swiss Code of Obligation.

The Annual General Meeting held on 5 May 2014 passed a resolution for a dividend classified as a capital repayment in the amount of k€ 7,125 (€ 41.27 per ordinary share) to the holders of registered shares and participation certificates. Further, the Annual General Meeting resolved to distribute an amount of k€ 18 to the legal reserve.

The Other revaluations (k€ -47; previous year k€ -83) are part of the line item Other reserves. Other revaluations relate to Net (Loss)/Gain on Available-for-sale Financial Assets (k€ 28; previous year k€ 25) and Remeasurement Gains (Losses) on Defined Benefit Plans (k€ -75; previous year k€ -107) which are recognised directly in OCI. An amount of k€ 28 (previous year k€ 25) will be retroactively reclassified in the Group's Income Statement under certain circumstances.

## **F.13 Non-controlling Interests**

The net profit/loss of non-controlling interests for the year 2014 relates mainly to Corestate Sand HoldCo S.à r.l (k€ 1,118; previous year k€ 0) with non-controlling interests of 31.26% and CAPERA (k€ 300; previous year k€ -189) with non-controlling interests of 30.00%.

## F.14 Long-term Financial Liabilities to Banks

Long-term Financial Liabilities to Banks						
(k€)	Nominal amount	Maturity	Interest rate	Face value as of 31 Dec 2014	Face value as of 31 Dec 2013	
Schwyz Kantonalbank Lombard Fixed-Term	max. CHF 10m	30.06.2020	Euribor plus margin	8,000	-	
<b>Total</b>				<b>8,000</b>	<b>-</b>	

Financial liabilities to banks with a remaining term of more than one year are presented as long-term financial liabilities to banks. In 2014, all liabilities with a maturity in 2015 were reclassified as short-term financial liabilities to banks (see Note F.16).

In July 2014, Schwyz Kantonalbank and CC AG have entered into a master agreement for a credit facility of up to CHF 10m. Such facility will be reduced by CHF 2m annually starting 31 December 2016.

The credit facility is secured by a global assignment of receivables. Further the parties have agreed the following Covenants:

- Equity ratio of more than 40%
- Earnings before interest and tax (EBIT) of more than CHF 2m p.a.

Under the master agreement, CC AG may draw either in EUR or CHF and both on a fixed or variable interest basis. On 31 December 2014, the facility was utilised in an aggregate amount of EUR 8m and in the following interest tranches:

- Tranche k€ 4,550: Term from 8 November 2014 until 7 February 2015 with a fix interest of 1.66% p.a..
- Tranche k€ 3,450: Term from 6 December 2014 until 5 March 2015 with a fix interest of 1.66% p.a..

There were neither delays nor defaults in the loan repayment and interest payments in the financial year 2014.

As per 31 December 2014 the undrawn borrowing facilities amount to k€ 233.

## F.15 Net Employee defined Benefit Liabilities

The Group has a defined benefit pension plan in Switzerland (funded). CC AG is affiliated to the Swiss Life Collective BVG Foundation (contract no. 816576) based in Zurich for the provision of occupational benefits. All benefits in accordance with the regulations are reinsured in their entirety with Swiss Life Ltd within the framework of the corresponding contract.

This pension plan fully reinsures the risks of disability, death and longevity with Swiss Life. Swiss Life invests the vested pension capital and provides a 100% capital and interest guarantee. The guaranteed interest was 1.75% for mandatory retirement savings and 1.25% for supplementary retirement savings. The pension plan is entitled to an annual bonus from Swiss Life comprising the effective savings, risk and cost results.

The technical administration and management of the savings account are guaranteed by Swiss Life on behalf of the collective foundation. Insurance benefits due are paid directly to the entitled persons by Swiss Life in the name of and for the account of the collective foundation. CC AG has committed itself to pay the annual contributions and costs due under the pension fund regulations.

The contract of affiliation between CC AG and the collective foundation can be terminated by either side. In the event of a termination recipients of retirement and survivors' benefits would remain with the collective foundation. CC AG hereby commits itself to transfer its active insured members and recipients of

disability benefits to the new employee benefits institution, thus releasing the collective foundation from all obligations.

So-called fully insured BVG plans under IAS 19 shall be considered as defined benefit plans. The reasons are as follows:

- In the event of contract cancellation there is no guarantee that the employee benefits can be continued under the same conditions,
- The risk and cost premiums are charged at different levels.

The valuation of employee benefits obligations in accordance with international accounting standards is carried out regardless of the legal configuration of the pension plans and employee benefits institutions. The standards influence solely the financial result of the Company and not that of the employee benefits institution. These results are not relevant for an actuarial assessment in accordance with Article 52e, BVG.

No plan amendments, curtailment or settlement happened from 1 January 2011 till 31 December 2014.

CC AG outsources the asset liability management strategy and asset allocation to Swiss Life Ltd. The risks of disability, death and longevity are reinsured in their entirety with Swiss Life Ltd.

2014 changes in the defined benefit obligation and fair value of plan assets:

<b>Net Employee defined Benefit Liabilities</b>			
<i>(k€)</i>	<b>DBO</b>	<b>Plan assets</b>	<b>Difference</b>
<b>As of 1 January 2014</b>	<b>738</b>	<b>469</b>	<b>270</b>
Current service cost (employer)	121	-	121
Administration costs	6	-	6
Ordinary contributions paid by employees	31	31	-
Interest expense on defined benefit obligation	17	-	17
Contributions paid by plan participants	72	72	-
Benefits paid from plan assets	(205)	(205)	-
Interest income on plan assets	-	11	(11)
Ordinary contributions paid by employer	-	58	(58)
Return on plan assets excl. interest income	-	1	(1)
Actuarial (gain) / loss on defined benefit obligation	(38)	-	(38)
Exchange (gain) / loss	4	4	1
<b>As of 31 December 2014</b>	<b>746</b>	<b>439</b>	<b>307</b>
<i>Actuarial (gain)/loss arising from changes in financial assumptions</i>	<i>131</i>		

2013 changes in the defined benefit obligation and fair value of plan assets:

<b>Net Employee defined Benefit Liabilities</b>			
<i>(k€)</i>	<b>DBO</b>	<b>Plan assets</b>	<b>Difference</b>
<b>As of 1 January 2013</b>	<b>693</b>	<b>431</b>	<b>262</b>
Current service cost (employer)	113	-	113
Administration costs	7	-	7
Ordinary contributions paid by employees	53	53	-
Interest expense on defined benefit obligation	13	-	13
Contributions paid by plan participants	131	131	-
Benefits paid from plan assets	(247)	(247)	-
Interest income on plan assets	-	8	(8)
Ordinary contributions paid by employer	-	100	(100)
Return on plan assets excl. interest income	-	(2)	2
Actuarial (gain) / loss on defined benefit obligation	(18)	-	(18)
Exchange (gain) / loss	(8)	(6)	(2)
<b>As of 31 December 2013</b>	<b>738</b>	<b>469</b>	<b>270</b>
<i>Actuarial (gain)/loss arising from changes in financial assumptions</i>		<i>(38)</i>	

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

<b>Actuarial assumptions</b>		
	<b>2014</b>	<b>2013</b>
Discount rate, end of period	1.00%	2.25%
Salary increase, end of period	1.00%	1.00%
Increase in pension, end of period	0.00%	0.00%
Retirement age	M65/W64	M65/W64
Demographic assumptions	BVG 2010 GT	BVG 2010 GT

The major categories of plan assets of the fair value of the total plan assets are as follows:

<b>Disaggregated Fair Value of plan assets</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
Insurance contracts (not quoted market price)	420	455
Cash (quoted market price)	20	14
<b>Total</b>	<b>440</b>	<b>469</b>

The following payments are expected contributions to the defined benefit plan in future years:

<b>Expected contributions to the defined Benefit Plan in future years</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
Expected annual employee contribution in next year	33	31
Expected annual employer's contribution in next year	61	58
<b>Projected benefits expected to be paid in:</b>		
year +1	59	82
year +2	57	81
year +3	55	80
year +4	54	79
year +5	52	78
year +6 to +10	247	384

The average duration of the defined benefit plan obligation at the end of the reporting period is 12.3 years (2013: 11.8 years).

## **F.16 Other non-current Liabilities**

The other non-current Liabilities are for bonus payments to members of the Group's senior management structured as contributions to the Corestate MCIF scheme.

## **F.17 Short-term Financial Liabilities to Banks**

<b>Short-term Financial Liabilities to Banks</b>					
<i>(k€)</i>	Nominal amount	Maturity	Interest rate	Face value as of <b>31 Dec 2014</b>	Face value as of <b>31 Dec 2013</b>
UBS Lombard Fixed-Term loan	10,000	30.09.2014	Euribor plus margin	-	4,415
Current account payables to banks				2	-
<b>Total</b>				<b>2</b>	<b>4,415</b>

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

The Facility Agreement between CC AG and UBS AG was terminated effective on 8 August 2014 and replaced with the more favourable master facility agreement with Schwyzer Kantonalbank. All outstanding loans (including interests, fees and costs) under the Facility Agreement with UBS AG were repaid in full.

## F.18 Short-term Liabilities to Associates

<b>Short-term Liabilities to Associates</b>		
<i>(k€)</i>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Loan (including accrued interests) from Project ENERGY	1.671	-
Loan from Project BERRY	-	3.354
Other Projects	67	15
Liabilities from Project SAILING	112	9
<b>Total</b>	<b>1.849</b>	<b>3.378</b>

Short Term Loans from Project ENERGY reflect advances on profit distributions which were fully offset against claims arising from dividend resolutions in 2015.

Short Term Loans from Project BERRY reflected advances on profit distributions which were fully offset against claims arising from dividend resolutions in 2014. The unsecured loan from Berry HoldCo S.à r.l. was charged with an interest rate of EURIBOR plus margin of 0.5% per annum. The loan was settled in 2014 by offsetting against receivables from capital decrease.

## F.19 Trade Payables

Accounts payable (k€ 3,228; previous year k€ 1,771) mainly consist of amounts due to external service providers as well as capital raising agents.

## F.20 Current Income Tax Liabilities

<b>Current Income Tax Liabilities</b>		
<i>(k€)</i>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Swiss corporate Income taxes	683	715
German income taxes	214	11
German trade taxes	223	12
Others	22	2
<b>Total</b>	<b>1,142</b>	<b>741</b>

## F.21 Other Current Liabilities

<b>Other Current Liabilities</b>		
<i>(k€)</i>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Liabilities from employee benefits	1.886	504
Concession agreement	2.000	1.939
Prepayments received	1.640	200
Accrued Asset and Property Management revenues	1.625	-
Short-term liabilities from other taxes	933	264
Liabilities from minority shareholders	258	256
Liabilities from share-based payments	228	391
Liabilities from social security contributions	46	3
Deposits received	43	35
Deferred income	8	36
Others	89	37
<b>Total</b>	<b>8.755</b>	<b>3.663</b>

Liabilities from concession agreements relate to a lump-sum contribution of CC AG in the course of the wind-down of the CORESTATE German Residential Ltd. fund.

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



## G. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### G.1 Revenue from Acquisition Related Fees

Revenue from Acquisition Related Fees		
(k€)	2014	2013
Revenue from Acquisition Fee	1,804	5,845
Revenue from Onboarding Fee	500	1,000
Revenue from other Acquisition Related Fees	87	102
<b>Total</b>	<b>2,391</b>	<b>6,947</b>

### G.2 Revenue from Asset and Property Management

Revenue from Asset & Property Management		
(k€)	2014	2013
Revenue from Asset Management Fee	7.171	9.278
Revenue from Property Management Fee	9.918	2.795
Revenue from Capex Coordination Fee	220	230
Revenue from Sales Fee from third party AM	486	-
Revenue Other Fees	19	1
Other Revenues	447	106
<b>Total</b>	<b>18.261</b>	<b>12.410</b>

Revenue from Property Management Fee relates to the subsidiary CAPERA which was acquired in July 2013, so 2014 is its first year of full operation for the Group.

### G.3 Revenue from Sales Fees

Sales Fees are incurred for Projects with complex exit processes (either by asset-by-asset structures or structured auction processes).

### G.4 Revenue from Promote Fees realised

Revenue from Promote Fees realised		
(k€)	2014	2013
Promote realised	8,567	2,997
Success capital introduction Fee towards third parties	(1,729)	-
<b>Total</b>	<b>6,838</b>	<b>2,997</b>

The Promote Fee realised relates to services provided for Projects VITU and TURBO VIE (Phase I) for 2014 as well as ENERGY for 2013.

## G.5 Expenses from Real Estate Investment

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) allocated to the Group's Real Estate Investment Management activities.

Personnel expenses account for k€ 10,609 (previous year: k€ 5,973) and Management Expenses account for k€ 5,954 (previous year: k€ 5,914)

The increase is primarily driven by CAPERA. Reference is made to Note G.2.

## G.6 Share of Profit or Loss from Associates

Share of Profit or Loss from Associates		
(k€)	2014	2013
Share of profit/(loss) for the year/net of tax	4.102	503
Profit from sale of shares in associates	272	-
<b>Total</b>	<b>4.373</b>	<b>503</b>

Reference is made to Note F.2.

## G.7 Expenses from Management of Associates

Expenses from Management of Associates include both personnel and overhead expenses allocated to the Management of Associates. Personnel expenses account for k€ 643 (previous year: k€ 380) and Management Expenses account for k€ 361 (previous year: k€ 376)

The increase was primarily due to an increase in the Group's Alignment Capital Management and expenses that were incurred in these investments.

## G.8 Total Income from Real Estate Operations/Warehousing

The gains from selling property holding companies relate to sales of entities to investment structures managed by the Group. The increase was due to the fact that the Group only commenced such deals in July 2014 (Project HIGHSTREET I).

## G.9 Expenses from Real Estate Operations/Warehousing

Expenses from Real Estate Operations/Warehousing include both personnel and overhead expenses in connection with the acquisition, holding and sale of real estate properties. Personnel expenses account for k€ 357 (previous year: k€ 0) and Management Expenses account for k€ 201 (previous year: k€ 0)

## G.10 General and Administrative Expenses

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

Personnel expenses account for k€ 1,127 (previous year: k€ 1,156) and Management Expenses account for k€ 3,239 (previous year: k€ 2,180)

## G.11 Other Income

Other Income includes an one-off effect for incorporation of a multi-family office (k€ 720; previous year k€ 0), cost reimbursements from investment structures (k€ 502; previous year k€ 258) as well as revenues from office subleases.

## G.12 Depreciation and Amortisation

Depreciation & Amortisation		
(k€)	2014	2013
Intangible assets - scheduled depreciation	(96)	(26)
Property, plant and equipment - scheduled depreciation	(236)	(123)
<b>Total</b>	<b>(332)</b>	<b>(149)</b>

## G.13 Financial Income

Financial Income		
(k€)	2014	2013
Interest income	218	334
Dividends	-	25
<b>Total</b>	<b>218</b>	<b>360</b>

## G.14 Financial Expenses

<b>Financial Expenses</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
Interest expenses	(151)	(257)
Subsequent measurement of liabilities stated at fair value	(40)	(2)
Financing Fees	(2)	(23)
Impairment losses on loans	(288)	(412)
Foreign currency income/expenses	(98)	(149)
Bank Charges	(52)	(19)
<b>Total</b>	<b>(631)</b>	<b>(864)</b>

## G.15 Income Tax Expense

<b>Income Tax Expense</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
Current income tax expense	(741)	(898)
Deferred taxes	267	(114)
<b>Total</b>	<b>(474)</b>	<b>(1.012)</b>

<b>Current income tax expense</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
Income tax Switzerland	(227)	(835)
Income tax Germany	(474)	(52)
Income tax Luxembourg	(36)	(5)
Income tax United Kingdom	(5)	(7)
<b>Total</b>	<b>(741)</b>	<b>(898)</b>

## H. INCOME TAX

### Tax rate reconciliation

According to IAS 12, the entire income taxes for the accounting period consist of current taxes on income and profit and of deferred taxes.

The table below shows the reconciliation of the tax expenses as recorded in Income Statement to the tax burden resulting from simply multiplying the consolidated IFRS accounting profit with the Switzerland statutory income tax rate for CC AG:

<b>Tax rate reconciliation</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
Consolidated profit before taxes according to IFRS	14,218	8,609
Switzerland statutory income tax rate for CC AG	14.600%	14.880%
<b>Projected income tax (gain) / burden</b>	<b>2,076</b>	<b>1,281</b>
Effect from unused tax losses	(195)	201
Effect from permanent differences	53	274
Effect from different tax rates	694	(162)
Effect from dividends and other income exempt from taxation	(2,153)	(583)
<b>Income tax reported in the income statement</b>	<b>474</b>	<b>1,012</b>
Effective tax rate	3.33%	11.76%

## I. OTHER INFORMATION

### I.1 Earnings per share

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 (basic and diluted) during the year as outlined for below. Dilutive shares result from share-based payments as disclosed in Note **Error! Reference source not found.**

The following table reflects the income and share data used in the earnings per share computations:

<b>Earnings per share</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
<b>Profit attributable to ordinary equity holders of the parent for basic earnings</b>	<b>12,333</b>	<b>7,786</b>
<u>Weighted average number of ordinary shares:</u>		
Share capital	132,795	111,680
Shares in participation capital (Certificates)	39,839	33,504
<b>Weighted average number of ordinary shares (total)</b>	<b>172,634</b>	<b>145,185</b>
<b>Basic Earnings per share</b>	<b>71.44 €</b>	<b>53.63 €</b>
<u>Adjusted weighted average number of ordinary shares:</u>		
Dilutive shares	1,070	891
<b>Adjusted weighted average number of shares applicable to diluted earnings per share</b>	<b>173,704</b>	<b>146,076</b>
<b>Diluted earnings per share</b>	<b>71.00 €</b>	<b>53.30 €</b>

### 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 in order to maximise shareholder value. Shareholder value is measured both in terms of total return as well as running dividend yield.

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 2014 and 2013.

### I.3 Commitments and contingencies

#### I.3.1 Capital commitments

At 31 December 2014, the Group has outstanding commitments of k€ 1,463 relating to Project BEN, k€ 384 relating to Project DONALD and k€ 147 relating to Project Sailing.

### **I.3.2 Guarantees**

Except for an Intra-Group guarantee in favour of CORESTATE Capital Advisors GmbH there are no guaranties outstanding since the Group follows a strict non-recourse financing and security structure.

### **I.3.3 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.

### **I.3.4 Collateral held by the Group**

Except for the pledged shares in connection with loans granted to shareholders (Note F.7) the Group did not hold any collateral at 31 December 2014.

## **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 Group does currently not use any derivative financial instruments. All investments are dominated in Euros such that foreign exchange risks are largely eliminated. Going forward, should the Group decide to use any derivative instruments, it would solely be for the purpose of limiting potential risks and not for speculative profit objectives.

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 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.14 and F.17 of the notes. 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, 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 (primarily from trade receivables) which, in turn, are dependent from 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 to a shortage of funds using a recurring liquidity planning tool.

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

The table below shows the maturities of financial liabilities of the Group:

<b>Maturities of financial liabilities (31 December 2014)</b>				
<i>(k€)</i>	Closing Balance 31 Dec 2014	< 1 year	1 to 5 years	> 5 year
Bank loans	8,000	-	6,337	1,663
Short-term Liabilities to Associates	1,849	1,849	-	-
Trade payables	3,228	3,228	-	-
Other financial liabilities	10,144	8,755	1,388	-
<b>Total financial liabilities</b>	<b>23,221</b>	<b>13,833</b>	<b>7,726</b>	<b>1,663</b>

<b>Maturities of financial liabilities (31 December 2013)</b>				
<i>(k€)</i>	Closing Balance 31 Dec 2013	< 1 year	1 to 5 years	> 5 year
Bank loans	4,415	4,555	-	-
Short-term Liabilities to Associates	3,378	3,378	-	-
Trade payables	1,771	1,771	-	-
Other financial liabilities	4,524	3,663	861	-
<b>Total financial liabilities</b>	<b>14,089</b>	<b>13,367</b>	<b>861</b>	<b>-</b>

With the exemption of some personnel-related liabilities, all current liabilities are expected to be settled within twelve months of the end of the reporting period. As well as repayments, interest incurred in the future usually also results in an outflow of liquidity.

## **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.

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 loans would increase or decrease by approximately k€ 80 – based on the value of the loans as of the end of the reporting period.

### I.5.2 Fair value

Within the Group, only original financial instruments are used. Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments:

(in k€)	IAS 39 Category	Carrying amount 31 Dec 2014	Categories			
			Armortised cost	Fair value recognised through profit and loss	Fair value recognised directly in equity (OCI)	not applicable
Other financial instruments	<i>Afs</i>	31	-	-	31	-
Long-term loans to associates	<i>LaR</i>	715	715	-	-	-
Receivables from associates	<i>LaR</i>	9,753	9,753	-	-	-
Trade receivables	<i>LaR</i>	4,387	4,387	-	-	-
Other short-term receivables	<i>LaR</i>	1,842	1,842	-	-	-
Other short-term assets	<i>LaR</i>	645	645	-	-	-
Cash and cash equivalents	<i>n/a</i>	21,820	-	-	-	21,820
<b>TOTAL ASSETS</b>		<b>39,192</b>				
Other non-current liabilities	<i>FLaFV</i>	1,388	-	1,388	-	-
Long-term financial liabilities to banks	<i>FLAC</i>	8,000	8,000	-	-	-
Short-term financial liabilities to banks	<i>FLAC</i>	2	2	-	-	-
Short-term liabilities to associates	<i>FLAC</i>	1,849	1,849	-	-	-
Trade payables	<i>FLAC</i>	3,228	3,228	-	-	-
Other current liabilities	<i>FLAC/FLAFV</i>	8,755	8,755	-	-	-
<b>TOTAL LIABILITIES</b>		<b>23,223</b>				

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

(in k€)	IAS 39 Category	Carrying amount 31 Dec 2013	Categories			
			Armortised cost	Fair value recognised through profit and loss	Fair value recognised directl in equity (OCI)	not applicable
Other financial instruments	<i>Afs</i>	27	-	-	27	-
Long-term loans to associates	<i>LaR</i>	759	759	-	-	-
Long-term loans to related parties	<i>LaR</i>	830	830	-	-	-
Receivables from associates	<i>LaR</i>	4,591	4,591	-	-	-
Trade receivables	<i>LaR</i>	3,007	3,007	-	-	-
Other short-term receivables	<i>LaR</i>	419	419	-	-	-
Other short-term assets	<i>LaR</i>	413	413	-	-	-
Cash and cash equivalents	<i>n/a</i>	20,915	-	-	-	20,915
<b>TOTAL ASSETS</b>		<b>30,960</b>				
Other non-current liabilities	<i>FLaFV</i>	861	-	861	-	-
Short-term financial liabilities to banks	<i>FLAC</i>	4,415	4,415	-	-	-
Short-term liabilities to associates	<i>FLAC</i>	3,378	3,378	-	-	-
Trade payables	<i>FLAC</i>	1,771	1,771	-	-	-
Other current liabilities	<i>FLAC/FLaFV</i>	3,663	3,663	-	-	-
<b>TOTAL LIABILITIES</b>		<b>14,089</b>				

(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 the financial instruments are a reasonable approximation to their fair value.

## I.6 Related party information

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.

Note I.8 provides information about the Group's structure, including details of the subsidiaries and the holding Company. CC AG has identified these Group companies as well as the following entities and persons as related parties:

### Shareholders and shareholders' related entities

- Ralph Winter, shareholder
- Thomas Landschreiber, shareholder
- INTERSHOP Holding AG, Zurich, Switzerland, shareholder
- vitB AG, Zug, Switzerland

Ralph Winter is a senior advisor to CC AG through a consultancy agreement between vitB AG and CC AG. vitB AG is an investment company wholly-owned by Ralph Winter.

### Key Management Personal

- Thomas Landschreiber, president of the administrative board, since 3 June 2009
- Andreas Wirz, member of the administrative board, since 26 August 2013
- Urs Felder, member of the administrative board, since 26 August 2013
- Daniel Schoch, executive director, since 1 March 2008
- Sascha Wilhelm, executive director, since 1 April 2014

- Philipp Burns, executive director, from 1 February 2011 until 31 March 2013
- Steffen Ricken, executive director, from 1 June 2013 until 20 December 2013
- Oliver Zimper, executive director, from 1 September 2013 until 20 December 2013

### 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 (Note B.3.2).

CC AG invests typically between 5% and 10% in each of its investment products alongside its investors as alignment capital investment. Since CC AG provides comprehensive real estate investment management services to, and is acting as asset manager for such investments structures, these investment structures 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 Asset Management Agreements (AMA), and are entered into with and approved by its investors. Note F.2 provides an overview of the Group's Investment in Associates.

### **I.6.1 Transactions with shareholders and shareholder related entities**

<b>Transactions with shareholders and shareholder related entities</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
Fees paid to vitB AG under consultancy agreements	(371)	(363)
Cost reimbursements to vitB AG	(589)	(319)
Rental income from sublease with vitB AG	13	13
Interests income on loans granted to shareholders	12	13
Dividends paid to shareholders	(8,098)	(754)
Sale of Shares in Subsidiaries or Associates to shareholders	24	-
Proceeds from loans granted by shareholders	14,469	-
Repayment of loans granted by shareholders	(14,469)	-
Repayments of loans granted to shareholders	-	144

We refer for items in the Statement of Financial Position to Note F.7 for further details on the shareholder loans.

### **I.6.2 Transactions with Key Management Personnel**

<b>Transactions with Key Management Personnel</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
Short-term employee benefits	(1,165)	(2,261)
Post-employment pension	(125)	(221)
Service Agreement termination benefits	-	(998)
Cost reimbursements to member of the administrative board	(7)	(11)
Bonus awards (MCIF)	(527)	(346)
Profit Distributions to key management personnel from MCIF	(123)	(191)
Equity-settled share-based payment	(12)	(12)

Some of the executive directors 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, executive directors as well as certain other senior manager 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 CC AG in alignment capital investments, and serves 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. All pay-outs to the MCIF participants are made in cash (cash-settled share-based payment transaction). In 2014, k€ 527 (previous year k€ 346) has been recognized as expense relating to MCIF (this amount also represents the fair value of MCIF related annual bonus awards). The respective liability recognized in the Statement of Financial Position as per 31 December 2014 is k€ 1,388 (previous year k€ 861).

The Group's CFO was granted an option to acquire 1.25% of CCAG at 50% of the fair value (equity settled share-based payment plan) in 2007, contingent on the fulfilment of specified vesting conditions. The service period commenced on 28 December 2007. The vesting period is variable and vesting occurs as soon as performance conditions (total revenues, implementation of certain company structures and functions) are cumulatively fulfilled. Upon vesting the option can be exercised within 36 months. The exercise price to acquire 1.25% of CCAG will be based on a company valuation, to be performed by a renowned expert.

The award was granted prior to the adoption of IFRS and under previous GAAP no estimate of fair value or estimates of the length of the vesting period had to be made nor can these estimates be developed without using hindsight. At the date of transition management has estimated the fair value of the award reflecting conditions existing at transition. The fair value has been determined based on the acquisition of a non-controlling interest stake by a third party. For the periods since transition to IFRS management has estimated that all vesting conditions would be met around the Company's initial public offering (expected to take place in 2015). Management has determined that it is appropriate to expense the fair value of the award determined at transition on a straight-line basis over the period from 2007 to 2015.

Total fair value of this award is k€ 98. In 2014 and 2013, k€ 12 were recognized as personnel expense.

### **I.6.3 Transactions with Associates (Co-Investments)**

The terms and condition agrees with Associates for the services of CC AG Group are negotiated and set out in the underlying documentation for each investment product entered into with the respective investor (JVCIA, AMA etc.). Hence, such terms and conditions are at arm's length.

<b>Transactions with Associates (Co-Investments)</b>		
<i>(k€)</i>	<b>2014</b>	<b>2013</b>
Revenue from Aquisition Related Fees	2.919	7.757
Revenue from Asset and Property Management	4.331	3.823
Revenue from Sales Fees	602	2.126
Revenue from Promote Fees realized	8.567	2.997
Proceeds from Selling Property Holding Companies	3.800	-
Loans received from Associates	1.671	3.354
Interest income from Associates	67	60

We refer for items in the Statement of Financial Position to Notes F.2, F.3, F.5 and F.18 for further details on the receivables, liabilities and other transactions with Associates.

With sale and purchase agreement notarised on 12 November 2014 the Group Company CORESTATE Sand HoldCo S.à r.l sold its real estate holding subsidiary to the Co-Investment structure HIGHSTRRET I for a sales price of k€ 3,800 (received in November 2014). The net gain from the transaction amounts to k€ 3,765, and reflects the compensation for warehousing such assets.

## I.7 Consolidated Statement of Cash Flow

The Consolidated Statement of Cash Flow shows how the Group's liquid funds have changed over the course of the financial year through inflows and outflows. As per IAS 7 cash flows from operating activities are distinguished from cash flows from investment activities and cash flows from financing activities. When determining the cash flow from operating activities using the indirect method, the profit for the period was adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, as well as items of income or expense associated with investing or financing cash flows. Therefore, direct comparison with the corresponding changes in the published consolidated statement of financial position is not possible.

In accordance with the IAS 7 option, interest paid is shown under cash flow used in/from financing activities.

The financial funds considered in the Consolidated Statement of Cash Flow include cash and cash equivalents.

The cash flows from investment and financing activities are directly related to payments. The total of the cash flows from the acquisition or sale of subsidiaries is shown separately and classified as investment activity in the cash flow statement.

Cash flows from Acquisition of Subsidiaries in 2014 (k€)	Share purchase price paid	Cash balance of subsidiaries	Net cash (outflow)/inflow from acquisition of subsidiaries
Acquisition of Corestate Capital Fund Management S.á r.l	88	468	380
Acquisition/foundation of companies without business	2,156	607	(1,549)
<b>Total 2014</b>	<b>2,244</b>	<b>1,075</b>	<b>(1,169)</b>

Cash flows from Acquisition of Subsidiaries in 2013 (k€)	Share purchase price paid	Cash balance of subsidiaries	Net cash (outflow)/inflow from acquisition of subsidiaries
Acquisition of CORESTATE Capital Advisors GmbH	31	249	217
Acquisition/foundation of companies without business	1,382	1,607	225
<b>Total 2013</b>	<b>1,413</b>	<b>1,855</b>	<b>442</b>

The Short Term Loans from Project BERRY (k€ 3,354) reflected advances on profit distributions which were fully offset against claims arising from dividend resolutions in 2014.

## I.8 Group entities

As in previous years, CC AG was the parent Company of the Group. The ultimate controlling party was Ralph Winter.

The Consolidated Financial Statements include basically all companies which the group controls, i.e. typically for which CC AG owns, directly or indirectly through subsidiaries, more than half of the voting power. There are no restrictions regarding Cash or Dividend Payments from subsidiaries.

With the exception of CORESTATE MCIF GmbH & Co.KG (Note C.1.1) the equity interest is equal to the voting rights.

Group entities			
		31 Dec 2014	31 Dec 2013
Name	Seat and Country of incorporation	% equity interest	% equity interest
<b>CORESTATE CAPITAL AG</b>	<b>Zug/Switzerland</b>	<b>Parent Company</b>	<b>Parent Company</b>
CORESTATE Capital Advisors (UK) LLP	London/Great Britain	100.00%	100.00%
CORESTATE Capital Transactions AG	Zug/Switzerland	100.00%	100.00%
CORESTATE Capital Finance GmbH	Zug/Switzerland	100.00%	100.00%
CORESTATE Co Investment Verwaltungs GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Beteiligungs Verwaltung GmbH	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Investment 1 S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Sailing HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
CORESTATE Capital Advisors GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Developments GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Advisors (Singapore) Pte. Ltd.	Singapore	100.00%	100.00%
T6 AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
VITU AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
TURBO FRA AcquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
Energy AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	6.00%
SQUIRREL AcquiCo 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%
CAPERA Immobilien Service GmbH	Frankfurt am Main/Germany	70.00%	70.00%
CORESTATE CAPITAL Fund Management S.à r.l.	Luxembourg	100.00%	n.a.
Corestate Capital Vorratsgesellschaft mbH 1	Frankfurt am Main/Germany	100.00%	n.a.
Corestate Capital Vorratsgesellschaft mbH EINS & Co. KG	Frankfurt am Main/Germany	100.00%	n.a.
Corestate Highstreet II TopCo Ltd.	Guernsey	100.00%	n.a.
Highstreet AcquiCo II S.à r.l.	Luxembourg	100.00%	n.a.
Soest HoldCo S.à r.l. (Corestate Shelf HoldCo 2 S.à r.l. - Soest)	Luxembourg	100.00%	n.a.
CorestateVIE Developments S.à r.l.	Luxembourg	100.00%	n.a.
Hamerling HoldCo GmbH	Vienna/Austria	100.00%	n.a.
Corestate SAND HoldCo S.à r.l.	Luxembourg	69.74%	n.a.
Corestate Highstreet II TopCo Limited	Guernsey	100.00%	n.a.
Corestate Highstreet II HoldCo S.à r.l.	Luxembourg	100.00%	n.a.
Highstreet II PropCo I S.à r.l.	Luxembourg	100.00%	n.a.
Highstreet II PropCo II S.à r.l.	Luxembourg	100.00%	n.a.
Highstreet II PropCo III S.à r.l.	Luxembourg	100.00%	n.a.

## I.9 Business combination and disposals

In 2014, the Group accounted for the following business combination:

<i>(k€)</i>	<b>Corestate Capital Fund Management S.à r.l</b>
<i>Acquisition date</i>	<i>01.01.2014</i>
<i>Total Cost of the combination (in k€)</i>	88
<i>  thereof purchase prices (cash) (in k€)</i>	88
<i>Number of shares acquired</i>	<i>87,500</i>
<i>Voting rights acquired (%)</i>	<i>100.00%</i>
Property, plant & equipment	108
Intangible assets (Software)	22
Receivables	33
Other assets	77
Cash and cash equivalents	468
<b>Total assets</b>	<b>708</b>
Trade payables	352
Other payables	269
<b>Total liabilities</b>	<b>621</b>
<b>Fair value of net assets acquired</b>	<b>88</b>
<i>Non-controlling interests</i>	-
<b>Revenues generated since acquisition date</b>	<b>1,081</b>
<b>Profit / (loss) since acquisition date</b>	<b>112</b>

Corestate Capital Fund Management S.à r.l, Luxembourg, operates as an Alternative Investment Fund Manager (AIFM) for the Group's AIF's regulated by the Alternative Investment Fund Management Directive (AIFMD).

In 2013, the Group identified the following business combination:

<i>(k€)</i>	<b>CORESTATE Capital Advisors GmbH</b>
<i>Acquisition date</i>	<i>07.08.2013</i>
<i>Total Cost of the combination (in k€)</i>	31
<i>  thereof purchase prices (cash) (in k€)</i>	31
<i>Number of shares acquired</i>	<i>25,000</i>
<i>Voting rights acquired (%)</i>	<i>100.00%</i>
Property, plant & equipment	136
Intangible assets (Software)	9
Receivables	0
Receivables from affiliated companies	29
Current tax assets	50
Other assets	333
Cash and cash equivalents	249
<b>Total assets</b>	<b>805</b>
Other provisions	28
Trade payables	142
Other payables	605
<b>Total liabilities</b>	<b>774</b>
<b>Fair value of net assets acquired</b>	<b>31</b>
<i>Non-controlling interests</i>	-
<b>Revenues generated since acquisition date</b>	-
<b>Profit / (loss) since acquisition date</b>	<b>(2,035)</b>

In 2014 the Company Highstreet PropCo I GmbH was derecognized and comprised the following assets when control was lost: investment property as of k€ 25,585 and liabilities as of k€ 25,551.

## **I.10 Leasehold contracts**

### **I.10.1 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 31 December 2014 (Group as Lessee)**

Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2015 (incl. VAT, k€)	minimum lease payments 2016 until 2020 (incl. VAT, k€)	minimum lease payments after 2020 (incl. VAT, k€)
Rental agreement relating to branch offices in Germany	CAPERA	various	2013-2014	max. 5 years	18	136	117	0
Rental agreement relating to office premises in Frankfurt am Main	CC Advisors GmbH	Pensionskasse der Mitarbeiter der Höchst Gruppe VVaG	01.08.2012	31.07.2017	25	301	476	0
Rental agreement relating to office premises in Frankfurt am Main - Residenz Argon	CC Advisors GmbH	Lepatra/Weyand	10.05.2013	undefined	2	18	90	0
Rental agreement relating to office premises in Gera	CAPERA	Poivre Durable S.e.c.s./ Leitner Walter u. Isolde	1.6.2013/ 16.10.2014	31.05.2018/ undefined	8	82	184	76
Rental agreement relating to office premises in Luxembourg	CC Fund Management S.à r.l.	Arthur Schummer	01.08.2014	undefined	4	42	210	210
Rental agreement relating to office premises in Neu-Isenburg	CAPERA	DIC HI Objekt Neu-Isenburg GmbH	1.8.2013/ 15.12.2014	31.05.2018	10	111	202	0
Rental agreement relating to office premises in Zug	CC AG	GoldenPeaks Capital Partners AG	01.10.2010	undefined	16	187	936	0
Rental agreement relating to storage/archiv in Frankfurt am Main	CC Advisors GmbH	Michael Sroka/ALS GmbH	01.01.2014	undefined	0	6	9	0
Software and IT-Leasing	CAPERA	various	2014	2015-2016	34	74	0	0
Lease agreement relating to office equipment	CC Advisors GmbH	various	2011-2014	2017-2019	1	11	24	0
Car lease contracts	various Group entities	various	2008-2014	2015-2018	42	507	889	0
Car parking contracts	CC Advisors GmbH	various	2008-2012	undefined	4	44	132	0
<b>Total</b>					<b>163</b>	<b>1,518</b>	<b>3,270</b>	<b>286</b>

**Detailed schedule of lease contracts as per December 31, 2013 (Group as Lessee)**

Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2014 (incl. VAT, k€)	minimum lease payments 2015 until 2019 (incl. VAT, k€)	minimum lease payments after 2019 (incl. VAT, k€)
Rental agreement relating to branch offices in Germany	CAPERA	various	2013-2014	max. 5 years	16	157	124	0
Rental agreement relating to office premises in Gera	CAPERA	Poivre Durable S.e.c.s.	01.06.2013	31.05.2018	5	60	204	0
Rental agreement relating to office premises in Neu-Isenburg	CAPERA	DIC HI Objekt Neu-Isenburg GmbH	01.08.2013	31.05.2018	5	64	220	0
Rental agreement relating to office premises in London, Argyll Steet	CC Advisors (UK)	Wolfe Nominees Ltd. And MDDT Nominees SA	14.09.2012	13.09.2017 (terminated 09.12.2013)	10	0	0	0
Rental agreement relating to office premises in Frankfurt am Main	CC Advisors GmbH	Pensionskasse der Mitarbeiter der Höchst Gruppe VVaG	01.08.2012	31.07.2017	25	295	761	0
Rental agreement relating to office premises in Frankfurt am Main - Residenz Argon	CC Advisors GmbH	Lepatra/Weyand	10.05.2013	undefined	2	18	90	0
Rental agreement relating to office premises in Essen	CC Advisors GmbH	Treureal GmbH	01.07.2011	31.10.2014	0	5	0	0
Rental agreement relating to office premises in Zug	CC AG	GoldenPeaks Capital Partners AG	01.10.2010	undefined	15	186	928	0
Lease agreement relating to office equipment	CC Advisors GmbH	HPJ Leasing	01.11.2011	31.07.2017	1	10	25	0
Software and IT-Leasing	CAPERA	various	2014	2015-undefined	19	99	15	0
Car lease contracts	CC Advisors GmbH/CAPERA	various	2012-2013	2015-2016	27	328	592	0
Car parking contracts	CC Advisors GmbH	various	01.01.2008-01.09.2012	undefined	4	43	153	0
<b>Total</b>					<b>129</b>	<b>1,265</b>	<b>3,113</b>	<b>0</b>

## I.10.2 Operating lease commitments — Group as lessor

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

Detailed schedule of lease contracts as per 31 December 2014 (Group as Lessor)									
Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2015 (incl. VAT, k€)	minimum lease payments 2016 until 2020 (incl. VAT, k€)	minimum lease payments after 2020 (incl. VAT, k€)	Classification
Sub-lease agreement regarding real estate in Zug	CoreCam AG	CC AG	01.07.2014	31.03.2015	4	11	0	0	operating lease
Sub-lease agreement regarding real estate in Zug	vitB AG	CC AG	01.10.2010	undefined	1	14	71	0	operating lease
Sub-lease agreement regarding real estate in Frankfurt/M	YOUNIQ AG	CC Advisors GmbH	01.06.2009	31.07.2017	8	94	149	0	operating lease
Sub-lease agreement regarding real estate in Frankfurt/M	CC Developments GmbH	CC Advisors GmbH	01.08.2014	31.07.2017	1	11	17	0	operating lease
<b>Total</b>					<b>14</b>	<b>130</b>	<b>238</b>	<b>0</b>	

Detailed schedule of lease contracts as per 31 December 2013 (Group as Lessor)									
Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2014 (incl. VAT, k€)	minimum lease payments 2015 until 2019 (incl. VAT, k€)	minimum lease payments after 2020 (incl. VAT, k€)	Classification
Sub-lease agreement regarding real estate in Zug	vitB AG	CC AG	01.10.2010	undefined	1	14	71	0	operating lease
Sub-lease agreement regarding real estate in Frankfurt/M	YOUNIQ AG	CC Advisors GmbH	01.06.2009	31.07.2017	10	122	316	0	operating lease
<b>Total</b>					<b>11</b>	<b>137</b>	<b>387</b>	<b>0</b>	

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

- As of 3 February 2015 a Joint venture with two companies under the reputable Gropo Villar Mir group was created successfully in Spain.
- At the Annual General Meeting (Generalversammlung) held on 26 May 2015 the shareholders have decided for a dividend structured as a repayment from capital reserve about k€ 10,268 (€ 59.48 per ordinary share) due as of 29 May 2015 and a Dividend about k€ 3,572 (€ 20.69 per ordinary share) due as of 31 October 2015.
- Since 29 June 2015 CC AG has the permission as certified selling agent of Swiss Financial Market Supervisory Authority (FINMA).
- With Loan Agreement as of 7 July 2015 INTERSHOP Holding AG and vitB AG granted a credit facility in an aggregate amount of up to k€ 47,500 to CAP FinCo S.à r.l. for financing the acquisition of the real estate properties of the warehousing portfolio.
- The economic ownership of the purchased real estate asset in Paderborn was transferred to the Group on 8 August 2015.

Save for the matters set out above, there have been no events since the reporting date which could have a significant effect on the net assets, financial position or results of operations of the Group.

Zug/Switzerland, 30 September 2015

Urs Felder  
Member of the administrative board

Daniel Schoch  
Chief Financial Officer

**Report of the auditor**

with consolidated financial statements as of 31 December 2013 of

**CORESTATE CAPITAL AG, Zug**



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To the Board of Directors  
**CORESTATE CAPITAL AG, Zug**

Zurich, 30 September 2015

## **Report of the auditor on the consolidated financial statements**

As auditor and in accordance with your instructions, we have audited the accompanying consolidated financial statements of CORESTATE CAPITAL AG, which comprise consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes, for the year ended 31 December 2013.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with the requirements of International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS.

Ernst & Young Ltd



Christian Krämer  
Licensed audit expert  
(Auditor in charge)



Simon Zogg  
Licensed audit expert

**Enclosure**

- Consolidated financial statements (consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes)

# Consolidated Financial Statements

CORESTATE Capital AG  
Zug / Switzerland

*for the period from 1 January 2013 to 31 December 2013*

## Consolidated Statement of Financial Position

<i>(in k€)</i>	<b>Notes 2013</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
<b><u>Non-Current Assets</u></b>			
Property, Plant and Equipment		539	145
Intangible Assets		119	-
Shares in Subsidiaries		0	0
Investment in Associates and Joint Ventures	F.1	16,082	14,924
Other Financial Instruments		27	31
Long-term Loans to Associates	F.2	759	691
Deferred Tax Assets	F.3	552	669
Long-term Loans to Related Parties	F.4	830	962
<b>Total Non-Current Assets</b>		<b>18,908</b>	<b>17,421</b>
<b><u>Current Assets</u></b>			
Receivables from Associates	F.5	4,591	1,491
Trade Receivables	F.6	3,007	3,168
Other short-term Receivables		419	244
Current Income Tax Assets		0	-
Other Short-term Assets	F.7	413	434
Cash and Cash Equivalents	F.8	20,915	1,659
<b>Total Current Assets</b>		<b>29,344</b>	<b>6,996</b>
<b>TOTAL ASSETS</b>		<b>48,252</b>	<b>24,417</b>
Share Capital	F.9	90	64
Participation Capital	F.10	27	19
Other Reserves	F.11	25,212	2,004
Net Profit/(Loss) for the Period		7,786	6,019
<i>Subtotal Capital Accounts of shareholders of parent company</i>		<i>33,115</i>	<i>8,106</i>
Non-controlling Interests	F.12	37	1
<b>Total Equity</b>		<b>33,152</b>	<b>8,107</b>
<b><u>Non-Current Liabilities</u></b>			
Long-term Financial Liabilities to Banks	F.13	-	4,408
Net Employee defined Benefit Liabilities	F.14	270	262
Other non-current Liabilities	F.15	861	515
<b>Total Non-Current Liabilities</b>		<b>1,131</b>	<b>5,186</b>
<b><u>Current Liabilities</u></b>			
Short-term Financial Liabilities to Banks	F.16	4,415	4,500
Short-term Liabilities to Associates	F.17	3,378	41
Trade Payables	F.18	1,771	737
Current Income Tax Liabilities	F.19	741	258
Other Current Liabilities	F.20	3,663	5,588
<b>Total Current Liabilities</b>		<b>13,969</b>	<b>11,124</b>
<b>SUBTOTAL LIABILITIES</b>		<b>15,099</b>	<b>16,310</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48,252</b>	<b>24,417</b>

## Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the Period from 1 January to 31 December 2013

<i>(in k€)</i>	<b>Notes 2013</b>	<b>Financial Year 2013</b>	<b>Financial Year 2012</b>
Revenue from Acquisition Related Fees	G.1	6,947	1,775
Revenue from Asset and Property Management	G.2	12,410	9,982
Revenue from Sales Fees	G.3	2,126	549
Revenue from Promote Fees realised	G.4	2,997	-
<i>Total Revenue from Real Estate Investment Management</i>		<i>24,481</i>	<i>12,306</i>
<i>Total Expenses from Real Estate Investment Management</i>	G.5	<i>(11,887)</i>	<i>(7,898)</i>
<b>Total Earnings from Real Estate Investment Management</b>		<b>12,593</b>	<b>4,408</b>
<i>Share of Profit or Loss from Associates</i>	G.6	<i>503</i>	<i>5,592</i>
<i>Expenses from Management of Associates</i>	G.7	<i>(756)</i>	<i>(436)</i>
<b>Total Earnings from Alignment Capital Management</b>		<b>(253)</b>	<b>5,156</b>
General and Administrative Expenses	G.8	(3,336)	(3,061)
Other Income	G.9	258	604
<b>Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)</b>		<b>9,263</b>	<b>7,108</b>
Depreciation and Amortisation	G.10	(149)	(60)
<b>Earnings before Interest and Taxes (EBIT)</b>		<b>9,114</b>	<b>7,047</b>
Financial Income	G.11	360	49
Financial Expenses	G.12	(864)	(935)
<b>Earnings before Taxes (EBT)</b>		<b>8,609</b>	<b>6,162</b>
Income Tax Expense	G.13	(1,012)	(136)
<b>Net Profit/(Loss) for the Period</b>		<b>7,597</b>	<b>6,026</b>
<i>of which attributable to equity holders of parent company</i>		<i>7,786</i>	<i>6,019</i>
<i>of which attributable to non-controlling interests</i>	F.12	<i>(189)</i>	<i>7</i>
<b>Total Revenues <sup>1</sup></b>		<b>24,481</b>	<b>12,306</b>
<b>Total Expenses <sup>2</sup></b>		<b>(15,978)</b>	<b>(11,394)</b>

<sup>1</sup> not including Share of Profit or Loss from Associates and Net Gain from Selling Property Holding Companies

<sup>2</sup> excluding Financial Expenses and Depreciation and Amortisation



<i>(in k€)</i>	<b>Notes 2013</b>	<b>Financial Year 2013</b>	<b>Financial Year 2012</b>
<b>Earnings per Share (in €):</b>			
Basic, Profit for the Year attributable to Ordinary Equity Holders of the Parent	I.1	53.63	46.30
Diluted, Profit for the Year attributable to Ordinary Equity Holders of the Parent	I.1	53.30	46.04
<b>Other Comprehensive Income (in k€)</b>			
<u>Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):</u>			
Net (Loss)/Gain on Available-for-sale Financial Assets		(1)	22
Net Other Comprehensive Loss to be Reclassified to Profit or Loss in Subsequent Periods	F.11	(1)	22
<u>Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):</u>			
Remeasurement Gains (Losses) on Defined Benefit Plans		18	(48)
Income Tax Effect		(3)	7
Net other Comprehensive Income/(Loss) not to be Reclassified to Profit or Loss in Subsequent Periods	F.11	15	(41)
<b>Other Comprehensive Income/(Loss) for the Period, Net of Tax</b>		<b>14</b>	<b>(18)</b>
<b>Total Comprehensive Income for the Period, Net of Tax</b>		<b>7,611</b>	<b>6,007</b>
<i>of which attributable to equity holders of parent company</i>		7,800	6,000
<i>of which attributable to non-controlling interests</i>	F.12	(189)	7

## Consolidated Statement of Changes in Equity for the Period 1 January to 31 December 2013

<i>(in k€)</i>	Notes 2013	SHARE CAPITAL	PARTICIPATION CAPITAL	Legal Reserve	Additional Capital Paid In	Retained Earnings	Other Revaluations	OTHER RESERVES	NET PROFIT/ (LOSS) FOR THE PERIOD	SUBTOTAL CAPITAL ACCOUNTS OF MAJORITY SHARE-HOLDERS	Non-controlling interests in Paid-In Capital and Capital Reserve	Non-controlling interests in Profit for the period	NON-CONTROLLING INTERESTS	TOTAL EQUITY
<b>Closing Balance of Capital Accounts as at 31 December 2011</b>		<b>64</b>	<b>19</b>	42	-	2,394	(78)	<b>2,358</b>	13	<b>2,454</b>	1	1	<b>2</b>	<b>2,455</b>
Profit for the period		-	-	-	-	-	-	-	6,019	6,019	-	7	7	6,026
Other comprehensive income		-	-	-	-	-	(18)	(18)	-	(18)	-	-	-	(18)
Total Comprehensive Income for the Period		-	-	-	-	-	(18)	(18)	6,019	6,000	-	7	7	6,007
Acquisition of Minority Interests		-	-	-	-	(362)	-	(362)	-	(362)	(7)	-	(7)	(370)
Equity-settled share-based payment		-	-	-	-	12	-	12	-	12	-	-	-	12
Reclassification/others		-	-	-	-	15	-	15	(13)	2	1	(1)	-	2
<b>Closing Balance of Capital Accounts as at 31 December 2012</b>		<b>64</b>	<b>19</b>	42	-	2,059	(96)	<b>2,004</b>	6,019	<b>8,106</b>	(6)	7	<b>1</b>	<b>8,107</b>
Profit for the period		-	-	-	-	-	-	-	7,786	7,786	-	(189)	(189)	7,597
Other comprehensive income		-	-	-	-	-	14	14	-	14	-	-	-	14
Total Comprehensive Income for the Period		-	-	-	-	-	14	14	7,786	7,800	-	(189)	(189)	7,611
Issue of new capital		26	8	18	17,562	-	-	17,579	-	17,614	-	-	-	17,614
Share issuance expense		-	-	-	(417)	-	-	(417)	-	(417)	-	-	-	(417)
Equity-settled share-based payment		-	-	-	-	12	-	12	-	12	-	-	-	12
Reclassification/others		-	-	-	-	6,019	-	6,019	(6,019)	-	232	(7)	225	225
<b>Closing Balance of Capital Accounts as at 31 December 2013</b>		<b>90</b>	<b>27</b>	60	17,145	8,090	(83)	<b>25,212</b>	7,786	<b>33,115</b>	226	(189)	<b>37</b>	<b>33,152</b>

## Consolidated Statement of Cash Flows for the Period from 1 January to 31 December 2013

<i>(in k€)</i>	<b>Notes 2013</b>	<b>Financial Year 2013</b>	<b>Financial Year 2012</b>
<b>Earnings before Taxes (EBT)</b>		<b>8,609</b>	<b>6,162</b>
<i>Adjustments:</i>			
Amortisation of intangible assets		27	-
Depreciation of property, plant and equipment		123	55
Equity-settled share-based payment		12	12
Impairment loss on investment securities		3	2
Net loss/(gain) on disposal of property, plant and equipment		10	-
Finance costs		376	630
Interest income		(53)	(74)
Provisions		(5)	21
Share of results of associates		(503)	(5,592)
Total adjustments		(10)	(4,945)
<b>Operating cash flows before changes in working capital</b>		<b>8,600</b>	<b>1,217</b>
<i>Changes in working capital</i>			
Decrease/(increase) in trade and other receivables		(2,895)	1,895
Decrease/(increase) in other assets		84	333
Increase/(decrease) in trade and other payables		889	71
Increase/(decrease) in other liabilities		(1,050)	(438)
Total changes in working capital		(2,972)	1,861
<b>Cash flows from operations</b>		<b>5,627</b>	<b>3,078</b>
Income taxes received/(paid)		(362)	(571)
<b>Net cash flows from operating activities</b>	<b>I.7</b>	<b>5,266</b>	<b>2,507</b>
Outflow for acquisition of subsidiaries	I.7	442	(25)
Outflow for Alignment Capital Investments (Associates and Loans)		(9,413)	(2,280)
Inflow from repayment of Alignment Capital Investments (Associates and Loans)		8,336	237
Inflow from profit realised of Alignment Capital Investments		220	-
Advance dividends		3,354	-
Purchase of property, plant and equipment		(392)	(136)
Additions to intangible assets		(134)	-
<b>Net cash flows generated from/ (used in) investing activities</b>	<b>I.7</b>	<b>2,413</b>	<b>(2,204)</b>
Proceeds from Issuance of New Share Capital		17,596	-
Share issuance expense		(490)	-
Dividend payments		(772)	-
Sale/(Acquisition) of non-controlling interests		-	(362)
Proceeds from loans and borrowings		-	7,450
Repayment of loans and borrowings		(4,500)	(6,201)
Interest Paid		(257)	(430)
<b>Net cash flows (used in)/ from financing activities</b>	<b>I.7</b>	<b>11,577</b>	<b>456</b>
<b>Cash and cash equivalents at 1 January</b>	<b>F.7</b>	<b>1,659</b>	<b>901</b>
Net increase in cash and cash equivalents		19,256	759
<b>Cash and cash equivalents at 31 December</b>	<b>F.9</b>	<b>20,915</b>	<b>1,659</b>

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## **A. CORPORATE INFORMATION**

CORESTATE Capital AG (hereafter CC AG or the Company) is a limited company (Aktiengesellschaft) incorporated under the laws of Switzerland, with registered office at Baarerstrasse 135, CH-6300 Zug (Switzerland), registered with the trade register of Kanton Zug under number CH-113.002.233. The ultimate beneficial owner of the Company is Ralph Winter.

CC AG was established on 29 June 2006. The reporting period is equal to the calendar year.

CORESTATE Capital is a fully integrated real estate investment manager addressing all elements of the real estate investment lifecycle with a strong relationship to ca. 250 investors; as part of its investment philosophy, CC AG typically co-invests by way of alignment capital in its product offerings; the firm operates principal offices in Switzerland, Germany and Singapore as well as a nationwide network of branch offices of its CAPERA platform; as at 31 December 2013, the group employs a total of c. 169 FTEs (previous year 38 FTEs) in its target markets Germany, Spain, and Austria, and is predominantly sourcing and executing off-market transactions; the core management team has combined 8 decades of experience covering all disciplines of the real estate investment lifecycle. Its product offering primarily covers residential, commercial and student housing assets (bot existing and developments), and addresses all risk/returns types, i.e. from core/core plus to value-add/opportunistic return profiles.

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

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

The Consolidated Financial Statements of CORESTATE Capital AG and its subsidiaries (the Group) for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Administrative board on 28 August 2015.

## **B. SIGNIFICANT ACCOUNTING POLICIES**

### **B.1 Basis of preparation**

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Consolidated Financial Statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value, financial liabilities at fair value through profit or loss and derivatives.

In addition to Income Statement (or profit or loss), other comprehensive income (OCI) is the second component of the Statement of Comprehensive Income.

The Consolidated Financial Statements are presented in Euros, which is the presentation currency of the Group and the functional currency of the parent company.

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.

### **B.2 Basis of consolidation**

The Consolidated Financial Statements comprise the financial statements of CC AG and its subsidiaries as at 31 December 2013. 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 result 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 poli-

cies. 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**

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 financial 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.

#### **B.3.2 Investment in Associates**

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

Under the equity method, the investment in an Associate 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 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 Income Statement reflects the Group's share of the results of operations of the Associate. 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, 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 are eliminated to the extent of the interest in the Associate.

The aggregate of the Group's share of profit or loss of an Associate is shown in Share of Profit or Loss from Associates on the face of the Income Statement.

The financial statements of the Associate 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 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. At each reporting date, the Group determines whether there is objective evidence that the investment in the Associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value, and then recognises the loss as Share of profit of an Associate in the Income Statement.

Upon loss of significant influence over the Associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Associate 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 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 financial instruments such as derivatives, and non-financial assets such as investment properties, 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 C.2.1, E
Quantitative disclosures of fair value measurement hierarchy	Notes E
Investment in unquoted equity shares	Note E
Investment properties	Note B.3.11
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 recognised in the financial statements on a recurring basis, 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 of the chief investment officer, chief operating officer and chief finance officers.

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 properties**

A property is regarded as sold when the significant risks and returns have been transferred to the buyer. For conditional exchanges (i.e. when the transfer of title is dependent on the payment of the sales price), 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 usually occurs when all rights, entitlements and obligations shall be assumed by the purchaser.

#### **B.3.5.2 Fees**

Fees from the operating business of the Group, such as Acquisition Related Fees, Sales Fees, Asset and Property Management Fees and Promote Fees, are recognised with reference to the relevant individual contractual 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 include a one-time-onboarding fee and typical acquisition and structuring fees amounting between 1.0% and 1.5% of the purchase price of the underlying assets of the portfolio. 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 portfolio 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 based in a range of 0.5% and 0.8% 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.

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.

Promote Fees are generally agreed in the underlying documentation of the Project with the investors. This Fee is a compensation for CC AG depending of the net projected returns (cash profit for the investors) of the underlying investment. Typically this fee is between 15% and 20% of the net projected returns of the Project. Economically this fee is a performance-related component of the Asset Management Fee. 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 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 and becomes payable after all investors commitments have been fully repaid.

#### **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.

#### **B.3.5.4 Share of Profit or Loss from Associates**

Share Profit or Loss from Associates reflects the Group's share of the results of operations of the Associate using the equity method as well as gains and losses from the disposal of shares in Associates. Share Profit or Loss from Associates is presented as a separate line item in the Income Statement.

#### **B.3.5.5 Finance Income and Finance 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 or Finance Income in the Income Statement.

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

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 re-assessed 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.

### **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. 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 Cash dividend 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 in Switzerland, a distribution is authorised when it is approved by the Annual General Meeting. A corresponding amount is recognised directly in equity.

### **B.3.9 Property, plant and equipment**

Property, plant and equipment is recognised 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:

- Cars 3 to 5 years
- IT-equipment 2 to 3 years
- Office equipment 3 to 10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal pro-

ceeds and the carrying amount of the asset) is presented net in the Income Statement when the asset is derecognised.

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.

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. The Group acts only as a lessor in regard to its office sub-lease agreements.

### **B.3.11 Investment properties**

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 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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

- Software 3 to 5 years

The amortisation period and the amortisation method for an intangible asset is reviewed at least at the end of each reporting period. The amortisation expense on intangible assets is recognised in the Income Statement as Depreciation and Amortisation.

### **B.3.13 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.3.13.1 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

This category is the most relevant to the Group. 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. The losses arising from impairment are recognised in the Income Statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

##### 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 finance costs.

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 primarily 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 is 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.

### 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 finance 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 finance costs 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.



### **B.3.13.2 Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, and payables.

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 (only relevant to Associates).

#### **Subsequent measurement**

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

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities designated upon initial recognition as at fair value through 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. With the exemption of the liabilities to shareholders in connection with the cash-settled share-based payment plan, the Group has not designated any financial liability as at fair value through profit or loss.

##### Loans and payables

After initial recognition, interest-bearing payables, loans and other liabilities are subsequently measured at amortised cost.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or 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.

### **B.3.13.3 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.3.14 Derivative financial instruments**

Derivative financial instruments, such as interest rate swaps and caps to hedge interest rate risks, are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured 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.

Any gains or losses arising from changes in the fair value of derivatives are recognised in profit or loss.

The Group or its investments do not apply for hedge accounting.

### **B.3.15 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.

### **B.3.16 Provisions**

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 Income Statement 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 finance cost.

### **B.3.17 Employee benefits**

Total personnel expenses amounted to k€ 7,782 in the 2013 financial year (previous year k€ 4,428). This includes employer pension scheme contributions for defined contribution plans in Germany of k€ 222 (previous year k€ 0).

#### **B.3.17.1 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.3.17.2 Pensions and other post-employment benefits**

Against the background of statutory requirements in Switzerland, in its Swiss entity, the Group has to operate a defined benefit pension plan, which requires contributions to be made to a fund administered by an independent insurance company.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

### **B.3.18 Share-based payments**

The Group has cash-settled, share-based compensation plans, under which it receives services from qualifying employees in exchange of a liability to transfer cash for amounts that are based on the price of equity instruments of another group entity.

For cash-settled share-based payment transactions, services received and the liability incurred are measured at the fair value of the liability. Until and at settlement, the fair value of the liability is re-measured at the end of each reporting period with any changes in fair value recognized in profit or loss for the period.

The Group has equity-settled, share-based compensation plans, under which it receives services from qualifying employees in exchange for equity instruments. The employee services received in exchange for the grant of the equity-settled payments are measured at the fair value of the equity instruments granted and are recognized as expenses, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards.

## **B.4 New Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt applicable standards when they become effective.

### 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. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

### 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. 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 is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

## 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 C.2.2, 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 administrative board 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 (CC AG entered into an Asset Management agreement with all parties involved. A significant part of these Asset Management services is to provide the investee with CC AG'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 Success fee**

In some Projects, CC AG is entitled to receive a success fee (Promote Fee) equalling to 15% - 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 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 Groups services rendered in connection with the Asset Management Agreements.

### **C.2.2 Valuation of Investment properties of Associates**

The fair value of investment property as the main assets of the Associates is determined by using recognised valuation techniques. Such fair value measurement has a direct impact on the Group's Investment in Associates, Long-term Loans to Associates and Receivables from Associates

The valuation techniques comprise both the Discounted Cash Flow (DCF) method and the residual value method, respectively.

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 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) as well as from 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 and Loans to Associates would have been affected if the relevant property value of the Associates increased / decreased by 5% and 10% (as a result of changes in the main key input parameters stated above):

<b>Sensitivity analysis to determine the change in Investment in Associate</b>					
(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2013	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
VITU	4,414	4,106	<b>3,799</b>	3,491	3,184
BERRY <sup>2)</sup>	3,655	3,655	<b>3,655</b>	3,655	3,655
ENERGY <sup>2)</sup>	3,190	3,190	<b>3,190</b>	3,190	3,190
TURBO FRA <sup>1)</sup>	2,242	2,242	<b>2,242</b>	2,242	2,242
SQUIRREL	2,282	2,098	<b>1,913</b>	1,728	1,544
T6	1,299	925	<b>550</b>	175	(199)
TURBO VIE <sup>3)</sup>	373	373	<b>373</b>	373	373
PHOENIX <sup>2)</sup>	361	361	<b>361</b>	361	361
SAILING	131	0	<b>0</b>	0	0
<b>Total</b>	<u>17,946</u>	<u>16,949</u>	<b><u>16,082</u></b>	<u>15,215</u>	<u>14,349</u>

<sup>1)</sup> No investment properties as per 31 December 2013

<sup>2)</sup> Investment properties are measured at notarised sales prices closed until the reporting date

<sup>3)</sup> Undeveloped investment properties are measured at cost

<b>Sensitivity analysis to determine the change in Long-term Loans to Associates</b>					
(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2013	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
SAILING	963	926	<b>759</b>	591	424
<b>Total</b>	<u>963</u>	<u>926</u>	<b><u>759</u></b>	<u>591</u>	<u>424</u>

**Sensitivity analysis to determine the change in Investment in Associate**

(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2012	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
BERRY <sup>2)</sup>	9,737	9,737	<b>9,737</b>	9,737	9,737
ENERGY	4,139	3,888	<b>3,637</b>	3,385	3,134
PHOENIX	1,035	1,035	<b>974</b>	796	618
TURBO VIE <sup>3)</sup>	476	476	<b>476</b>	476	476
SQUIRREL <sup>1)</sup>	50	50	<b>50</b>	50	50
T6 <sup>1)</sup>	50	50	<b>50</b>	50	50
SAILING	242	75	<b>0</b>	0	0
<b>Total</b>	<u>15,729</u>	<u>15,310</u>	<b><u>14,924</u></b>	<u>14,494</u>	<u>14,065</u>

<sup>1)</sup> No investment properties as per 31 December 2012

<sup>2)</sup> Investment properties are measured at notarised sales prices closed until the reporting date

<sup>3)</sup> Undeveloped investment properties are measured at cost

**Sensitivity analysis to determine the change in Long-term Loans to Associates**

(k€)	Property value (+10%)	Property value (+5%)	Carrying value 31 Dec 2012	Property value (-5%)	Property value (-10%)
<b>Project:</b>					
SAILING	784	784	<b>691</b>	524	356
<b>Total</b>	<u>784</u>	<u>784</u>	<b><u>691</u></b>	<u>524</u>	<u>356</u>

## **D. SEGMENT INFORMATION**

Based on its business model and related revenues and income streams, the company has determined the following reporting segments:

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

Such 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.

Today, the Group generates the majority of its revenues and income from German-based investment products.

### **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 include

- the origination, structuring and execution of investment products tailored to the needs of its investors 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, as well as success fees (Promotes). Such fees are typically based on the volume of the underlying assets under management and the management performance.

### **D.2 Alignment Capital Management**

A key element to the business model of the Group is the alignment of interests with that of its investors, which is implemented by co-investments of CC AG and/or its subsidiaries alongside its investors in the various investment products. 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 acquir-



ing such assets for its own account and balance sheet for a period of not more than 18 months, the Group is able to secure asset supply while still setting up and structuring the investment product for the investors. 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 year ended 31 December 2013							
(k€)	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/ Warehousing	Total Segments	Overhead (not allocated)	Adjustments and eliminations	Consolidated Financial Statements
<b>Revenues:</b>							
Revenues	24,481	-	-	24,481	-	-	24,481
Inter-segment revenues	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>24,481</b>	<b>-</b>	<b>-</b>	<b>24,481</b>	<b>-</b>	<b>-</b>	<b>24,481</b>
<b>Income/expenses</b>							
Expenses from Real Estate Investment Management	(11,887)	-	-	(11,887)	-	-	(11,887)
Share of Profit or Loss from Associates	-	503	-	503	-	-	503
Expenses from Management of Associates	-	(756)	-	(756)	-	-	(756)
General and Administrative Expenses	-	-	-	-	(3,336)	-	(3,336)
Depreciation & Amortisation	-	-	-	-	(149)	-	(149)
Financial Income	-	-	-	-	360	-	360
Financial Expenses	-	-	-	-	(864)	-	(864)
Other income/expenses and taxes	-	-	-	-	(754)	-	(754)
<b>Segment Profit</b>	<b>12,593</b>	<b>(253)</b>	<b>-</b>	<b>12,341</b>	<b>(4,744)</b>	<b>-</b>	<b>7,597</b>
<b>Total Assets</b>	<b>7,567</b>	<b>20,686</b>	<b>-</b>	<b>28,253</b>	<b>19,999</b>	<b>-</b>	<b>48,252</b>
<b>Total Liabilities</b>	<b>7,790</b>	<b>1,215</b>	<b>-</b>	<b>9,005</b>	<b>6,094</b>	<b>-</b>	<b>15,099</b>
<b>Other disclosures</b>							
Investment in associates	-	16,082	-	16,082	-	-	16,082
Segment investments	526	8,636	-	9,162	-	-	9,162

Segment Information for the year ended 31 December 2012							
(k€)	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/ Warehousing	Total Segments	Overhead (not allocated)	Adjustments and eliminations	Consolidated Financial Statements
<b>Revenues:</b>							
Revenues	12,306	-	-	12,306	-	-	12,306
Inter-segment revenues	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>12,306</b>	<b>-</b>	<b>-</b>	<b>12,306</b>	<b>-</b>	<b>-</b>	<b>12,306</b>
<b>Income/expenses</b>							
Management Expenses	(7,898)	-	-	(7,898)	-	-	(7,898)
Share of Profit or Loss from Associates	-	5,592	-	5,592	-	-	5,592
Expenses from Management of Associates	-	(436)	-	(436)	-	-	(436)
General and Administrative Expenses	-	-	-	-	(3,061)	-	(3,061)
Depreciation & Amortisation	-	-	-	-	(60)	-	(60)
Financial Income	-	-	-	-	49	-	49
Financial Expenses	-	-	-	-	(935)	-	(935)
Other income/expenses and taxes	-	-	-	-	468	-	468
<b>Segment Profit</b>	<b>4,408</b>	<b>5,156</b>	<b>-</b>	<b>9,564</b>	<b>(3,538)</b>	<b>-</b>	<b>6,026</b>
<b>Total Assets</b>	<b>3,770</b>	<b>18,217</b>	<b>-</b>	<b>21,987</b>	<b>2,430</b>	<b>-</b>	<b>24,417</b>
<b>Total Liabilities</b>	<b>4,807</b>	<b>1,397</b>	<b>-</b>	<b>6,204</b>	<b>10,106</b>	<b>-</b>	<b>16,310</b>
<b>Other disclosures</b>							
Investment in associates	-	14,924	-	14,924	-	-	14,924
Segment investments	136	2,240	-	2,377	-	-	2,377

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

The Group operates currently with a focus on Germany and Austria. The Group has segmented its capital allocation by geographical area based on the location of the properties under its Real Estate Investment Management business. The following table sets forth the Group's capital allocation (com-

prising of Investment in Associates, Long-term Loans to Associates and Receivables from Associates) and revenues by geography for the periods indicated

<b>Geographical Segment Information (Secondary Segments)</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
<b>Capital Allocation</b>	<b>21,432</b>	<b>17,105</b>
Germany	20,351	16,629
Austria	1,081	476
<b>Revenues</b>	<b>24,481</b>	<b>12,306</b>
Germany	24,322	12,041
Austria	158	265

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, financing (including Financial Income and Expenses) and Income Taxes (including Deferred and Current Taxes) are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are generally on an arm's length basis in a manner similar to transactions with third parties.

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.

<b>Information about Projects and customers with more than 10% of the Group's revenues</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Project VITU	7,606	-
Project SQUIRREL	2,552	-
Project CGC	-	1,632
Project Energy	-	1,876
CORESTATE German Residential Limited	4,596	6,180
Project BERRY	2,035	1,980

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Inter-segment revenues are eliminated on consolidation. In the Group, sales and transactions between reportable segments are only of minor importance. Intra-segment transactions include:

- Interest-bearing loans (k€ 41; previous year: k€ 30)
- Liability remuneration to general partners (k€ 5; previous year: k€ 0)
- Cost-plus agreements with CORESTATE Capital Advisors (UK) Ltd. and CORESTATE Capital Advisors GmbH (k€ 2,432; previous year: k€ 1,480)
- Other services (k€ 233; previous year: k€ 0)

## **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 administrative board.

## F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### F.1 Investment in Associates

<b>Investment in Associates - Overview</b>					
Name of associate	Country of incorporation	Place of business	Project	Economic participation quote	
				2013	2012
Corestate Turbo FRA HoldCo S.à r.l.	Luxembourg	Germany	TURBO FRA	48.000%	n.a.
Corestate Berry HoldCo S.à r.l. i.L.	Luxembourg	Germany	BERRY	10.804%	10.804%
Corestate Energy HoldCo S.à r.l. i.L.	Luxembourg	Germany	ENERGY	10.695%	10.695%
Corestate Turbo HoldCo S.à r.l.	Luxembourg	Austria	TURBO VIE	10.000%	10.000%
T6 HoldCo S.à r.l.	Luxembourg	Germany	T6	6.364%	n.a.
Squirrel AcquiCo I S.à r.l.	Luxembourg	Germany	SQUIRREL	5.735%	n.a.
Sailing HoldCo I S.à r.l.	Luxembourg	Germany	SAILING	5.210%	5.210%
VITU TopCo Limited	Guernsey	Germany	VITU	5.096%	n.a.
Phoenix HoldCo I S.à r.l.	Luxembourg	Germany	PHOENIX	4.800%	4.800%

<b>Investment in Associates - Movement in carrying value</b>						
<i>Financial Year 2013 (k€)</i>						
Project	1 Jan 2013	Additions	Share of profit/ (loss) for the year	Dividends and capital repayments received in cash	Disposals and transfers	31 Dec 2013
VITU	0	3,000	799	-	-	3,799
BERRY	9,737	-	(76)	(6,006)	-	3,655
ENERGY	3,637	-	(440)	(6)	-	3,190
TURBO FRA	0	2,304	(33)	-	(29)	2,242
SQUIRREL	50	1,301	1,018	(456)	-	1,913
T6	50	2,029	(531)	-	(998)	550
TURBO VIE	476	-	(103)	-	-	373
PHOENIX	974	-	(129)	(485)	-	361
SAILING	0	2	(2)	-	-	0
<b>Total</b>	<b>14,924</b>	<b>8,636</b>	<b>503</b>	<b>(6,953)</b>	<b>(1,028)</b>	<b>16,082</b>

**Investment in Associates - Movement in carrying value**
**Financial Year 2012 (k€)**

Project	1 Jan 2012	Additions	Share of profit/(loss) for the year	Dividends and capital repayments received in cash	Disposals and transfers	31 Dec 2012
BERRY	7,005	8	3,444	(237)	(483)	9,737
ENERGY	0	1,631	2,005	-	-	3,637
PHOENIX	579	-	395	-	-	974
TURBO VIE	0	500	(24)	-	-	476
SQUIRREL	0	50	-	-	-	50
T6	0	50	-	-	-	50
SAILING	228	1	(229)	-	-	0
<b>Total</b>	<b>7,811</b>	<b>2,240</b>	<b>5,592</b>	<b>(237)</b>	<b>(483)</b>	<b>14,924</b>

The following table sets out key financial information for each of the projects the Group is invested in.

**Key Financial Information of the Group's investment in Associates in 2013 (by Projects)**

(k€)	PHOENIX	BERRY	ENERGY	TURBO VIE	SQUIRREL	T6
Investment Property	9,100	863	55,775	11,183	75,670	117,813
Other non-current assets	18	18	119	-	777	-
Cash (restricted and free cash)	9,290	3,168	3,753	49	9,002	5,727
Other current assets	1,802	34,295	2,370	108	4,293	1,391
Non-current financial liabilities	-	-	(21,228)	-	(37,543)	(105,176)
Other non-current liabilities	-	(36)	(3,523)	(6,843)	(40,714)	(212)
Current financial liabilities	(1)	-	(1,288)	-	(566)	(8,892)
Other current liabilities	(17,802)	(5,783)	(7,185)	(770)	(8,136)	(2,755)
<b>Equity</b>	<b>2,407</b>	<b>32,525</b>	<b>28,794</b>	<b>3,727</b>	<b>2,783</b>	<b>7,897</b>
Revenues	3,067	4,862	8,569	7	8,896	10,497
Net Operating Income from rental operations	1,274	3,608	1,072	7	3,066	9,448
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	(1,166)	(1,562)	(3,613)	-	(31,620)	(3,417)
Profit/(loss) from changes in valuation of Investment Property	(391)	125	(2,932)	-	2,216	(8,279)
Interest income	123	781	16	1	3	0
Interest expenses	(393)	(1,310)	(738)	(496)	(856)	(3,309)
Income tax expense or income	(548)	(94)	(4)	(5)	(200)	(4)
Profit / (loss) from continuing operations	2,980	498	(8,393)	(1,034)	(29,885)	(8,705)
Other comprehensive income	-	-	73	-	-	-
Total comprehensive income	2,980	498	(8,320)	(1,034)	(29,885)	(8,705)
Dividends received	452	135	-	-	-	-

**Key Financial Information of the Group's investment in Associates in 2013 (by Projects)**

(k€)	VITU	TURBO FRA	SAILING
Investment Property	150,992	-	82,864
Other non-current assets	1,157	-	5
Cash (restricted and free cash)	14,980	5,525	1,770
Other current assets	12,470	-	4,366
Non-current financial liabilities	(92,991)	-	(61,352)
Other non-current liabilities	-	-	(25,357)
Current financial liabilities	(484)	-	(476)
Other current liabilities	(11,976)	(80)	(5,590)
<b>Equity</b>	<b>74,148</b>	<b>5,444</b>	<b>(3,771)</b>
Revenues	19,871	-	9,822
Net Operating Income from rental operations	7,280	-	1,028
Profit/(loss) from the Acquisition or Sale of Real Estate Assets	18,391	(74)	-
Profit/(loss) from changes in valuation of Investment Property	(4,008)	-	4
Interest income	2	-	0
Interest expenses	(2,304)	-	(2,785)
Income tax expense or income	(2)	-	(246)
Profit / (loss) from continuing operations	17,596	(81)	(2,120)
Other comprehensive income	-	-	-
Total comprehensive income	17,596	(81)	(2,120)
Dividends received	-	-	-

**Key Financial Information of the Group's investment in Associates in 2012 (by Projects)**

(k€)	PHOENIX	BERRY	ENERGY	TURBO VIE	SAILING	T6	SQUIRREL
Investment Property	88,457	172,250	58,707	9,477	82,860	-	-
Other non-current assets	18	2,555	113	-	5	-	-
Cash (restricted and free cash)	9,006	25,747	6,911	1,494	3,047	50	50
Other current assets	49,984	5,770	2,303	67	3,771	-	-
Non-current financial liabilities	-	-	(22,339)	-	(61,522)	-	-
Other non-current liabilities	(50,718)	(11,641)	(3,965)	(6,100)	(23,485)	-	-
Current financial liabilities	(88,318)	(101,767)	(1,086)	-	(1,062)	-	-
Other current liabilities	(8,314)	(10,534)	(3,529)	(177)	(5,266)	-	-
<b>Equity</b>	<b>114</b>	<b>82,381</b>	<b>37,114</b>	<b>4,761</b>	<b>(1,652)</b>	<b>50</b>	<b>50</b>
Revenues	14,068	21,185	1,765	6	8,792	-	-
Net Operating Income from rental operations	9,166	9,766	371	6	119	-	-
Profit/(loss) from Sales of Real Estate Assets	(3,290)	216	-	(1)	(9)	-	-
Profit/(loss) from changes in valuation of investment properties	(3,723)	31,988	-	-	41	-	-
Interest income	66	7	24	1	2	-	-
Interest expenses	(2,731)	(5,080)	(164)	(88)	(2,668)	-	-
Income tax expense or income	854	(3,235)	(2)	(2)	(257)	-	-
Profit / (loss) from continuing operations	(5,334)	29,058	22,388	(239)	(6,123)	-	-
Other comprehensive income	-	-	(92)	-	-	-	-
Total comprehensive income	(5,334)	29,058	22,295	(239)	(6,123)	-	-

## F.2 Long-term Loans to Associates

Long-term Loans to Associates		
(k€)	31 Dec 2013	31 Dec 2012
<b>Loans granted to Project SAILING</b>	<b>759</b>	<b>691</b>
Loan	809	690
Accrued interests	153	94
Individual allowance	(204)	(92)
<b>Total</b>	<b>759</b>	<b>691</b>

The loan granted to Sailing HoldCo I S.à r.l (Project SAILING) is used to finance the acquisition of subsidiaries and related operating activities. The loan is unsecured and repayable in full in March 2018. Fix interest is charged at 8.0% p.a .

## F.3 Deferred Tax Assets

Deferred Tax Assets		
(k€)	31 Dec 2013	31 Dec 2012
<b>Deferred Tax Assets</b>	<b>606</b>	<b>669</b>
from temporary differences on liabilities	479	614
from temporary differences on receivables	80	8
from temporary differences on pensions	48	40
from at-equity valuation of Associates	-	8
<b>less Deferred Tax Liabilities</b>	<b>(54)</b>	<b>-</b>
from temporary differences on liabilities	(49)	-
from at-equity valuation of Associates	(5)	-
<b>Total</b>	<b>552</b>	<b>669</b>

Deferred tax assets and liabilities are calculated on a company by company basis. As in previous year, deferred taxes result mainly from CC AG. Consequently; the tax rates of CC AG (14.88%, previous year 15.11%) were used to determine deferred taxes.

Deferred tax assets from temporary differences on pension in the amount of totally k€ 19 (previous year k€ 22) were recognised through OCI and will be reclassified to profit or loss in subsequent periods.

#### F.4 Long-term loans to related parties

Long-term Loans to Related Parties		
(k€)	31 Dec 2013	31 Dec 2012
Shareholder loan to Ralph Winter	830	818
Shareholder loan to Thomas Landschreiber	-	144
<b>Total</b>	<b>830</b>	<b>962</b>

The loan of nominal k€ 765 granted to the shareholder Ralph Winter is secured by pledging of 4,164 shares (including dividend rights) in CC AG and repayable in full on 30 September 2015. Fix interest is charged at 1.50% per annum (previous year 2.25% per annum).

The secured loan of nominal k€ 135 granted to the shareholder Thomas Landschreiber was prematurely redeemed in July 2013 (including accrued interests). Fix interest was charged at 1.50% per annum (previous year 2.25% per annum).

#### F.5 Receivables from Associates

Receivables from Associates		
(k€)	31 Dec 2013	31 Dec 2012
Receivables from Project ENERGY	2,997	-
Loan granted to Project TURBO VIE	708	-
Receivables from Project SQUIRREL	501	-
Receivables from Project T6	166	-
Receivables from Project PHOENIX	153	-
Receivables from Project VITU	65	-
Commitment to Corestate German Commercial Properties Fund LP	-	1,491
<b>Total</b>	<b>4,591</b>	<b>1,491</b>

The Receivables from Project ENERGY results from the Promote fee (k€ 2,997) which was paid in March 2014.

The bridge loan granted to Turbo Ö2 Liegenschaftsbesitzverwaltungs GmbH (Project TURBO VIE) is used to finance the acquisition of subsidiaries and the operating activities. The unsecured loan is repayable in full in 2014. Fix interest rate was charged at 7.0% per annum.

#### F.6 Trade Receivables

Trade receivables (k€ 3,007; previous year: k€ 3,168) are non-interest bearing and are generally on terms of 30 to 90 days and relate to various fee income streams generated by the Group's Real Estate Investment Management Business.



## F.7 Other Short-term Assets

Other Short-term Assets		
(k€)	31 Dec 2013	31 Dec 2012
Prepaid Expenses	133	235
Rental Deposits	95	155
Short-term receivables from other taxes (VAT)	95	33
others	89	12
<b>Total</b>	<b>413</b>	<b>434</b>

## F.8 Cash and Cash Equivalents

Cash and cash equivalents (k€ 20,915; previous year: k€ 1,659) comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

## F.9 Share Capital

The Annual General Meeting held on 23 August 2013 passed a resolution for an ordinary capital increase without subscription rights through the issue of 32,795 registered shares with a nominal value of CHF 1 each. The new shares were acquired by INTERSHOP Holding AG, a corporation listed in Switzerland, and entitle INTERSHOP Holding AG to participate in profits for financial years commencing in 2013.

The share capital of the Company amounts to CHF 132,795 (previous year CHF 100,000) and is divided into 132,795 (previous year 100,000) registered shares with a nominal value of CHF 1 each and is translated into Euro at historical exchange rates. The share capital is fully paid up. Each share entitles the bearer to one vote in the Annual General Meeting (Generalversammlung).

## F.10 Participation Certificates

The Annual General Meeting held on 23 August 2013 passed a resolution for an ordinary increase in certificates without subscription rights through the issue of 9,839 participation certificates with a nominal value of CHF 1 each. The new certificates entitle the shareholders to participate in profits for financial years commencing in 2013. The new certificates were acquired by INTERSHOP Holding AG, a corporation listed in Switzerland, and entitle INTERSHOP Holding AG to participate in profits for financial years commencing in 2013.

The participation certificates of the Company amounts to CHF 39,839 (previous year CHF 30,000) and is divided into 39,839 (previous year 30,000) registered participation certificates with a nominal value of CHF 1 each and is translated into Euro at historical exchange rates. The participation capital is fully paid up.

Participation certificates do grant the same right to net profits and liquidation results as ordinary shares but do not bear any voting or associated rights.

## F.11 Other Reserves

Movements in group capital accounts and reserves during the reporting period are reflected in the Consolidated Statement of Changes in Equity. The legal reserve (k€ 60; previous year: k€ 42) is restricted based on the Swiss Code of Obligation.

In the context of the acquisition of new issued shares and certificate INTERSHOP Holding AG paid an additional capital contribution in the amount of k€ 17,562 which is allocated to the Other Reserves. Transaction costs of this equity transaction in the amount of k€ 417 (net of tax effects of k€ 73) are directly deducted from Other Reserves.

The Other revaluations (k€ -83; previous year k€ -96) are part of the line item Other Reserves. Other revaluations concerns Net (Loss)/Gain on Available-for-sale Financial Assets (k€ 25; previous year k€ 26) and Remeasurement Gains (Losses) on Defined Benefit Plans (k€ -107; previous year k€ -122) which are recognised directly in OCI (including corresponding effects from deferred taxes if taxable). An amount of k€ 25 (previous year k€ 26) will be retroactively reclassified in the Fund's profit and loss account under certain circumstances.

## F.12 Non-controlling Interests

The net profit/loss of non-controlling interests for the year 2013 relates to CAPERA (k€ -189; previous year k€ 0) with non-controlling interests of 30.00%. In previous year the net profit/loss of non-controlling interests related to CORESTATE Capital Advisors (UK) LLP (k€ 7) with non-controlling interests of 0.2%.

## F.13 Long-term Financial Liabilities to Banks

Long-term Financial Liabilities to Banks						
(k€)	Nominal amount	Maturity	Interest rate	Face value as of 31 Dec 2013	Face value as of 31 Dec 2012	
UBS Lombard Fixed-Term loan	10.000	30.09.2014	Euribor plus margin	-	4.408	
<b>Total</b>				<b>-</b>	<b>4.408</b>	

Financial liabilities to banks with a remaining term of more than one year are presented as long-term financial liabilities to banks. In 2013, all liabilities with a maturity in 2014 were reclassified as short-term financial liabilities to banks (see Note F.15).

There were neither delays nor defaults in the loan repayment and interest payments in the financial year 2013.

## F.14 Net Employee defined Benefit Liabilities

The Group has a defined benefit pension plan in Switzerland (funded). CC AG is affiliated to the Swiss Life Collective BVG Foundation (contract no. 816576) based in Zurich for the provision of occupational benefits. All benefits in accordance with the regulations are reinsured in their entirety with Swiss Life Ltd within the framework of the corresponding contract.

This pension plan fully reinsures the risks of disability, death and longevity with Swiss Life. Swiss Life invests the vested pension capital and provides a 100% capital and interest guarantee. The guaranteed interest was 1.75% for mandatory retirement savings and 1.25% for supplementary retirement savings. The pension plan is entitled to an annual bonus from Swiss Life comprising the effective savings, risk and cost results.

The technical administration and management of the savings account are guaranteed by Swiss Life on behalf of the collective foundation. Insurance benefits due are paid directly to the entitled persons by Swiss Life in the name of and for the account of the collective foundation. CC AG has committed itself to pay the annual contributions and costs due under the pension fund regulations.

The contract of affiliation between CC AG and the collective foundation can be terminated by either side. In the event of a termination recipients of retirement and survivors' benefits would remain with the collective foundation. CC AG hereby commits itself to transfer its active insured members and recipients of disability benefits to the new employee benefits institution, thus releasing the collective foundation from all obligations.

So-called fully insured BVG plans under IAS 19 shall be considered as defined benefit plans. The reasons are as follows:

- In the event of contract cancellation there is no guarantee that the employee benefits can be continued under the same conditions,
- The risk and cost premiums are charged at different levels.

The valuation of employee benefits obligations in accordance with international accounting standards is carried out regardless of the legal configuration of the pension plans and employee benefits institutions. The standards influence solely the financial result of the Company and not that of the employee benefits institution. These results are not relevant for an actuarial assessment in accordance with Article 52e, BVG.

No plan amendments, curtailment or settlement happened from 1 January 2011 till 31 December 2014.

CC AG outsources the asset liability management strategy and asset allocation to Swiss Life Ltd. The risks of disability, death and longevity are reinsured in their entirety with Swiss Life Ltd.

2013 changes in the defined benefit obligation and fair value of plan assets:

<b>Net Employee defined Benefit Liabilities</b>			
<i>(k€)</i>	<b>DBO</b>	<b>Plan assets</b>	<b>Difference</b>
<b>As of 1 January 2013</b>	<b>693</b>	<b>431</b>	<b>262</b>
Current service cost (employer)	113	-	113
Administration costs	7	-	7
Ordinary contributions paid by employees	53	53	-
Interest expense on defined benefit obligation	13	-	13
Contributions paid by plan participants	131	131	-
Benefits paid from plan assets	(247)	(247)	-
Interest income on plan assets	-	8	(8)
Ordinary contributions paid by employer	-	100	(100)
Return on plan assets excl. interest income	-	(2)	2
Actuarial (gain) / loss on defined benefit obligation	(18)	-	(18)
Exchange (gain) / loss	(8)	(6)	(2)
<b>As of 31 December 2013</b>	<b>738</b>	<b>469</b>	<b>270</b>
<i>Actuarial (gain)/loss arising from changes in financial assumptions</i>	<i>(38)</i>		

2012 changes in the defined benefit obligation and fair value of plan assets:

<b>Net Employee defined Benefit Liabilities</b>			
<i>(k€)</i>	<b>DBO</b>	<b>Plan assets</b>	<b>Difference</b>
<b>As of 1 January 2012</b>	<b>547</b>	<b>362</b>	<b>185</b>
Current service cost (employer)	108	-	108
Administration costs	8	-	8
Ordinary contributions paid by employees	49	49	-
Interest expense on defined benefit obligation	14	-	14
Contributions paid by plan participants	8	8	-
Benefits paid from plan assets	(91)	(91)	-
Interest income on plan assets	-	9	(9)
Ordinary contributions paid by employer	-	91	(91)
Return on plan assets excl. interest income	-	1	(1)
Actuarial (gain) / loss on defined benefit obligation	48	-	48
Exchange (gain) / loss	3	2	1
<b>As of 31 December 2012</b>	<b>693</b>	<b>431</b>	<b>262</b>
<i>Actuarial (gain)/loss arising from changes in financial assumptions</i>	<i>54</i>		

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

<b>Actuarial assumptions</b>		
	<b>2013</b>	<b>2012</b>
Discount rate, end of period	2,25%	1,85%
Salary increase, end of period	1,00%	1,00%
Increase in pension, end of period	0,00%	0,00%
Retirement age	M65/W64	M65/W64
Demographic assumptions	BVG 2010 GT	BVG 2010 GT

The major categories of plan assets of the fair value of the total plan assets are as follows:

<b>Disaggregated Fair Value of plan assets</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Insurance contracts (not quoted market price)	455	417
Cash (quoted market price)	14	14
<b>Total</b>	<b>469</b>	<b>431</b>

The following payments are expected contributions to the defined benefit plan in future years:

<b>Expected contributions to the defined Benefit Plan in future years</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Expected annual employee contribution in next year	31	53
Expected annual employer's contribution in next year	58	100
<u>Projected benefits expected to be paid in:</u>		
year +1	82	78
year +2	81	75
year +3	80	74
year +4	79	72
year +5	78	70
year +6 to +10	384	340

The average duration of the defined benefit plan obligation at the end of the reporting period is 11.8 years (2012: 11.7 years).

### **F.15 Other non-current Liabilities**

The other non-current Liabilities are for bonus payments to members of the Group's senior management structured as contributions to the Corestate MCIF scheme.

### **F.16 Short-term Financial Liabilities to Banks**

<b>Short-term Financial Liabilities to Banks</b>					
<i>(k€)</i>	Nominal amount	Maturity	Interest rate	Face value as of <b>31 Dec 2013</b>	Face value as of <b>31 Dec 2012</b>
UBS Lombard Fixed-Term loan	10.000	30.09.2014	Euribor plus margin	4.415	4.500
Current account payables to banks				-	0
<b>Total</b>				<b>4.415</b>	<b>4.500</b>

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

On 31 January 2011 CC AG and UBS AG entered into a Facility Agreement in the total amount of k€ 10,000. All amounts borrowed under this Facility are used to invest in Alignments advised and/or managed by the CC AG directly or through its direct or indirect subsidiaries with the exception of an amount of k€ 150 which can be applied to any cost related to the implementation of this credit facility. The interest is calculated for each Interest Period based on the applicable Margin of 250bps plus EU-RIBOR. The UBS Lombard Fixed-Term loan is secured as following:

- Pledging of € 4,075,000.00 of securities in the form of B units of Corestate German Residential Ltd by Ralph Winter
- Pledging of € 925,000.00 of securities in the form of B units of Corestate German Residential Ltd by Thomas Landschreiber
- Pledging of 6,255,240 shares in Corestate Berry HoldCo S.à r.l (Project BERRY) by CC AG
- Pledging of 1,545,193 shares in Corestate Energy HoldCo S.à r.l (Project ENERGY) by CC AG
- Pledging of 50,094 shares in Squirrel AcquiCo I S.à r.l (Project SQUIRREL) by CC AG
- Pledging of 2,283 shares in Buckwheat Ltd. by CC AG
- Pledging of 125 shares in Corestate Sailing HoldCo S.à r.l (Project SAILING) by CC AG

- CC AG has assigned to the Lender all Asset Management fees it is entitled based on all existing and all future Asset Management Agreements to be entered into during the lifetime of this Facility Agreement.

Further the parties have agreed the following Covenants:

- Limit of dividend distributions to a maximum amount of 50% of the net income
- Equity floors: CHF 6m (2010), CHF 10m (2011), CHF 15m (2012) and CHF 17.5m (2013)
- Limitation on director's fees to Ralph Winter or any other shareholders (in excess of k€ 10)
- No limitation of intercompany loans or dividends within the Group

The Facility Agreement between CC AG and UBS AG was terminated effective on 8 August 2014 and replaced with the more favourable master facility agreement with Schwyzer Kantonalbank. All outstanding loans (including interests, fees and costs) under the Facility Agreement with UBS AG were repaid in full.

## F.17 Short-term Liabilities to Associates

<b>Short-term Liabilities to Associates</b>		
<i>(k€)</i>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Loan from Project BERRY	3,354	-
Other Projects	15	32
Liabilities from Project SAILING	9	9
<b>Total</b>	<b>3,378</b>	<b>41</b>

The unsecured loan from Project BERRY is charged with an interest rate of EURIBOR plus margin of 0.5% per annum. The loan is settled in 2014 by offsetting against receivables from capital decrease.

## F.18 Trade Payables

Accounts payable (k€ 1,771; previous year k€ 737) mainly consist of amounts due to external service providers as well as capital raising agents.

## F.19 Current Income Tax Liabilities

<b>Current Income Tax Liabilities</b>		
<i>(k€)</i>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Swiss corporate Income taxes	715	253
German income taxes	11	2
German trade taxes	12	-
others	2	2
<b>Total</b>	<b>741</b>	<b>258</b>

## F.20 Other Current Liabilities

Other Current Liabilities		
<i>(k€)</i>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Concession agreement	1.939	1.697
Liabilities from employee benefits	504	1.562
Liabilities from share-based payments	391	391
Short-term liabilities from other taxes	264	22
Liabilities from minority shareholders	256	482
Prepayments received	200	-
Others	37	75
Deferred income	36	277
Deposits received	35	-
Liabilities from social security contributions	3	10
Dividends payable to shareholders	-	772
Liabilities due to financial guarantees	-	270
Liabilities from purchase prices not paid yet	-	30
<b>Total</b>	<b>3.663</b>	<b>5.588</b>

Liabilities from employee benefits relate to expected bonus payments for current financial year (payable in April of the following year).

Liabilities from concession agreements relate to a lump-sum contribution of CC AG in the course of the wind-down of the CORESTATE German Residential Ltd. Fund.

Dividends payable to shareholders resulted from a dividend declaration from 2010. The dividend (net of withholding tax) was paid out to the shareholders Ralph Winter and Thomas Landschreiber in 2013. In 2012 the dividend liability was reduced in the amount of the withholding taxes paid.

## G. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### G.1 Revenue from Acquisition Related Fees

Revenue from Acquisition Related Fees		
(k€)	2013	2012
Revenue from Acquisition Fee	5,845	1,275
Revenue from Onboarding Fee	1,000	500
Revenue from other Acquisition Related Fees	102	-
<b>Total</b>	<b>6,947</b>	<b>1,775</b>

### G.2 Revenue from Asset & Property Management

Revenue from Asset & Property Management		
(k€)	2013	2012
Revenue from Asset Management Fee	9.278	9.392
Revenue from Property Management Fee	2.795	-
Revenue from Capex Coordination Fee	230	40
Revenue Other Fees	1	405
Other Revenues	106	144
<b>Total</b>	<b>12.410</b>	<b>9.982</b>

Revenue from Property Management Fee relates to the subsidiary CAPERA. Such subsidiary was originally established in 2013, control was assumed by the group from July 2013 onwards.

### G.3 Revenue from Sales Fees

Sales Fees are incurred for Projects with complex exit processes (either by asset-by-asset structures or structured auction processes). Sales Fees relate to Project BERRY (k€ 1,724; previous year k€ 549) and Project SQUIRREL (k€ 402; previous year k€ 0).

### G.4 Revenue from Promote fee realised

The Promote Fee realised (k€ 2,997; previous year k€ 0) relates to services provided for Project ENERGY.



## G.5 Total Expenses from Real Estate Investment

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) allocated to the Group's Real Estate Investment Management activities.

Personnel expenses account for k€ 5,973 (previous year: k€ 3,004) and management expenses account for k€ 5,914 (previous year: k€ 4,894).

The increase is primarily driven by CAPERA. Reference is made to Note G.2.

## G.6 Share of Profit or Loss from Associates

Reference is made to Note F.1.

## G.7 Expenses from Management of Associates

Expenses from Management of Associates include both personnel and overhead expenses allocated to the Management of Associates. Personnel expenses account for k€ 380 (previous year: k€ 166) and Management Expenses account for k€ 376 (previous year: k€ 270).

The increase was primarily due to an increase in the Group's Alignment Capital Management and expenses that were incurred in these investments.

## G.8 General and Administrative Expenses

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

Personnel expenses account for k€ 1,156 (previous year: k€ 1,004) and Management Expenses account for k€ 2,180 (previous year: k€ 2,056)

## G.9 Other Income

Other Income primarily includes cost reimbursements from investments structures (k€ 258; previous year: k€ 604) as well as revenues from office subleases.

## G.10 Depreciation and Amortisation

Depreciation & Amortisation		
(k€)	2013	2012
Intangible assets - scheduled depreciation	(26)	(16)
Property, plant and equipment - scheduled depreciation	(123)	(45)
<b>Total</b>	<b>(149)</b>	<b>(60)</b>

## G.11 Financial Income

<b>Financial Income</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Interest income	334	27
Dividends	25	22
<b>Total</b>	<b>360</b>	<b>49</b>

## G.12 Financial Expenses

<b>Financial Expenses</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Impairment losses on loans	(412)	(23)
Interest expenses	(257)	(465)
Foreign currency income/expenses	(149)	(15)
Financing Fees	(23)	(28)
Bank Charges	(19)	(13)
Subsequent measurement of liabilities stated at fair value	(2)	(391)
<b>Total</b>	<b>(864)</b>	<b>(935)</b>

## G.13 Income Tax Expense

<b>Income Tax Expense</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Current income tax expense	(898)	(245)
Deferred taxes	(114)	109
<b>Total</b>	<b>(1,012)</b>	<b>(136)</b>

<b>Current income tax expense</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Income tax Switzerland	(835)	(237)
Income tax Germany	(52)	(2)
Income tax Luxembourg	(5)	(4)
Income tax United Kingdom	(7)	(2)
<b>Total</b>	<b>(898)</b>	<b>(245)</b>

## H. INCOME TAX

### Tax rate reconciliation

According to IAS 12, the entire income taxes for the accounting period consist of current taxes on income and profit and of deferred taxes.

The table below shows the reconciliation of the tax expenses as recorded in Income Statement to the tax burden resulting from simply multiplying the consolidated IFRS accounting profit with the Switzerland statutory income tax rate for CC AG:

<b>Tax rate reconciliation</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Consolidated profit before taxes according to IFRS	8,609	6,162
Switzerland statutory income tax rate for CC AG	14.880%	15.110%
<b>Projected income tax (gain) / burden</b>	<b>1,281</b>	<b>931</b>
Effect from unused tax losses	201	-
Effect from permanent differences	274	-
Effect from different tax rates	(162)	(76)
Effect from dividends and other income exempt from taxation	(583)	(719)
<b>Income tax reported in the income statement</b>	<b>1,012</b>	<b>136</b>
Effective tax rate	11.76%	2.20%

## I. OTHER INFORMATION

### I.1 Earnings per share

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 (basic and diluted) during the year as outlined for below. In the calculation of the weighted average number of ordinary shares and certificates outstanding during the reporting period (denominator), the issue date of 23 August 2013 was used as the basis with regard to the new shares and certificates issued for cash.

Dilutive shares result from share-based payments as disclosed in Note **Error! Reference source not found.**

The following table reflects the income and share data used in the earnings per share computations:

<b>Earnings per share</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
<b>Profit attributable to ordinary equity holders of the parent for basic earnings</b>	<b>7,786</b>	<b>6,019</b>
<i>Weighted average number of ordinary shares:</i>		
Share capital	111,680	100,000
Shares in participation capital (Certificates)	33,504	30,000
<b>Weighted average number of ordinary shares (total)</b>	<b>145,185</b>	<b>130,000</b>
<b>Basic Earnings per share</b>	<b>53.63 €</b>	<b>46.30 €</b>
<i>Adjusted weighted average number of ordinary shares:</i>		
Dilutive shares	891	720
<b>Adjusted weighted average number of shares applicable to diluted earnings per share</b>	<b>146,076</b>	<b>130,720</b>
<b>Diluted earnings per share</b>	<b>53.30 €</b>	<b>46.04 €</b>

### 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 in order to maximise shareholder value. Shareholder value is measured both in terms of total return as well as running dividend yield.

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 2013 and 2012.

## **I.3 Commitments and contingencies**

### **I.3.1 Capital commitments**

At 31 December 2013, the Group has no outstanding commitments.

### **I.3.2 Guarantees**

Except for an Intra-Group guarantee in favour of CORESTATE Capital Advisors GmbH there are no guaranties outstanding since the Group follows a strict non-recourse financing and security structure.

### **I.3.3 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.

### **I.3.4 Collateral held by the Group**

Except for the pledged shares in connection with loans granted to shareholders (Note F.4) the Group did not hold any collateral at 31 December 2013 and 2012.

## **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 Group does currently not use any derivative financial instruments. All investments are dominated in Euros such that foreign exchange risks are largely eliminated. Going forward, should the Group decide to use any derivative instruments, it would solely be for the purpose of limiting potential risks and not for speculative profit objectives.

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 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.13 and F.15 of the notes. 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, 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 (primarily from trade receivables) which, in turn, are dependent from 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 to a shortage of funds using a recurring liquidity planning tool.

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

The table below shows the maturities of financial liabilities of the Group:

<b>Maturities of financial liabilities (31 December 2013)</b>				
<i>(k€)</i>	Closing Balance 31 Dec 2013	< 1 year	1 to 5 years	> 5 year
Bank loans	4,415	4,555	-	-
Short-term Liabilities to Associates	3,378	3,378	-	-
Trade payables	1,771	1,771	-	-
Other financial liabilities	4,524	3,663	861	-
<b>Total financial liabilities</b>	<b>14,089</b>	<b>13,367</b>	<b>861</b>	<b>-</b>

<b>Maturities of financial liabilities (31 December 2012)</b>				
<i>(k€)</i>	Closing Balance 31 Dec 2012	< 1 year	1 to 5 years	> 5 year
Bank loans	8,908	4,812	4,555	-
Short-term Liabilities to Associates	41	41	-	-
Trade payables	737	737	-	-
Other financial liabilities	6,104	5,588	515	-
<b>Total financial liabilities</b>	<b>15,790</b>	<b>11,178</b>	<b>5,070</b>	<b>-</b>

With the exemption of some personnel-related liabilities, all current liabilities are expected to be settled within twelve months of the end of the reporting period. As well as repayments, interest incurred in the future usually also results in an outflow of liquidity.

## I.5 Financial instruments

### 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 loans would increase or decrease by approximately k€ 44 – based on the value of the loans as of the end of the reporting period.

### I.5.2 Fair value

Within the Group, only original financial instruments are used. Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments:

(in k€)	IAS 39 Category	Carrying amount 31 Dec 2013	Categories			
			Armortised cost	Fair value recognised through profit and loss	Fair value recognised directl in equity (OCI)	not applicable
Other financial instruments	<i>Afs</i>	27	-	-	27	-
Long-term loans to associates	<i>LaR</i>	759	759	-	-	-
Long-term loans to related parties	<i>LaR</i>	830	830	-	-	-
Receivables from associates	<i>LaR</i>	4,591	4,591	-	-	-
Trade receivables	<i>LaR</i>	3,007	3,007	-	-	-
Other short-term receivables	<i>LaR</i>	419	419	-	-	-
Other short-term assets	<i>LaR</i>	413	413	-	-	-
Cash and cash equivalents	<i>n/a</i>	20,915	-	-	-	20,915
<b>TOTAL ASSETS</b>		<b>30,960</b>				
Other non-current liabilities	<i>FLaFV</i>	861	-	861	-	-
Short-term financial liabilities to banks	<i>FLAC</i>	4,415	4,415	-	-	-
Short-term liabilities to associates	<i>FLAC</i>	3,378	3,378	-	-	-
Trade payables	<i>FLAC</i>	1,771	1,771	-	-	-
Other current liabilities	<i>FLAC/FLaFV</i>	3,663	3,663	-	-	-
<b>TOTAL LIABILITIES</b>		<b>14,089</b>				

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

(in k€)	IAS 39 Category	Carrying amount 31 Dec 2012	Categories			
			Armortised cost	Fair value recognised through profit and loss	Fair value recognised directly in equity (OCI)	not applicable
Other financial instruments	<i>Afs</i>	31	-	-	31	-
Long-term loans to associates	<i>LaR</i>	691	691	-	-	-
Long-term loans to related parties	<i>LaR</i>	962	962	-	-	-
Receivables from associates	<i>LaR</i>	1,491	1,491	-	-	-
Trade receivables	<i>LaR</i>	3,168	3,168	-	-	-
Other short-term receivables	<i>LaR</i>	244	244	-	-	-
Other short-term assets	<i>LaR</i>	434	434	-	-	-
Cash and cash equivalents	<i>n/a</i>	1,659	-	-	-	1,659
<b>TOTAL ASSETS</b>		<b>8,680</b>				
Other non-current liabilities	<i>FLaFV</i>	515	-	515	-	-
Long-term financial liabilities to banks	<i>FLAC</i>	4,408	4,408	-	-	-
Short-term financial liabilities to banks	<i>FLAC</i>	4,500	4,500	-	-	-
Short-term liabilities to associates	<i>FLAC</i>	41	41	-	-	-
Trade payables	<i>FLAC</i>	737	737	-	-	-
Other current liabilities	<i>FLAC/FLAFV</i>	5,588	5,588	-	-	-
<b>TOTAL LIABILITIES</b>		<b>15,790</b>				

(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 the financial instruments are a reasonable approximation to their fair value.

## I.6 Related party information

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.

Note I.8 provides information about the Group's structure, including details of the subsidiaries and the holding Company. CC AG has identified these Group companies as well as the following entities and persons as related parties:

### Shareholders and shareholders' related entities

- Ralph Winter, shareholder
- Thomas Landschreiber, shareholder
- INTERSHOP Holding AG, Zurich, Switzerland, shareholder
- vitB AG, Zug, Switzerland
- Ralph Winter is a senior advisor to CC AG through a consultancy agreement between vitB AG and CC AG. vitB AG is an investment company wholly-owned by Ralph Winter.



### Key Management Personal

- Thomas Landschreiber, president of the administrative board, since 3 June 2009
- Andreas Wirz, member of the administrative board, since 26 August 2013
- Urs Felder, member of the administrative board, since 26 August 2013
- Daniel Schoch, executive director, since 1 March 2008
- Philipp Burns, executive director, from 1 February 2011 until 31 March 2013
- Steffen Ricken, executive director, from 1 June 2013 until 20 December 2013
- Oliver Zimper, executive director, from 1 September 2013 until 20 December 2013

### 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 (Note B.3.2).

CC AG invests typically between 5% and 10% in each of its investment products alongside its investors as alignment capital investment. Since CC AG provides comprehensive real estate investment management services to, and is acting as asset manager for such investments structures, these investment structures 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 Asset Management Agreements (AMA), and are entered into with and approved by its investors. Note F.2 provides an overview of the Group's Investment in Associates.

#### **I.6.1 Transactions with shareholders and shareholder related entities**

<b>Transactions with shareholders and shareholder related entities</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Fees paid to vitB AG under consultancy agreements	(363)	(490)
Cost reimbursements to vitB AG	(319)	(514)
Rental income from sublease with vitB AG	13	13
Dividends paid to shareholders	(754)	-
Repayments of loans granted to shareholders	144	-
Interests income on loans granted to shareholders	13	21
Sale of Shares in Subsidiaries or Associates to shareholders	-	483

We refer for items in the Statement of Financial Position to Note F.4 for further details on the shareholder loans granted to Mr. Winter and Mr. Landschreiber.

## I.6.2 Transactions with Key Management Personnel

Transactions with Key Management Personnel		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Short-term employee benefits	(2,261)	(2,029)
Post-employment pension	(221)	(167)
Service Agreement termination benefits	(998)	-
Cost reimbursements to member of the administrative board	(11)	-
Bonus awards (MCIF)	(346)	(130)
Profit Distributions to key management personnel from MCIF	(191)	(38)
Equity-settled share-based payment	(12)	(12)

Some of the executive directors 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, executive directors as well as certain other senior manager 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 CC AG in alignment capital investments, and serves 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. All pay-outs to the MCIF participants are made in cash (cash-settled share-based payment transaction). In 2013, k€ 346 (previous year k€ 130) has been recognized as expense relating to MCIF (this amount also represents the fair value of MCIF related annual bonus awards). The respective liability recognized in the Statement of Financial Position as per 31 December 2013 is k€ 861 (previous year k€ 515).

The Group's CFO was granted an option to acquire 1.25% of CCAG at 50% of the fair value (equity settled share-based payment plan) in 2007, contingent on the fulfilment of specified vesting conditions. The service period commenced on 28 December 2007. The vesting period is variable and vesting occurs as soon as performance conditions (total revenues, implementation of certain company structures and functions) are cumulatively fulfilled. Upon vesting the option can be exercised within 36 months. The exercise price to acquire 1.25% of CCAG will be based on a company valuation, to be performed by a renowned expert.

The award was granted prior to the adoption of IFRS and under previous GAAP no estimate of fair value or estimates of the length of the vesting period had to be made nor can these estimates be developed without using hindsight. At the date of transition management has estimated the fair value of the award reflecting conditions existing at transition. The fair value has been determined based on the acquisition of a non-controlling interest stake by a third party. For the periods since transition to IFRS management has estimated that all vesting conditions would be met around the Company's initial public offering (expected to take place in 2015). Management has determined that it is appropriate to expense the fair value of the award determined at transition on a straight-line basis over the period from 2007 to 2015.

Total fair value of this award is k€ 98. In 2012 an 2013, k€ 12 were recognized as personnel expense.

### I.6.3 Transactions with Associates (Co-Investments)

The terms and condition agrees with Associates for the services of CC AG Group are negotiated and set out in the underlying documentation for each investment product entered into with the respective investor (JVCIA, AMA etc.). Hence, such terms and conditions are at arm's length.

<b>Transactions with Associates (Co-Investments)</b>		
<i>(k€)</i>	<b>2013</b>	<b>2012</b>
Revenue from Aquisition Related Fees	7,757	1,839
Revenue from Asset and Property Management	3,823	3,106
Revenue from Sales Fees	2,126	549
Revenue from Promote Fees realized	2,997	-
Interest income from Associates	60	53

We refer for items in the Statement of Financial Position to Notes F.1, F.2, F.5 and F.17 for further details on the receivables, liabilities and other transactions with Associates.

### I.7 Consolidated Statement of Cash Flow

The consolidated Statement of Cash Flow shows how the Group's liquid funds have changed over the course of the financial year through inflows and outflows. As per IAS 7 cash flows from operating activities are distinguished from cash flows from investment activities and cash flows from financing activities. When determining the cash flow from operating activities using the indirect method, the profit for the period was adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, as well as items of income or expense associated with investing or financing cash flows. Therefore, direct comparison with the corresponding changes in the published Consolidated Statement of Financial Position is not possible.

In accordance with the IAS 7 option, interest paid is shown under cash flow used in/from financing activities.

The financial funds considered in the Consolidated Statement of Cash Flow include cash and cash equivalents.

The cash flows from investment and financing activities are directly related to payments. The total of the cash flows from the acquisition or sale of subsidiaries is shown separately and classified as investment activity in the cash flow statement.

<b>Cash flows from Acquisition of Subsidiaries in 2013 (k€)</b>	<b>Share purchase price paid</b>	<b>Cash balance of subsidiaries</b>	<b>Net cash (outflow)/inflow from aquisition of subsidiaries</b>
Acquisition of CORESTATE Capital Advisors GmbH	31	249	217
Acquisition/foundation of companies without business	1,382	1,607	225
<b>Total 2013</b>	<b>1,413</b>	<b>1,855</b>	<b>442</b>

<b>Cash flows from Acquisition of Subsidiaries in 2012 (k€)</b>	<b>Share purchase price paid</b>	<b>Cash balance of subsidiaries</b>	<b>Net cash (outflow)/inflow from aquisition of subsidiaries</b>
Acquisition/foundation of companies without business	25	-	(25)
<b>Total 2012</b>	<b>25</b>	<b>-</b>	<b>(25)</b>

## I.8 Group entities

As in previous years, CC AG was the parent company of the Group. The ultimate controlling party was Ralph Winter.

The Consolidated Financial Statements include basically all companies which the group controls, i.e. typically for which CC AG owns, directly or indirectly through subsidiaries, more than half of the voting power. There are no restrictions regarding Cash or Dividend Payments from subsidiaries.

With the exception of CORESTATE MCIF GmbH & Co.KG (Note C.1.1) the equity interest is equal to the voting rights.

Group entities			
		31 Dec 2013	31 Dec 2012
Name	Seat and Country of incorporation	% equity interest	% equity interest
<b>CORESTATE CAPITAL AG</b>	<b>Zug/Switzerland</b>	<b>Parent Company</b>	<b>Parent Company</b>
CORESTATE Capital Advisors (UK) LLP	London/Great Britain	100.00%	98.00%
CORESTATE Capital Transactions AG	Zug/Switzerland	100.00%	100.00%
CORESTATE Capital Finance GmbH	Zug/Switzerland	100.00%	100.00%
CORESTATE Co Investment Verwaltungs GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Beteiligungs Verwaltung GmbH	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Investment 1 S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Sailing HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
CORESTATE Capital Advisors GmbH	Frankfurt am Main/Germany	100.00%	n.a.
CORESTATE Capital Developments GmbH	Frankfurt am Main/Germany	100.00%	n.a.
CORESTATE Capital Advisors (Singapore) Pte. Ltd.	Singapore	100.00%	n.a.
T6 AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	n.a.
VITU AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	n.a.
TURBO FRA AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	n.a.
SQUIRREL AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	n.a.
CORESTATE MCIF GmbH & Co. KG	Frankfurt am Main/Germany	86.67%	86.67%
CAPERA Immobilien Service GmbH	Frankfurt am Main/Germany	70.00%	n.a.
CORESTATE Capital CGC Feeder Verwaltungs GmbH	Frankfurt am Main/Germany	n.a.	100.00%
Buckwheat Ltd.	Gibraltar	n.a.	100.00%

Due to the sale of all shares in CORESTATE Capital CGC Feeder Verwaltungs GmbH and Buckwheat Ltd., these entities were deconsolidated in 2013. Buckwheat Ltd. was the holder of a commitment to Corestate German Commercial Properties Fund LP in the amount of k€ 1,491 (including accrued interests). CORESTATE Capital CGC Feeder Verwaltungs GmbH did not have significant assets or liabilities.

## I.9 Business combination

In 2013, the Group identifies the following business combination:

<i>(k€)</i>	<b>CORESTATE Capital Advisors GmbH</b>
<i>Acquisition date</i>	<i>07.08.2013</i>
<i>Total Cost of the combination (in k€)</i>	31
<i>thereof purchase prices (cash) (in k€)</i>	31
<i>Number of shares acquired</i>	<i>25,000</i>
<i>Voting rights acquired (%)</i>	<i>100.00%</i>
Property, plant & equipment	136
Intangible assets (Software)	9
Receivables	0
Receivables from affiliated companies	29
Current tax assets	50
Other assets	333
Cash and cash equivalents	249
<b>Total assets</b>	<b>805</b>
Other provisions	28
Trade payables	142
Other payables	605
<b>Total liabilities</b>	<b>774</b>
<b>Fair value of net assets acquired</b>	<b>31</b>
<i>Non-controlling interests</i>	-
<b>Revenues generated since acquisition date</b>	-
<b>Profit / (loss) since acquisition date</b>	<b>(2,035)</b>

CORESTATE Capital Advisors GmbH, based in Frankfurt, Germany, provides Asset Management and acquisitions expertise via a local platform. CORESTATE Capital Advisors GmbH generates its income mainly through a cost-plus agreement with CC AG.

## I.10 Leasehold contracts

### I.10.1 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, 2013 (Group as Lessee)**

Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2014 (incl. VAT, k€)	minimum lease payments 2015 until 2019 (incl. VAT, k€)	minimum lease payments after 2019 (incl. VAT, k€)
Rental agreement relating to branch offices in Germany	CAPERA	various	2013-2014	max. 5 years	16	157	124	0
Rental agreement relating to office premises in Gera	CAPERA	Poivre Durable S.e.c.s.	01.06.2013	31.05.2018	5	60	204	0
Rental agreement relating to office premises in Neu-Isenburg	CAPERA	DIC HI Objekt Neu-Isenburg GmbH	01.08.2013	31.05.2018	5	64	220	0
Rental agreement relating to office premises in London, Argyll Steet	CC Advisors (UK)	Wolfe Nominees Ltd. And MDDT Nominees SA	14.09.2012	13.09.2017 (terminated 09.12.2013)	10	0	0	0
Rental agreement relating to office premises in Frankfurt am Main	CC Advisors GmbH	Pensionskasse der Mitarbeiter der Höchst Gruppe VVaG	01.08.2012	31.07.2017	25	295	761	0
Rental agreement relating to office premises in Frankfurt am Main - Residenz Argon	CC Advisors GmbH	Lepatra/Weyand	10.05.2013	undefined	2	18	90	0
Rental agreement relating to office premises in Essen	CC Advisors GmbH	Treureal GmbH	01.07.2011	31.10.2014	0	5	0	0
Rental agreement relating to office premises in Zug	CC AG	GoldenPeaks Capital Partners AG	01.10.2010	undefined	15	186	928	0
Lease agreement relating to office equipment	CC Advisors GmbH	HPJ Leasing	01.11.2011	31.07.2017	1	10	25	0
Software and IT-Leasing	CAPERA	various	2014	2015-undefined	19	99	15	0
Car lease contracts	CC Advisors GmbH/CAPERA	various	2012-2013	2015-2016	27	328	592	0
Car parking contracts	CC Advisors GmbH	various	01.01.2008-01.09.2012	undefined	4	43	153	0
<b>Total</b>					<b>129</b>	<b>1,265</b>	<b>3,113</b>	<b>0</b>

**Detailed schedule of lease contracts as per December 31, 2012 (Group as Lessee)**

Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2013 (incl. VAT, k€)	minimum lease payments 2014 until 2018 (incl. VAT, k€)	minimum lease payments after 2018 (incl. VAT, k€)
Rental agreement relating to office premises in London, Argyll Steet	CC Advisors (UK)	Wolfe Nominees Ltd. And MDDT Nominees SA	14.09.2012	13.09.2017 (terminated 09.12.2013)	10	110	0	0
Rental agreement relating to office premises in London, Burton Steet	CC AG	Trinity Mirror Regionals PLC	01.06.2011	30.09.2012	7	0	0	0
Rental agreement relating to office premises in Zug	CC AG	GoldenPeaks Capital Partners AG	01.10.2010	undefined	16	187	935	0
<b>Total</b>					<b>32</b>	<b>297</b>	<b>935</b>	<b>0</b>

## I.10.2 Operating lease commitments – Group as lessor

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

**Detailed schedule of lease contracts as per 31 December 2013 (Group as Lessor)**

Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2014 (incl. VAT, k€)	minimum lease payments 2015 until 2019 (incl. VAT, k€)	minimum lease payments after 2020 (incl. VAT, k€)	Classification
Sub-lease agreement regarding real estate in Zug	vitB AG	CC AG	01.10.2010	undefined	1	14	71	0	operating lease
Sub-lease agreement regarding real estate in Frankfurt/M	YOUNIQ AG	CC Advisors GmbH	01.06.2009	31.07.2017	10	122	316	0	operating lease
<b>Total</b>					<b>11</b>	<b>137</b>	<b>387</b>	<b>0</b>	

Detailed schedule of lease contracts as per December 31, 2012 (Group as Lessor)

Description of lease contract	Lessee	Lessor	Initiation	Maturity	lease payment (per month) (incl. VAT, k€)	minimum lease payments in 2013 (incl. VAT, k€)	minimum lease payments 2014 until 2018 (incl. VAT, k€)	minimum lease payments after 2018 (incl. VAT, k€)	Classification
Sub-lease agreement regarding real estate in Zug	vitB AG	CC AG	01.10.2010	undefined	1	14	71	0	operating lease
<b>Total</b>					<b>1</b>	<b>14</b>	<b>71</b>	<b>0</b>	

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

- In 2014 the Group invested in the following new Investment in Associates (Segment Alignment Capital Management): Project HIGHSTREET I (Commitment k€ 6,589); Project BEN (Commitment k€ 7,325); Project TURBO VIE (Commitment k€ 1,358) and Project DONALD (Commitment k€ 1,116)
- In January 2014, CC AG acquired Corestate Capital Fund Management S.à r.l. Corestate Capital Fund Management S.à r.l, Luxembourg, operates as an Alternative Investment Fund Manager (AIFM) for the Group's AIF's regulated by the Alternative Investment Fund Management Directive (AIFMD).
- The Annual General Meeting (Generalversammlung) held on 5 May 2014 passed a resolution for a dividend structured as a repayment from capital reserve in the amount of k€ 7,125 (€ 41.27 per ordinary share) to the holders of registered shares and participation certificates. Further, the Annual General Meeting resolved to distribute an amount of k€ 18 to the legal reserve.
- The Facility Agreement between CC AG and UBS AG was terminated effective on 8 August 2014 and replaced with the more favourable master facility agreement with Schwyzer Kantonbank. In July 2014, Schwyzer Kantonbank and CC AG have entered into a master agreement for a credit facility of up to CHF 10m. Such facility will be reduced by CHF 2m annually starting 31 December 2016.
- As of 3 February 2015 a Joint venture with two companies under the reputable Gropo Villar Mir group was created successfully in Spain.
- At the Annual General Meeting (Generalversammlung) held on 26 May 2015 the shareholders have decided for a dividend structured as a repayment from capital reserve about k€ 10,268 (€ 59.48 per ordinary share) due as of 29 May 2015 and a Dividend about k€ 3,572 (€ 20.69 per ordinary share) due as of 31 October 2015.
- Since 29 June 2015 CC AG has the permission as certified selling agent of Swiss Financial Market Supervisory Authority (FINMA).
- With Loan Agreement as of 7 July 2015 INTERSHOP Holding AG and vitB AG granted a credit facility in an aggregate amount of up to k€ 47,500 to CAP FinCo S.à r.l. for financing the acquisition of the real estate properties of the warehousing portfolio.
- The economic ownership of the purchased real estate asset in Paderborn was transferred to the Group on 8 August 2015.

Save for the matters set out above, there have been no events since the reporting date which could have a significant effect on the net assets, financial position or results of operations of the Group.

Zug/Switzerland, 30 September 2015

Urs Felder  
Member of the Administrative board

Daniel Schoch  
Chief Financial Officer

# I. Valuation Report

## NAI apollo



## 1. Contract Details

### 1.1. Purpose of the Valuation Report

NAI apollo valuation & research GmbH (hereafter "NAI apollo") has been appointed as an independent valuer by CORESTATE Capital Holding SA (hereafter the "Company" or the "Client") to determine the Market Value of the property (Westerbachstraße 28-32, 61476 Kronberg im Taunus) and prepare a property valuation report (the "Valuation Report") for the purpose of inclusion in the Prospectus relating to an inclusion of the entire share capital of the Company to trading on the Entry Standard segment of the open market (Freiverkehr) of the Frankfurt Stock Exchange (hereafter the "Transaction"). NAI apollo hereby agrees to the inclusion and with the subsequent publication of the Valuation Report or parts of it in the Prospectus. The Valuation Report complies with the legal requirements, in particular the European Commission Regulation (EC) No 809/2004 of April 29, 2004 (as amended) and paragraphs 128 to 130 of the European Securities and Markets Authority's "update of the CESR recommendations regarding the consistent implementation of Commission's Regulation (EC) No 809/2004 implementing the Prospectus Directive" of 20 March 2013, ESMA/2013/319.

**1.2. Valuation Date:** 30<sup>th</sup> June 2016

**1.3. Report Date:** 12<sup>th</sup> September 2016

**1.4. Client:** CORESTATE Capital Holding SA  
35 Avenue Monterey  
L-2163 Luxembourg  
Luxembourg

**1.5. Valuation Company:** NAI apollo valuation & research GmbH  
Große Eschenheimer Straße 13  
60313 Frankfurt am Main  
Germany

The subject property consist of an office building hold in leasehold of approximately 13,028 sqm lettable area with 9 tenants. The prevalent use of the lettable units can be classified as office. Main tenants are BKK Braun-Gillette, NGK Europe GmbH and Nichia Chemical Europe GmbH. The Current Rental Income amounts to € 1,136,180 p.a. (as at the date of the provided rent rolls).

### 1.6. Special Assumption

As at the date of reporting, the client has purchased the office building held as leasehold. The client informed NAI apollo that the purchase of the site subject to ground lease is planned.

Therefore the client instructed NAI apollo to determine also the Market Value under the Special Assumption that the subject property was held as owner's inheritable building right respectively freehold.

### **1.7. Basis of Data**

The information on which the valuation is based was provided in electronic form to NAI apollo by the Client or third parties acting on behalf of the Company. The figures in this report are based on the rent roll provided by the Client. In the course of the valuation, the relevant documents were reviewed and checked for plausibility based on random sampling.

### **1.8. Declaration of Independence**

We hereby confirm, to the best of our knowledge and belief that NAI apollo has carried out the determination of the Market Value and the Market Value under Special Assumption in its capacity as an external independent valuer, under instructions received from the Company. We further confirm that NAI apollo is not aware of any actual or potential conflict of interest that might have influenced its status as an independent valuer. This declaration also includes all other companies and departments which are part of the NAI apollo group, including the Investment and Agency Departments. The total fees, including the fee for this assignment, earned by NAI apollo from the Company (or other companies forming part of the group of companies) is less than 5.0% of the total German revenues.

### **1.9. Addressees/Reliance**

The Valuation Report is addressed to

- CORESTATE Capital Holding S.A., 35, Avenue Monterey, L-2163 Luxembourg
- and its respective subsidiaries.

### **1.10. Publication**

NAI apollo acknowledges and agrees that the Valuation Report will be published in an unabbreviated form in the Prospectus and will be referred to in marketing and other materials prepared in the context of the Transaction. The Prospectus will be on view to potential investors on the Issuer's website, on the website of the Luxembourg Stock Exchange and in physical form. Apart from that, neither the whole nor any part of our Valuation Report nor any references thereto may be included in any published document, circular statement nor published in any way without our prior written approval of the form and context in which it will appear.

### **1.11. Place of Performance and Jurisdiction**

German law applies. The place of performance and jurisdiction is Frankfurt am Main.

## 2. Valuation Principles and Assumptions

### 2.1. Valuation Principle

This valuation was conducted in accordance with the RICS Valuation Standards 2014 (9<sup>th</sup> edition) published by the Royal Institution of Chartered Surveyors (the “Red Book”) and the TEGoVA European Valuation Standards (EVS 2012 – 7<sup>th</sup> edition), and in compliance with the IVSC International Valuation Standards 2013 (10<sup>th</sup> edition). The Red Book adopts the following definition of “Market Value” provided by the International Standards Council:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

### 2.2. Valuation Methodology

NAI apollo used a Discounted Cash Flow (DCF) model to estimate the Market Value of the subject property, using the "ARGUS Enterprise" valuation software. All assumptions and results were supported by relevant research results and market observations from the investment and lettings market as well as valuation expertise gained over the years in other valuation mandates.

The DCF method is a financial mathematical model that uses the concept of time value of money. The cash flows of future years are estimated and then discounted to the valuation date using an appropriate discount rate (equivalent yield – growth explicit). A period of ten years, which is usually termed ‘holding period’, was selected for a detailed cash flow forecast.

The cash flow estimation used by NAI apollo has the following structure:

<b>Potential Gross Rent</b>		
	./. Turnover Vacancy	
<b>Contractual Rent</b>		
	./. Collection Loss	
	./. Rent Abatements	
<b>Effective Rent</b>		
	+ Expense Recoveries	
<b>Gross Revenue</b>		
	./. Costs	} ./. Void Costs ./. Ongoing Maintenance ./. Management Costs ./. Insurance Fees ./. Ground Tax ./. Other Costs
<b>Net Operating Income</b>		
	./. Tenant Improvements	
	./. Leasing Commissions	
	./. Capital Expenditure	
<b>Cash Flow</b>		

The Potential Gross Rent comprises the revenues for rented areas and units plus notional market rents for currently vacant areas and units. It takes into account the contracted base rents as well as possible indexations such as index-linked rent (depending on the consumer price index), step rents and turnover rents. By deducting lost income due to vacancies, NAI apollo arrives at the Contractual Rent. Accounting for rent abatements and collection loss, NAI apollo estimates the Effective Rent.

By adding expense recovery payments for operating expenses that are borne by tenants, the Gross Revenue is calculated.

In the next step costs (ongoing maintenance, management costs, insurance fees, ground taxes and other costs e.g. ground lease payments) are deducted from the Gross Revenue to determine the Net Operating Income (NOI).

The Cash Flow is calculated by deducting non-recurring costs for tenant improvements, leasing commissions and capital expenditure from the NOI. Such projected Cash Flow is discounted to the valuation date to determine its present value.

At the end of year 10, a hypothetical sale of the assets is assumed to estimate the present value of the cash flows beyond the 10-year period. The exit value, also referred to as 'terminal value', is determined based on the assets' Net Operating Income (NOI) of the eleventh year (adjusted for rent abatements) in connection with an appropriate capitalization rate (equated yield – growth implicit). This corresponds to the approach, which would be usually followed by an investor in an acquisition process to estimate the purchase price. The resulting terminal value is also discounted to the valuation date to determine its present value.

The sum of all present values adds up to determine the Gross Capital Value (GCV) of an investment. Usual market transaction costs that an investor would price-in, are deducted from the Gross Capital Value (as the RICS definition of Market Value assumes a sale of an asset). The resulting (rounded) Net Capital Value (NCV) corresponds to the Market Value.

### **2.3. Currency and Rounding**

All values in this report are given in euros (€). All absolute amounts provided in the report that relate to rents and spaces are rounded to no decimal places.

### **2.4. Information**

NAI apollo has assumed that the information provided by the client is complete, accurate and up to date. Moreover, it is also assumed that all information and facts affecting the value of the properties were passed on to NAI apollo.

### **2.5. Assumptions - Definition**

According to the Red Book, an assumption is "a supposition taken to be true". Assumptions are "facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by the member as part of the valuation process."

## **2.6. Rent Roll**

NAI apollo has assumed that the rent roll provided are accurate, complete and up to date and is not liable for the correct interpretation of the contents. We did not carry out individual checks of the creditworthiness of tenants. NAI apollo has assumed that the tenants are in a financial position to meet their lease obligations and that there are no significant rent or service charge arrears, breaches of contract or disputes. However, the valuation does take into account the type of current tenants and the type of tenants eligible for vacant areas and assesses their general creditworthiness.

## **2.7. Calculation of the WAULT**

The Weighted Average Unexpired Lease Term ("WAULT") is calculated as the revenue-weighted average between next possible lease expiry and valuation date disregarding leases without fixed expiry.

## **2.8. Legal Analysis**

NAI apollo received no legal due diligence reports. Land register excerpts and information on contaminated sites and public easements were provided.

In this valuation, NAI apollo assumes that marketable freehold or leasehold rights relating to the property exists and that the property is free from factors influencing the value such as rights of way, easements, limitations, legal disputes or costly or exceptional obligations.

The valuation took into account section II of the respective land registers with any entries on property encumbrances and other burdens and restrictions.

No environmental reports were provided. In accordance with the instruction, we did not conduct a formal environmental assessment.

## **2.9. Technical Investigation**

In accordance with the instruction, NAI apollo has not conducted any technical investigation or examination for the purpose of this valuation. All conclusions of NAI apollo are based exclusively on a visual inspection of the building with no guarantee of completeness. Statements concerning concealed or otherwise non-testable building parts and materials are based on information provided or assumptions. NAI apollo has not investigated whether calcium aluminate cement, calcium chloride additives or other harmful substances were used in the construction or renovation of the properties. Furthermore, no soil or geological tests were carried out in order to test whether there are defects in the foundations of the buildings. It was assumed for the purpose of this valuation that no harmful materials of this kind were used. Moreover, no inspection was made of electrical installations, heating systems, machinery and equipment or of supply and waste pipes. If no contrary information exists, it is assumed that the building services have a satisfactory level of functionality.

## **2.10. Lettable Area**

The lettable area of the properties was not measured by NAI apollo. The data on which this valuation is based originates from the rent rolls provided by the client.

## **2.11. Legal Requirement and Planning**

NAI apollo has assumed that applicable planning and building regulations were respected and that all required and current usage permits were available.

## **2.12. Sales Tax**

The Market Values and market rents cited in this report are stated without the respective statutory sales tax.

### 3. Valuation Results

This valuation was conducted in accordance with the RICS Valuation Standards 2014 (9th edition) published by the Royal Institution of Chartered Surveyors and the TEGoVA European Valuation Standards (EVS 2012 – 7th edition), and in compliance with the IVSC International Valuation Standards 2013 (10th edition).

The result of the valuation is rounded and represents a net amount after the deduction of incidental acquisition costs such as land transfer tax, land register, notary and agency fees, which are normally payable by the buyer. Furthermore, no adjustments in consideration of tax obligations and any repayments of state or other subsidies or tax benefits in connection with the sale of properties were taken into account.

On this basis, NAI apollo estimated the following Market Value for the subject property held as leasehold on the valuation date of 30<sup>th</sup> June 2016:

€ 10,300,000

(Ten Million Three Hundred Thousand Euro)

This equals € 791 per sqm

Under the Special Assumption that the subject property was held as freehold (owner's inheritable building right) the following Market Value is estimated on the valuation date:

€ 18,100,000

(Eighteen Million One Hundred Thousand Euro)

This equals € 1,389 per sqm

Frankfurt/Main, 12<sup>th</sup> September 2016



Stefan Mergen

Managing Partner

NAI apollo valuation & research GmbH



Dr. Peter Stark

Director Valuation

NAI apollo valuation & research GmbH

Appendix A

Valuation Certificate

## Appendix A Valuation Certificate



**Property ID** 1  
**Property address** Westerbachstr. 28-32, 61476 Kronberg im Taunus  
**Principal** CORESTATE Capital AG  
**Valuation Date** 30.06.2016 **Inspection Date** 31.03.2016



### Property Summary

Valuation date	30.06.2016
Property type	Office
Leasehold	yes
Part/ full ownership	full ownership
Year of construction	1995
Year of refurbishment	n.a.
Lettable area	13,028 sqm
Plot size	9,480 sqm
Main tenant	NGK Europe GmbH
Current vacancy rate (space-related)	43%
Assumed struct. vacancy	25%
WAULT (years)	6.9
Secure Income	€ 7,579,768
Current Rent (Month 1 x 12)	€ 1,136,180
Estimated Rental Value (ERV) p.a.	€ 1,382,878
CapEx estimation (t1-t10)	€ 0
Discount Rate	8.50%
Cap Rate	10.25%

### Valuation Approach

Discounted Cash Flow Analysis Method (“Argus Enterprise”)

### Purpose of Valuation

For the inclusion in the Prospectus for the proposed Initial Public Offering (“IPO”)

### Valuation Results

#### Market Value

The property is subject to leasehold. The current annual lease amounts to € 270,980.40.

NAI Apollo is of the opinion that the Market Value of the above asset as on the valuation date is:

**€ 10,300,000**

this equals 791 €/sqm lettable area

#### Gross Capital Value

The Gross Capital Value (Market Value plus transaction costs) for the above asset amounts to:

**€ 11,132,102**

this equals 854 €/sqm lettable area

@ 7.90% transaction costs

#### Market Value under the Special Assumption of Freehold (owner's inheritable building right)

NAI Apollo is of the opinion that the Market Value under the Special Assumption of Freehold (owner's inheritable building right) for the above asset would amount to:

**€ 18,100,000**

this equals 1,389 €/sqm lettable area

#### Gross Capital Value under the Special Assumption of Freehold (owner's inheritable building right)

The Gross Capital Value (Market Value plus transaction costs) under the Special Assumption of Freehold (owner's inheritable building right) for the above asset would amount to:

**€ 19,548,776**

this equals 1,501 €/sqm lettable area

@ 7.90% transaction costs

Property ID 1  
 Property address Westerbachstr. 28-32, 61476 Kronberg im Taunus  
 Principal CORESTATE Capital AG  
 Valuation Date 30.06.2016

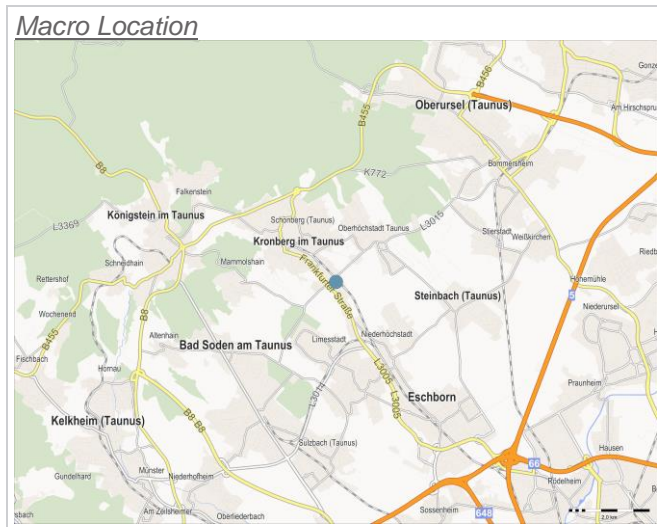
Inspection Date 31.03.2016



**Location Description**

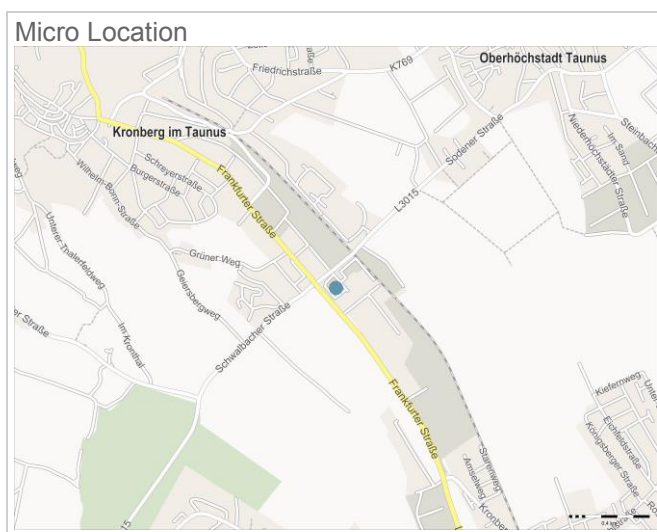
Macroeconomic indicators

Federal State	Hesse
District	Hochtaunuskreis
City	Kronberg im Taunus
Population federal state (2014) <sup>1</sup>	6,093,888
Population district (2014) <sup>1</sup>	230,798
Population city (2014) <sup>1</sup>	18,170
Population growth federal state ('11 – '14) <sup>1</sup>	1.67%
Population growth district ('11 – '14) <sup>1</sup>	1.69%
Population growth city ('11 – '14) <sup>1</sup>	1.88%
Population forecast district ('12 – '35) <sup>2</sup>	5.00%
Purchasing power index federal state (2016) <sup>3</sup>	106.46
Purchasing power index district (2016) <sup>3</sup>	142.78
Purchasing power index city (2015) <sup>3</sup>	173.37
Unemployment rate district (06/2016)	3.50%



Sources: <sup>1</sup> Research Data Centres of the Federal Statistical Office and the statistical offices of the Länder, <sup>2</sup> Federal Institute for Research on Building, Urban Affairs and Spatial Development, Federal Employment Office, <sup>3</sup> GfK GeoMarketing GmbH, <sup>4</sup> MB-Research-Thomas Daily GmbH, NAI apollo valuation & research GmbH

Kronberg is situated in the district of Hochtaunuskreis in the federal state of Hesse. The GfK purchasing power index per inhabitant (2016) in the City of Kronberg stands at 173.4 and has decreased slightly (-1.6 points since the previous year). Compared to the German average (100), the purchasing power in the City of Kronberg is significantly above the German figure (district of Hochtaunuskreis: 142.8 / -0.9 points compared to the previous year / Hesse: 106.5 / -0.1 points compared to the previous year). On the labour market the district of Hochtaunuskreis, with an unemployment rate (relating to the economically active population) of 3.5% (June 16) is in a better position than the Federal Republic of Germany (5.9%) (Hesse: 5.1%).



The property is located in the industrial area "Süd" of Kronberg. The distance to the city center is approx. 2 km to the northwest. The location is an outskirts location at the intersection of Am Schanzenfeld (L3015) and Frankfurter Straße (L3005). The connection to the national road network is provided by the passing B 455 in the north of Kronberg and the Frankfurter Straße (L3005) which leads to the intersection of A 5 and A 66 (Nordwestkreuz Frankfurt) in about 14 km. The next suburban train stop (Kronberg Süd) is located in the industrial area and is reachable within 100 m from the subject property. The next bus stop connecting to the city center is located on the Frankfurter Straße in a distance of approx. 50 m. Shops for daily needs are given in the adjacent retail park with a supermarket, pharmacy, etc. and along the main street to the city center.

**Property ID** 1  
**Property address** Westerbachstr. 28-32, 61476 Kronberg im Taunus  
**Principal** CORESTATE Capital AG  
**Valuation Date** 30.06.2016 **Inspection Date** 31.03.2016

### Land Register

Sheet No.: 5254 Date: 08.06.2016  
 Local Court: Kronberg Parcel(s): 57/25

### Property Description

The subject property is hold as leasehold. It comprises a plot of total 9,480 m<sup>2</sup> located to the southeast of the intersection of Am Schanzenfeld (L3015) and Frankfurter Straße (L3005). It is developed with the office complex Palais Kronberg. To the east of the property runs the Westerbachstraße.

The land boundaries follow the surrounding streets and give a roughly rectangular-shaped plot. The street frontage to the western Frankfurter Straße and eastern Westerbachstraße is approx. 110 m and to the Am Schanzenfeld approx. 85 m. The topography of the site is slightly sloping towards to the south. The access to the property is given from Westerbachstraße.

The development Palais Kronberg is a 1995 built office complex with the address Westerbachstraße 28-32.

The building around two courtyards is 8-shaped with 4 top and 2 basement levels. The upper floors are used for office, the basement floors for underground parking, technical and storage uses. Vertical access is given by 4 separate staircases to each building front. The three main staircases (house number 28, 30 and 32) are equipped with elevators. The access and exit to the underground-garage is located to the northwest of the building. The vertical circulation in the two underground parking levels is provided by a ram in the middle of the building.

The horizontal opening of the upper floors is provided by central corridors with rooms located on both sides. The separation of the rooms is made of lightweight elements. The fit out of the rental units comprises sanitary facilities, kitchens, break rooms. The technical infrastructure is located in raised floors.

### Town Planning

The subject property is located within the territorial application of a legally binding development plan (Nr. 116 „Gewerbegebiet – Süd“ as at 17.03.2005) and the permissibility of developments is regulated by Art. 30 of the German Building Code. The subject area is classified as a commercial area (GE) and further includes the following restrictions:

- plot ratio (GFZ): 1.8
- site coverage (GRZ): 0,6
- max. development: III storeys

This information dates from March 2016 and was obtained by NAI apollo from the local building authorities.

### Site contamination

We were provided with information about register of contaminated sites by the administration of Regierungspräsidium Darmstadt, Abteilung Arbeitsschutz und Umwelt Wiesbaden, Mrs. Sauther as at 13.06.2014. According to information the site is registered by ALTIS with the No. 436.006.010-001.042 and several entries about former commercial uses on the site. Due to the industry class of the relevant companies it can be assumed that there had been treated with hazardous materials on the site in the period from 1974 to 1989. However the Office has no information about evidence of harmful soil contaminations.

In the foreword of the leasehold contract there was agreed a decontamination of the site instead of the development with current office complex.

Hence, we assume no impact on value from potential soil contaminations. In case that contrary information will become available this valuation may have to be revised possibly leading to an altered value.

Property ID 1  
Property address Westerbachstr. 28-32, 61476 Kronberg im Taunus  
Principal CORESTATE Capital AG  
Valuation Date 30.06.2016 Inspection Date 31.03.2016

### Assumptions, Disclaimers, Limitations & Qualifications

This valuation certificate is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout the report, which are made in conjunction with those included within the assumptions, qualifications, limitations and disclaimers section located within this report. Reliance on the valuation and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. This valuation is for the inclusion in the Prospectus, which will constitute the basis for the decision of investors to invest in the shares of the Issuer.

### Prepared by

NAI apollo group  
apollo valuation & research GmbH  
Große Eschenheimer Straße 13  
60313 Frankfurt am Main

## **STUDENT HALLS OF RESIDENCE BUILDING**

Paseo Juan XXIII, nº 42-44  
28.040 Madrid  
MADRID

**Gesvalt file N°:99G026538/16-01**

**Date of Valuation: 9th of June 2016**

## 1 EXECUTIVE SUMMARY

### Independent survey

The building subject to this valuation is assessed on the basis of Market Value and the report is composed with a view to the building's potential sale.

The valuation was carried out by a competent and independent professional, with no interests in respect to the parties involved in the financing process.

We confirm that Gesvalt stands to gain no benefit from this assignment, other than fees paid for putting together this valuation report.

This valuation has been carried out under the assumption that the building is free of any legal or economic burdens.

Our valuation has been completed in accordance with the "Orden Ministerial ECO 805/2003", 9<sup>th</sup> April.

### Date of property inspection

The visit was carried out on the 6<sup>th</sup> of June 2016 by JUAN JOSE GARCIA ROMAN, Architect.

Information obtained about the building is as follows:

Assessment of the type of building valued: STUDENT HALLS OF RESIDENCE BUILDING

Building location: Paseo JUAN XXIII, PASEO, Nº 42-44 de Madrid 28040

Building status: Complete

Occupation status: Vacant

### Information available for valuation

- Current urban planning regulations
- Other legal documents provided
- Location plan
- City plan
- Sketches of the building
- Photographic report
- Cadastral documentation
- Opening and/or operating license
- Necessary cash flow documentation
- Property Registry Filing

- Cadastral record

The resulting appraised value corresponds to the Value of the Building prior to Refurbishment for the hypothetical economic operation (Student halls of residence) considered in the present report, based on provisional studies and drafts (not approved) provided by the applicant, of which there is no binding documentation issued by the Council with respect to fulfilment of the applicable Town Planning Regulations. In the case that authorisation is not given, specifically in regards to the number of places planned by said drafts, the assessed value may be modified.

#### *Surface areas*

Registered surface area (m2)	Verified surface area (m2)	Cadastral surface area (m2)	Used surface area (m2)
6,742	6,442	6,695	6,442

#### Date of valuation

JUAN JOSE GARCIA ROMAN, ARCHITECT, in the capacity as assessor for GESVALT Company S.A., carried out the valuation report for the file number indicated below on the date 09-06-2016.

#### Property valued

Singular building planned as a student halls of residence. Comprised of two floors below ground, a ground floor and first, second and third floors. The plot is complete with garden areas, a *frontón* court and an outdoor swimming pool.

It is a single registered plot, owned full freehold in the name of FUNDACIÓN UNIVERSIDAD FRANCISCO DE VITORIA.

#### Valuation methodology

The realizable-value method was used in calculating the value of the building.

Calculation of the value of the building before the refurbishment, considering as income the final market value of the fully refurbished building, and considering as costs the expenses pertaining to the refurbishment process.

## 2 LOCATION

The building is located in Paseo Juan XXIII nº 42-44 in the city of Madrid, Spain. The municipality, categorised as a historic city, is the capital of the Spanish State and the Community of Madrid. Also known as the *Villa y Corte*, it is the country's most populated city, with 3,165,235 registered inhabitants according to the National Statistics Institute in 2014. With the metropolitan area included, the population figures rise to 6,543,031 inhabitants, making it the third or fourth largest metropolitan area in the European Union according to sources, behind Paris and London. Other sources also place it behind the Ruhr Region in this sense, while it is also the European Union's third most populous city, behind Berlin and London. Madrid ranks 38th on the Economist Intelligence Unit list of cities with the best living standards in the world.

As the State capital, Madrid is home to Government headquarters, Spanish Parliament, ministries, institutions and associated organisms, as well as the official residences of the Spanish royal family and the president of the Government. On an economic level, it's the fourth richest city in Europe, after London, Paris and Moscow. For 2009, 50.1 % of turnover for the 5000 largest Spanish companies is generated by companies with their head offices in Madrid, representing a 31.8 % of the total companies. It is home to the third best stock Exchange in Europe and 2nd in Latin America (Latibex) as well as to many of the world's biggest corporations. It ranks as the 8th city in the world in terms of presence of multi-nationals, after Beijing and ahead of Dubai, Paris and New York.

The city has demonstrated slightly negative growth, with its multi-faceted business areas, among others, industrial, tertiary, commercial... and its mid-level incomes.



### 3 CONNECTIONS

The city is very well connected both in terms of public and private transport.

There is an airport less than 50km away, city and inter-city busses offer an adequate schedule of services, there are railway stations with short-distance and long-distance train services as well as a metro network which connects the entire city.

Madrid's major motorways are connected to it in a radial structure. The most important ones are those that come from this network (numbered with roman numerals: N-I, N-II, etc.).

A-1 Madrid - Aranda de Duero - Burgos - Miranda de Ebro - Vitoria - San Sebastián

A-2 Madrid - Guadalajara - Zaragoza - Lérida - Barcelona

A-3 Madrid - Valencia

A-4 Madrid - Córdoba - Sevilla<sup>178</sup> - Jerez<sup>178</sup> - Cádiz

A-5 Madrid - Talavera de la Reina - Naval Moral de la Mata - Mérida - Badajoz - Portuguese border

A-6 Madrid - Medina del Campo - Tordesillas - Benavente - Astorga - Ponferrada - Lugo - La Coruña

Other motorways have their origins in Madrid and accommodate a significant flow of traffic, such as the A-42 which connects Madrid with Toledo and the M-607, which is owned by the autonomous community and connects Madrid with the Puerto de Navacerrada, servicing towns such as Colmenar Viejo and Tres Cantos.

Madrid also has a number of ring roads:

- The M-30, belonging to the municipality, which runs around the city centre, completely encircling Madrid;
- The M-40, a state owned road, that encircles the city's residential neighbourhoods. Apart from its western stretch, it is contained entirely in the municipality of Madrid;
- The M-45, owned by the autonomous community, runs around the south and southeast of the city and passes almost entirely through the Madrid area;
- The M-50 is state owned and just enters the Madrid municipality in the southeast, near the Vallecas district.

#### 4 DESCRIPTION

A singular building planned as a student halls of residence. Comprised of two floors below ground, a ground floor and first, second and third floors. The plot is complete with garden areas, a frontón court and an outdoor swimming pool.

It is based on the hypothetical complete refurbishment of an existing building used as a college dorm, to transform it into a modern student halls of Residence with 292 places over 220 individual rooms and 36 double rooms (which may be divided into individuals with the typical services on offer in this kind of establishment (catering services, common areas, Wi-Fi, parking, etc.)). Said refurbishment requires the reform and extension of the existing construction, taking advantage of the potential for expansion, and significantly increasing the number of rooms.

The general layout is as follows:

- Second basement level: Sports court and boiler room.
- First basement level: Garage, laundry, kitchen, study rooms and other service facilities.
- Ground floor: Access, concierge service, hall, conference room, chapel, dining rooms, cafeteria, and administration block.
- 1st, 2nd and 3rd floors: bedrooms sit alongside study and reading rooms.

The construction features comprise a brickwork enclosure surrounding the plot on the lower level, and a metal frame at the top, flat roof, mixed facade, with areas of exposed brickwork, areas of natural finish, the upper parts with large glass areas and a mixed structure (concrete and metal).

Generally, the finishing is as follows: Ground floor: marble, terrazzo tiles and parquet floors, walls painted or in wood-panel finish and suspended plaster or linear tiled ceilings. Bedrooms: Ceramic flooring, walls painted with textured rendering and painted ceilings. The bedroom's en-suites have tiled walls and ceramic tiled floors. Common areas (kitchen, dining rooms, hallways...): Terrazzo tiles or ceramic floors, painted or tiled walls and painted ceilings. The external joinery uses anodised aluminium and single glazing glass, while varnished wood is used on the interior.

## 5 TENNANCY AND OCCUPATION

The property register provided information on the property's tenancy. The table below details the information found in the Property Registry Filing.

Madrid Property Register nº26						
Address	Owner	Property Registry Filing date	Book	Volume	Sheet	Registered estate
Paseo de Juan XXIII nº 42-44	FUNDACIÓN UNIVERSIDAD FRANCISCO DE VITORIA	10/03/2016	791	791	1	12546

IDUFIR: 28107000155320

CADASTRAL REFERENCE: 9581101-VK3798B-0001-ID

The surface areas are as follows:

Registered surface area (m2)	Verified surface area (m2)	Cadastral surface area (m2)	Used surface area (m2)
6,742	6,442	6,695	6,442

The surface areas have been checked on a topographical plan and alongside accurate verification measurements 'in situ'. For the valuation, we adopt the constructed area verified by the technician, which differs from the registered surface area despite the fact the causes of this discrepancy cannot be determined. Said surface areas are broken down as follows: BASEMENT 2: 732.68m<sup>2</sup> BASEMENT 1: 1241.81m<sup>2</sup> GROUND FLOOR: 1359m<sup>2</sup> FIRST FLOOR: 1087.25m<sup>2</sup> SECOND FLOOR: 1010.86m<sup>2</sup> THIRD FLOOR: 1010.86m<sup>2</sup>

According to the documentation provided, the building is currently unoccupied.

The plan is for the sale of the building.

According to the documentation consulted and the information obtained during the visit, the building is NOT subject to any form of protected listing.

## 6 PLANNING

The planning in force for this building is the land-use planning “Plan General de Ordenación Urbana de Madrid. API.09.11 ALMANSA”, classified as a private facility under the category of education. Basic planning for the area: 85/044 523/85/28238 PR .9/6 C/ALMANSA.

Developments and/or modifications: 90/043 - 520/90/27415 - MPR.9/6 C/ALMANSA.

GENERAL OBSERVATIONS: Consulting the planning documentation with regards to the file with reference 90/043 - 520/90/27415 - MPR.9/6 C/ALMANSA, the plot is regulated by the land-use planning “ZONAL NORM grade 2 of the PLAN GENERAL DE ORDENACIÓN URBANA DE MADRID” of 1985, with open block construction, and whose most significant conditions can be summarised in the following manner:

PARTICULAR CONDITIONS OF ZONE 5 GRADE 2, PGOUM 85

### OCCUPATION

According to article 11.5.8, in grade 2, the building must not exceed, in floors above ground, an occupancy coefficient of fifty percent (50%) of the buildable plot. SUITABILITY FOR BUILDING

According to article 11.5.9, the maximum coefficient of net buildability is 1.6 metres for each metre squared.

### CONSTRUCTION HEIGHT

According to article 11.5.10, in grade 2, the maximum construction height will not exceed a crowning height of thirty metres, measured from the reference level on the ground floor.

### POSITION IN REGARD TO NEIGHBOURING PLOTS:

The construction will be undertaken in such a way that its facades will maintain a distance equal or superior to a height H with respect to the façade plans of existing buildings on neighbouring plots. The construction will respect a distance from the boundary equal or superior to H/2 of its crowning height, with a minimum of five (5) metres. LAND CLASSIFICATION: Urban Land.

### ADAPTATIONS TO MEET PLANNING REGULATIONS:

The building complies fully with all town planning regulations determined by municipal ordinances.

CONSTRUCTION PERMIT DATE: - -

## 7 SURROUNDING AREA

The construction area is between 30 and 50 years old, within an appealing commercial environment, as a major residential area for first-time buyers.

The area has Access to the minimum services (electricity supply, water supply, good access to waste-water removal systems), and is all well preserved.

In terms of the area’s other services, there are problems with respect to street-level parking, but there are sufficient retail establishments, a university and primary and secondary education centres, and an abundance of entertainment and health services.

## **8 CONTAMINATION**

There has been no environmental assessment carried out or requested to determine the existence of otherwise of contamination, nor are we aware of any assessment being carried out by a specialist on this property or in the surrounding area.

Over the course of our inspection, there was no evidence of potential or real contamination that we consider may affect our valuation.

Therefore, for the overall purposes of this valuation, it is assumed that there exists no contamination related to the building to the extent that its value may be affected. However, in the event that this proves otherwise, the values given in the present document may be reduced.

## **9 MARKET COMMENTARIES**

### **Supply**

There is a supply of buildings similar to the object of the valuation in the surrounding area.

### **Demand**

There is a stable relationship in the local Market between supply and demand, with an average rate of demand.

### **Supply and demand and appreciation forecasts**

Forecasted appreciation for the building is considered almost zero, with yearly increases below the CPI.

## 10 VALUATION METHODOLOGY

### REALIZABLE-VALUE METHOD

The realizable-value method was used in calculating the value of the building.

To summarise, this dynamic procedure of Realizable-value consists of estimating cash flows relating to planned property development on the land. These will be payments expected to be received for the sale of the buildings and payments that will be made for the various expenses and costs deriving from the town planning procedures, urban development works, construction and the associated marketing activities, as well as the costs of bringing the product to market. All these refer to the planned dates of the coming to market and the construction of the buildings. Therefore, it will be necessary to determine dates and time periods for each of the previous activities.

A discount rate (i) must also be established which represents the project's average annual profitability for a medium-sized developer for a development with the characteristics of the one being assessed.

The market value of the asset subject to the valuation, can be found by the difference between the real value of incomes gained and the real value of payments made for the various expenses and costs, for the fixed discount rate using the following formula:

$$F = \sum \frac{E_j}{(1+i)^{t_j}} - \sum \frac{S_k}{(1+i)^{t_k}}$$

Where:

- F = Land value
- E<sub>j</sub> = Amount of expected income at moment j
- S<sub>k</sub> = Amount of expected expenses at moment k
- t<sub>j</sub> = Number of intervals expected from the time of valuation to the time that each income is received.
- t<sub>k</sub> = Number of intervals expected from the time of valuation until each payment being made.
- i = Discount rate chosen, corresponding to the duration of each of the considered time intervals.

### PROBABLE PROPERTY DEVELOPMENT

Calculation of the building's value before the planned refurbishment, considering as income the final market value of the building after refurbishment, and costs as that corresponding to the refurbishment: 750 €/m<sup>2</sup> + 22% for Other Necessary Expenses and 1% marketing expenses. EXTERNAL FINANCING VALUE: Cost of financing: 2.17% x 0.60% = 1.30%

#### CASH FLOWS

##### PREDICTED CASH FLOWS

EXPENSES	TOTAL ALLOCATION (€)	CAPITALISED TOTAL (€)
Demolitions	-	-
Urbanisation costs	-	-
Construction costs	4,831,500.00	338,773.92
Construction expenses	1,062,930.00	767,675.03
Marketing costs	- 224,181.60	142,573.66
Financial expenses	-	-

INCOME	TOTAL ALLOCATION (€)	CAPITALISED TOTAL (€)
Student halls of residence	22,418,160.00	14,257,366.49

PLANNED USE	END OF DEVELOPMENT	RATE	CAPITALISED INCOME.	CAPITALISED EXPENSES.	RESIDUAL VALUE
Student halls of residence	30-11-2019	18.07	14,257,366.49	4,249,22.61	10,008,355.62

PLANNED USE	M	SURFACE AREA. (m <sup>2</sup> )	V.ADOPTED (€/m <sup>2</sup> )	UNIT VALUE (€)	GROUP VALUE (€)
Student halls of residence	SD	6,442.00	1,553.61	10,008,355.62	10,008,355.62

Method (M):

(SD): Dynamic realizable-value method

The collateral value amounts to the indicated amount of TEN MILLION EIGHT THOUSAND THREE HUNDRED AND FIFTY-FIVE EUROS AND SIXTY-TWO CENTS.

## 11 CAUTIONS

The valuation has been carried out on a building free of economic burdens that may affect its current situation. It has also been completed on a building which complies with all appropriate laws. Registry records and town planning documentation has been checked, and according to this documentation the building complies with all applicable regulations and legislation.

However, we would state that the legal interpretation of the laws is the responsibility of professionals who have a corresponding official title, or auditors who you have to that effect.

The valuation has also been carried out on a building free of hidden defects. Our checks only cover an interior and exterior visual inspection, as technical valuers the undertaking of specific architectural tests which could detect this type of defect exceed our area of expertise.



## **12 PURPOSE**

Gesvalt has been appointed as an independent valuer by CORESTATE Capital Holding SA to determine the Market Value of this property and prepare a this property valuation report for the purpose of inclusion in the Prospectus relating to an inclusion of the entire share capital of the Company to trading on the Entry Standard segment of the open market (Freiverkehr) of the Frankfurt Stock Exchange. Gesvalt hereby agrees to the inclusion and with the subsequent publication of the Valuation Report or parts of it in the Prospectus. The Valuation Report complies with the legal requirements, in particular the European Commission Regulation (EC) No 809/2004 of April 29, 2004 (as amended) and paragraphs 128 to 130 of the European Securities and Markets Authority's "update of the CESR recommendations regarding the consistent implementation of Commission's Regulation (EC) No 809/2004 implementing the Prospectus Directive" of 20 March 2013, ESMA/2013/319."

## **13 REASONABLE VALUE**

According to the information provided, we indicate what in our opinion is a Reasonable Value for this property:

### **a) Asset Value Summary**

The added value of the asset is a summation of existing properties, both on freehold and leasehold basis.

In this case, the asset encompasses a single property, which is fully owned (on a freehold basis), with the following breakdown:

Cadastral Reference: 9581101/VK3798B/0001/ID

Location: Paseo JUAN XXIII, PASEO, N° 42-44 de Madrid

Built área (plot of land plus construction built): 6.442 m<sup>2</sup>

Type of property: freehold

Reasonable Value: see point B (here below)

**b) Reasonable Value**

Taking into account comments and assumptions included in this report we are of the opinion that the Reasonable Value for the Student Halls of Residence Building located in Paseo Juan XXIII n°42-44 in Madrid, on the **9<sup>th</sup> of June 2016** is:

<p style="text-align: center;"><b>10,008,000 EUROS (rounded)</b> <b>(Ten million eight thousand euros)</b></p>
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**VALUATION AND APPRAISAL MANAGEMENT S.A.**

## RECENT DEVELOPMENTS AND OUTLOOK

Following a review of our business strategy in Spain and our focus on Micro Living investments, our joint venture with our partners in Spain is currently being reorganized mutually and the joint venture partners are negotiating the exit from the Spanish JV Agreement. In the course of such re-focusing of our business approach in Spain, we intend to unwind our stake in joint venture company, Iberian Corestate Capital Advisors S.L., and to sell our 49% stake in Project Torre Vida. Within the reorganization of Iberian Corestate Capital Advisors S.L., it is intended that our outstanding claims are settled. Within the reorganization of the service company of Project Torre Vida, it is intended that we receive our contribution as shareholder in such service company (amounting to approx. EUR 3.7 million provided as shareholder loan) and, in addition, receive a purchase price for our stake making a reasonable profit. Going forward, we will pursue our strategy in Spain with our own local experienced team. It is intended that the aforementioned reorganization will be implemented within the fourth quarter 2016. We already realized the first project with our own team in Spain – project “Annapurna”, the acquisition of a student home in Madrid with approximately 6,241 sqm for a purchase price of EUR 10.2 million by one of our affiliates, Iberian Propco III, S.L., from the Fundación Francisco de Vitoria. (see for further details “*Business Section*” where our strategy in Spain is described more detailed).

The Danube JV Partners are in advanced negotiations regarding the exit of CCAG from the Danube JV Agreement and the Danube JV until the end of the year 2016. The Danube JV Partners came to a commercially more or less final agreement and are currently negotiating the contractual execution of such exit. The main economic terms entail a release of substantial employed alignment capital and also satisfactory returns for our co-investors and us. Formally, assets under management will be decreased by EUR 431 million when completing such exit. However, this will only result in a corresponding decrease of EUR 300,000 of service fees per year. It is intended that this reorganization will be implemented within the fourth quarter 2016.

The general meeting of shareholders has approved on 5 August 2016 and 31 August 2016, respectively, the distribution of a total amount of EUR 6,550,000 out of the freely distributable reserves of the Company to the existing shareholders.

Currently, we are involved in a variety of negotiations with regard to further developing our business in particular focusing on growing our Assets under Management on a non-binding basis, i.e. based on non-binding term sheets, memoranda of understanding, letter of intent etc. However, it is actually not foreseeable to what extent these negotiations are successful and result in a cooperation.

As a part of our ordinary course of business, we are currently involved in a variety of non-binding negotiations regarding the potential sale or acquisition of real estate portfolios for our Micro Living and Warehousing activities as well as for existing and future Investment Structures. However, it is actually not foreseeable to what extent these negotiations are successful and result in the conclusion of a contractual documentation for the potential transaction.

We are currently in the process of negotiating on a non-binding basis the potential acquisition of assets to be held for several of our Highstreet Investment Structures (i.e. not on our own balance sheet for warehousing purposes). Such retail assets are located in attractive locations in inner cities in Germany. Largest tenants in terms of rent are leading brands. The transactions are in a rather early stage, subject to satisfactory due diligence and binding contractual documentation.

Spreading out from Germany as our major real estate investment market, we plan to selectively enter further European markets based on our clients’ needs and the relevant market dynamics, in any event ensuring a deep understanding of and insight into local market dynamics and asset sourcing capabilities. Such potential selective geographical expansion will preferably be implemented with reputable local partners either through joint ventures or through M&A activities (i.e. by acquisition of suitable industry players who are sufficiently well connected in the relevant markets).

We are currently negotiating the potential acquisition of the so called “YOUNIQ”-platform by way of two asset deals in the course of the wind-down of the Investment Structure of Project BEN following the sale of the student homes of the YOUNIQ-group to a fund vehicle established by Bayerische Versorgungskammer as purchaser. The “YOUNIQ” group under its parent company YOUNIQ GmbH is a leading operator and developer of student homes in Germany. Through the affiliate Youniq Service GmbH, also asset and property management services are provided for real estate assets operated under the YOUNIQ brand but also for third party real estate assets. Within the contemplated transaction, especially the corporate brand “YOUNIQ” shall be transferred. Furthermore, almost the entire business unit of Youniq Service GmbH shall be transferred, i.e. the business segment “Youniq – Student Living” as well as the business segment “Services”. In addition, the major part of Youniq Service GmbH’s contractual relationships is intended to be transferred within the transaction. The acquisition of the “YOUNIQ”-platform will enable us to further broaden and strengthen our business platform in the field of asset and property management services for e.g. Micro Living and Student Housing, to safeguard YOUNIQ’s expertise, experience and know how in this specialised sector consistent with our strategy of being a fully integrated real estate investment manager. The transaction is expected to be signed and closed within the fourth quarter 2016.

We are in advanced negotiations with a large insurance company regarding the investment, asset and property management of a residential real estate portfolio with a target gross asset value in a range of EUR 300m to EUR 800m. The Company would act as investment manager advising the insurance company in originating, structuring and executing the acquisition of residential real assets. Subsequently, we would also act as on-going and day-to-day asset and property manager over the holding period. Finally, the mandate would also entail the management of the realisation of the investment product through multiple eligible exit channels. There is already agreement regarding the commercial terms among the parties who are currently negotiating binding contractual agreements which shall be concluded in October 2016. First acquisitions of residential assets are currently planned for November 2016. Such mandate would substantially add to our assets under management, and would generate considerable incremental transaction-related as well as asset management fees.

We have come to an agreement regarding the sale of student housing real estate assets in Germany and Austria with an aggregate real estate value of approximately EUR 187 million for existing Investment Structures (Project Ben and Turbo VIE) with a fund vehicle established by Bayerische Versorgungskammer as purchaser, one of the largest institutional pension funds in Germany with assets under management of more than EUR 60 billion. Formally, signing of such transaction is expected to take place on or around 29/30 September 2016. The consummation of such transaction will generate the release of employed alignment capital, returns for our co-investors and us as well as promote fees for the Company to be accounted for in Q3 2016. In addition we will receive a structuring fee from the vehicles acquiring the real estate assets, and be assigned an asset and property management mandate for the aforementioned student housing real estate assets. It is intended to further develop the business relationship with Bayerische Versorgungskammer both with respect to student housing assets as well as other real estate asset classes.

After accomplishment of a market sounding we have decided to convert certain high street real estate assets into a long term product for institutional investors. We are currently in early stage negotiations regarding the sale of high street real estate assets for an aggregate real estate value of approx. EUR 675 million in the context of a formal limited auction procedure. We expect the purchasers’ due diligences to be accomplished until end of year 2016 and to enter into sale and purchase agreement negotiations beginning of 2017. In any event, we would retain the long-term asset and property management mandates for such portfolio while realizing returns on our existing alignment investments as well as promote fees upon closing of such transaction.

An affiliate of the Company, Highstreet VI PropCo I S.à r.l. (**Purchaser**), has entered into a sale and purchase agreement regarding a commercial property located in Bocholt, i.e. Neutor-Center. The Purchaser has made an advance payment amounting to EUR 2 million to the seller in order to secure the asset for warehousing purposes (see also Related Party Transactions No. 20 and 21). The sale and purchase agreement provides 30 November 2016 as due date for the residual purchase price. In the context of this transaction it is planned to establish together with other Co-Investors the Highstreet VI Investment Structure. It is

contemplated to convert the aforementioned warehousing asset into such newly established Investment Structure. In case the Investment Structure has been established prior to 30 November 2016, the Investment Structure shall assume all rights and obligations under the respective sale and purchase agreement against repayment of the advance payment. In case the Investment Structure has not been established prior to 30 November 2016, the Company will first (indirectly) acquire the warehousing asset and subsequently, after establishment of the Highstreet VI Investment Structure, convert it into the Investment Structure against repayment of the advance and the residual purchase price. In both cases the Company in addition will generate a corresponding warehousing margin.

In addition, on 9 September 2016 we entered into a joint venture and co-investment agreement with *inter alia* our strategic partner, Sistema Capital Partners S. à r. l., in relation to the acquisition of a real estate portfolio comprising (initially) two retail properties located in the German cities Flensburg and Lübeck with a targeted gross asset value of approx. EUR 104,390,350 which will form the Investment Structure for Project Highstreet Premium II. Our alignment capital portion amounts to 10% of the equity to be provided for the transaction. We are currently in the process of negotiating the acquisition of these assets and are shortly before the conclusion of the respective purchase agreements.

The Company is in advanced negotiations with Lattemann & Geiger Dienstleistungsgruppe Holding GmbH & Co. KG (**L&G**) regarding a potential strategic participation in a venture operationally led by L&G and focused on facility management, i.e. technically complex management of facilities in all kinds of real estate asset classes. Currently, it is contemplated to invest in such venture through CAPERA. The venture shall be exclusively instructed regarding all future retail facility management mandates onboarded by L&G but will also act for Corestate administered or owned as well as third party real estate assets. The legal and commercial details are subject to further negotiations.

## **GLOSSARY**

*This glossary contains the key terms and definitions which are used throughout the Prospectus*

### **Adjusted Net Income or ANI**

ANI is calculated based on the net profit/loss by adjusting certain one-off effects (i.e. costs for capital measures (i.e. costs for the aborted IPO in 2015) and costs for credit facilities provided by shareholders). ANI provides us with the possibility to monitor the operating performance generated from our integral business model, excluding one-off effects.

### **AIF**

Alternative investment fund under the AIFM Act.

### **AIFM**

Manager of an Alternative Investment Fund under the AIFM Act.

### **AIFM Act**

The Luxembourg act of 12 July 2013 implementing the AIFMD into Luxembourg Law with effect as of 22 July 2013, as may be amended

### **AIFMD-CDR**

Commission Delegated Regulation 231/2013 of 19 December 2012 supplementing the AIFMD with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.

### **AIFMD**

Directive 2011/61/EU of the European Parliament and the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and regulations (EC) No 1060/2009 and (EU) No 1095/2010.

### **AIFM Rules**

AIFMD, the AIFMD-CDR, the AIFM Act as well as any implementing measures of the AIFMD or the AIFM Act.

### **Alignment Capital Management / ACM**

It is an integral part of our business model to co-invest alongside our clients through our alignment capital investments. Accordingly, we make investments with our own funds into the same products that our clients invest in and under the same terms and conditions applicable to all investors underpinning the alignment of our interest with the one of our clients. Since 2006, we have invested approximately EUR 40 million through our alignment capital investments. Typically, alignment capital investments range between 5% and 10% (with certain exceptions for particular transactions) of the total equity capital invested into an investment product and depending on our clients' requirements and product structuring.

As a result, in addition to the fee-based income generated through our real estate investment management services, we also participate in the performance of the investment products through dividend payments and we realize capital gains upon successful exit from alignment capital investments.

## **Articles of Association**

The Articles of Association of the Company.

## **Asset Management**

Value-driven management and/or optimization of real estate investments through letting management, refurbishment, repositioning, and tenant management.

## **Assets Under Management**

Assets under management are determined based on the projected development costs for project developments for which building phase has not yet been launched, the construction costs for project developments for which the building phase has been launched but has not yet been completed, the real estate valuation for project developments for which the building phase has been completed, and the real estate valuation for standing assets.

## **Audited Consolidated Financial Statements**

The Audited Consolidated Financial Statements of Corestate Capital AG as of and for the financial years ended 31 December 2014, 2013 and 2012 were prepared in accordance with IFRS.

## **Authorised Capital**

By a resolution of the General Meeting on 31 August 2016, amending the Company's Articles of Association, the authorized capital of the Company is set at two hundred and seventy thousand five hundred and twenty-five Euro (EUR 270,525) represented by a maximum of three million six hundred and seven thousand (3,607,000) shares without par value and the Management Board, was authorized, during a period starting on the date of the publication in the RESA (*Recueil Electronique des Sociétés et Associations*) of that General Meeting, and expiring on the fifth anniversary of such date, to increase the 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.

## **BaFin**

*Bundesanstalt für Finanzdienstleistungsaufsicht* (German Federal Financial Supervisory Authority).

## **BGB**

*Bürgerliches Gesetzbuch* (German Civil Code).

## **BEPS**

Base Erosion and Profit Shifting.

## **Cash Flow**

Indicator that shows the net inflow of cash from sales activities and other current activities during a given period.

## **Capital Gain**

Profit that results from the disposal of capital assets (e.g. Alignment Capital Investments) where the amount realized on the disposal exceeds the purchase price or the initial Alignment Capital Investment amount, respectively.

**CCCTB**

Common Consolidated Corporate Tax Base.

**Company**

Corestate Capital Holding S.A., with its seat in 35, avenue Monterey, L2163 Luxembourg, Grand Duchy of Luxembourg, registered in the companies register under no. B199780.

**Consumer Price Index**

A consumer price index measures the changes in the price level of consumer goods and services purchased by private households. The consumer price index referred to in this Prospectus refers to the consumer price index published by the German Federal Statistical Office (*Statistisches Bundesamt*).

**Corestate Group**

Corestate Capital Holding S.A. together with its consolidated subsidiaries. With regard to the period before 23 September 2015 and before effectiveness of the capital increase by contribution in kind and with regard to any historical financial information as of and for the years ended 31 December 2013, 2014 and as of 30 June 2015, references to the “Corestate Group,” refer to Corestate Capital AG together with its consolidated subsidiaries unless it is referred to Corestate Capital Holding S.A.

**Coverage**

Information provided on a listed public company in the form of studies and research reports by banks and financial analysts.

**Co-Investor(s)**

A client or several clients in our Investment Structures.

**CSSF**

Commission de Surveillance du Secteur Financier, the Luxembourg financial supervisory authority.

**DCF**

Discounted Cash Flow.

**DDT**

Dichlorodiphenyltrichloroethane, an organochlorine insecticide often used in agriculture. A frequent source of exposure for DDT is food, including meat, fish and dairy products. DDT can be absorbed through eating, breathing or by coming into contact with products contaminated with the insecticide.

**Derivative Financial Instrument**

Contracts to hedge and compensate financial risk positions. The pricing is based on a market-linked underlying value (e.g. interest rate, shares or indices).

**Destatis**

Federal Statistical Office Germany (*Statistisches Bundesamt Deutschland*).



**Diversified Income Streams**

Diversified Income Streams means acquisition-related fees, asset and property management fees, as well as success fees (standard promotes / carried interest fees).

**DR**

Is a third party asset management agreement (i.e. not involving any Investment Structures) entered into by Thomas Ellrich acting as insolvency administrator of the real estate assets held by DR Real Estate AG, DR Commercial 1 AG and DR Wohnen 1 GmbH & Co. KG and CCAG as asset manager regarding the provision of certain asset management services by CCAG relating to the abovementioned companies' portfolio of real estate assets.

**Due diligence**

Due diligence is the careful analysis, assessment and valuation with respect to, *inter alia*, financial, legal, tax, or environmental risks.

**EBIT**

Earnings before Interest and Taxes.

**EBITDA**

Earnings before interest, taxes, depreciation and amortization.

**EBT**

Earnings before Taxes.

**ECB**

European Central Bank.

**Economies of scale**

Economies of scale, i.e. cost savings that arise in the context of a production function (production technology) as a result of consistent fixed costs if the output increases.

**EEA**

European Economic Area.

**EnEV**

*Energieeinsparverordnung* (German Ordinance on Energy Saving).

**Entry Standard**

A sub-segment of the non-regulated market segment (Open Market – *Freiverkehr*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

**EURIBOR**

Euro Interbank Offered Rate. A reference rate determined on a daily basis reflecting the average interest rates at which banks offer to lend unsecured funds to other banks in the euro money market.

## **EU Short Selling Regulation**

EU Short Selling Regulation means the Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps.

## **EUR, Euro, €**

EUR, Euro, € means the European single currency in certain member states of the European Union, including Germany.

## **Euro Zone / Euro Area**

Community of countries using the Euro as the common national currency, e.g., Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

## **Eurostat**

The statistical office of the European Union, based in Luxembourg. It publishes official, harmonized statistics on the European Union and the euro area, offering a comparable, reliable and objective portrayal of Europe's society and economy.

## **Fair Value**

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

## **FINMA**

Swiss Financial Market Supervisory Authority. FINMA is the supervisory authority responsible for financial regulation in Switzerland.

## **FTE**

Full time equivalent.

## **GDP**

Gross domestic product. The gross domestic product reflects the market value of all end products and services produced or rendered within a specific period of time in a country (or region, city, etc.).

## **General Meeting**

Means the general meeting of shareholders, either for ordinary or extraordinary matters. The General Meeting shall meet at least once a year for an annual general shareholders' meeting. This meeting elects the supervisory board and the balance sheet auditor. It passes resolutions on the appropriation of the reported annual profit, on measures for raising capital, on changes to the articles of association and other fundamental issues; it is the only body which can approve the decisions made by the supervisory board and the management board.

## **German CFC rules**

German Controlled Foreign Companies Rules.

## **GmbH**

*Gesellschaft mit beschränkter Haftung* (German limited liability company).

## **GrESt**

*Grunderwerbsteuer* (German real estate transfer tax).

## **Highstreet Investment Structures**

Portfolios of retail assets which are located in attractive locations in inner cities in Germany. Largest tenants in terms of rent are leading brands. Examples of the Highstreet Investment Structures are Project Highstreet I, II, III, IV and Project Highstreet Premium I (as defined below).

## **IAS**

International Accounting Standards.

## **IFRS**

International Financial Reporting Standards.

## **Investment Structures** or individually **Investment Structure**

Shall mean vehicles established by respective clients together with Corestate and related to its Real Estate Investment Management Business, namely currently:

Project Highstreet I means the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in smaller and medium sized cities in Germany (e.g. Hanau, Singen, Plauen, Kamp-Linfort) with an aggregate asset value of up to EUR 130,000,000.

Project Highstreet II means the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in smaller and medium sized cities in Germany (i.e. Bietigheim-Bissingen, Soest, Hagen, Bottrop, Heidenheim, Suhl, etc.) with an aggregate asset value of up to EUR 95,000,000.

Project Highstreet III means the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in several cities in Germany (e.g. Bremerhaven and Paderborn) with an aggregate asset value of up to approximately EUR 103,000,000.

Project Highstreet IV means the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in smaller and medium sized cities in Germany (e.g. Bad Homburg v.d. Höhe, Merseburg, Schwerin, Bremen, Gelsenkirchen etc.) with an aggregate asset value which is expected to be up to EUR 110,000,000.

Project Highstreet V means the acquisition of a real estate portfolio comprising several retail properties located in Germany with an asset value of up to EUR 114,304,000.

Project Highstreet Premium I or Highstreet PI means the acquisition of a real estate portfolio such as department stores, warehouses and shopping centres comprising four retail properties located in smaller and medium sized cities in Germany (i.e. in Bremerhaven, Halle an der Saale, Hamburg and Paderborn) with an aggregate asset value of approximately EUR 115,700,000.

Project Highstreet Premium II is the acquisition of a real estate portfolio comprising (initially) two retail properties located in the German cities Flensburg and Lübeck with a targeted gross asset value of approx. EUR 104,390,350.

Project Ben means the acquisition of a German stock corporation (*Aktiengesellschaft*) with corporate seat in Frankfurt/Main, Germany, registered in the Commercial Register (*Handelsregister*) of the Local Court

(*Amtsgericht*) of Frankfurt/Main, whose main assets comprise a real estate portfolio located in Potsdam, Bayreuth, Frankfurt and Mainz, Germany, with a total of 1,248 student housing units.

Project Turbo FRA means the acquisition of a student housing real estate property under construction with 260 student apartment units comprising 5,785 sqm of net lettable area, located in Frankfurt-Riedberg (Germany).

Project Energy means the acquisition of a residential real estate portfolio comprising more than 136,000 sqm of net lettable area, spread over 2,300 assets located in Helmstedt and Schöningen in Germany.

Project Spartacus means the acquisition of a residential and commercial real estate portfolio comprising 542,000 sqm of net lettable area with 7,721 residential units, 490 commercial units and 2,622 other units (including parking spaces) in Germany.

Project Turbo VIE means the development and the construction of a university housing real estate property with 583 apartment units for students and young professionals on an improved land comprising 6,495 sqm of cadastral area, located in Vienna (Austria).

Project T6 means the acquisition or sale, respectively, of a commercial real estate portfolio comprising six assets in Bonn, Freiburg, Regensburg, Ansbach, Flensburg and Berlin-Stahnsdorf, Germany.

Project Donald means the acquisition of a residential real estate portfolio comprising 2,879 sqm in total located in Berlin-Wedding.

Project Squirrel/Maroon means the acquisition of a residential real estate portfolio comprising more than 160,495 sqm of net lettable area, spread over 96 assets well diversified across Germany.

Project Phoenix/Bonny means the acquisition of a residential housing portfolio and comprises the acquisition of all shares of 29 property companies.

Project Vitu means the acquisition of a residential real estate portfolio comprising more than 303,430 sqm of net lettable area, spread over 86 assets, comprising approximately 5,900 units, in North Rhine Westphalia, Germany.

Project Berry means the acquisition of a residential real estate portfolio comprising more than 235,000 sqm of net lettable area, spread over 81 assets located in Berlin and Brandenburg in Germany.

Project Danube means the Development of a residential tower with an approximate height of 150 metres and two related low-rise buildings in Vienna as well as three residential towers with an approximate height of 100 metres each and a commercial low-rise building in Vienna.

Project Sailing means the acquisition of residential housing portfolios comprising 2,073 flats with 125,428 sqm of net lettable area and 8,698 sqm of commercial space located in the Rhein-Rhur area of Germany.

Project Donald means the acquisition of three properties located in Berlin, Germany and the subsequent development and construction of a student housing real estate property with approximately 163 apartment units comprising approximately 3,600 sqm of net lettable area for students and young professionals.

Project Across (Frankfurt Eschersheimer Landstraße 7) means the acquisition of a property located in Frankfurt am Main (Germany) and the subsequent re-development of a serviced apartment complex with 94 serviced apartment units and a net lettable area of approximately 2,709 sqm in the city centre of Frankfurt am Main (Germany).

## **IPO**

Initial public offering of CORESTATE Capital Holding S.A.'s shares.

**IRR**

Internal rate of return.

**Joint Venture**

Legally independent entity formed between two or more parties to undertake economic activity together. It is jointly controlled by the parties under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each party's consent.

**Lease Incentive**

Any consideration or expense leading to a reduction in income in order to secure a lease.

**LuxCSD**

Central bank settlement as well as custody services for securities in the Grand Duchy of Luxembourg with business address 42 Avenue J.F. Kennedy, 1855 Luxembourg, Grand Duchy of Luxembourg.

**Management Board**

Management board of a stock corporation.

**Market Abuse Regulation (MAR)**

Regulation (EU) No 569/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

**Market Value or MV**

Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion (PS 3.2 of the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors).

**Micro Living**

Student homes and serviced living in Germany and Spain.

**Open Market (*Freiverkehr*)**

The Open Market (*Freiverkehr*) is a non-regulated market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The Open Market (*Freiverkehr*) is subject to the terms and conditions of Deutsche Börse AG for the Open Market (*Freiverkehr*) at the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

**PCB**

Polychlorinated biphenyls. This chemical compound was used in hundreds of industrial and commercial systems including electrical, hydraulic and heat transfer systems, as well as in paint. PCB is known to cause cancer and negatively affects the immune, reproductive, nerve and endocrine systems.

**PCP**

Pentachlorophenol. This chlorinated organic compound is used as insecticide, wood preservative and disinfectant. The substance is extremely toxic to humans in the event of acute (short-term) exposure by

swallowing or inhalation and may cause neurological effects, affect the blood and the liver and cause eye irritation. Chronic (long-term) exposure by inhalation affects the respiratory tract, blood, kidneys, liver, immune system, eyes, nose and skin.

### **Project Salud**

The development of a skyscraper in Madrid (Spain) together with the former joint venture partners Espacio and OHL with a total investment volume of EUR 240m. The city council of Madrid granted a surface right for a period of 75 years on the ground, air and subsurface of a plot owned by the municipality located at Madrid, Paseo de la Castellana 259E in order to build and develop the skyscraper.

### **Promote/Promote Fee**

Remuneration for the success of the structures upon the sale of underlying investments and generally agreed in the underlying documentation of the Investment Structure with the clients. These fees depend on the net projected returns (cash profit for our clients) of the underlying investment. Typically these fees are between 15% and 20% of the net projected returns of the Investment Structure. Economically these fees are a performance-related component of the Asset Management Fee. The claim for the Promote is only recognized when the relevant transaction documentation resulting in a net project return has been validly entered into, and becomes payable after all client commitments have been fully repaid to the clients. The Promote is basically being paid out as a disproportional profit allocation and becomes payable after all client commitments have been fully repaid.

### **Property Management**

Property management is the management of real estate assets including the processes, systems and manpower required to manage the life cycle of a building.

### **Prospectus**

This prospectus.

### **Prospectus Directive**

Directive 2003/71/EC.

### **Real Estate Investment Management**

Our real estate investment management business targets semi-institutional and private clients as well as institutional clients and provides real estate investment products to both groups in the form of club deals and structured fund products. Our private and semi-institutional clients include family offices and ultra high net-worth individuals. National and international institutional clients targeted in the future include private equity funds, sovereign wealth funds, pension funds and insurance companies.

Our real estate investment management activities cover every stage of the lifecycle of a real estate investment. The services provided by us throughout the lifecycle of an investment include:

- the origination, structuring and execution of investment products tailored to the needs of our clients and in line with regulatory requirements;
- on-going and day-to-day asset, fund and property management over the holding period with the aim of actively value-enhancing and optimizing the relevant assets; as well as
- management of the realization of the investment products through multiple eligible exit channels (e.g. asset-by-asset sales, portfolio sales, auctions etc.).

## **Real Estate Operations and Warehousing**

Real Estate Operations and Warehousing means acquiring assets for our own account and on our own balance sheet—for a period of typically not more than 18 months in order to realise short-term market opportunities and secure seed assets for investment products, in particular for institutional clients.

## **Real Estate Property of Warehousing**

Property, land and buildings which are held as financial investments in order to generate rental income or value increases in assets and not used for the Company's own purpose. The value of the real estate property of warehousing is determined according to IAS 40 or IAS 2.

## **Regulation S**

Regulation S under the Securities Act.

## **Rental Yield**

Key performance indicator which determines the contracted rent in relation to the market value of the property at a specified point in time.

## **REO**

Real estate operations.

## **RETT**

Real Estate Transfer Tax.

## **Risk Factors**

The Risk Factors as set out in this Prospectus. Such Risk Factors are related to the business of the Company as real estate investment manager and as such limited to this business unless explicitly stated otherwise.

## **ROCE**

Return on Capital Employed.

## **S&K Group**

S&K Holding GmbH, including MAINTWAIN GmbH, seated in Frankfurt/Main (now: Tristan Projekt GmbH, seated in Aschaffenburg) and AT Real Estate Verwaltungs GmbH, seated in Regensburg, both entities related to S&K group and affiliated companies.

## **Securities Act**

U.S. Securities Act of 1933.

## **Share**

The term share describes both the membership rights (holding in the stock corporation) and the security which embodies these rights. The holder of a share is a shareholder in the assets of the stock corporation.

**Share capital**

The capital stipulated in a stock corporation's articles of association. The articles of association also specify the number of shares into which the share capital is divided. The Company issues shares in the amount of its share capital.

**Sqm**

Square meters.

**Supervisory Board**

The Supervisory Board is one of the three executive bodies of a stock corporation: General Meeting, Management Board and Supervisory Board. The Supervisory Board appoints the Management Board and provides supervision and advice regarding the management of the Company's business.

**Vacancy**

Vacancy refers to the sum of all lettable space that is not let at the end of a reporting period.

**Vacancy rate**

The ratio of vacancy to the total lettable area on the respective date.

**vitB AG**

An investment company seated in Zug, Switzerland, wholly owned by Ralph Winter, which is now named W5 Group AG.

**y-o-y**

Year-over-year.