CORESTATE
Capital Group

Annual Report 2018

Company Profile

CORESTATE Capital is a real estate investment manager and co-investor that acquires, develops and manages residential, retail and office real estate predominantly in Germany and other parts of Europe. At the end of 2018, the Company had more than € 25bn in assets under management.

The Company has undergone a deliberate transformation over the last few years, from a largely residential-focused investment management company to a diversified real estate group with a wide and committed client base of institutional, semi-institutional and retail investors. We offer property management services and related investment products for our clients, covering virtually all major real estate asset classes and investment vehicles.

We respond to market trends where we see smart investment opportunities within the real estate sector and this has expanded both the type of investment properties we manage and the cities and countries where we operate. For example, our office portfolio includes iconic buildings that appreciate in value while delivering strong returns, and we are adding to our micro-living portfolio to tap into the lucrative business traveler and young professional segment. Alongside our portfolio diversification CORESTATE has made several corporate acquisitions that have added depth and breadth also to our financing capabilities.

We operate from our principal offices in Germany, Switzerland, the UK and Spain employing 726 people (675 full-time equivalents) across 42 offices in 7 countries. CORESTATE is listed in the Prime Standard on the Frankfurt Stock Exchange (SDAX).

Content

Key Figures

	2018	2017
Revenues (€ m)	204.4	161.7
Aggregate Revenues & Gains (€ m)[1]	292.2	195.0
Adjusted EBITDA (€ m)[2]	184.4	123.3
Adjusted Net Profit (€ m)[3]	135.3	93.3
EBITDA (€ m)	174.1	104.7
Net Profit (€ m)[4]	104.6	55.7
Earnings per Share (undiluted) (€)	4.91	3.24

	31/12/2018	31/12/2017
Number of shares outstanding	21,329,417	21,294,123
Net Financial Debt Position (€ m)	387.7	519.5
Net Financial Debt / adj. EBITDA	2.1x	4.2x
Assets under Management at end of period (€ bn)	25	22
Number of employees at end of period (FTE)	675	566

[1] Aggregate Revenues & Gains include Revenue from Real Estate Investment Management, Share of Profit and Loss from Associates and Joint Ventures, Dividends from other Alignment Capital and Total Income from Real Estate Operations / Warehousing.

[2] EBITDA is adjusted for set-up costs for corporate structure.

[3] Adjusted Net Profit is calculated based on the Net Profit for the period, adjusted for set-up costs for corporate structure net of (deferred) tax effects and depreciation mainly resulting from purchase price allocations (capitalized asset management contracts)

[4] Net Profit post minorities.

Letter to Our Shareholders

Dear Shareholders,
Ladies and Gentlemen,

2018 has been another very eventful and successful year for CORESTATE Capital. We harvested the fruits of three strategic acquisitions, Helvetic Financial Services, Hannover Leasing and ATOS. These acquisitions added depth and breadth to our effective business model as a fully integrated investment manager covering the entire lifecycle of an investment. Our Real Estate Assets under Management grew organically by more than 9% from the end of 2017 to the end of 2018, demonstrating impressive operational growth in our core business.

Outperformance on ambitious numbers

Early in 2018 we set ourselves challenging targets, raised our expectations further in November, and then outperformed even these ambitious numbers at the end of the year. We reported aggregated revenues of € 292m, up from € 195m in 2017, reflecting growth of 50%. Adjusted EBITDA rose by 49% from € 123m in 2017 to € 184m in 2018. Our adjusted net profit also showed impressive growth – from € 93m to € 135m (up 45%).

But our focus in 2018 was not only to deliver operationally, but also to make the company even fitter for the future. Crucially, we halved the financial leverage ratio (i.e. the ratio of net debt to adjusted EBITDA), from 4.2 times at the end of 2017 to 2.1 times at the end of 2018. By the year-end, we had gross financial debt of € 586m and a cash position of € 197m. Together with this significant reduction in financial risk, we lowered our average interest costs and cleaned up the debt side of our balance sheet, which now consists mainly of a convertible bond (€ 200m) and a senior unsecured bond (€ 300m). As a result of these prudent financial measures, Standard & Poor's kept our rating at BB+, outlook stable.

In short, the company made excellent operational progress in 2018, and we substantially reduced our risk profile.

CRM Acquisition

The acquisition of CRM Students, the UK´s largest independent student accommodation provider, was another step in "making CORESTATE even fitter for the future". The acquisition not only gives us access to the UK market which is by far Europe´s most mature market for student living, but we also benefit from the long-standing expertise and experience of CRM´s management in setting up attractive student accommodations. We strongly believe that Micro Living will be one of the most profitable niches in Real Estate in the coming years, driven by strong demand from students and young professionals alike. Thus, we want to establish a market-leading European Micro Living Platform and we want to continue our expansion into selective countries that offer stable revenues.

Product offer and service quality as key distinction

We want to maintain and improve on our position as a quality leader for our clients, generating the best returns in the market. This includes constantly enhancing and harmonizing our internal processes and standards. To this end we have set up and completed a group-wide integration and performance initiative called "Zugspitze", the key element of which is a platform to harmonize processes in a comprehensive matrix structure. We invested extensively in our client services, quality of asset management and reporting standards. And we also strengthened and reframed our fundraising locally and globally to enhance our client reach. Our current pipeline is very promising comprising of more than € 5.5bn with around one quarter in advanced transaction status.

Expecting a successful 2019

As we move into a new year, the company is in very good shape to deliver another successful performance in 2019. We expect aggregated revenues of between € 285m and € 295m, an EBITDA of between € 165m and € 175m and adjusted net profit in the range of € 130m and € 140m. Organic earnings in our core business – Real Estate Investment Management – is expected to grow by more than 30%, and this is the main driver behind our strong financial outlook. This will significantly improve the quality and sustainability of our income streams.

The CORESTATE share was from the beginning an attractive dividend play. We underpin this claim with a proposed distribution of € 2.50 per share for 2018. This includes an increase of 25% compared to the previous year and goes along with our long-term intention to carve out around the half of our Earnings per Share to our investors.

We would like to thank the entire CORESTATE team for their strong commitment, dedicated work and contribution to driving our business forward. Finally, we would like to thank all our clients, partners and shareholders for their continued support.

Lars Schnidrig
Chief Executive Officer & Financial Officer

Thomas Landschreiber
Chief Investment Officer

Report of the Supervisory Board

Dear Shareholders,
Ladies and Gentlemen,

2018 was once again an outstanding year for CORESTATE Capital Holding S.A., with a focus on operational business and financials, successful integration of the companies acquired in 2017 and the best financial results in the history of the Company.

Furthermore, the company realized another very promising acquisition.

Our duties

During the financial year 2018, the Supervisory Board carefully performed all its duties and monitored the activities of the Management Board in accordance with legal requirements and the Articles of Association of CORESTATE Capital Holding S.A. Throughout the whole year, the Supervisory Board and the Management Board maintained close and regular contact. The Supervisory Board advised the Management Board on strategic and operational decisions as well as governance topics and decided on any matters requiring approval by the Supervisory Board. The Management Board reported regularly, promptly and extensively in verbal and written form to the Supervisory Board on any relevant business matters and the continuous performance of the CORESTATE Group.

Furthermore, the Management Board informed the Supervisory Board on a regular basis about the business strategy and the organizational setup of the Group. The Supervisory Board held in total four plenary meetings and, in addition, numerous meetings on specific issues and important matters. Every member of the Supervisory Board attended all the meetings.

The Supervisory Board was actively involved in all strategic projects of the company, in particular in the acquisition of CRM Students Ltd.

Furthermore, throughout the business year, the Management Board continuously informed the Supervisory Board on any other relevant business matter, growth activities and opportunities - both organically and inorganically.

Changes in the Management Board

In May 2018, Dr. Michael Bütter joined CORESTATE Group as CEO and as successor to Sascha Wilhelm.

The employment of Michael Bütter was terminated and the employment contract revoked by the end of the year. Until further notice, the CEO´s responsibilities are assumed by the two Board Members Lars Schnidrig and Thomas Landschreiber. Lars Schnidrig temporarily assumes the function of the Chairman of the Management Board. The separation of Dr. Bütter neither had any conjunction with the operational performance nor with the strategic orientation of the company.

Audit Committee

The Audit Committee held four meetings in 2018. In its meeting on 12 March 2018 the Group auditor EY reported about the audit of the consolidated financial statements, the financial statements and the management report of CORESTATE Capital Holding S.A. and the key audit matters for 2017. On the basis of the unqualified audit opinions of EY the Audit Committee prepared the approval of the Financial Statements and the Consolidated Financial Statements of CORESTATE Capital Holding S.A., which were adopted by the Supervisory Board accordingly.

At the Audit Committee meeting on 13 August 2018 it discussed a detailed review, gap analysis and set-up of modern and efficient risk management and risk controlling procedures oriented towards relevant IDW standards, the implementation of an efficiency test of the Supervisory Board pursuant to Subsection 5.6 of the Codex ("*Effizienzprüfung des Aufsichtsrats*") and measures taken towards gender diversity.

The risk system encompasses regular – at least semi-annual – reporting of the main risks to the Supervisory Board.

One main result of the efficiency audit was to enlarge the Supervisory Board from currently three to five people in the midterm. So we are searching for the best candidate, offering extensive real estate expertise.

In its meeting on 12 November 2018, the Audit Committee dealt with the assignment of the independent auditors for the financial year 2018 and the key audit matters to be performed by the auditors. It recommended to assign EY as auditors for 2018.

The Supervisory Board is in agreement with the combined management report and, in particular, with the assessment of the convincing future potential of the Group. The Board also supports the current dividend policy and the decisions concerning earnings retention by the Company.

Promotion of Women

Another topic on the Supervisory Board´s agenda is the promotion of women in the CORESTATE Group and in the bodies of the company. We strongly believe in gender diversification and the benefits of equally-represented bodies for the sustainable development of our company and the ability to achieve our goals. Amongst various other initiatives, bringing women in as decision makers has become one of our official company principles. Thus, we aim to install a female Board Member as soon as possible.

The Supervisory Board would like to express our sincere thanks to all Shareholders for their continuous trust and the Management Board and all employees of the CORESTATE Group for their dedication and hard work in 2018.

Micha Blattmann
Chairman of the Supervisory Board

We see opportunities - our clients see results

> *Investors from abroad and especially Asia want to invest in European real estate, so the demand in Germany and Europe will remain high. The Group's sales team will ensure that CORESTATE takes advantage of these impressive growth opportunities.*
>
> ***Douglas Edwards***
> *Head of Group Equity Raising & Client Services*

Why are real estate *investments so exciting* **right now?**

Today's real estate environment provides an array of investment opportunities for discerning investors across the risk curve as well as markets, allowing strategies to be achieved and value create whether one is a total return or income driven investor. The developing mega trends of urbanization, digitalization, demography & sustainability are also having a growing influence on real estate which in turn will lead to new consolations of real estate investment product and these in turn will be able to be utilized by investors to create sustainable investment strategies. At CORESTATE, we are alive to the fundamental changes happening across the sector and are harnessing our proven investment management skills for the benefit of our clients to ensure that they will be in a positioned to benefit from the changing market dynamics.

What makes *CORESTATE so unique* **in its investments?**

Our investment decisions demonstrate a high degree of entrepreneurial creativity and flexibility. We adapt to economic opportunities, market phases and macroeconomic trends. For example, having undertaken analysis of the demographic changes we expanded our former investment focus on residential real estate to include micro-apartments for single occupiers, commuters and students, as well as retail real estate, to reflect new market opportunities.

Who are CORESTATE's **customers?**

CORESTATE is well placed as an investment manager, having a diverse and deep client base, established over a long period, across all the key capital providers within the real estate sector namely retail clients, wealthy private investors and family offices, as well as institutional investors (both domestic and international). We are seen as the preferred partner for many investors already, and our investment platform is developing further in partnership with institutional clients, the team having established strong investor relations across Europe and in Asia. Today, CORESTATE manages assets of around € 25bn, which acts as a catalyst for future growth.

Real estate investment – finding interest in diversity

> *Our investments reflect the high level of fund management that underpins CORESTATE's success. We set the standard of excellence in real estate life cycle investment, responding to market changes and opportunities to ensure our portfolio delivers for our customers and shareholders.*

Michael Taufiqui-von Ahlefeldt
Co-Head of Fundmanagement

What is CORESTATE's **investment focus?**

We offer investors diversified products in various asset classes that provide solid returns. For example student apartments and serviced apartments are still often regarded as „niche markets" by German investors, but this is already seen as mainstream by the broader institutional market. CORESTATE also invests in office, residential and retail properties in medium-sized German cities.

What makes student apartments **and serviced apartments** *an interesting investment?*

CORESTATE has been investing in student housing since 2009 and we manage 5743 residential units. The risk profile corresponds to residential real estate - albeit with higher returns. But business travelers and young professionals also need micro-apartments, so we also invest in high-quality serviced apartment complexes in major cities. A further 1250 apartment units in eight projects are currently under development.

What type of *retail properties form part of CORESTATE's* **investment portfolio?**

Together with co-investors, CORESTATE invests in high-street retail properties in medium-sized German cities. The portfolio consists of hand-picked properties with high quality anchor tenants under long-term leases, which have already proven to be high-yield investments in the past. To date, we have acquired 200 properties worth over € 2bn.

Will classic investments **in office and residential properties** *remain attractive?*

CORESTATE and its co-investors invest in office properties of various risk classes across Europe. Often these are city landmarks with symbolic value that are expected to appreciate over time like the Royal Liver Building in Liverpool, UK. As for residential properties, we have been investing in major German cities and surrounding areas since CORESTATE was founded. Our focus is always on high-quality residential properties with a strong tenant structure.

Compliance can be a competitive advantage

> *We view the rising tide of regulatory requirements as an opportunity to demonstrate our strength in compliance and corporate governance, and improve our operational expertise at the same time.*
>
> **Daniel Löhken**
> *Chief Legal Officer*

Why did you *join CORESTATE?*

The regulatory and reporting landscape has changed over the last few years, and compliance has become a pivotal factor in the success of a business. Meanwhile large clients are raising their requirements for good corporate governance and expect the same from their asset managers. As this pressure for good corporate governance and compliance has increased from both clients and regulators, I saw the opportunity at CORESTATE to turn these demands to our competitive advantage in the investment management sector.

What were your aims **when you joined?**

CORESTATE already adhered to a high level of compliance when I joined, but I wanted to enhance this further by ensuring we are always ahead of the constantly changing regulatory demands. With a proactive compliance policy in place, we can attract new clients who have more stringent compliance requirements. The addition of Hannover Leasing has given us scale and expertise, enabling us to fulfil the requirements of regulators and large investors that many smaller companies are unable to fulfil.

How does CORESTATE *intend to use the changing compliance landscape* **to their advantage?**

We have an experienced operational team at CORESTATE, large enough to fulfil our compliance obligations from a personal, structural and assets under management perspective. We are fast and flexible and can react quickly to the changing frameworks and compliance conditions. Proactive compliance and a corporate governance ethos dedicated to fairness, accountability, responsibility and transparency, means we can provide a competitive investment management service to our widening client base.

Better together – Hannover Leasing amplifies opportunities for CORESTATE

"We are using the combined strength of CORESTATE and Hannover Leasing's contacts and experience to deliver record investment results and build on the digitalization of our sales and distribution channels.

Markus Müller
Managing Director of Hannover Leasing

What has changed for **Hannover Leasing** *since joining CORESTATE?*

As part of the CORESTATE Group, Hannover Leasing benefits from synergies across our operations and access to new client groups for new product sales. Being part of the CORESTATE Group enables us to complete more ambitious club deals, like the 'Alter Domus' office development in Luxembourg with Finnish mutual pension insurance company Ilmarinen and a French institutional investor. The opportunities have magnified across both businesses since we came together.

How did *Hannover Leasing achieve record results* **in 2018?**

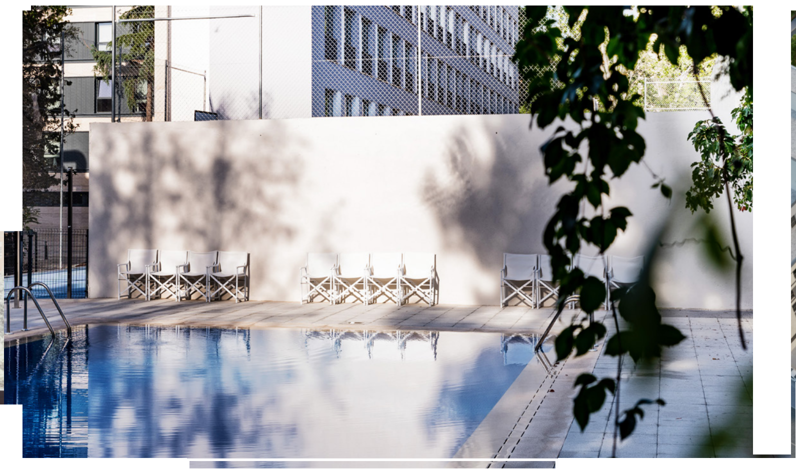
The achievements of the last year have been a combination of two key factors – very experienced asset managers and the benefit of expanded client contacts now that we are part of a larger organization. The combination has given us economies of scale. We have more Real Estate assets under management and we are developing new and innovative products to meet the growing demands of our clients.

You are new to *Hannover Leasing, what was* **your first impression?**

My first impression was of a highly motivated and experienced team closely linked with, and fully embedded into, the CORESTATE corporate structure. For example, we have opened new funds, including a closed-end property fund for an office and hotel complex in Darmstadt, and launched a new digital funding source through an agreement with real estate crowdfunding platform Exporo.

Youniq *Madrid*

Youniq Madrid is Corestate's new student housing development at the center of the Spanish capital's university district. The accommodation of 302 individual and shared rooms offer students stylishly furnished apartments with kitchen and bathroom, as well as a range of added extras. The on-site 'scout' provides concierge style assistance to residents, and there is a gym, pool, basketball court and sun terrace to enjoy. Residents can also opt for full Board and take their prepared meals in the eating area.



Central Post **Rotterdam**

Central Post is a landmark office property located in the heart of Rotterdam's Central Business District, directly adjacent to the main train station. Originally constructed in 1959, the building was completely re-developed in 2009 with exterior reconstruction and a redesigned interior which almost doubled the floor space. It was redeveloped with sustainable objectives and is fully leased to several high-quality tenants. Rent in place is below today's market level, providing attractive rent upside potential.

Significant Events of the Year 2018

January

1 Full repayment of an HFS acquisition loan with a total nominal amount of EUR 150m.

11 Acquisition of 5 project developments with over 1,700 newly built micro-apartments in Germany for BVK.

29 Acquisition of micro-living asset „WOODIE" with 371 student housing units in Hamburg for BVK.

February

27 Placement of around 4 million shares from existing shareholders due to increasing demand from institutional investors.

Acquisition of 257 new apartments in Berlin and Dresden for the Special AIF CORESTATE Residential Germany Fund II.

March

29 Issuance and placement of a € 300m corporate bond with a 5 year maturity and a 3.5% annual coupon.

April

4 Acquisition of the student residence "Reserl" in Munich for the BVK real estate umbrella fund.

26 Investment in a serviced apartment building in Dusseldorf, which will comprise 70 self-contained units upon completion.

July

5 Acquisition of a former office complex in Munich with 8,300 sqm of rental space, including flats, common rooms, a fitness studio and a training and conference center.

18 Helvetic Financial Services exceeds the € 1.2bn fund volume mark.

August

1 Acquisition of a 413 unit student housing project in Seville for private investors as part of a Club Deal. Opening is planned in 2020.

17 Acquisition of the "Central Post" office building in Rotterdam by Hannover Leasing in a Club Deal on behalf of a Finnish insurance company and a German institutional investor.

22 Sale of 3 trophy assets from CORESTATE's warehousing portfolio.

October

4 Acquisition of CRM Students Ltd., the largest independent student accommodation management company in the UK.

31 Acquisition of the newly developed "Alter Domus" office property in Luxembourg by Hannover Leasing in a club deal on behalf of a Finnish insurance company and a French institutional investor.

November

8 Closing of the "High Street VII" (24 retail assets across 17 mid-sized German cities) Club Deal at an investment volume of EUR 212m.

12 Launch of a new open special AIF for residential and commercial real estate with a target volume of € 800m.

21 Launch of a new property AIF (investing in "Quartier West", an office and hotel complex in Darmstadt) for private investors by Hannover Leasing.

December

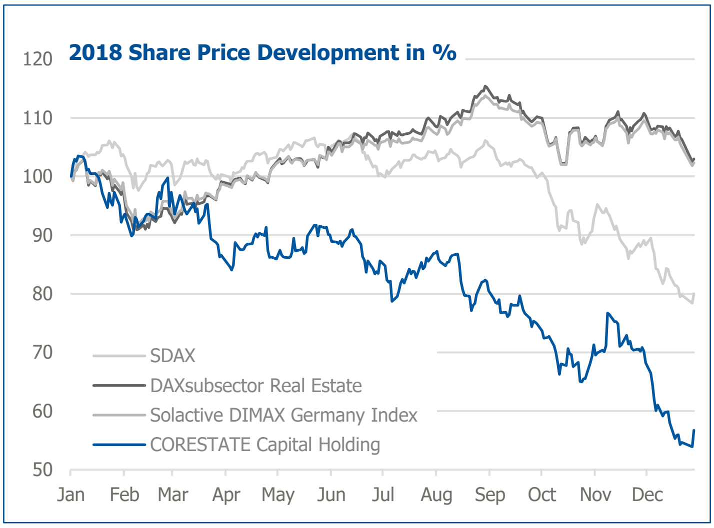
12 Announcement of an exclusive partnership with MEDICI LIVING, planning to build a co-living portfolio worth € EUR 1bn across Europe within 5 years.

29 Termination of the employment of Michael Bütter, who had been appointed as of 1 May 2018.

The CORESTATE Share

Performance

In 2018, CORESTATE's shares declined by about 43.3% and ended the year at € 30.30. The lowest daily closing in 2018 was € 28.80 on 27 December. The highest daily closing was € 55.30 on 5 January. On average, more than 38.180 shares were traded per day.

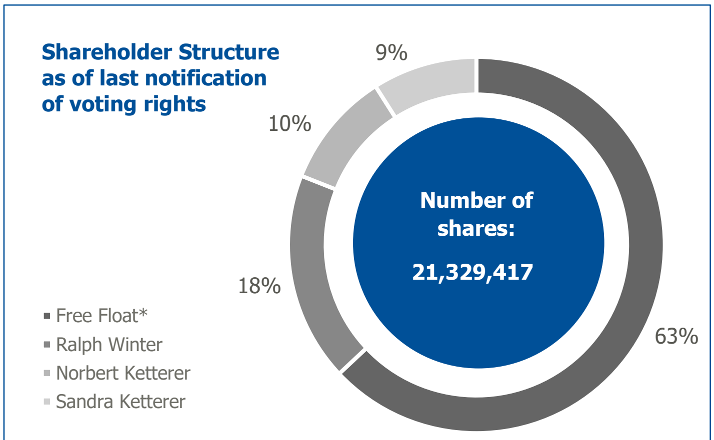


SDAX

An important milestone for our shares and shareholders was the inclusion in the SDAX on 19 March 2018. This followed a placement of about 20% of the shares held by Ralph Winter and Marcellino Graf Hoensbruch on 27 February, which increased the number of free float shares in the market.

Analyst Coverage

Equity analysts lend credence to our shares and are a very important source of information for our investors. Having started 2018 with three analysts covering CORESTATE, we managed to increase this number to eight by the end of the reporting period. Analysts from the following brokers now publish research on the shares: Baader, Berenberg, Commerzbank, Jefferies, KeplerCheuvreux, Lampe, Oddo BHF and Pareto. All have a buy recommendation on our shares, and the average target price as of 31 December 2018 was € 64.9.



*including 3.7% held by Company Management

Interaction with investors

The Company´s Management and the Investor Relations department have been extensively marketing the shares through ongoing Road Show activities and Conferences.

Another important event for our shares and shareholders was the first Capital Markets Day, held in our Frankfurt office in September 2018. The participants were given first-hand insight into the Company´s growth story from Senior Management and product experts.

Distribution

CORESTATE´s Management aims to establish the Company as an ambitious growth story with an attractive distribution policy. Thus, the Company distributed € 2.00 per share in April 2018 for the year 2017.

Basic Share Data

WKN / ISIN	A141J3 / LU1296758029
Ticker symbol / Reuters code	CCAP
Trading segment	Prime Standard
Stock exchange	Frankfurt
Type of stock	No-par value bearer shares
Number of shares	21,329,417
First day of trading	4 October 2016
Share price as of 29 December 2017	€ 53.43
Share price as of 28 December 2018	€ 30.30
Change in percentage	-43.29%
2018 high (5 January 2018)	€ 55.30
2018 low (27 December 2018)	€ 28.80
Distribution for fiscal year 2018 (planned)	€ 2.50
Index	SDAX

Group Management Report

Preliminary Remarks

The management report and consolidated financial statements of CORESTATE Capital Holding S.A. (hereinafter "CORESTATE" or "the Company") cover the reporting period from 1 January 2018 until 31 December 2018, unless otherwise indicated. Information on market and product offering developments pertains to 2018 as well, unless otherwise indicated.

The comparable year 2017 only includes Helvetic Financial Services AG (HFS), Hannover Leasing Group (HL) and ATOS Group (ATOS) financials pro rata temporis, as they were acquired as of 5 July, 7 July and 6 October 2017 respectively.

The 2018 financial statements have been subject to an external audit. Certain statements contained herein may be statements of future expectations and/or other forward-looking statements that are based on our current views and assumptions. These involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those expressed or implied in such statements. CORESTATE does not intend and does not undertake any obligation to revise these forward-looking statements.

Company Background

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

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

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

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

The Group's key market is Germany, and it has selected activities in other European countries such as Austria, Switzerland, UK, Spain and the Benelux-countries. It operates principal offices in Germany, Switzerland, Spain, and the UK, as well as a German network of branch offices of its property management platform CAPERA. As of 31 December 2018, the Group employed about 675 FTE (previous year: 566 FTE).

In the year under review, CORESTATE made another significant addition to its real estate investment and management platform through the acquisition of UK's largest independent student accommodation provider CRM Students Ltd. (CRM) in October 2018. With around 24,000 beds under management and 145 locations, CRM is the largest independent student accommodation management company in the UK, a market offering very attractive growth opportunities. The acquisition of CRM significantly improves CORESTATE's service profile in the international student accommodation segment with the number of beds under management in the micro-living segment almost quadrupling to around 30,000. At the same time, CORESTATE's assets under management are increased by € 3bn to € 25bn.

Such strategic growth transactions are only possible thanks to CORESTATE'S good capital market access, which forms an integral part of its long-term growth strategy. After the successful issuance of a € 200m convertible bond in November 2017, CORESTATE placed its first senior unsecured bond with a nominal amount of € 300m with institutional investors in March 2018. The bond has a maturity of five years and an annual coupon of 3.5%. The proceeds of this issue were used to refinance existing loans and thus reduce average financing costs, extend the maturity profile and to finance its warehouse business and growth. In Fiscal Year 2018 CORESTATE did not acquire own shares

By the end of the year, CORESTATE terminated the employment of CEO Michael Bütter and revoked the employment contract by the end of the year. Michael Bütter joined CORESTATE as CEO as of 1 May 2018.

In 2018, CORESTATE expanded key functions such as equity raising, investor relations and compliance.

Market Development

The market environment of CORESTATE's business remained widely unchanged compared to the previous year. European investment volume reached € 264bn in 2018, which is only slightly down from the record year 2017[1].The German real estate investment market, representing the Group's core market, continued to benefit from the favorable low interest rate environment throughout Europe and was characterized by continued price increases and corresponding yield compressions. This was substantially affected by continued capital inflows to real estate, largely driven by the European Central Bank's ongoing quantitative easing policy. The low rate environment fuels demand from large institutional investors, such as pension schemes and insurers, for alternative, stable and yielding investments. Furthermore, the German real estate market continues to be regarded as a "safe haven" for investors with a long-term perspective.

[1] BNP Paribas Real Estate: EUROPEAN PROPERTY PROSPECTS - FEBRUARY 2019

Business and Product Offering Development

In the year 2018, CORESTATE made significant progress in its business and product offering, further broadening its footprint in the market.

On the residential side, CORESTATE especially expanded its micro-living portfolio significantly. This includes the following investments:

- five project developments of over 1,700 newly built micro-apartments in Dresden, Duesseldorf, Frankfurt/Offenbach, Cologne and Leipzig;
- the micro-living asset "WOODIE" with 371 student housing units in Hamburg;
- the student residence "Reserl" with 271 student apartments in Munich;
- 260 serviced apartments in a former office complex in Munich;
- 70 modern and self-contained serviced apartment units in Duesseldorf;
- a 413-unit student housing project with a gross leasable area of 11,500 sqm in Seville, Spain, which was acquired for private investors as part of a Club Deal.

The increased engagement in the Spanish student housing market lead to the first project of 260 student apartments in Madrid, which has been completed in September. Another student housing project is currently planned in Valencia.

In December, CORESTATE entered into an exclusive partnership with the MEDICI LIVING Group, Europe's largest provider of innovative co-living concepts. The cooperation plans to build a co-living portfolio worth € 1bn across Europe within five years with investor money. The focus will be on cities in the German-speaking countries, Spain and Eastern Europe, with over 500,000 inhabitants and real estate with an investment volume of € 20m to 60m.

For its Special AIF CORESTATE Residential Germany Fund II, focusing on new residential buildings in metropolitan regions and prosperous cities across Germany CORESTATE bought 257 new apartments in Berlin and Dresden in Q1/2018. Other investments include HANNOVER LEASING's acquisitions of the "Central Post" office building in Rotterdam and "Alter Domus", a newly developed office property in Luxembourg, both in a club deal on behalf of institutional investors. Moreover, in November, CORESTATE closed its "High Street VII" Club Deal at an investment volume of € 212m. "High Street VII" encompasses a portfolio of 24 retail assets with 100,000 sqm of total gross lettable area across 17 mid-sized German cities. Anchor tenants include dm, Müller, New Yorker and Rewe.

In August, CORESTATE sold three trophy assets from its own warehousing portfolio: the Stadttor in Düsseldorf, the Palais Kronberg near Frankfurt and the Danone Nutricia Research Center in Utrecht. The successful placement of these assets from CORESTATE's own portfolio in a favorable market environment had the positive side effect to significantly reduce its financial leverage, generating additional liquidity for further corporate growth.

On the product side, the CORESTATE Group launched a number of new offerings for institutional investors, including a new investment program for its Club Deal clients, which will invest in value-add retail, office and residential buildings in mid-sized European cities, the "CORESTATE Opportunity Deutschland I", a new open special AIF for residential and commercial real estate and a special AIF "CORESTATE FMCG Fonds I" that will invest in retail assets focusing on Food and Fast-moving consumer goods. Moreover, CORESTATE launched the next product of its successful High Street Series, called High Street VIII.

At the end of September, HANNOVER LEASING (or respectively its distribution company Accontis) and Exporo announced their cooperation regarding a new platform for digital real estate investments in Germany. The offer is aimed at private and semi-institutional investors trusting in HANNOVER LEASING's real estate expertise and wanting to participate directly online in a real estate investment. In November, HANNOVER LEASING launched a new closed-end property AIF for private investors. The fund invests in the property named Quartier West, an office and hotel complex with 14,963 sqm of space, situated in Darmstadt south of Frankfurt.

On the financial side, CORESTATE substantially reduced the funding costs of its HFS acquisition by way of the early refinancing of an acquisition loan of € 150m. The funds for the refinancing were mainly derived from the successful issuance of a € 200m convertible bond in November 2017. At the end of March 2018, CORESTATE issued a senior unsecured bond with a volume of € 300m to optimize its capital structure and further reduce financing costs.

All these transactions and initiatives add to the superior market position of CORESTATE. They strengthen its business model and raise its profile as a manager to investors. As of 31 December 2018, total assets under management were up more than 10% from the previous year and stood at approximately € 25bn (end of 2017: € 22bn), which is due to the acquisition of CRM.

Results of Operations

In general, the financial year 2018 figures were strongly driven by the first-time full consolidation of HL, HFS and ATOS, and thus are hard to compare with the figures from the financial year 2017, in which the acquisitions were only represented pro rata temporis.

Consolidated total revenues of the Group (including total revenues from real estate investment management, net rental income, revenue from service charges from real estate operations and warehousing and income from other warehousing activities) grew to € 204.4m compared to € 161.7m in the financial year 2017.

Aggregate Revenues and Gains by Income Lines

Including the share of profit and loss from associates and joint ventures, dividends from other alignment capital and net gain from selling property holding companies, the Group's aggregate revenues and gains grew by 50% to € 292.5m (2017: € 195.0m).

€ thousand	**2018**	**2017**
Revenue from Acquisition Related Fees	41,644	30,016
Revenue from Asset and Property Management*	135,016	106,228
Revenue from Promote Fees realized	-	14,456
Revenue from Sales Fees	-	900
Net Rental Income	17,809	9,224
Revenue from Service Charges	1,413	889
Income from other Warehousing activities	8,549	-
Consolidated Total Revenues of the Group	**204,431**	**161,713**
Share of Profit and Loss from Associates and Joint Ventures	11,898	9,498
Dividends from other Alignment Capital	16,472	9,877
Net Gain from Selling Property Holding Companies	59,366	13,916
Aggregate Revenues and Gains	**292,167**	**195,004**

*) including € 53.6m Coupon Participation Fee (2017: € 53.7m)

Real Estate Investment Management

The Real Estate Investment Management segment generated the largest revenue share, which was € 176.7m, up from € 151.6m in 2017.

The growth of the Acquisition Related Fees from € 30.0m in 2017 to € 41.6m in 2018 was among others supported by the "Vertical Village" projects under the VauVau brand and the micro-apartment projects acquired for BVK micro apartment fund.

Revenue from Asset and Property Management increased to € 135.0m from € 106.2m in 2017. With its recurring fee pattern, this revenue portion underlines the sustainable growth of the business driven by the ongoing demand-supply gap in the German residential market. The coupon participation fee generated by HFS, which was previously booked once a year in October, is now included in the asset management fees on a pro-rata basis following the new IFRS 15, applicable since 1 January 2018.

Real Estate Operation and Warehousing

The total income contribution from Real Estate Operations and Warehousing was € 87.1m (2017: € 24.0m). This growth is mainly due to the sale of three trophy assets from the warehousing portfolio at attractive conditions in Q3/2018.

Real estate operations and warehousing delivered earnings of € 67.1m, up from € 19.0m in 2017.

Alignment Capital Management

The share of profit from associates and joint ventures was € 11.9m compared to € 9.5m in 2017, the dividends from other alignment capital amounted to € 16.5m compared to € 9.9m in 2017. Total earnings were broadly stable at € 18.8m compared to € 18.3m in 2017.

Earnings and Adjusted Earnings

Given the growth of the Group, total expenses (excluding financial expenses, as well as depreciation and amortization) increased to € 127.1m (2017: € 92.3m). The increase can mainly be attributed to higher operational expenses and an increase in general and administrative expenses due to the set-up of the new corporate structure as well as related costs from the placement process of the three warehousing assets.

The Group EBITDA came out at € 174.1m compared to € 104.7m in 2017.

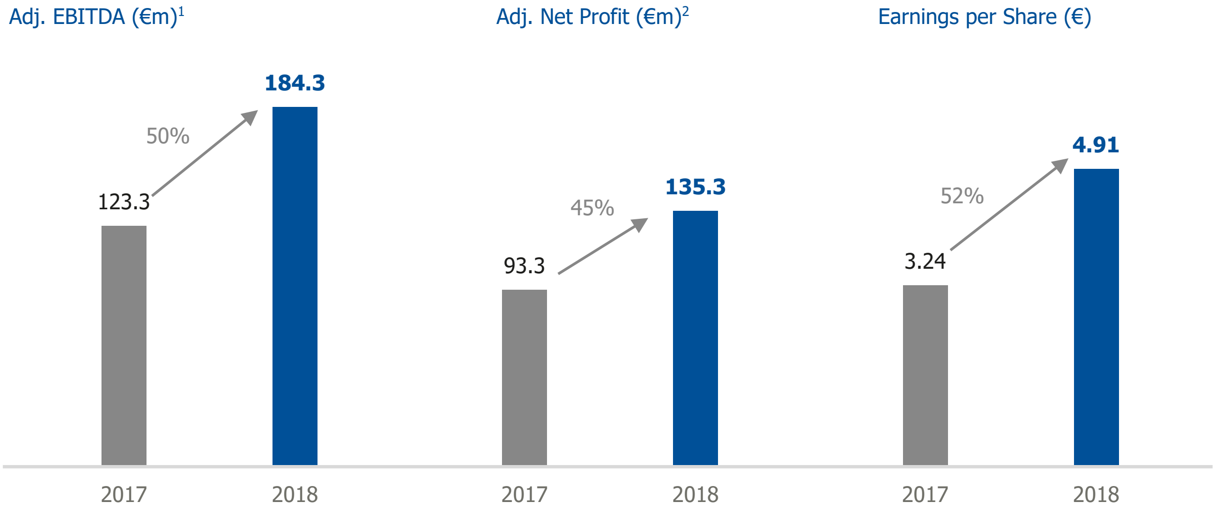
Depreciation and Amortization were characterized by the depreciation of around € 27.1m mainly resulting from the purchase price allocations of HFS, ATOS and HL (capitalized asset management contracts).

The financial result came out at € -29.2m in 2018 (2017: € -20.8m). The increase in interest expenses was mainly driven by prepayment fees from the planned redemption of the debt portfolio after the € 300m bond issuance end of March.

The Group's Net Profit post non-controlling interests increased to € 104.6m (from € 55.7m in 2017), which translates on an undiluted basis into Earnings per Share of € 4.91 (2017: € 3.24).

Adjusted for in total € 10.2m of one-off items due to consequential costs from the Management Board realignment and compensations (€ 7.3m) as well as the new group-wide performance project "Zugspitze" and ancillary projects (€ 2.9m) the adjusted EBITDA in 2018 was at € 184.3m. In addition, on Net Profit level further adjustments for the depreciation on management contracts of about € 23.5m and for deferred taxes and non-controlling interest of about € -1.9m lead to an adjusted net profit of € 135.3m.

Year-on-Year Earnings Development



1 EBITDA is adjusted for set-up cost for corporate structure
2 Adjusted Net Profit is calculated based on the Net Profit for the period, adjusted for set-up cost for corporate structure net of (deferred) tax effects and depreciation mainly resulting from purchase price allocations of capitalized asset management contracts)

Balance Sheet

€ thousand	31/12/2018	31/12/2017
Non-Current Assets	984,920	915,818
Current Assets	405,758	511,207
Total Assets	**1,390,678**	**1,427,025**
Total Equity	620,949	551,433
Non-Current Liabilities	626,072	541,601
Current Liabilities	143,657	333,991
Total Equity and Liabilities	**1,390,678**	**1,427,025**

As of 31 December 2018, Total Assets amounted to € 1,390.7m, a decrease of 3% compared to the figure as of 31 December 2017 (€ 1,427.0m).

Total Non-Current Assets amounted to € 984.9m (end of 2017: € 915.8m), the largest component of which is the Goodwill created mainly in association with the acquisition of HFS, HL and ATOS, with € 567.1m (end of 2017: € 556.9m). In the financial year 2018, the acquisition of CRM also added to the Goodwill.

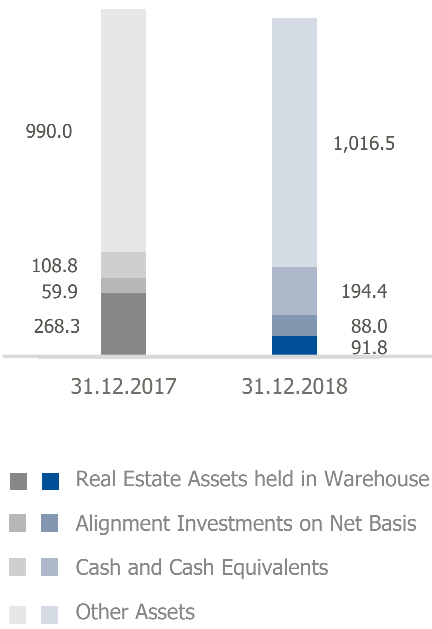
Total Current Assets were at € 405.8m versus € 511.2m as of 31 December 2017. While Inventories, i.e. assets held for warehousing, were down from € 268.3m to € 91.8m, cash, cash equivalents and restricted cash increased from € 109.6m to € 196.9m, reflecting the bond issue in March 2018 and the sale of properties from the warehousing portfolio as well as repayments of financial debt. Additional € 13.8m refer to advance payments for property purchase prices.

Total Equity amounted to € 620.9m at 31 December 2018 (end of 2017: € 551.4m). The equity ratio of CORESTATE was 44.7% as of 31 December 2018, compared with 38.6% at the end of 2017.

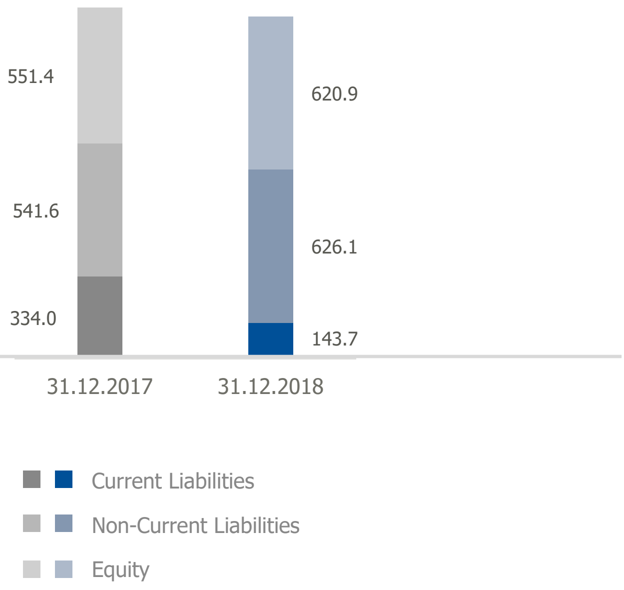
The decrease in Total Liabilities from € 875.6m to € 769.7m is mainly due to the repayment of liabilities in connection with the € 300m bond issue in March 2018 and the sale of properties from the warehousing portfolio.

The total financial liabilities decreased by 7% from € 629.1m as of 31 December 2017 to € 587.1m as of 31 December 2018. Net financial debt (including Cash and Cash Equivalents) stood at € 387.7m.

Balance Sheet – Assets (€m)



Balance Sheet – Equity and Liabilities (€m)



Material Events after the Reporting Date

There are no significant events after the reporting date.

Business Development and Outlook

The Group management expects the market environment for real estate investments to remain widely unchanged compared to 2018. The low interest environment and the increasing demand from international investors will drive the Group’s business forward, while the real estate market’s continued consolidation could increase competition among real estate investment managers. Thanks to its broad and diversified product offering including mezzanine financing vehicles, CORESTATE is well positioned to generate revenues across multiple streams. The Company foresees an expansion of its business from a solid basis in Germany, across Europe more broadly. CORESTATE is well placed to continue its sustainable organic growth and to integrate potential bolt-on acquisitions.

After raising the Assets under Management to approx. € 25bn, CORESTATE expects a further increase in its investment volume. This will be fueled in particular by the launch of additional investment product offerings, as well as the implementation of the investment strategy for our currently managed accounts and the additional accounts granted by institutional investors. Consequently, acquisition-related fees as well as revenues from asset and property management are expected to continue to grow.

Considering the German real estate market, CORESTATE still sees significant investment potential in the housing sector. Due to the widening gap between supply and demand, DB Research believes that it will take a good few years for the real estate boom to reach the end of its cycles. The research experts expect 315,000 apartments to be completed in 2019 as against around 300,000 in 2018, whereas the German federal government, as part of various measures of a housing initiative, has planned to build 1.5 million apartments until 2021.

Concerning the European real estate market, CORESTATE has focused early on new trends – such as micro-living. Most recently, the Group offers its clients high-quality investment opportunities also beyond established markets. Given the fact that revenues mostly come from German speaking areas, the Group sees enormous growth potentials in Europe and beyond.

For the financial year 2019, CORESTATE expects aggregated revenues in the range of € 285m to € 295m, an EBITDA of between € 165m and € 175m and an adjusted net profit of between € 130m and € 140m. Organic growth in the core business together with interesting acquisitions, in particular in Real Estate Investment Management, will enable an improvement of the quality and sustainability of the income streams.

Non-Financial Disclosures (especially according to §289b HGB)

Brief description of our business model according to §289c (1)

CORESTATE is a fully integrated investment manager covering the entire lifecycle of an investment. With its Group companies, CORESTATE offers the full range of real estate investment management services, such as investment, fund, asset, property and facility management. Clients include semi-institutional investors as well as institutional investors. As an integral part of its investment philosophy, CORESTATE co-invests in its product offering, usually via alignment capital. The company´s key market is Germany, additional activities focus on other European countries such as Austria, Switzerland and Spain as well as the BeNeLux countries.

Environmental considerations

Our business model as described above does not involve many environmental implications, nevertheless we put outmost emphasize on every way we may reduce our ecological footprint, although the impact might be very limited. Our office in Frankfurt for instance is qualified as "LEED GOLD" standard from the US Green Building Council. We do every little bit inside our offices to avoid unnecessary usage of water, electricity or waste. This not only as we want to avoid costs involved in wasting these resources, but we also feel our obligation as a good corporate citizen to save the natural basics of our planet. To give one example: The use of electricity, for example lighting and heating, in our offices is made by centralized steering systems ensuring the most efficient use of resources and also securing a very profitable working environment. Also very important for CORESTATE is a clear view on unnecessary usage of CO2 emissions and fuel spending. In order to limit the implications of individual traffic on our environment, CORESTATE does not offer company cars and the travel guidelines clearly focus on using trains wherever possible instead of flying or hiring cars. CORESTATE is very well aware of the fact that as an asset manager, our impact on biodiversity and on the ecological footprint is somewhat limited, we are very much committed to do our bit wherever possible.

CORESTATE as an employer

Given our business model relies on our people, we as CORESTATE feel the strong commitment of building the best place to work for young talents and senior colleagues alike. This encompasses attractive remuneration packages, but goes far beyond. We highly value initiatives from every employee as well as we strongly emphasize a healthy work-life-balance. We have to fight strongly to attract young talents and senior colleagues, and to win the right people takes much more than just paying high salaries. We live an open-door culture including our senior management level, and we offer regular formats for dialogue with Board Members and senior executives. We also want to know what our employees think about our leader´s team, our strategy and what we can do to improve working condition. Therefore, we regularly conduct an employee survey, done by an external party. The results show that more than 75% of our employees are proud of being part of CORESTATE and that our management is very clear in communicating the strategic orientation of the Group. The detailed outcomes of this survey are a very good guideline for our management team on where we need to improve.

We especially focus on the promotion of women in every part of our organization. Thus, our management has the clear aim to purposefully promote women, and at the end of 2018, we had 56% women in our workforce. In our Senior Management Committee, nearly 10% of the members are female.

Human Rights

We feel the strong commitment to our people, as our employees do make the difference for us and for our clients. Our colleagues are always willing to walk the extra mile for our stakeholders, but this is only possible when our people are highly valued and find the perfect working environment. This of course includes treating our people with only the highest respect and of course this includes the full consideration of all human rights.

Corruption and Bribery

CORESTATE capital and all its subsidiaries are strongly committed to fair and transparent competition in a free market. We believe, we have a compelling range of products and services for our clients, and thus we do not need and strongly oppose any corruption and bribery attempt. We have a clear no-tolerance policy against these crimes and any allegation in this respect would be treated with the highest gravity.

UNPRI (UN Principles for Responsible Investments)

We want to establish CORESTATE not only as the market leader in its segments, but also as a sustainable counterpart for all stakeholders. As such, we successfully applied for becoming a member of the UNPRI in February 2019 and therefore committed ourselves to the UN Principles for Responsible Investments, an investor initiative in partnership with UN Environment Programme Finance Initiative and the UN Global Compact. Our UNPRI application is part of an extensive group-wide ESG (Environmental, Social, Governance) focus encompassing CORESTATE´s operations, products and managed assets. The ESG integration is led by the Group sustainability office in direct report to the CEO. The enhancement of ESG capabilities includes the execution of an ongoing asset sustainability audit aiming to achieve asset-related ESG certifications (Environmental), strengthening of corporate diversity on all levels including management (Social), and the integration of market best-practice INREV (Investors in Non-listed Real Estate Vehicles) reporting capabilities (Governance) and fund guidelines. From spring 2019 the annual Sustainability Report of the CORESTATE Group will give an account of the activities mentioned above.

Risk Management

Risk Management System

CORESTATE Capital Holding S.A. has established a risk management system on Group level, which also applies to all subsidiaries. The Group's risk management process is designed to systematically record and assess risks. We aim to identify unfavorable developments at an early stage and promptly take counteractive measures and monitor them. The assessment of the risks is carried out, as much as possible, according to quantitative parameters. CORESTATE Capital Holding S.A. installed a Group Risk Officer, who heads a team, but who also can take hold of dedicated colleagues in all subsidiaries. Risk management acts according to the "three lines of defense" theory in the second line of defense. All risks will be evaluated prior to a business transaction or any other process.

Some risks will basically not be encountered:

- We do not violate the law
- We do not violate internal guidelines
- We do not act against market usances
- We do not act in a manner that endangers the sustainability of the CORESTATE Group

We make sure that all other risks are within the guidelines set up by the Management Board.

Main risks / Risk identification

Risk identification is an ongoing process and focusses on the question: "Which risks exist for us?". We have identified the following main risks, which are aligned with the regulatory requirements for our regulated entities:

Market Price Risks

The market price risk is the possibility of unexpected changes in market parameters.

Address Default Risk

Address default risks encompass the possibility of the failure of contractually committed payments, including the counterparty risk.

Liquidity Risk

This means the lack of cash and cash equivalents and comprises both, the risk of not being able to meet all present and future obligations, but also on a wider view the risk of financing sources getting more expensive.

Operational Risks (incl. Compliance Risks)

This encompasses all losses by improper or failure in technology, internal procedures and external influences. It also includes legal and compliance risks.

We are continuously monitoring if any of the above mentioned risks occurred, and if so, we define the causes and the effects of the risk. We make sure, that all currently known, but also risks that might occur in the future are taken in account. Additionally, we ensure that risks are represented and documented properly.

Risk Assessment

Rightly assessing the risk is crucial for all counter risk actions. This describes all risks, calculates the likelihood, the effects (potential damage) and the counter risk actions already taken or to be taken in the future. This also forms the basis of our risk planning and steering.

We register a risk in the moment we identify it, and it is updated latest every twelve months, but if necessary on an ad-hoc-basis. If a relevant change in a risk situation occurs, a written statement to the risk management team will be drafted.

Risk valuation

All risks are evaluated on a net basis, i.e. taking into account all counter risk actions. To calculate an expected damage, we use the following formula:

Damage = Likelihood of the event multiplied by the expected frequency (according to the Poisson Scheme) multiplied by the mean amount of damage.

For our quantitative risk valuation, we take precise figures in a given currency (EUR, USD, GBP, CHF) and the likelihood of the event in %. As far as possible, we consult previous experiences and relevant indicators to evaluate the damage. If a single damage may occur multiple times, we take into account the variables "likelihood" and "mean amount of damage", normally using the Poisson Scheme.

If we cannot quantify a risk properly, we use a qualitative risk assessment using a matrix scheme for "likelihood" and "amount of damage". If not obviously a singular event, we again use the Poisson Scheme for calculating the number of damages.

Risk concentration

If possible, the concentration of risks is avoided; if in special cases this is not possible, risk concentrations are dealt with outmost care.

Risk steering and controlling

In all subsidiaries and entities, appropriate risk steering and controlling processes are in place ensuring effective identification, judgement, steering, controlling and communication of relevant risks.

This includes the identification of risks according to the four risk categories Market Price Risks, Client Risks, Liquidity Risks and Operational Risks incl. Compliance Risks, as well as the evaluation of such risks according to their potential damage. In general, damage is defined as the likelihood of the event multiplied by the frequency of the event according to the Poisson-method multiplied by the medium amount of loss incurred from the event.

Based on the evaluation and the potential damage from the identified risks, the CORESTATE Group applies different risk steering approaches, namely avoidance, spreading, limitation, reduction, passing-on.

Risk Reporting

A quarterly risk reporting for the Management Board is in place and the Supervisory Board receives a semi-annual reporting.

Internal Control System

Elements of control system

The internal control system consists of guidelines to steer all activities of the CORESTATE Capital Group ("internal steering") and guidelines to monitor the compliance with these guidelines ("internal monitoring"). Internal monitoring encompasses monitoring integrated into processes and features which are independent from processes.

Organizational features

Organizational features include restricted access and data protection measures to reduce potential leakage to a minimum. An internal proof system, including pre-defined processes, ensures the identical dealings with similar business cases and the full capture of data.

Controls

Controls take place by features embedded into business processes of all entities of the CORESTATE Capital Group. These include comprehensive process documentation, documentation of control mechanisms, the separation of functions to avoid clustering, a compulsory four eyes principle, strictly defined rules for cases of bias and incompatibility and a high level of transparency. All control features are defined in the processes and as such documented properly.

Internal Audit

CORESTATE has establishment a group-wide Internal Audit function. In the aftermath the group-wide audit universe has been identified and a structured risk-based audit plan for all entities has been worked out. A main focus of audit actions was on the regulated entities of the CORESTATE Group.

Luxembourg Takeover Law Disclosure

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

A. The Company has issued a single category of shares (ordinary shares). For information regarding the capital structure, reference is made to www.corestate-capital.com under "Investor Relations", "Share", "Shareholder Structure" where the shareholding structure chart is regularly updated.

B. The articles of association of the Company do not contain any restriction on the transfer of the shares of the Company. Certain members of senior management may, from time to time, obtain certain shares as part of a compensation package, which may be subject to a lock-up limited in time.

C. The Company's shareholding structure showing each shareholder owning 5% or more of the Company's capital share is available on www.corestate-capital.com under "Investor Relations", "Share", "Shareholder Structure".

D. The control rights of any shares issued in connection with employee share schemes are exercised directly by the respective employees.

E. Consequently, with respect to item D. above, no control mechanism with respect to such employee shares schemes was instituted.

F. The articles of association of the Company do not contain any restrictions on voting rights.

G. There are no agreements among shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/109/EC (Transparency Directive).

H. Rules governing the appointment and replacement of Board members and the amendment of the articles of association of the Company:

- The Management Board members are appointed by the Supervisory Board, or in the case of a vacancy, by way of a decision of the remaining Management Board members until the next Supervisory Board meeting.
- Management Board members serve for a term not exceeding 4 years and are eligible for re-appointment.
- Management Board members may be removed with or without cause and/or replaced, at any time, by a resolution adopted by the Supervisory Board.
- Resolutions to amend the articles of association of the Company may only be passed in a general meeting where at least one half of the share capital is represented and the agenda indicates the proposed amendments to the articles and, as the case may be, the text of those which pertain to the purpose or the form of the Company. If the quorum is not reached, a second general meeting may be convened in accordance with applicable law. Such convening notice shall reproduce the agenda and indicate the date and the results of the previous general meeting. The second general meeting shall deliberate validly regardless of the proportion of the capital represented. At both meetings, resolutions, in order to be passed, must be carried by at least two-thirds of the votes expressed at the relevant general meeting.

I. Power of the Management Board:

- The Company is managed by a Management Board under the supervision of a Supervisory Board.
- The Management Board is vested with the broadest powers to perform or cause to be performed any actions necessary or useful in connection with the purpose of the Company.
- All powers not expressly reserved by the law of 10 August 1915 on commercial companies as amended, or by the articles of association of the Company to the general meeting or to the Supervisory Board fall within the authority of the Management Board.

- Certain transactions and measures are subject to the prior approval of the Supervisory Board on the terms set out in the articles of association of the Company.
- The Management Board is also authorized to appoint a person, either a director or not, to the exclusion of any member of the Supervisory Board, for the purposes of performing specific functions at every level within the Company.
- The Management Board may also appoint committees or sub-committees in order to deal with specific tasks, to advise the Management Board or to make recommendations to the Management Board and / or, as the case may be, the general meeting, the members of which may be selected either from among the members of the Management Board or not, to the exclusion of any member of the Supervisory Board.
- Under the articles of association of the Company, the Management Board, with the prior consent of the Supervisory Board, is authorized to issue shares, grant options and grant any other instruments convertible into shares, within the limit of the authorized capital, for a period expiring on 28 April 2022.
- At the occasion of the Annual General Meeting held on 27 April 2018, the Management Board was granted a standing authorization for five years to redeem shares of the Company. Such redemption shall be made within a price range between the trading price per share on the trading day immediately prior to the resolution of the Management Board resolving on the redemption of shares of the Company minus five per cent (5%), and the trading price per share on the trading day immediately prior to the resolution of the Management Board resolving on the redemption of shares of the Company plus five per cent (5%). The authorization is limited to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the authorization.

J. There are no significant agreements (other than, from time to time, certain external financing arrangements) to which the Company is party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid.

K. Without prejudice to any mandatory severance payments in accordance with applicable Luxembourg labor law, there are no agreements between the Company and its Management Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Group Remuneration System

Principles of the remuneration system

CORESTATE has a remuneration system and policy that is consistent with the business strategies, objectives, values and interests of all CORESTATE companies and stakeholders. For the management of capital management companies, additional Supervisory regulations regarding remuneration are observed. These capital management companies have implemented corresponding concrete regulations in addition to the Group-wide standards.

The uniform alignment of the remuneration system with the strategic and operational corporate objectives of the CORESTATE represents the main element of the remuneration policy. The variable remuneration for all companies of the CORESTATE focuses on sustainable performance and avoids incentives to take inappropriate risks. In addition, compliance with all legal requirements is an important component of the remuneration policy.

An upper limit for the remuneration is defined for employees within the meaning of the German Investment Code (*Kapitalanlagengesetzbuch/KAGB*) and the Institutional Compensation Ordinance.

Principles of the remuneration system for Management Board members

The remuneration system for Management Board members is reviewed regularly by the company's Supervisory Board.

In particular, the following principles are taken into account:

- Comprehensibility and transparency
- The economic situation, success and sustainable development of the company
- Combining shareholders' interest in value enhancement and profit distribution with appropriate performance incentives for Management Board members
- Competitiveness for highly qualified executives in the market
- Adequacy and orientation to the tasks, responsibilities and success of each individual member of the Management Board, also in a relevant environment of comparable international companies
- Linking a significant portion of total compensation to the achievement of ambitious long-term performance targets
- An appropriate ratio between the amount of the fixed remuneration and the performance-related remuneration

The remuneration shall correspond to the abilities, experience and tasks of the individual Management Board member. The fixed compensation is to be paid in twelve equal installments at the end of each month, starting from and ending with the month the employment contract begins or ends.

The performance-related, short-term and long-term performance-related remuneration is intended to motivate Management Board members to achieve ambitious and challenging financial, operational and strategic goals during one and more financial years. Individual targets are agreed on a yearly basis with each Management Board member Overall, the short-term and long-term performance-related remuneration for each Management Board member is defined by an individual upper limit. The remuneration system does not contain any malus or repayment clauses.

Management Board members also receive other fringe benefits such as D&O and E&O insurance with conditions customary in the industry, a criminal legal expenses insurance covering the Management Board members for defense in criminal and administrative offence proceedings if the Management Board members have committed an act or omission in the performance of their duties for the Group and, in the case of business trips, reimbursement of travel expenses in accordance with the applicable travel expenses directive.

A customary post-contractual non-competition clause has been agreed with the Management Board members, during the term of which the payment of a monthly compensation is envisaged. The company may unilaterally waive compliance with the post-contractual non-competition clause.

Report on Corporate Governance

Corporate Governance

CORESTATE Capital Holding S.A. (hereinafter "CORESTATE" or the "Company") strongly supports the principles of good corporate governance as a basis of responsible and transparent management that is focused on the long-term growth of Company value. We feel that good corporate governance is a prerequisite for gaining and cultivating the trust of national and international investors and financial markets, business partners, employees, the general public.

The Company is a Luxembourg public limited company (*Société Anonyme*) listed on the regulated market (*regulierter Markt*), sub-segment with additional post-admission obligations (*Prime Standard*), of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). As of 19 March 2018, the Company is admitted to the German SDAX index. The Company is neither legally required to adhere to the *Luxembourg Principles of Corporate Governance of the Luxembourg Stock Exchange* mandatory for companies listed in Luxembourg nor to the *German Corporate Governance* Code ("Code") applicable to stock corporations organized in Germany.

The Company aims to voluntarily follow and has already started implementing, the Code set of rules. Important steps taken towards Code compliance in 2018 *inter alia* include (i) establishment of regular reporting schemes of the Management Board to the Supervisory Board, (ii) detailed review, gap analysis and set-up of a modern and efficient compliance management and whistleblowing system oriented towards relevant IDW standards, (iii) detailed review, gap analysis and set-up of modern and efficient risk management and risk controlling procedures oriented towards relevant IDW standards, (iv) implementation of state-of-the art rules of procedures (*Geschäftsordnungen*) for the Management Board and the Supervisory Board, (v) establishment of a nomination committee of the Supervisory Board, (vi) implementation of an efficiency test of the Supervisory Board pursuant to Subsection 5.6 of the Code (*Effizienzprüfung des Aufsichtsrats*), (vii) measures taken towards gender diversity and (viii) adoption of a group-wide policy of ethics (*Grundwerteerklärung*) in line with the Code.

Compliance

While the Company is working on the implementation of and compliance with the Code, the following provides an overview of the Corporate Governance of the Company. As an integral part of CORESTATE's Group corporate governance, our compliance management system is geared to strict compliance with laws and regulations as well as internal rules and policies. Adherence to and compliance with laws and internal policies is an essential prerequisite for ensuring the sustainable success of the Group. In 2018, the Group compliance management system was subjected to a detailed review based on national and international compliance standards, in the course of which the existing policies were updated, internal processes adapted and partly newly established and an E-learning program was introduced. A key objective of our compliance management system is to identify risks that may arise from violations of laws and regulations and to train employees on the content and significance of relevant laws and regulations. The content and monitoring of compliance on the basis of the compliance management system is designed to support all employees and bodies of the CORESTATE Capital Group in acting in compliance with the law and internal policies and thus to avoid reputational damage and liability consequences for the CORESTATE Capital Group, its bodies and employees.

Further remarks concerning Corporate Governance

With the annual general shareholders' meeting, the Supervisory Board and the Management Board, CORESTATE has three corporate management bodies the tasks and powers of which are essentially derived from the law of 10 August 1915 on commercial companies (as amended from time to time) and the Company's articles of association.

The shareholders exercise their rights at the annual general meeting, where they resolve, in particular, on the appropriation of profits, measures concerning the share capital, amendments to the articles of association, discharge of the Management Board and the Supervisory Board and on the appointment of statutory auditors. The annual general shareholders' meetings are held, in accordance with Luxembourg law, at the registered office or any other place in Luxembourg indicated in the convening notice for the general shareholders' meeting. Convening notice, agenda of the meeting, 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 under "Investor Relations", "Corporate Governance", "Annual General Meeting". After the general shareholders' meeting, the results of the vote and the minutes are published on the Company's website.

In managing CORESTATE, the Management Board and the Supervisory Board perform their tasks in a two-tier Board structure, each with separate duties and powers. The Supervisory Board appoints members to the Management Board, determines their remuneration and monitors and advises the Management Board in its management of the Company. The Supervisory Board has a control function within the Company and is not authorized to take any operational management measures for the business.

The Management Board is responsible for independently managing the Company. In particular, the Management Board defines the corporate strategy, coordinates and agrees on this approach with the Supervisory Board and implements such corporate strategy. In line with established reporting obligations, the Management Board regularly informs the Supervisory Board promptly and comprehensively, and requests the latter's approval for certain key business transactions.

Composition, powers, operating mode of the Supervisory Board and its committees

According to the articles of association of the Company, the Supervisory Board must be composed of at least three members. The members of the Supervisory Board shall be elected by the general meeting of shareholders for a term not exceeding six years and shall be eligible for re-appointment. 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.

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

- Micha Blattmann (chairman, manager and lawyer, whose professional address is Hof 1, CH-6345 Neuheim/Switzerland) – since 23 September 2015;
- Urs Felder (self-employed tax and accounting expert, whose professional address is at FELUR Swiss Treuhand AG, Sihlamtsstrasse 5, CH-8001 Zurich/Switzerland) – since 21 August 2015; and
- Ulrich Plett (chairman of the audit committee, certified auditor (*Wirtschaftsprüfer*), whose professional address is Clausewitzstr. 7, D-10629 Berlin/Germany) – since 23 September 2015.

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

Members of the Supervisory Board of CORESTATE are to be appointed such that they, on the whole, have the knowledge, skills and experience that are necessary to properly perform the Board's duties.

The Supervisory Board shall carry out the permanent supervision of the Management Board, without being authorized to interfere with such management. The Supervisory Board may validly deliberate and make decisions only if at least one half of its members are present or represented. Decisions are made by the majority of the votes of the members present or represented.

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.

The chairman of the Supervisory Board coordinates the work of this Board, as well as convokes and conducts Supervisory Board meetings. Furthermore, the chairman of the Supervisory Board is the first point of contact for the Management Board and externally represents the matters of the Supervisory Board. The Supervisory Board regularly reviews the efficiency of its work based on a questionnaire sent in advance and by a discussion of the results of this questionnaire in a plenary session.

The audit committee established end of 2017 is responsible for the consideration and evaluation of all material questions concerning the auditing and accounting policies of the CORESTATE Group and its financial controls and systems, together with related recommendations to be made to the Management Board. The current members of the audit committee are Micha Blattmann, Urs Felder and Ulrich Plett as chairman.

Beside the audit committee, the Supervisory Board has established a nomination committee which meets only as necessary. Its function is to propose suitable candidates to the Supervisory Board for the latter's election proposals submitted to the annual general shareholders' meeting. The current members of the nomination committee are Micha Blattmann (chairman), Urs Felder and Ulrich Plett.

Composition, powers and operating mode of the Management Board

According to the articles of association, the Management Board must be composed of at least two members which are 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. The members of the Management Board shall be elected for a term of four 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.

In the opinion of the Supervisory Board, the basic qualification criteria for appointments to positions on the Management Board are professional qualifications for heading each particular area of responsibility, a proven track record in the individual's career path and convincing management skills. In addition, the Supervisory Board also considers the aspect of diversity in its appointment decisions. Therefore, the Supervisory Board strives to appoint people with complementary profiles, professionals and personal life experiences. Considering the small size of the Management Board the establishment of a rigid gender quota can be problematic. The current members of the Management Board are male.

The Management Board members are jointly responsible as a collegiate body for matters of special significance. As for the Board's remaining responsibilities, each member independently manages the area assigned to him according to the plan for allocation of responsibilities and is required to notify the chairman of the Management Board of all material transactions and events.

The Management Board of the Company is a committee that consisted of three members throughout 2018:

- Dr. Michael Bütter (Chief Executive Officer) – since 1 May 2018 until 31 December 2018
- Thomas Landschreiber (Chief Investment Officer) – since 21 August 2015
- Lars Schnidrig (Chief Financial Officer) – since 01 July 2017
- Sascha Wilhelm (Chief Executive Officer) – since 21 August 2015 until 30 April 2018

Sascha Wilhelm left the Company as of 30 April 2018 in best mutual agreement. CORESTATE terminated the employment of Dr Bütter and revoked its employment agreement by the end of 2018. The separation of Dr. Bütter neither has any conjunction with the operational performance nor with the strategic orientation of the Company.

From beginning 31 January 2018, Chief Executive Officer's responsibilities are assumed by the two Management Board members Lars Schnidrig and Thomas Landschreiber, whereby Lars Schnidrig assumed the function of interim chairman of the Management Board.

As of 1 January 2019, the Management Board of the Company consists of two members:

- Lars Schnidrig (Chief Executive Officer/Chief Financial Officer) and
- Thomas Landschreiber (Chief Investment Officer)

In addition to Management Board adjustments, CORESTATE decides to expand key functions. Therefore, as of 1 January 2019, Daniel Löhken holds the position of Chief Legal Officer and Florian Sander will presumably – beginning of April 2019 – exercise the role as Chief Operating Officer.

The Management Board manages CORESTATE under its own responsibility, with the goal of sustainably increasing the Company's value. The Management Board develops the Company's strategy, coordinates it with the Supervisory Board and ensures the implementation of such strategy. The Management Board is vested with the broadest powers to perform or cause to be performed any actions necessary or useful in connection with the purpose of the Company. All powers not expressly reserved by the law of 10 August 1915 on commercial companies as amended, or by the articles of association of the Company to the general meeting or to the Supervisory Board fall within the authority of the Management Board.

Decision-making is implemented by the Management Board at regular meetings, which are convoked and conducted by the chairman of the Management Board. If required, further specialists and managers are invited to provide advice. The Management Board meets as often as the business and interests of the Company require.

At least on a monthly basis, the Management Board submits 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.

First and second management levels below the Management Board

For the first and second management levels below the Management Board, the aim is to increase the percentage of women in management positions in line with the Act on Equal Participation of Women and Men in Management Positions (Participation Act). In the future, positions will be filled and replaced at these hierarchical levels with particular attention being paid to promoting female executives in order to ensure an increase in the share of women.

Further Corporate Governance Practices

Risk Management

CORESTATE maintains a risk management system covering all CORESTATE Group entities including regular reportings into both the Management Board and the Supervisory Board. It enables the management to have a full view on the risks sitting with CORESTATE, and to actively manage all risks. For the regulated companies within the CORESTATE Group the local risk management systems also fulfill the regulatory requirements set by the relevant local Supervisory authority. CORESTATE's risk management system has recently been reviewed by internal audit and was comprehensively updated to meet highest market standards. Our risk management framework and elements of internal control system are discussed in our Group Management Report.

Transparency

CORESTATE as company listed on the Prime Standard of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), places great importance on disclosing complete and consistent information in order to duly and comprehensively inform participants in the capital market and interested members of the public at large. Information about the economic position of CORESTATE and its Group companies and any new developments is consequently released regularly and without delay. Current developments and material events are publicized as press releases and, where appropriate, ad hoc announcements. This information is usually made available in German and English languages simultaneously and published via suitable media and on the internet. The annual report, the half-yearly financial report and quarterly reports are published on the CORESTATE website under 'Investor Relations'.

The key recurring events and publications, such as the annual general meeting, road shows, relevant real estate conferences, the annual report and interim reports, are listed on a financial calendar that may be viewed at any time on the CORESTATE website.

Managers' Transactions

As required under the Market Abuse Regulation (EU No 596/2014) members of the Management Board and the Supervisory Board of the Company in particular as well as any other persons with regular access to inside information who take important managerial decisions, duly comply with their notification requirements relating to shares or relevant debt instruments. Such trading activities are disclosed on the CORESTATE website.

In 2018 there were two share trading activities of Supervisory and Management Board members. In April 2018, Sascha Wilhelm received shares by way of a capital increase and Micha Blattmann bought new shares in September 2018 – details to the trading volume are disclosed on the CORESTATE website.

Accounting and independent statutory audit

The consolidated financial statements of the Company and its Group companies (the "Consolidated Group Financial Statements") for the year ended 31 December 2018 have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The stand-alone financial statements of the Group companies as at 31 December 2018 have been prepared in accordance with Luxembourg laws and regulations.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS

€ thousand	Notes	31/12/2018	31/12/2017
Non-Current Assets			
Property, Plant and Equipment	F.1	18,833	30,668
Other Intangible Assets	F.2	132,424	141,016
Goodwill	F.3	567,124	556,861
Investment in Associates and Joint Ventures	F.4	87,975	59,929
Other Financial Instruments	F.5	93,715	72,183
Long-term Receivables	F.6	54,467	37,827
Long-term Loans to Associates	F.7	8,169	6,808
Deferred Tax Assets	H.	22,213	10,526
Total Non-Current Assets		**984,920**	**915,818**
Current Assets			
Advance Payments		13,780	-
Other short-term Financial Instruments		118	-
Inventories	F.8	91,769	268,258
Receivables from Associates		7,452	18,874
Trade Receivables	F.9	32,511	32,141
Other short-term Receivables		7,498	1,774
Contract Asset		12,731	
Current Income Tax Assets		1,706	853
Other short-term Assets		41,271	63,948
Restricted Cash	F.10	2,498	745
Cash and Cash Equivalents	F.10	194,424	108,830
Assets held for Sale		-	15,785
Total Current Assets		**405,758**	**511,207**
Total ASSETS		**1,390,678**	**1,427,025**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EQUITY AND LIABILITIES

€ thousand	Notes	31/12/2018	31/12/2017
Equity			
Share Capital	F.11	1,600	1,597
Other Reserves	F.12	515,984	493,616
Net Profit / (Loss) for the Period		104,632	55,717
Equity attributable to shareholders of parent company		622,216	550,930
Non-controlling Interests		(1,267)	503
Total EQUITY		**620,949**	**551,433**
Non-Current Liabilities			
Other long-term Provisions	F.13	6,040	6,205
Long-term Financial Liabilities to Banks	F.14	69,683	238,262
Other long-term Financial Liabilities	F.15	514,484	243,030
Long-term Derivatives		-	4,941
Deferred Tax Liabilities	H.	23,328	18,630
Other non-current Liabilities		12,537	30,534
Total Non-Current Liabilities		**626,072**	**541,601**
Current Liabilities			
Other short-term Provisions	F.16	33,443	42,884
Short-term Financial Liabilities to Banks		468	132,278
Other short-term Financial Liabilities		2,479	15,509
Short-term Derivatives		-	3,394
Short-term Liabilities to Associates		821	-
Trade Payables	F.17	11,664	14,795
Current Income Tax Liabilities		42,706	31,201
Other Current Liabilities	F.18	52,077	75,937
Liabilities directly associated with the Assets held for Sale		-	15,785
Total Current Liabilities		**143,657**	**333,991**
SUBTOTAL LIABILITIES		**769,729**	**875,592**
TOTAL EQUITY AND LIABILITIES		**1,390,678**	**1,427,025**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

€ thousand	Notes	FY 2018	FY 2017
Revenue from Acquisition Related Fees	G.1	41,644	30,016
Revenue from Asset and Property Management	G.2	135,016	106,228
Revenue from Sales Fees		-	900
Revenue from Promote Fees realized		-	14,456
Total Revenue from Real Estate Investment Management		*176,660*	*151,600*
Total Expenses from Real Estate Investment Management	G.3	*(71,202)*	*(50,814)*
Total Earnings from Real Estate Investment Management		**105,459**	**100,786**
Share of Profit or Loss from Associates and Joint Ventures	G.4	11,898	9,498
Dividends from other Alignment Capital	G.5	16,472	9,877
Expenses from Management of Associates and Joint Ventures	G.6	(9,550)	(1,088)
Total Earnings from Alignment Capital Management		**18,820**	**18,286**
Net Rental Income	G.7	17,809	9,224
Revenue from Service Charges		1,413	889
Net Gain from Selling Property Holding Companies	G.8	59,366	13,916
Income from other Warehousing activities	G.9	8,549	-
Total Income from Real Estate Operations / Warehousing		*87,137*	*24,028*
Expenses from Real Estate Operations / Warehousing	G.10	*(19,524)*	*(5,029)*
Total Earnings from Real Estate Operations / Warehousing		**67,613**	**18,999**
General and Administrative Expenses	G.11	(26,830)	(35,400)
Other Income		9,064	2,010
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)		**174,125**	**104,682**
Depreciation and Amortization	G.12	(27,063)	(20,866)
Earnings before Interest and Taxes (EBIT)		**147,062**	**83,816**
Financial Income	G.13	14,178	8,951
Financial Expenses	G.14	(43,377)	(29,778)
Earnings before Taxes (EBT)		**117,863**	**62,989**
Income Tax Expenses		(14,375)	(6,634)
Net Profit / (Loss) for the Period		**103,488**	**56,355**
of which attributable to equity holders of parent company		104,632	*55,717*
of which attributable to non-controlling interests		(1,144)	*638*
Total Revenues[1]		**204,431**	**161,712**
Total Expenses[2]		**(127,107)**	**(92,331)**

[1] not including Share of Profit or Loss from Associates, Net Gain from Selling Property Holding Companies and not including Dividends from other Alignment Capital

[2] excluding Financial Expenses and Depreciation and Amortization

€	Notes	2018	2017
Earnings per Share:			
Basic, Profit for the Year attributable to Ordinary Equity Holders of the Parent		4.91	3.24
Diluted, Profit for the Year attributable to Ordinary Equity Holders of the Parent		4.91	3.24
Net Profit/(Loss) for the Period		**103,488**	**56,355**

€ thousand	Notes	2018	2017
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):			
Exchange differences on translation of foreign operations		(3,146)	(361)
Income tax effect		678	90
Net (loss)/gain on cash flow hedges		2,470	516
Income Tax Effect		(123)	(11)
Net (Loss)/Gain on Available-for-sale Financial instruments		-	(4,462)
Income tax effect		-	297
Net Other Comprehensive Loss to be Reclassified to Profit or Loss in Subsequent Periods		(121)	(3,931)
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):			
Remeasurement Gains (Losses) on Defined Benefit Plans		-	(19)
Income Tax Effect		-	3
Net other Comprehensive Income / (Loss) not to be Reclassified to Profit or Loss in Subsequent Periods		-	(17)
Other Comprehensive Income / (Loss) for the Period, Net of Tax		(121)	**(3,948)**
Total Comprehensive Income for the Period, Net of Tax		103,367	52,407
of which attributable to equity holders of parent company		104,685	52,002
of which attributable to non-controlling interests		(1,318)	405

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Notes	Share Capital	Legal Reserve	Additional Capital Paid In	Retained Earnings	Other Revaluations	Other Reserves	Net Profit/(Loss) for the Period	Subtotal Capital accounts of Majority Shareholders	Non-controlling interests in Paid-In Capital and Capital Reserve	Non-controlling interests in Profit for the Period	Non-controlling interests	**Total Equity**
Closing Balance of Capital Accounts as at 31 December 2016 (audited)		**946**	**-**	**35,193**	**34,307**	**199**	**69,699**	**15,396**	*86,040*	**245**	**160**	*405*	**86,446**
Profit for the period		-	-	-	-	-	-	55,717	*55,717*	-	638	*638*	56,355
Other comprehensive income		-	-	-	-	(3,709)	(3,709)	-	*(3,709)*	-	(239)	*(239)*	(3,948)
Total Comprehensive Income for the Period		-	-	-	-	(3,709)	(3,709)	55,717	*52,008*	-	399	*399*	52,407
Issue of new capital		645	-	415,600	-	-	415,600	-	*416,245*	-	-	-	416,245
Share issuance expense		-	-	(433)	-	-	(433)	-	*(433)*	-	-	-	(433)
Issue of convertible bonds		-	-	-	9,718	-	9,718	-	*9,718*	-	-	-	9,718
Acquisition of Non-controlling interests		-	-	-	(415)	-	(415)	-	*(415)*	(35)	-	*(35)*	(450)
Equity-settled share-based payment		6	-	-	1,153	-	1,153	-	*1,159*	-	-	-	1,159
Distributions		-	-	(13,607)	-	-	(13,607)	-	*(13,607)*	(52)	-	*(52)*	(13,659)
Reclassification/others		-	-	-	15,610	-	15,610	(15,396)	*214*	(372)	158	*(214)*	0
Closing Balance of Capital Accounts as at 31 December 2017 (audited)		**1,597**	**-**	**436,754**	**60,373**	**(3,511)**	**493,616**	**55,717**	*550,930*	**(214)**	**718**	*503*	**551,433**
Adopting of the new IFRS 15 standard		-	-	-	8,062	-	8,062	-	*8,062*	-	-	-	8,062
Profit for the period		-	-	-	-	(4)	(4)	104,632	*104,628*	-	(1,144)	*(1,144)*	103,484
Other comprehensive income		-	-	-	-	53	53	-	*53*	-	(174)	*(174)*	(121)
Total Comprehensive Income for the Period		-	-	-	-	49	49	104,632	*104,681*	-	(1,319)	*(1,319)*	103,363
Issue of new capital		-	-	-	-	-	-	-	-	-	-	-	-
Share issuance expense		-	-	-	-	-	-	-	-	-	-	-	-
Issue of convertible bonds		-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of Non-controlling interests		-	-	-	(337)	-	(337)	-	*(337)*	(452)	-	*(452)*	(789)
Equity-settled share-based payment		3	-	-	1,466	-	1,466	-	*1,469*	-	-	-	1,469
Dividends paid		-	-	-	(42,588)	-	(42,588)	-	*(42,588)*	-	-	-	(42,588)
Reclassification/others		-	95	-	55,622	-	55,771	(55,717)		717	(718)	*(0)*	(0)
Closing Balance of Capital Accounts as at 31 December 2018		**1,600**	**95**	**436,754**	**82,598**	**(3,462)**	**515,984**	**104,632**	*622,216*	**52**	**(1,319)**	**(1,267)**	**620,949**

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	Notes	FY 2018	FY 2017
Earnings before Taxes (EBT)		**117,863**	**62,989**
Adjustments:			
Amortization of intangible assets	F.2	24,613	19,048
Depreciation/ write-ups of property, plant and equipment	F.1	1,372	1,810
Equity-settled share-based payment		1,466	1,159
Effect from valuation on derivatives		1,757	(1,217)
Net loss/(gain) on disposal of property, plant and equipment		(26)	-
Net loss/(gain) on disposal of intangible assets		64	55
Net loss/(gain) on disposal of Group companies		6,084	-
Finance costs		26,102	21,851
Interest income		(4,037)	(4,161)
Provisions		(9,785)	(6,968)
Share of results of Associates and Joint Ventures	F.4	(11,898)	(9,498)
Total adjustments		**35,713**	**22,078**
Operating cash flows before changes in working capital		**153,575**	**85,067**
Changes in working capital:			
Increase from sale of inventories		98,351	22,721
Decrease from purchase of inventories and advanced payments		(114,524)	(90,990)
Changes in receivables and other assets that are not attributable to investing activities		(6,972)	(103,933)
Changes in liabilities that are not attributable to financing activities		132,397	107,734
Total changes in working capital		**109,253**	**(64,468)**
Cash flows from operations		**262,828**	**20,599**
Income taxes received/(paid)		(11,480)	(5,208)
Net cash flows from operating activities		**251,349**	**15,391**
Acquisition of Subsidiaries (Share purchase price net of cash balance at date of acquisition)		(11,418)	(173,980)
In-/Outflow for Alignment Capital Investments (Associates and Loans)		(12,063)	(19,834)
Inflow from repayment of Alignment Capital Investments (Associates and Loans)		10,326	18,586
Proceeds from disposal of property, plant and equipment		1,815	4,024
Purchase of financial instruments		(42,947)	-
Sale of financial instruments		16,662	27,860
Purchase of property, plant and equipment	F.1	(1,402)	(577)
Additions to intangible assets	F.2	(8,706)	(1,692)
Net cash flows generated from / (used in) investing activities		**(47,733)**	**(145,613)**

€ thousand	Notes	FY 2018	FY 2017
Proceeds from issuance of new share capital		-	22,718
Share issuance expense		-	(594)
Distributions to the equity holders of parent company		(42,588)	(13,607)
Distributions paid to non-controlling interests		(25,939)	(8,157)
Issue of convertible bonds		-	196,077
Purchase/Settlement of Derivatives		(8,749)	-
Sale/(Acquisition) of non-controlling interests		(543)	(450)
Proceeds from loans and borrowings		346,183	189,692
Repayment of loans and borrowings		(365,213)	(176,008)
Interest Paid		(23,456)	(21,851)
Interest Received		4,037	3,767
Net cash flows (used in) / from financing activities		**(116,268)**	**191,587**
Net increase in cash and cash equivalents		**87,347**	**61,366**
Cash and cash equivalents at beginning of period	**F.10**	**109,575**	**48,209**
Net increase in cash and cash equivalents		87,347	61,366
Cash and cash equivalents at end of period	**F.10**	**196,922**	**109,575**

Notes to the Consolidated Financial Statements

A. CORPORATE INFORMATION

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

Since 2017 the Company's shares are traded on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

CCH SA is a real estate investment manager specializing in the creation and subsequent realization of real estate related investments in Europe for private and institutional clients. CCH SA and its subsidiaries (the Group) are active as a co-investor and asset and property manager and are focused on residential and commercial (primarily retail and office) real estate as well as micro-living projects. Geographically, the Group primarily concentrates on the German market but also is selectively active in other attractive markets in Europe such as UK, Austria and Spain. Its investment product offering covers the full range of the risk / return curve, i.e. from value-add / opportunistic to core, and, in each case, is tailor made to the specific requirements of its clients. As a key element of its business model, the Group is actively warehousing certain real estate in order to seize opportunities both in competitive situations as well as in order to establish seed portfolios for institutional products.

As per 31 December 2018, the Group employs 675 FTE (previous year 566 FTE) real estate experts across 42 offices in 7 countries, providing direct access to local markets.

The consolidated financial statements of CORESTATE Capital Holding S.A. and its subsidiaries (the Group) for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 18 March 2019. The consolidated financial statements are subject to approval by the Annual General Meeting.

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

B.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards "(IFRS)" adopted by in the European Union ("EU") for the year ended 31 December 2018.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities 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. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using the functional currency. The group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method. All values are rounded to the nearest thousand (k€), except when otherwise indicated. The consolidated financial statements provide comparative information in respect of the previous period.

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

B.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of CCH SA and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, it has:

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

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

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

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

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

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

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

B.3 Summary of significant accounting policies

B.3.1 Business combinations and Goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

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

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

B.3.2 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 realized or intended to be sold or consumed in the normal operating cycle
- Expected to be realized 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.3.3 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 considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

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 recognized at cost. The carrying amount of the investment is adjusted to recognize 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 Statement of profit or loss 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 recognized directly in the equity of the Associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized 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 consolidated statement of profit and loss.

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.

After application of the equity method, the Group determines whether it is necessary to recognize 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 recognizes the loss as Share of profit/(loss) of an Associate in the statement of profit and loss.

Upon loss of significant influence, the Group measures and recognizes 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 recognized in profit or loss.

B.3.4 Fair value measurement

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

Fair value measurement

Disclosures for valuation methods, significant estimates and assumptions	Note E
Disclosures of fair value measurement hierarchy	Note E
Investment properties	Note B.3.19
Investment in unquoted equity shares	Note E
Financial instruments (including those carried at amortized cost)	Note E

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are measured at fair value on a recurring basis in the financial statements, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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 certain financial assets (in particular derivatives). The EMC comprises the chief executive officer, the chief investment officer, and the chief financial officer.

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.

External valuers are involved for valuation of significant assets, such as investment properties and derivative financial instruments. Involvement of external valuers is determined annually by the ECM after discussion with and approval by the Company’s Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. 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 and other earnings

The Group generates revenues and other earnings in each of its three key business segments being:

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

B.3.6 Revenue from Real Estate Investment Management

Revenues from Real Estate Investment Management result from fees from the operating business of the Group, such as:

- Acquisition Related Fees,
- Asset and Property Management Fees,
- Sales Fees,
- Coupon participation fees and
- Promote Fees,

and are recognized with reference to the relevant individual contractual terms and on accrual basis.

Acquisition Related Fees and **Sales Fees** relate to fees earned in relation to the acquisition or divestment of real estate assets by the Associates or third parties. Acquisition related fees amount to 1.0% and 1.5% of the purchase price of the underlying assets of the portfolio, and in certain situations also a lump-sum on-Boarding fee amounting to up to € 500m is agreed with the clients. These fees are paid for sourcing and structuring of the transaction, conducting the due diligence, administrating and supervising the step-by step acquisition of the real estate asset or the establishment of real estate products and are typically received and paid at the conclusion of the transaction documentation. The Group's contracts with customers for these types of services generally include one performance obligation. The Group's contracts with customers for these types of services generally include one performance obligation. The Group has concluded that revenue from Acquisition related Fees and Sales Fees should be recognized at a point of time when the services are provided because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group uses an input method to measure progress towards complete satisfaction of the service (total hours incurred as a percentage of expected total hours to perform the service) which is unchanged to the previous accounting policy. Therefore, for these services the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Asset Management Fees are determined in a range of 0.35% and 0.60% of the value of the real estate assets of the projects and third-party assets managed and differ between investment products offered to private clients and those offered to institutional clients. **Property Management Fees** are derived from the provision of property management services. The Group's contracts with customers for these types of services generally include one performance obligation. The Group has concluded that revenue from these services should be recognized over time when the services are provided because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. As the Group's efforts and inputs are expended evenly throughout the performance period, the Group recognizes revenues on a straight-line basis, which is unchanged to the previous accounting policy. Therefore, for these services the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Coupon Participation Fees are generated through sustainable and significant excess returns of HFS products (mezzanine financing) above a certain pre-agreed hurdle rate. The Group's contracts with customers for these types of services generally include one performance obligation. The Group has concluded that revenue from Coupon Participation Fees should be recognized over time when the services are provided because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group uses an input method to measure progress towards complete satisfaction of the service (total hours incurred as a percentage of expected total hours to perform the service) which is changed compared to the previous accounting policy, under which revenue from Coupon Participation Fees was only recognized at a point in time when it was finally invoiced to the customer. The adoption of IFRS 15 led to an early recognition of revenue from coupon participation fees of sub-group HFS. Therefore, deferred income as per 31 December 2017 in the amount of € 9.213m was reversed and increased other reserves accordingly. This changed compared to the previous accounting policy, under which revenue from Coupon Participation Fees was only recognized at a point in time when it was finally invoiced to the customer. The adoption of IFRS 15 led to an early recognition of revenue from coupon participation fees of sub-group HFS. Therefore, deferred income as per 31 December 2017 in the amount of € 8.062m (net of tax) was reversed and increased other reserves accordingly.

In certain projects, CCH SA is entitled to receive a **Promote fee** 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 Promote fee is basically being paid out as a disproportional profit allocation). The Group's contracts with customers for these types of services generally include one performance obligation. The Group has concluded that revenue from promote fee should be recognized at a point in time, 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 which is unchanged to the previous accounting policy. Therefore, for these services the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract asset is related to Coupon Participation Fee of HFS.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

B.3.7 Earnings from Alignment Capital Management

Share of Profit or Loss from Associates

Share of Profit or Loss from Associates relates to the Group's alignment capital investments and comprises the Group's share of the results of operations of the Associates using the equity method as well as gains and losses from the disposal of shares in Associates (see B.3.2). The periodic results of operations of the Associates 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.

Dividends from other Alignment Capital

Dividends from other Alignment Capital reflect the Group's share of the cash distribution of the investment and are recognized in the statement of profit or loss when the right of payment has been established. This is generally when shareholders approve the dividend.

B.3.8 Revenue and other earnings from Real Estate Operations/Warehousing

Rental income

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

Tenant lease incentives are recognized 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 recognized 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.

Net Gain from Selling Property Holding Companies

Net Gain from Selling Property Holding Companies comprises the proceeds from selling real estate holding companies less selling costs less carrying value of the assets and liabilities. Such real estate holding companies were established to purchase investment property for the sale in the ordinary course of business in the course of the Group's warehousing activities. The gain is recognized when control over the relevant real estate holding company is transferred to the buyer.

Income from other Warehousing activities

Income from other Warehousing activities comprises the interest income from short-term bridging activities of mezzanine loans to Real Estate development Companies in the German speaking region.

Such loans are transferred to the Mezzanine Funds managed by the Group as soon as a corresponding cash return or equity contribution in the funds takes place. By this approach a very high investment rate can be realized.

B.3.9 Financial Income and Financial Expenses

Financial Income comprises interest income from bank balances and loans granted and gains on the disposal of financial assets as well as foreign currency gains and losses. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method (EIR-method).

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

B.3.10 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.3.11 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 recognized for all taxable temporary differences, except:

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, 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 recognized 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 utilized

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 utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized 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 realized 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 recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

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

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

B.3.12 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 subsidiaries which were fully consolidated but for the new acquired CRM the functional currency of which is GBP. 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 recognized 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.3.13 Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at ex-change rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

B.3.14 Intangible assets (incl. Goodwill)

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

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

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

Amortization is calculated on a straight-line basis over the estimated useful lives of the intangible assets with a finite life, as follows:

- Software 3 to 5 years
- Contracts according to IAS 8 4 years
- Asset Management Agreements 2 to 17 years
- Corporate brand “YOUNIQ” 14 years

Intangible assets with indefinite useful lives only relate to goodwill. Goodwill is not amortized but is tested for impairment annually at the cash-generating unit level.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

B.3.15 Property, plant and equipment

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

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

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

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

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

B.3.16 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.3.17 Group as a lessee

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

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

B.3.18 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.

B.3.19 Investment properties

Investment Properties are only held indirectly (i.e. these properties are owned by associates).

Investment properties 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 derecognized when they are sold. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

B.3.20 Non-current assets held for sale

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

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

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

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

B.3.21 Inventories

Inventories are primarily related to the Group's warehousing activities and comprise real estate acquired with the intention of selling it within the normal business cycle in the normal course of our warehousing business. In this respect, the "normal business cycle" may be a period of up to three years.

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

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

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

Net realizable 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.3.22 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortised cost include trade receivables, other receivables and cash and cash equivalents.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Currently the Group has no financial assets measured at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently the Group has no investments in equity instruments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

This category includes long-term receivables, other financial instruments and loans to associates.

De-recognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when a financial instrument is written off.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note B.5
- Trade receivables, including contract assets Note B.5

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Group determines that a debt instrument has significantly increased in credit risk when its contractual cash flows are overdue for more than 30 days.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment as well as supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector where the Group operates, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

B.3.23 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as

- "financial liabilities at fair value through profit or loss" (financial liabilities at FVTPL)
- "financial liabilities at amortized cost", or
- derivatives designated as hedging instruments in an effective hedge.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs.

The Group's financial liabilities include mainly

- long-term and short-term financial liabilities to banks
- other long-term and short-term liabilities (mainly bonds and convertible bonds)
- trade payables
- other non-current and current liabilities (mainly loans).

Subsequent measurement

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

Financial Liabilities at amortized cost

This is the category most relevant to the Group. After initial recognition, the respective liabilities (e.g. interest-bearing payables, loans and other liabilities, e.g. convertible bonds) are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

Financial liabilities at FVTPL

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

De-recognition

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

B.3.24 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

Fair value hedges

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

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

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

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

Cash flow hedges

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

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

B.3.25 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 recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

B.3.26 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.3.27 Cash distribution to equity holders of the parent

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

B.3.28 Provisions

General

Provisions are recognized 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 recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

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

Restructuring provisions

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

Contingent liabilities recognized in a business combination

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

B.3.29 Short-term benefits for employees

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized 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.3.30 Share-based payments

Equity-settled transactions

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

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

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

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

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

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

Cash-settled transactions

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

B.4 Changes in accounting policies (adoption of IFRS 9 and IFRS 15)

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The timing of revenue recognition has changed to a significant extent for certain types of contracts in the Segment Real Estate Investment Management due IFRS 15, because this revenue is now recognized over time rather than at a point in time. The Group introduced IFRS 15 based up-on the modified retrospective method. The prior-year figures were not adjusted. Deferred Income of €8.062m (net of tax) were derecognized for the first time as at 1 January 2018. The effect of the transition as at 1 January 2018 was recognized in retained earnings.

€ thousand	Balance as originally reported 31/12/2017	Adjustments	Adjusted balance 01/01/2018
Statement of Financial Position			
Deferred tax assets	10,526	1,151	11,677
Total Assets	**10,526**	**1,151**	**11,677**
Share Capital	1,597		1,597
Other Reserves	493,616	8,062	501,678
Net Profit/(Loss) for the Period	55,717		55,717
Equity of Shareholders	550,930	8,062	558,992
Non-controlling Interests	503		503
Total Equity	**551,433**	**8,062**	**559,495**
Other Current Liabilities	75,937	(9,213)	67,724
Total Current Liabilities	**333,991**	**(9,213)**	**324,778**
SUBTOTAL LIABILITIES	**875,592**	**(9,213)**	**866,379**
TOTAL EQUITY AND LIABILITIES	**1,427,025**	**(9,213)**	**1,417,812**

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out above.

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Long-term loans to associates, other financial instruments and some long-term receivables classified as Loans and receivables as at 31 December 2017 are classified as at fair value through profit and loss beginning 1 January 2018 as the cash flows represent not only payments of principal and interest.
- Other financial instruments classified as Available-for-sale (AFS) financial assets as at 31 December 2017 are classified and measured as Debt instruments at fair value through profit and loss beginning 1 January 2018 as the cash flows do not represent solely payments of principal and interest.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities. In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at 1 January 2018.

IFRS 9 measurement category

€ thousand	Classification under IAS 39	Classification under IFRS 9	Carrying Amount according to IAS 39	Carrying Amount according to IFRS 9
Financial Assets				
Other Financial Instruments	LaR/Afs	FVTPL	72,183	72,183
Long-term Receivables	LaR	FVTPL/AC	37,827	37,827
Long-term Loans to Associates	LaR	FVTPL	6,808	6,808
Short-term Loans to Associates	LaR	AC	18,874	18,874
Trade Receivables	LaR	AC	32,141	32,141
Other short-term Receivables	LaR	AC	53,325	53,325
Other short-term Assets	LaR	AC	12,397	12,397
Restricted Cash	LaR	AC	745	745
Cash and Cash Equivalents	LaR	AC	108,830	108,830
Financial Liabilities				
Long-term Financial Liabilities to Banks	FLAC	AC	238,262	238,262
Other long-term Financial Liabilities	FLAC	AC	243,030	243,030
Long-term Derivatives	CFH	CFH	4,941	4,941
Other non-current Liabilities	FLAC/FLaFV	AC/FVTPL	29,985	29,985
Short-term Financial Liabilities to Banks	FLAC	AC	132,278	132,278
Other short-term Financial Liabilities	FLAC	AC	15,509	15,509
Short-term Derivatives	CFH	CFH	3,394	3,394
Short-term Liabilities to Associates	FLAC	AC	2,209	2,209
Trade payables	FLAC	AC	14,795	14,795
Other current liabilities	FLAC	AC	75,937	75,937

FLAC – Financial Liability at cost
FLaFV – Financial Liability at Fair Value
CFH – Cash Flow Hedge

B.5 New standards issued but not yet effective

New standards and interpretations as well as amendments to existing standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 Leases

In January 2016, IASB published IFRS 16 "Leases" (EU effective date: 1 January 2019). IFRS 16 replaces IAS 17 "Leases" and the associated interpretations. According to the new regulations, lessees are required to account for all leases in the form of a right-of-use approach. As a result, lessees are no longer subject to the requirement to classify leases as operating or finance leases as under IAS 17. In the case of leases, the lessee recognizes a liability for lease obligations to be incurred in the future. Correspondingly, a right-of-use asset is capitalized and is amortized over its useful life.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Application of the new standard is mandatory for fiscal years beginning on or after 1 January 2019. Corestate has initially applied IFRS 16 at January 1, 2019, using the modified retrospective transition approach. As allowed by IFRS 16.C7, the comparative information (financial year 2017) of the consolidated financial statements are not restated. At Corestate, the initial application primarily affects those leases classified as operating leases to this date. Using the option of IFRS 16.5, short-term leases with a contractual term of less than 12 months and leases with an underlying asset of low value are not accounted for under IFRS 16. The Group has made use of the relief of IFRS 16.C3(b) and has not reassessed contractual arrangements that were not classified as leases under IAS 17 "Leases" in conjunction with IFRIC 4 "Determining Whether an Arrangement Contains a Lease". On initial application of IFRS 16 to operating leases, every right-of-use asset was generally measured at the amount of the lease liability, using the discount rate at the date of initial application. The lease liability does not include any non-lease components. Where accrued lease liabilities existed, the right-of-use asset was adjusted by the amount of the accrued lease liability. According to IFRS 16.C10 (d), the measurement of the right-of-use asset at initial application did not include initial direct costs.

Corestate has analyzed the impacts of the initial application of IFRS 16 in a Group-wide project involving existing processes, systems and contracts. The Group acts as a lessee with regard to office premises, office equipment, cars and other assets. In the context of initial application, right-of-use-assets of EUR 18-20 million and lease liabilities of EUR 18-20 million are recognized in the consolidated statement of financial position at January 1, 2019. However, the actual amounts may be subject to change due to ongoing data quality reviews and possible accounting choices.

As a result of the change in expense presentation for operating leases as depreciation of right-of-use-assets and lease liability interest expense, the Group expects an improved EBITDA for the financial year 2019. The group does not expect any significant effects regarding net profit after tax for 2019 as a result of adopting IFRS 16. With respect to the statement of cash flows, under IFRS 16 the principal portion of lease payments will be reported under cash flows from financing activities, meaning that operating cash flow will improve.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

B.6 New Standards issued but not yet effective

Asset Management Contracts of subsidiary HFS have been recognized as intangible assets in the purchase price allocation of the HFS acquisition. Management has reconsidered useful lives of these contracts based on amended contractual status and economical use and changed useful lives from 2.7 to 4 years. Depreciation for year 2018 amounted to mEUR 18.3. Without changing useful lives deprivation would have been mEUR 27.1

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

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 recognized in the consolidated financial statements:

C.1.1 Assessing significant influence on 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
- 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, or business plan expertise)

C.2 Estimates and assumptions

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

C.2.1 Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair value. One of the most significant estimates relates to the determination of the fair value of these asset and liabilities. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market price. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Group either consults with an independent external valuation expert or develops the fair value internally, using an appropriate valuation technique which is generally based on a forecast of the total expected future net cash flows. These evaluations are linked closely to the assumptions made by the EMC regarding the future performance of the assets concerned and any changes in the discount rate applied (see Note F.3).

C.2.2 Recoverability of Goodwill and Trademarks

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

C.2.3 Promote and Coupon Participation Fee

In some Projects, the Group is entitled to receive a success fee ("Promote fee") equalling to approx. 15% to 20% of the net project returns. The claim for the Promote fee is only recognised when the relevant transaction documentation resulting in a net project return has been validly entered into, and becomes 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. Promote fees represent a compensation for the Group’s investment management services rendered in relation to a particular investment, and predominantly is an element in the fee pattern of investment products for private clients. In case, certain amounts of the net project return are withheld at closing of a transaction for escrow purposes, the payment of the pro-rated Promote fee is also deferred until the amounts in escrow are released.

Coupon Participation Fees, included in Asset and Property Management line item, generated through sustainable and significant excess returns of HFS product (mezzanine financing) above a certain pre-agreed hurdle rate. The Group uses an output method to measure progress towards complete satisfaction of the service (total return on invest of the HFS funds based on monthly fair value valuations of the mezzanine financing).

C.2.4 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 significant impact on the Group's Investment in Associates. The valuation technique comprises mainly the income method (DCF based).

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

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

Main key input parameters used in the DCF 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 capitalization rate is based on each property's discount rate in year 10, which accounts for all potential risks related to a property.

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

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

The following sensitivity analysis shows how the Group's Investment in Associates and Loans to Associates (carrying value) 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):

Sensitivity analysis to determine the change in Investments in Associates

€ thousand	Property value (+10%)	Property value (+5%)	**Carrying value**	Property value (-5%)	Property value (-10%)
31.12.2018	81,736	79,551	**77,399**	75,076	72,548
31.12.2017	64,214	62,071	**59,910**	57,626	55,035

Additionally to the investment in associates, Corestate's Joint Venture Moviestar totals to k€ 10,576. The joint venture contains no properties. Thus a sensitivity analyses has not been performed.

C.2.5 Other provisions

The recognition and measurement of other provisions are based on the estimation of the probability of a future outflow of resources as well as empirical values and the circumstances known at the reporting date. This means that the actual later outflow of resources may differ from the other provisions (Note refer F.13 and F.16).

C.2.6 Share-based payments

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

C.2.7 Financial Instruments

Financial instruments measured at fair value through profit and loss are subject to estimates and judgement, as its fair value is based on level 3 inputs. In addition, financial assets measured at amortized cost require estimates and judgement with regards to the determination of appropriate impairment allowances.

C.3 Business combination

In 2018, the Group accounted for the following business combination:

Fair value of net assets and liabilities recognized	Business Combination: CRM Students Ltd. € thousand
Acquisition date	4 October 2018
Total Cost of the combination (in €m)	20,429
thereof purchase prices (cash) (in €m)	19,757
thereof other consideration transferred	0.672
Number of shares acquired	
Voting rights acquired (%)	100.00%
Property, plant & equipment	898
Intangible assets	7,394
Other financial instruments	116
Receivables	4,649
Other assets	911
Cash and cash equivalents	2,654
Total assets	**16,623**
Deferred tax liability	1,442
Current tax liabilities	376
Trade payables	298
Other (financial) liabilities	4,409
Total liabilities	**6,525**
Fair value of net assets acquired	**10,098**
Non-controlling interests	-
Recognized Goodwill	**(10,256)**
Realized bargain purchase ("lucky buy")	**-**
Revenues generated since acquisition date	**2,849**
Profit / loss since acquisition date	**(750)**

To strengthen the market leadership position of the Group in the micro- and Student-living segment, on 4 October 2018 (date of the purchase contract), the Group purchased a 100% stake in CRM Students Ltd., Oxford, UK. CRM Students Ltd. is the leading provider of Student Accommodation in the UK and currently operates about 24,000 student accommodations as of 31 December 2018.

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

The fair value of the receivables amounts to € 4.649k which equals its gross amount. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of € 10.077m comprises the value of expected market synergies arising from the acquisition. Goodwill is allocated entirely to the Real Estate Investment Management segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

The purchase consideration is presented in the table above and includes an Earn Out component of € 3.258k

The purchase price allocation is preliminary prepared and therefore may change in the period of 12 month.

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

€ thousand	Business Combination: subgroup of Hannover Leasing GmbH & Co. KG	Business Combination: GENOST Consulting GmbH	Business Combination: HFS Helvetic Financial Services AG	Business Combination: subgroup of Atos Capital GmbH	TOTAL Business Combinations
Acquisition date	07.07.2017	05.07.2017	01.07.2017	06.10.2017	
Total Cost of the combination	31,620	1,000	619,784	25,754	678,157
thereof purchase prices (cash)	31,620	1,000	239,000	13,008	284,628
thereof other consideration transferred	-	-	380,784	12,746	393,529
Directly attributable acquisition costs	1,284	-	7,450	302	9,037
Number of shares acquired	n/a	1	5,000	n/a	
Voting rights acquired (%)	94.90%	100.00%	100.00%	100.00%	
Property, plant & equipment	34,476	65	21	102	34,664
Intangible assets	37,552	4	114,827	4,749	157,132
Shares in subsidiaries	4,860	-	-	-	4,860
Shares in associates	54,288	-	-	-	54,288
Other financial instruments	102,717	-	52,842	-	155,559
Inventories	86,714	-	-	-	86,714
Receivables	21,404	207	1,772	934	24,317
Receivables from affiliated companies	39	-	-	-	39
Current tax assets	64	-	-	-	64
Other assets	36,243	77	13,929	369	50,617
Cash and cash equivalents	36,150	565	17,169	1,980	55,863
Deferred tax assets	3,497	-	1,300	-	4,797
Total assets	**418,003**	**919**	**201,860**	**8,133**	**628,915**
Deferred tax liability	4,601	-	14,297	1,529	20,427
Derivatives	10,068	-	-	-	10,068
Financial liabilities to banks	256,120	-	40,546	-	296,666
Other provisions	53,744	4	398	2,148	56,294
Current tax liabilities	18,639	4	6,086	-	24,729
Liabilities from affiliated companies	-	-	-	-	-
Trade payables	6,485	4	1,596	220	8,305
Other (financial) liabilities	50,829	355	38,839	185	90,208
Total liabilities	**400,486**	**367**	**101,762**	**4,083**	**506,697**
Fair value of net assets acquired	**17,518**	**551**	**100,098**	**4,051**	**122,218**
Non-controlling interests	*890*	-	-	-	*890*
Recognized Goodwill	**15,024**	**449**	**519,686**	**21,703**	**556,861**
Realized bargain purchase ("lucky buy")	*(32)*	-	-	-	*(32)*
Revenues generated since acquisition date	**17,916**	**-**	**67,873**	**3,392**	**89,181**
Profit / loss since acquisition date	**8,028**	**(25)**	**41,691**	**1,307**	**51,000**

D. SEGMENT INFORMATION

For management purposes, the Group is organized 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 are primarily concentrated on the German real estate market.

D.1 Real Estate Investment Management

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

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

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

D.2 Alignment Capital Management

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

D.3 Real Estate Operations and Warehousing

As a complementary element to its real estate investment and alignment capital management, the Group also engages in identifying and securing real estate investment opportunities prior to converting or transferring them into an investment product tailor-made for investors (Warehousing). By acquiring such as-sets for its own account and balance sheet, the Group is able to secure asset supply especially in competitive market situations and build up seed portfolios in particular for institutional clients while setting up and structuring the investment product for the clients in parallel. Warehousing provides the Group with a key competitive advantage. Over the holding period, the Group is managing the assets, implements value enhancement measures and receives and 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).

In addition Income from Warehousing activities comprises the interest income from short-term bridging activities of mezzanine loans to Real Estate development companies.

D.4 Segment information

Segment Information for the period from 1 January to 31 December 2018

€ thousand	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/ Warehousing	**Total Segments**	Overhead (not allocated)	Adjustments and eliminations	Consolidated Financial Statements
Revenues:							
Total revenues	176,660	-	27,771	204,431	-	-	204,431
Income / expenses							
Expenses from Real Estate Investment Management	(71,202)	-	-	(71,202)	-	-	(71,202)
Share of Profit or Loss from Associates and Joint Ventures	-	11,898	-	11,898	-	-	11,898
Share of Profit or Loss from other Capital Alignments	-	16,472	-	16,472	-	-	16,472
Expenses from Management of Associates and Joint Ventures	-	(9,550)	-	(9,550)	-	-	(9,550)
Net Gain from Selling Property Holding Companies	-	-	59,366	59,366	-	-	59,366
Expenses from Real Estate Operations	-	-	(19,524)	(19,524)	-	-	(19,524)
Total earnings	**105,459**	**18,820**	**67,613**	**191,891**	**-**	**-**	**191,891**
General and Administrative Expenses	-	-	-	-	(26,830)	-	(26,830)
Other income / (expenses)	-	-	-	-	9,064	-	9,064
Depreciation & Amortization	(23,470)	-	(282)	(23,752)	(3,310)	-	(27,063)
Financial Income	-	-	-	-	14,178	-	14,178
Financial Expenses	-	-	(1,824)	(1,824)	(41,553)	-	(43,377)
Income Tax Expense	-	-	-	-	(14,375)	-	(14,375)
Segment Net Profit/(Loss)	**81,988**	**18,820**	**65,507**	**166,315**	**(62,827)**	**-**	**103,488**
Total Assets (31/12/2018)	**1,004,531**	**128,604**	**149,375**	**1,282,510**	**108,168**	**-**	**1,390,678**
Total Liabilities (31/12/2018)	**401,609**	**72,543**	**121,9144**	**596,066**	**173,663**	**-**	**769,729**
Other disclosures							
Investments in Associates and Joint Ventures	-	*87,975*	-	*87,975*	**-**	**-**	*87,975*
Investment in associates	-	77,399	-	77,399	-	-	77,399
Investment in joint ventures	-	10,576	-	10,576	-	-	10,576

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

€ thousand	Real Estate Investment Management	Alignment Capital Management	Real Estate Operations/ Warehousing	**Total Segments**	Overhead (not allocated)	Adjustments and eliminations	Consolidated Financial Statements
Revenues:							
Total revenues	151,600	-	10,112	161,712	-	-	161,712
Income / expenses							
Expenses from Real Estate Investment Management	(50,814)	-	-	(50,814)	-	-	(50,814)
Share of Profit or Loss from Associates and Joint Ventures	-	9,498	-	9,498	-	-	9,498
Share of Profit or Loss from other Capital Alignments	-	9,877	-	9,877	-	-	9,877
Expenses from Management of Associates and Joint Ventures	-	(1,088)	-	(1,088)	-	-	(1,088)
Net Gain from Selling Property Holding Companies	-	-	13,916	13,916	-	-	13,916
Expenses from Real Estate Operations	-	-	(5,029)	(5,029)	-	-	(5,029)
Total earnings	*100,786*	*18,286*	*18,999*	*138,071*	*-*	*-*	*138,071*
General and Administrative Expenses	-	-	-	-	(35,400)	-	(35,400)
Other income / (expenses)					2,010		
Depreciation & Amortisation	(17,377)	-	(2)	(17,379)	(3,487)	-	(20,866)
Financial Income	-	-	-	-	8,951	-	8,951
Financial Expenses	(12,868)	-	(1,066)	(13,934)	(15,844)	-	(29,778)
Income Tax Expense	-	-	-	-	(6,634)	-	(4,624)
Segment Net Profit/Loss	**70,541**	**18,286**	**17,931**	**106,758**	**(50,403)**	**-**	**56,355**
Total Assets (31/12/2017)	**842,474**	**196,096**	**287,378**	**1,325,949**	**154,124**	**(53,048)**	**1,427,025**
Total Liabilities (31/12/2017)	**85,719**	**13,111**	**251,357**	**350,187**	**578,453**	**(53,048)**	**875,592**
Other disclosures							
Investments in Associates and Joint Ventures	-	*59,929*	-	*59,929*	-	-	*59,929*
Investment in associates	-	59,910	-	59,910	-	-	59,910
Investment in joint ventures	-	19	-	19	-	-	19

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

Geographical Segment Information (Secondary Segments)

€ thousand	**2018**	2017
Capital Allocation	**195,366**	**353,868**
Germany	162,669	263,092
Holland	-	62,600
UK	18,416	17,260
Spain	7,434	3,286
Switzerland	3,480	3,207
Poland	2,086	-
Austria	1,280	4,423
Revenues	**204,431**	**161,712**
Germany	181,429	151,549
Benelux	6,177	3,148
Switzerland	5,152	2,336
Austria	4,535	2,998
UK	3,311	1,271
USA	2,562	-
Spain	808	336
Asia	334	-
Italy	123	-
Czech Republic	-	75

The Group's revenues comprise the revenue from segment Real Estate Investment Management (acquisition and sales fees, asset- and property management fees, coupon participation fees and realized promote fees) as well as the net rental income, the revenues from service charges as well as the Income from other Warehousing activities from segment Real Estate Operations/ 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, other income and Income Taxes (including Deferred and Current Taxes) are managed on a Group basis and are not allocated to operating segments.

The following projects and customers account for more than 10% of consolidated revenue. These revenues are completely recognized in the segment Real Estate Investment Management and mainly relate to the coupon participation fees.

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

€ thousand	**2018**	2017
Stratos IAF II & IV	73,847	67,828

E. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

The table below summarizes the financial instruments that the Group holds and compares the carrying amount with the fair value of each class of financial instrument.

			Measurement in accordance with					
			IFRS 9				**IAS 17**	
€ thousand	IFRS 9 Category	**Carrying amount 31 Dec 2018**	Amortized cost	Fair value recognized through profit and loss	Fair value recognized directly in equity (OCI)	not applicable	Amortized cost	**Fair value 31 Dec 2018**
Other Financial Instruments	FVTPL	93,715	5,886	87,829	-	-	-	93,715
Long-term Receivables	FVTPL/AC	54,467	19,334	35,133	-	-	-	54,467
Long-term Loans to Associates	FVTPL	8,169	0	8,169	-	-	-	8,169
Receivables from Associates	AC	7,452	7,452	-	-	-	-	7,452
Trade Receivables	AC	32,511	32,511	-	-	-	-	32,511
Other Short-term Receivables	AC	7,498	7,498	-	-	-	-	7,498
Other Short-term Assets	AC	41,271	41,271	-	-	-	-	41,271
Restricted Cash	AC	2,498	2,498	-	-	-	-	2,498
Cash and Cash Equivalents	AC	194,424	194,424	-	-	-	-	194,424
Total Financial Assets		**442,007**						**442,007**
Long-term Fin. Liabilities to Banks	AC	69,683	69,683	-	-	-	-	69,683
Other Long-term Fin. Liabilities	AC	514,484	514,484	-	-	-	-	514,484
Other non-current Liabilities	AC/FVTPL	12,537	1,980	10,557				12,537
Short-term Fin. Liabilities to Banks	AC	468	468	-	-	-	-	468
Short-term Liabilities to Associates	AC	821	821	-	-	-	-	821
Trade Payables	AC	11,664	11,664	-	-	-	-	11,664
Other current Liabilities	AC	52,077	52,077	-	-	-	-	52,077
Total Financial Liabilities		**661,733**						**661,733**

The table below shows which level of the fair value hierarchy, for Assets and Liabilities, as at 31 December 2018 is used to measure fair value:

		Fair value measurement using			
€ thousand	Date	Total	Level 1	Level 2	Level 3
Assets measured at fair value					
Other Financial Instruments		93,715	-	5,886	87,829
Long-term Receivables		54,467	-	19,334	35,133
Long-term Loans to Associates		8,169	-	-	8,169
Assets for which fair values are disclosed					
Trade Receivables		32,511	-	32,511	-
Other Short-term Receivables		7,498	-	7,498	-
Other Short-term Assets		118	-	118	-
Restricted Cash		2,498	-	2,498	-
Cash and Cash Equivalents		194,424	-	194,424	-
Liabilities measured at fair value					
Other non-current Liabilities		12,537	-	1,980	10,557
Liabilities for which fair values are disclosed					
Long-term Financial Liabilities to Banks		69,683	-	69,683	-
Other Long-term Financial Liabilities		514,484	-	514,484	-
Other non-current Liabilities		12,537	-	12,537	-
Short-term Financial Liabilities to Banks		468	-	468	-
Short-term Liabilities to Associates		821	-	821	-
Trade Payables		11,664	-	11,664	-
Other current Liabilities		52,077	-	52,077	-

€ thousand	Other Financial Instruments	Long-term receivables	Long-term Loans to Associates	Other non-current liabilities
Fair Value as at 1.1.2018	**72,183**	**37,827**	**6,808**	**26,163**
Additions / Disposals	16,548	2,291	(852)	(27,550)
Changes in the fair value valuation through profit and loss	(903)	404	(509)	11,943
Fair Value as at 31.12.2018	**87,829**	**35,133**	**8,169**	**10,557**

The table below summarizes per IFRS 9 category the net gains and losses resulting from financial instruments:

	At Amortized Cost		**FVtPL**	
m€	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Net results from disposal	0	0	-1.819	0
Net measurement effects	-6.493	5.674	-3.558	12.682
Impairment gain/loss	662	0	2.26	0
Effective interest rate income	-1.096	0	-1.651	0
Effective interest rate expenses		26.488	0	0
Total	**-6.928**	**32.162**	**-4.769**	**12.682**

F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

F.1 Property, Plant and Equipment

Property, Plant and Equipment

€ thousand	Land and buildings	Office and other equipment	Assets under operating lease	Cars	**2018 Total**	2017 Total
Acquisition cost						
As of 1 January	26,769	3,766	2,795	87	33,417	2,174
Changes from Business combinations	-	898	-	-	898	34,689
Additions	-	1,402	-	-	1,402	577
Disposals	(8,534)	(176)	(1,613)	-	(10,322)	(4,024)
Transfers to non-current assets held for sale (IFRS 5)	(2,440)	-	-	-	(2,440)	-
As of 31 December	**15,795**	**5,890**	**1,182**	**87**	**22,953**	**33,416**
Amortization and impairment losses						
As of 1 January	300	1,511	873	65	2,748	939
Depreciation charge for the year	516	1,071	263	22	1,872	1,810
Write up	(500)	-	-	-	(500)	-
As of 31 December	**316**	**2,582**	**1,136**	**87**	**4,120**	**2,748**
Total (Carrying amount)	**15,479**	**3,308**	**46**	**0**	**18,833**	**30,668**

Land and buildings (owner-occupied by sub-group Hannover Leasing) with a carrying amount of € 15.479m (31.12.2017: € 26.769m) are subject to a first charge to secure some of the Group’s bank loans.

Office and other equipment is mainly referring to student accommodation management company CRM Students Ltd., Hannover Leasing KG, Corestate Capital Advisors GmbH and the Group’s property management company CAPERA Immobilien Service GmbH ("CAPERA").

The write up is referring to PERNILLA Verwaltungsgesellschaft mbH & Co.Vermietungs KG.

F.2 Other intangible assets

Intangible Assets

€ thousand	2018 Total	2017 Total
Acquisition cost		
As of 1 January	160,352	1,219
Changes from Business combinations	7,394	157,132
Additions	8,691	2,056
Disposals	-	(55)
As of 31 December	**176,437**	**160,352**
Amortization and impairment losses		
As of 1 January	19,336	289
Amortization for the year	24,613	19,048
Currency translation effects	64	-
As of 31 December	**44,013**	**19,336**
Total (Carrying amount)	**132,424**	**141,016**

Intangible Assets include mainly Trademarks and Asset Management contracts acquired through business combinations. The Asset Management contracts have useful lives between 1 and 16 years. The Trademarks have indefinite useful lives. As at 31 December 2018, these assets were tested for impairment as part of the annual impairment testing of CGUs of real estate investment management segment (see note F.3) resulting in no impairment losses.

F.3 Goodwill

Goodwill

€ thousand	2018 Total	2017 Total
Acquisition cost		
As of 1 January	556,865	0
Changes from Business combinations	10,281	556,861
Additions	-	3
As of 31 December	**567,145**	**556,865**
Amortization and impairment losses		
As of 1 January	3	0
Impairment for the year	18	3
As of 31 December	**21**	**3**
Total (Carrying amount)	**567,124**	**556,861**

The Goodwill results from the following business combinations during the financial year 2018 and 2017.

Goodwill – Detailed composition

€ thousand	31 December 2018	31 December 2017
HFS Helvetic Financial Services AG	519,686	519,686
sub-group of ATOS Capital GmbH	21,703	21,703
sub-group of HANNOVER LEASING GmbH & Co. KG	15,024	15,024
CRM Students Ltd.	10,256	
GENOST Consulting GmbH	449	449
Others	7	
Total	**567,124**	**556,861**

For purposes of impairment testing, goodwill acquired through business combinations was fully allocated to multiple CGUs within Real Estate Investment Management.

The Group performed its annual impairment test at year end.

The Group determines whether goodwill and other intangibles assets with indefinite useful lives are impaired at least on an annual basis. Since Trademarks are do not generate largely independent cash flows, they form part of the assets within the respective CGUs which are tested for impairment. The impairment test requires an estimation of the value in use of the cash-generating units to which the goodwill and trademarks are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit (Real Estate Investment Management) and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The following major assumptions have been applied for determining value in use:

CGU REIM of HFS Helvetic Financial Services AG	2018	2017
Growth rate p.a.	2.0%-3.0%	7.0%
Discount rate applied to cash flows within the next 5 years	7.5%	8.4%
Growth rate after year 5	1.0%	1.0%

CGU ATOS Capital GmbH	2018	2017
Growth rate p.a.	2.5%-5.0%	7.0%
Discount rate applied to cash flows within the next 5 years	8.4%	8.3%
Growth rate after year 5	1.0%	1.0%

CGU Hannover Leasing GmbH & Co. KG	2018	2017
Growth rate p.a.	25.0%	10%
Discount rate applied to cash flows within the next 5 years	8.6%	7.1%
Growth rate after year 5	1.0%	1.0%

Compared to prior year assumptions of growth rates the assumed rates were decreased to 5% p.a. to reflect changed lower assumption of future growth in the economy of the European Union, which will also have effect on the growth rate of the CGUs.

For CGU REIM of HFS after 3 years revenues, especially Coupon were considered to be on a market level. As a result of this analysis, no impairment needs to be recognized as of December 31, 2018.

F.4 Investment in Associates and Joint Ventures

Investment in Associates and Joint Ventures – Movement in carrying value

Project	1 Jan 2018	Changes from business combination and sales of subsidiaries	Additions / Transfers	Share of profit /(loss) for the period	Dividends and capital repayments received in cash	Disposals / Transfers	Currency translation adjustments	31 December 2018
ACROSS	1,132	-	-	(35)	-	-	-	1,097
ANNAPURNA	1,473	-	-	(13)	-	-	-	1,460
CLG	53	-	-	-	-	-	-	53
CONDOR	1,226	-	-	54	-	-	-	1,280
Denkmal Münster	0	-	5,201	(136)	-	(5,065)	-	0
DONALD	479	-	-	171	(24)	-	-	627
ENERGY	94	-	-	-	-	-	-	94
FLIGHT 47	1,781	-	-	2,956	(3,049)	-	(936)	752
FLIGHT 48	531	-	-	4,016	(3,281)	-	(1,266)	0
HABANA	61	-	-	69	-	-	-	130
HARBOUR	1,298	-	-	(31)	-	(1,267)	-	0
HIGHSTREET PII	3,649	-	303	351	-	-	-	4,304
HIGHSTREET VI	5,321	-	-	239	(351)	-	-	5,210
HIGHSTREET VII	6,053	-	-	65	(65)	-	-	6,054
HIGHSTREET VIII	0	-	15,503	1,698	-	-	-	17,201
Hotel Ulm	0	-	5,453	(35)	-	(5,418)	-	0
ISABELA	838	-	2	(163)	(16)	-	-	661
KING	651	-	-	(34)	-	-	-	618
LIVER	15,970	-	-	1,721	-	(814)	-	16,878
OLYMPIC	2,046	-	-	(43)	(49)	-	-	1,954
POSEIDON	0	1,088	64	-	-	-	-	1,152
REGIA	11,391	-	-	559	(394)	-	-	11,556
ROSE	270	-	-	(8)	-	-	-	262
TURBO FRA	1,135	-	-	384	-	-	-	1,519
TURICUM	2,839	-	-	(52)	-	-	-	2,788
VOLARE	358	-	-	198	-	-	-	556
4711	1,260	-	-	(64)	-	-	-	1,196
Associates, total	**59,910**	**1,088**	**26,696**	**11,868**	**(7,228)**	**(12,735)**	**(2,202)**	**77,399**
Moviestar	0	-	11,432	31	-	(1,017)	-	10,446
Santes Fair	0	115	-	-	-	-	-	115
Accontis Exporo	0	-	13	(1)	-	-	-	12
MARBURG	15	(15)	-	-	-	-	-	0
SCORE	4	-	-	-	-	-	-	4
Joint Venture, total	**19**	**100**	**11,445**	**30**	**-**	**(1,017)**	**-**	**10,576**
Total	**59,929**	**1,188**	**37,970**	**11,898**	**(7,228)**	**(13,581)**	**(2,202)**	**87,975**

F.5 Other Financial Instruments

Other Financial instruments mainly contain minority shares in partnerships, which are invested in real estate. Since shares in partnerships are treated as debt instruments, valuation changes are recognized in profit and loss.

F.6 Long-term Receivables

Long-term Receivables

€ thousand	**31 December 2018**	31 December 2017
Long-term Loans to third parties	35,319	21,293
Long-term Loans to shareholders (Helaba)	13,179	13,179
Long-term Loans other	5,969	3,355
Total	**54,467**	**37,827**

F.7 Long-term Loans to Associates

Long-term Loans to Associates

€ thousand	**31 December 2018**	31 December 2017
Loans granted by sub-group Hannover Leasing	7,198	6,148
Loans granted to Project TURBO FRA	647	659
Loans granted to Project SAILING	324	-
Total	**8,169**	**6,808**

The table below shows the movements of impairment losses within the period as well as the effect from IFRS 9 adoption:

€ thousand	
As of 31 December 2017	**10.199**
IFRS 9 Adjustment	-
As of 1 January 2018	**10.199**
Provision for expected credit losses	1.418
Impairment Reversal	(83)
Write-off	-
Foreign exchange movement	-
As of 31 December 2018	**11.534**

F.8 Inventories

Inventories

€ thousand	2018 Total	2017 Total
Highstreet Giessen PropCo S.à.r.l. (property located in Giessen)	57,216	0
Highstreet Premium II PropCo III S.à.r.l. (property located in Bochum)	27,242	0
BegoPropCo I S.L. (property located in Spain)	4,871	0
GALENA Verwaltungsgesellschaft mbH & Co. Vermietungs KG (property located in Pullach)	2,440	0
Stadttor Düsseldorf AcquiCo S.à.r.l. (property located in Düsseldorf)	0	162,804
Sub-group of Hannover Leasing (DANONE property located in Utrecht/NL)	0	62,600
Sub-group of Hannover Leasing (property located in Münster)	0	20,732
Crown PropCo GmbH (Project Kronberg)	0	17,079
HS VIII PropCo II S.à.r.l. (property located in Bad Homburg)	0	5,042
Total (Carrying amount)	**91,769**	**268,258**

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

In accordance with existing loan agreements, inventories totaling € 91.769m (previous year: € 268.258m) are pledged as security and are related to the Projects Highstreet Giessen, Highstreet Premium II, Bego and Galena.

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

F.9 Trade Receivables

Trade receivables of € 32.511m (previous year: € 32.141m) result from various fee income streams generated by the Group's Real Estate Investment Management Business with third party clients and receivables from renting activities.

As of 31 December 2018, cumulative impairment losses of € 1.012m (prior year: € 822k) are recognized for doubtful accounts.

F.10 Other short-term assets

Other short-term assets of k€ 41,271 (previous year: k€ 63,948) are mainly regarding to short-term bridging activities of mezzanine loans of HFS in an amount of k€ 29,136.

F.11 Restricted Cash, Cash and Cash Equivalents

Restricted Cash (€ 2.498m; previous year: € 745k) and Cash and Cash Equivalents (€ 194.424m; previous year: € 108.830m) in the consolidated Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. The Group has included restricted cash as well as cash and cash equivalents as they are considered an integral part of the Group's cash management.

Restricted cash of € 2.498m (previous year € 745k) is in relation to PALMYRA Senc. and reflects the seller's warranty claims from the Share Purchase Agreement (the previous year's amount is in relation to Project DONALD and reflects a security deposit agreed under the transaction documentation).

F.12 Share Capital

F.12.1 Share capital

Share capital

€ thousand	2018	2017
As of 1 January	**1,597**	**946**
Issue of share capital (in cash from private placement)	-	75
Issue of share capital (contribution in cash)	-	-
Issue of share capital (from exercise of share options)	3	6
Capital increase through a contribution in kind	-	571
As of 31 December	**1,600**	**1,597**

The Company's share capital as of 31 December 2018 is set at € 1,599,707 represented by 21,329,417 shares, all of which are fully paid up. All Shares are dematerialized shares without a par value (Dematerialized shares are only represented by a record in a securities account. Ownership in the Shares is established by such inscription in a securities account.). The Shares are freely transferable in accordance with the legal requirements for shares in dematerialized form, that is, through book-entry transfers. There are no prohibitions on disposals or restrictions with respect to the transferability of the Shares. All Shares are subject to and governed by Luxembourg law.

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

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

F.12.2 Authorized capital

The authorised capital of the Company was originally set at EUR 270,525.00 represented by a maximum of 3,607,000 shares without par value. If fully exercised this authorised capital would be added to the existing issued share capital of the Company and result in an aggregate issued share capital of EUR 1,020,525.00 represented by 13,607,000 shares without par value.

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 2017, the authorisation of a new authorised capital in an amount of EUR 2,000,000 (represented by a maximum of 26,666,666 shares without nominal value in the Company) was given.

As per 31 December 2018, 35,294 shares representing a share capital increase of EUR 2,647.05 have been issued by the management board out of the authorized share capital.

F.13 Other Reserves

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

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

The annual general meeting of shareholders decides on the allocation of the annual profit, if any. In accordance with the Company's Articles of Association, every year at least 5% of the annual net income (based on the local statutory financial statements) of the Company has to be set aside in order to build up the "legal reserve". As the company generated a loss in fiscal year 2018, no allocation to the legal reserve will be proposed in the annual general meeting.

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

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

On 27 April 2018, the Company’s annual general meeting resolved to pay a distribution for the financial year ended 31 December 2017 amounting to EUR 42,588,246.00 (corresponding to EUR 2.00 per issued share) out of the freely distributable reserves of the Company to the existing shareholders.

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

From equity-settled share-based payments result an increase of the capital reserve in an amount of € 1,466,101.5 in the financial year 2018 (prior year: € 1,152,996.71).

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

F.14 Other long-term Provisions

Other long-term Provisions – Detailed composition

€ thousand	01/01/2018	Additions from business combinations	Utilization	Reversals	Transfer	Additions	31/12/2018
Onerous contract provision for Media funds	4,017	-	(4,537)	-	520	-	0
Rental Guarantees	-	-	-	-	-	2,027	2,027
Guarantees and other commitments	1,953	-	-	(384)	(936)	3,029	3,662
Archiving costs	235	-	(20)	-	(35)	20	200
Other provisions	-	-	-	-	-	151	151
Total	**6,205**	**-**	**(4,557)**	**(384)**	**(451)**	**5,227**	**6,040**

The addition of Rental Guarantees as well as Guarantees and other commitments is mainly related to the disposal of property formerly belonging to PALMYRA Verwaltungs GmbH & Co. Verm. KG S.e.n.c.

The company is expecting cash outflows over the next 3 years. The amount is limited to the provisions build.

F.15 Long-term Financial Liabilities to Banks

Financial liabilities to banks with a remaining term of more than one year are presented as long-term financial liabilities to banks. In 2018, all liabilities with a maturity in 2019 were reclassified as short-term financial liabilities to banks.

F.16 Other Long-term Financial Liabilities

€ thousand	31/12/2018	31/12/2017
Bonds 2018	293,403	-
Convertible bonds 2017	189,150	186,359
Bonds of HFS Helvetic Financial Services AG	30,500	30,500
Junior Bond	-	19,661
Loan from SO Holding AG	-	6,510
Others	1,431	-
Total	**514,484**	**243,030**

Convertible bonds

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

The bonds with a maturity of 5 years were issued at 98.857% and will be redeemed at 100% of their principal amount, unless previously converted or repurchased and cancelled. The bonds were placed with a coupon of 1.375% per annum, payable semi-annually in arrear and the conversion price was set to € 61.9580, representing a premium of 27.5% above the reference share price at the bond issue date. The settlement of the bonds took place around 28 November 2017.

The bonds have an equity- and debt component. The equity component has an amount of € 9.72m and reflects the value of the conversion right (written call option).

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

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

Bonds

The Company has issued senior unsecured bonds in the aggregate principal amount of € 300m. The bonds are issued in denomination with a principal amount of € 100,000 each, which rank pari passu among themselves. The Group used the net proceeds for the refinancing of existing debt as well as for general corporate purposes.

The bonds with a maturity of 5 years were issued at 98,857% and will be redeemed at 100%. The bonds were placed with a coupon of 3.5% per annum, payable semi-annually in arrears. The issuance of the bonds took place on 23 March 2018.

F.17 Other Short-term Provisions

Other short-term Provisions – Detailed composition

€ thousand	01/01/2018	Additions from business combinations	Utilization	Reversals	Transfer	Additions	31/12/2018
Litigation costs	25,078	-	(5,406)	(5,150)	-	-	14,522
Restructuring	10,658	-	(2,237)	(2,729)	510	-	6,202
Human resource area	1,900	-	-	-	(1,900)	-	-
Tax law procedures	1,000	-	(100)	-	100	1,750	2,750
Rental Guarantees	-	-	-	-	-	1,944	1,944
Others	4,248	(15)	(4,416)	-	2,149	6,059	8,025
Total	**42,884**	**(15)**	**(12,159)**	**(7,879)**	**859**	**9,753**	**33,443**

Sub-group Hannover Leasing recorded a provision for litigation costs and restructuring provision in the course of the acquisition by the Group. Both provisions are expected to be completed in 2019.

Others include mainly the short term part of the addition of Rental Guarantees as well as Guarantees and other commitments which are mainly related to the disposal of property formerly belonging to PALMYRA Verwaltungs GmbH & Co. Verm. KG S.e.n.c.

F.18 Trade Payables

Trade payables (k 11,664k; previous year € 14,795k) mainly consist of amounts due to external service providers as well as capital raising agents.

F.19 Other Current Liabilities

Other Current Liabilities

€ thousand	31/12/2018	31/12/2017
Liabilities from other loans	20,053	39,000
Liabilities from employee benefits	9,434	7,036
Other	13,371	12,256
Short-term liabilities from other taxes (VAT, stamp duty)	4,731	9,891
Deferred income	4,489	3,452
Other liabilities sub-group HL	-	4,302
Total	**52,077**	**75,937**

The prior year's liability to Norbert Ketterer from the purchase of shares of HFS Helvetic Financial Services AG was fully paid back in 2018.

Liabilities from employee benefits relate to expected bonus payments of the relevant Group companies for current financial year (payable in April 2019) including such portion of the bonus to be contributed to the Group's MCIF scheme for members of the EMC as well as certain other employees.

G. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

G.1 Revenue from Acquisition Related Fees

Revenue from Acquisition Related Fees

€ thousand	2018	2017
Revenue from Acquisition Fee	23,464	18,107
Revenue from other Acquisition Related Fees	18,180	13,264
Revenue from OnBoarding Fee	-	799
Rebates / Commitment Fees (Agency Fees)	-	(2,154)
Total	**41,644**	**30,016**

In total € 11,628m higher acquisition related fees compared to previous year are regarding to full year effect of HFS acquisition and Highstreet VIII.

G.2 Revenue from Asset and Property Management

Revenue from Asset and Property Management

€ thousand	2018	2017
Revenue from Coupon Participation Fees	53,555	53,689
Revenue from Asset Management Fee	51,735	18,171
Revenue from Property Management Fee	20,243	17,983
Revenue from Sales Fee from third parties	4,614	3,127
Revenue from Development Fee	3,131	1,314
Revenue from Equity commitment Fee	-	87
Revenue Other Fees	1,739	11,857
Total	**135,016**	**106,228**

Increase in Revenue from Asset Management Fee results from full year effect of HFS and HL acquisition.

Increase in Property Management Fee is related to fees from recently acquired CRM.

G.3 Total Expenses from Real Estate Investment Management

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

Personnel expenses account for € 40.987m (previous year: € 24.709m) and overhead expenses account for € 30.215m (previous year: € 26.105m). The increase in personnel expenses is mainly driven by several acquisitions in the second of 2017 as well as the planned FTE growth.

G.4 Share of Profit or Loss from Associates

Share of profit/loss for the year comprises the Group's share of the results of operations of the Associates or the Joint Ventures using the equity method as well as gains and losses from the disposal of shares in Associates or Joint Venture.

G.5 Dividends from other Alignment Capital

Dividends increased compared to prior year mainly due to dividend payments regarding to project "Private Invest" of Hannover Leasing Group and profit regarding to the deconsolidation of project Highstreet VIII.

G.6 Expenses from Management of Associates and Joint Ventures

Expenses from Management of Associates include both personnel and overhead expenses allocated to the Management of Associates. Such allocation is based on the pro-rated management fees incurred on the Group's alignment investment in the relevant projects (€ 7.863m; previous year € 1.000m).

The other expenses from management of associates are expenses from commission of placement obligations. (€ 1,687m; previous year € 88m). The increase is related to provisions for two projects of Hannover Leasing Group.

G.7 Net Rental Income

Net rental income of in total (€ 17.809m) relates to income from properties classified as inventory. Most of warehousing assets have been sold in 2018 (k 11.004m). The additional net rental income relates to project Highstreet VIII (€ 4.513m/ deconsolidated as of 31. December 2018), two warehousing assets located in Giessen and Bochum which have been purchased in 2018 (€ 1.347m) and some smaller investments.

G.8 Net Gain from Selling Property Holding Companies

The gains from selling property holding companies/inventories reflect the realized margin from the Group's warehousing activities. The increase compared to prior year is driven by three warehousing properties located in Dusseldorf, Kronberg and Utrecht and which were purchased in 2017 and sold in Q3 2018. The net amount of €k 59,366 in 2018 (In 2017 net gain from selling property holding companies/inventories in the amount €k 13,916 occurred selling from 9 smaller share deals) comprises total proceeds from sale (m€ 228) offset by the carrying amount of net assets sold (m€ 125) and taxes (m€ 44).

G.9 Income from other Warehousing activities

The interest income of € 8.549m result from several short-term mezzanine loans in 2018 related to real estate developments.

G.10 Expenses from Real Estate Operations/Warehousing

Expenses from Real Estate Operations / Warehousing include direct expenses in relation to the operation of the assets while in warehouse (€ 9.626m; previous year € 4.831m) and allocated costs (of which are € 6-298m personnel costs and € 3.600m administrative costs). The increase is due to higher volume in warehousing activities.

G.11 General and Administrative Expenses

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

Personnel expenses account for € 9.053m (previous year: € 10.701m). The administrative expenses account for € 17.778m (2017: € 24.699m). 2017 included one-off expenses for up-listing.

G.12 Depreciation and Amortization

Depreciation & Amortization

€ thousand	2018	2017
Intangible assets - scheduled depreciation	(24,696)	(19,048)
Intangible assets - non-scheduled depreciation	(494)	-
Property, plant and equipment - scheduled depreciation	(1,872)	(1,810)
Others	-	(8)
Total	**(27,063)**	**(20,866)**

G.13 Financial Income

Financial Income

€ thousand	2018	2017
Interest income	4,037	4,098
SWAP valuation income	1,757	1,614
Foreign currency income	6,493	1,035
Other financial income	1,890	2,204
Total	**14,178**	**8,951**

The increase in foreign currency income is regarding to full year effect of HFS acquisition and the acquisition of CRM.

G.14 Financial Expenses

Financial Expenses

€ thousand	2018	2017
Interest expenses	(26,379)	(20,173)
Impairment losses on loans	-	(2,826)
Profit or loss attributable to NCIs	(11,943)	-
Foreign currency expenses	(5,687)	(474)
Others	632	(6,306)
Total	**(43,377)**	**(29,778)**

Interest expenses are mainly related to corporate bonds issued in 2017 and 2018. The remaining interest expenses include prepayment penalties for the sold warehousing assets and interest expenses for warehousing debt. Most of profit attributable to non-controlling interests is related to sold warehousing assets in second half of 2018 (€ 9.1m; Stadttor Dusseldorf € 2.8m and Danone € 6.3m) and relates to German and Luxembourg partnerships. Other financial expenses contains bank charges and swap valuation expenses.

H. INCOME TAX EXPENSES

A breakdown of income tax is shown below:

Income tax (expense)/benefit

€ thousand	2018	2017
Current income tax expense	(22,427)	(11,429)
Deferred taxes	8,052	4,795
Total	**(14,375)**	**(6,634)**

Income from deferred taxes mainly results from temporary differences in the recognition of assets and liabilities of sub-group Hannover Leasing and CCAG/HFS Helvetic Financial Services AG and from the capitalization of deferred tax assets on tax loss carry-forwards of CCH SA.

The company has not recognized deferred tax liabilities for income taxes or foreign withholding tax-es on the cumulative earnings of subsidiaries of m€ 141.2 (m€ 101.1), respectively in the fiscal 2016 and 2017 because the earnings are intended to be permanently reinvested in the subsidiaries.

Tax rate reconciliation

The tax reconciliation statement below describes the relationship between the effective tax expense/benefit as recorded in the Group's Income Statement and the originally expected tax expenses based on the consolidated Earnings before Taxes (EBT) according to IFRS by applying the statutory in-come tax rate of 26.01% (previous year 27.08%) for CCH SA in Luxembourg.

€ thousand	2018	2017
Consolidated Earnings before Taxes (EBT) according to IFRS	119,773	62,989
Luxembourg statutory income tax rate for CCH SA	26.01%	27.08%
Projected income tax (gain) / burden	**31,153**	**17,057**
Adjustments in respect of current income tax of previous years	(2,794)	233
Effect from changes in tax rates	(14)	(87)
Effect from write-off of deferred tax assets	2,745	1,712
Effect from permanent differences	(325)	1,850
Effect from different tax rates	(8,931)	(8,432)
Effect from dividends and other income exempt from taxation	(7,446)	(6,050)
Effect from consolidation	0	25
Other differences	(12)	327
Income tax reported in the Group's income statement	**14,375**	**6,634**
Effective tax rate	12.00%	10.53%

The tax loss carry-forward regarding corporation tax is based on the loss of the period of CCH SA. As a result of the Luxembourg tax reform 2018 a tax rate of 26.01% (previous year 27.08%) was used to calculate these deferred taxes.

The Group has recognized deferred tax assets for all of its tax losses carried forward.

Deferred Tax assets and liabilities

€ thousand	31 Dec 2018	31 Dec 2017
Deferred Tax assets		
from tax loss carryforward	9,639	4,952
from temporary differences on accruals	2,444	2,310
from temporary differences on liabilities	1,813	1,756
from temporary differences on shares in subsidiaries	1,245	1,099
from temporary differences on properties	9	927
from at-equity valuation of associates	805	557
from temporary differences on receivables	86	290
from valuation of other assets	6,939	35
from temporary differences on share-based payments	73	0
from temporary differences pensions	0	0
Set-off of deferred tax liabilities	**(840)**	**(1,400)**
Total	**22,213**	**10,526**

€ thousand	31 Dec 2018	31 Dec 2017
Deferred Tax liabilities		
from temporary differences on financial assets	13,197	17,374
from at-equity valuation of associates	4,138	1,543
from temporary differences on liabilities	76	737
from temporary differences on receivables	256	371
from temporary differences on accruals	27	5
from temporary differences on properties	283	0
from temporary differences on other assets	6,047	0
from temporary differences on share-based payments	144	0
Set-off of deferred tax liabilities	**(840)**	**(1,400)**
Total	**23,328**	**18,630**

I. OTHER INFORMATION

I.1 Earnings per share

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

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

Caculation of weighted average number of ordinary shares (undiluted)

	2018		2017	
	Number of shares	days	Number of shares	days
Shares at the beginning of the period	**21,294,123**	**365**	**12,610,681**	**365**
Issue of new shares (in cash) on 27 February 2017			996,318	308
Issue of new shares (contribution in kind) on 04 July 2017			7,365,256	181
Issue of new shares (DS Authorised Capital) on 11 July 2017			20,500	174
Issue of new shares (contribution in kind) on 10 October 2017			242,544	83
Issue of new shares (TL Authorised Capital) on 19 October 2017			58,824	74
Issue of new shares (SW Authorised Capital) on 30 April 2018	35,294	246		
Shares at the end of the period	**21,329,417**		**21,294,123**	
Weighted average number of shares for the period	**21,317,910**		**17,180,622**	

Calculation of weighted average number of shares (diluted)

	2018	2017
	Number of shares	Number of shares
New shares from the exercise of share-based payments		39,216
Average stock price (€/share)		19.86
Total value of new shares from the exercise of share-based payments (in €)	0	778,829.76
Exercise price of new shares (€/share)		14.65
Difference between stock price and exercise price (in €)	0	204,142.88
Calculation of fictitious bonus shares	0	10,279
Weighted average number of shares for the period	**21,317,910**	**17,190,901**

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

Earnings per share (undiluted)

€ thousand, number of shares	**2018**	2017
Profit attributable to ordinary equity holders of the parent:		
Continuing operations	104,632	55,717
Discontinued operations	-	-
Profit attributable to ordinary equity holders of the parent for basic earnings	**104,632**	**55,717**
Weighted average number of ordinary shares (undiluted):		
Share capital	21,317,910	17,180,622
Shares in participation capital (Certificates)	-	-
Weighted average number of ordinary shares (total)	**21,317,910**	**17,180,622**
Earnings per share	**€4.91**	**€3.24**

Earnings per share (diluted)

€ thousand, number of shares	**2018**	2017
Share capital	21,317,910	17,190,901
Shares in participation capital (Certificates)	-	-
Weighted average number of ordinary shares (total)	**21,317,910**	**17,190,901**
Earnings per share (diluted)	**€4.91**	**€3.24**

Further, the utilization of the remaining additional authorized capital approved by the Annual General Meeting of the Company will lead to a further dilution of earnings per share in future.

I.2 Capital management

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2018.

I.3 Commitments and contingencies

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

Contingent Liabilities

€ thousand	**2018**	2017
Obligations under guarantees and warranty agreements	9,010	4,298
Placing and takeover obligations	2,372	0
Loan commitment	25,745	8,320
Remargining	393	393
Capital commitments for debts of joint ventures	295	281
Total Loss Contingencies	**37,815**	**13,292**

The sharp increase in Contingent Liabilities mainly results from changes in the consolidation scope. Accordingly, the deconsolidation of HL Hotel Ulm KG as well as Ansonica KG primarily contributes to the growth in Loan Commitments in the amount of € 10.633m respectively € 12.475m. Placing and takeover obligations amounting € 2.372m originate from Hotel Ulm KG’s role as placement warrantee. Placement warrantor is Delta Vermietungsgesellschaft mbH. The change in Obligations under guarantees and warranty agreements relates to Pernilla KG, a company that has been deconsolidated in 2018 as well.

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 minimize potential negative effects on the Group's financial position. The Group identifies measures and hedges financial risks at regular intervals.

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

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

I.4.1 Interest rate risk

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

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

At the reporting date the interest rate profile of the Group's interest bearing liabilities is shown in Note F.20 and F.27. All financial assets – with the exception of loans to shareholders and Associates - are non-interest bearing.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate financial instruments, as follows:

Increase/decrease in basis points	Effect on profit
+50%	<-0.1m
-50%	<0.1m

I.4.2 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, GBP and USD, the Group does not have any foreign currency risk relating to financial instruments. However, with the acquisition of CRM Students, a fully UK based operating company is part of the Group. However, CRM Students has its income and costs in GBP and therefore do not face foreign currency risks for their own operations. The following tables demonstrate the sensitivity to a reasonably possible change in USD, GBP and CHF exchange rates, with all other variables held constant.

	Change in FX rate	Effect on profit
USD	+10%	€ 3m
	- 10%	€ -4m
GBP	+10%	< 0.5m
	- 10%	<-0.5m
CHF	+10%	<0.1m
	- 10%	<-0.1m

I.4.3 Credit risk

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

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

I.4.4 Liquidity risk

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

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

Maturities of financial liabilities (31 December 2018)

€ thousand	Closing Balance 31 Dec 2018	< 1 year	1 to 5 years	> 5 years
Bank loans	70,151	468	69,683	-
Other financial liabilities	558,236	13,000	545,236	-
Short-term liabilities to Associates	821	821	-	-
Trade payables	11,664	11,664	-	-
Other current financial liabilities	43,303	43,303	-	-
Total financial liabilities	**684,175**	**69,256**	**614,919**	**-**

Maturities of financial liabilities (31 December 2017)

€ thousand	Closing Balance 31 Dec 2017	< 1 year	1 to 5 years	> 5 years
Bank loans	370,540	135,679	159,576	87,187
Short-term liabilities to Associates	2,209	2,209	-	-
Trade payables	14,795	14,795	-	-
Other current financial liabilities	75,937	73,581	-	2,355
Total financial liabilities	**463,480**	**226,263**	**159,576**	**89,543**

I.5 Related party information

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

Note J.6 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:

Related Parties

W5 Group AG	Shareholder
W5 Group GmbH	Shareholder
W5 Group LLC	Shareholder
Norbert Ketterer	Shareholder
Thalos	Shareholder until 2017
Vicenda	Supervisory Board (M.Blattmann)
Azteca Holding	Supervisory Board (M.Blattmann) until 2017
Felur Swiss Treuhand AG	Supervisory Board (U. Felder)
Micha Blattmann	Supervisory Board
Urs Felder	Supervisory Board
Ulrich Plett	Supervisory Board
Lars Schnidrig	Management Board
Thomas Landschreiber	Management Board
Daniel Schoch	Management Board until 2017
Sascha Wilhelm	Management Board until 2018
Dr. Michael Bütter	Management Board until 2018

Ralph Winter is a senior advisor to CCH SA through a consultancy agreement between W5 Group AG and CCH SA. W5 Group AG, W5 Group GmbH and W5 Group LLC are both investment advisory firms wholly-owned by Ralph Winter. Norbert Ketterer is a shareholder of CCH SA. Thomas Landschreiber is a member of the Company' board of management (EMC) while Micha Blattmann and Urs Felder are members of the Company's supervisory board. Felur Swiss Treuhand AG is tax Swiss tax advisory firm wholly-owned by Urs Felder.

CCH SA Key Management Personal:

- Sascha Wilhelm (Chief Executive Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 21 August 2015 until 30 April 2018
- Dr. Michael Bütter (Chief Executive Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 1 May 2018 until 31 December 2018
- Thomas Landschreiber (Chief Investment Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 21 August 2015
- Lars Schnidrig (Chief Executive Officer & Chief Financial Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 01 July 2017

The members of the Management Board were appointed by the Supervisory Board for the following terms:

Thomas Landschreiber has been appointed as Chief Investment Officer of CORESTATE Capital Holding S.A. until 30 June 2019.

Lars Schnidrig had been appointed as Chief Financial Officer of CORESTATE Capital Holding S.A. until 30 June 2020.

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

Members of the Supervisory Board:

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

- Micha Blattmann (Chairman, Manager, whose professional address is General-Guisan Strasse 15, CH-6300 Zug/Switzerland) – since 23 September 2015.
- Urs Felder (self-employed tax and accounting Expert, whose professional address is at FELUR Swiss Treuhand AG, Sihlamtsstrasse 5, CH-8001 Zurich/Switzerland) – since 21 August 2015
- Ulrich Plett (Chairman of the Audit Committee, Wirtschaftsprüfer, whose professional address is Clausewitzstr. 7, D-10629 Berlin/Germany) – since 23 September 2015

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

In its meeting held on 14 December 2017, the Supervisory Board resolved to establish an audit committee. The Supervisory Board elected among its members Mr Blattmann, Mr Plett and Mr Felder as members of the audit committee.

The chairman of the Supervisory Board shall be entitled to an annual fee in a gross amount of sixty thousand Euro (€ 60k) and the deputy chairman of the Supervisory Board shall be entitled to an annual fee in a gross amount of fifty thousand Euro (€ 50k).

Each other member of the Supervisory Board shall be entitled to an annual fee in a gross amount of forty thousand Euro (€ 40k).

The chairman of the audit committee of the Company and the chairman of any other committee of the Company that may exist from time to time, shall be entitled to an additional annual fee in a gross amount of ten thousand Euro (€ 10k).

Additionally all board members are receiving attendance fees, in 2018 a total of € 50k.

In 2018, a total fee of € 210 (previous year € 181k) is recognized.

Associates (Co-Investments)

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

The Group invests typically between 5% and 10% in its investment products for private clients as alignment capital investment. Since the Group provides comprehensive real estate investment management services to such investment structures, these investment structures in each case qualify as an Associate under the IFRS regime.

The revenues generated with such Associates are based on market-standard Joint-Venture and Co-Investments Agreements (JVCIA) as well as various asset and property management agreements and are entered into with and approved by its clients.

I.5.1 Transactions with shareholders and shareholder related entities

The following table sets out all payments made to shareholders and shareholders' related entities made by the Group in the period 1 January 2018 through 31 December 2018. Hence, such amounts do not necessarily reconcile with the Consolidated Income Statement for the financial year 2018.

Transactions with shareholders and shareholder related entities

€ thousand	**2018**	2017
Fees paid to W5 Group/W5 Group LLC under consultancy agreements	(549)	(584)
Cost reimbursement to W5 Group/W5 Group LLC	(155)	(333)
Transaction Costs W5 Group in connection with the acquisition of HFS	-	(5,000)
Transaction Costs W5 Group in connection with the acquisition of ATOS	-	(117)
Transaction Costs W5 Group in connection with the ACRON transaction	-	(48)
Remuneration Norbert Ketterer as Chairman of the Board of Directors of HFS	(300)	0
Transaction Costs Vicenda in connection with the acquisition of HFS	-	(1,405)
Transaction Costs Vicenda in connection with the Credit Line	-	(400)
Rental Costs to Vicenda	(13)	(13)
Repayments to Vicenda in connection with a project set up	(40)	-
Payments made to Thalos in connection with the acquisition of HFS	-	(514)
Loan granted by Thalos	-	(150,000)
Agio granted by Thalos	-	1,500
Repayment Loan to Thalos	-	150,000
Early redemption payment to Thalos	(213)	-
Interest paid to Thalos	-	(12,126)
Rental income from sublease with Azteca Holding	-	9
Interests expenses from shareholder loans	-	(742)
Loans granted by shareholders	18,918	(18,918)
Other liabilities to shareholders	39,000	(39,000)
Interested income on loans granted to shareholders	(1,257)	
Dividends (including capital repayments) paid to shareholders	-	(13,607)
Reimbursement Projekt ISAR from W5 Group	-	75
Other Reimbursement from W5 Group	-	4
Payments to Daniel Schoch according to agreement from 07.07.2017	-	(78)

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

I.5.2 Transactions with Key Management Personnel

Some Senior Management members as well as certain other employees have a minority interest (Limited Partner) in Corestate MCIF GmbH & Co. KG (MCIF). All profits of MCIF are distributable to these Limited Partners (disproportionate profit distribution). Under the MCIF scheme, the participants are required to contribute up to one third of their annual bonus.

An LTI-Share Program for Senior Management and Key People of the CC Group is implemented effectively 1st January 2019. The five-year program is based on certain KPI's with respect to the development of the Share price of CCHSA. The program details are described in legal plan conditions and not limited to current employees but also open for new hires.

Transactions with Key Management Personnel and Members of the Supervisory Board

€ thousand	**2018**	2017
Short-term employee benefits	(2,710)	(2,178)
Service Agreement termination benefits	(1,910)	(932)
Share-based payments benefits	(2,601)	(3,359)
Compensation payments	(228)	(263)
Remuneration to members of the Supervisory Board	-	(181)
EMC Bonus Awards contributed to MCIF	74	(449)
Reimbursement from Management Personnel	-	11

I.5.3 Share-based payments

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

Equity-settled transactions

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

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

The fair value of such share grants was calculated as € 17.00 per share less projected dividend payments per share during the relevant vesting period, and is amortized (i.e. recognised through profit and loss) based on the vesting periods individually agreed for each member of the ECM. The total expense recognized through profit and loss in relation to such share grants to the EMC in the financial year 2018 was k€ 1,418.8, and also includes wage taxes and related social security contributions.

Movements during the year

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

Equity-settled transactions – Movements during the year

	Tranche 4	Tranche 5
Grant Date	4 October 2016	4 October 2016
Granted Stock Options	19,608	19,608
Remaining term of the option	0 years	0 years
Outstanding as of 1 January 2018	19,608	19,608
Granted during the year	0	0
Forfeited during the year	1,961	1,961
Exercised during the year	0	0
Expired during the year	0	0
Cancelled during the year	0	0
Outstanding as of 31 December 2018	0	0
Exercisable as of 31 December 2018	17,647	17,647

Equity-settled transactions 2018

In 2018 certain members of the EMC were granted a special payment on the basis of the individual service agreements in form of shares in the company (so-called "share-based payment") in an aggregate amount of k€ 1,199.

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

The fair value of such share grants was calculated as € 49.08 per share less projected dividend payments per share during the relevant vesting period, and is amortized (i.e. recognised through profit and loss) based on the vesting periods individually agreed for each member of the ECM. The total expense recognized through profit and loss in relation to such share grants to the EMC in the financial year 2018 was k€ 1,177.

Movements during the year

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

Equity-settled transactions 2018 – Movements during the year

	Tranche 1
Grant Date	May 2018
Granted Stock Options	25,468
Remaining term of the option	0 years
Outstanding as of 1 January 2018	0
Granted during the year	25,468
Forfeited during the year	468
Exercised during the year	0
Expired during the year	0
Cancelled during the year	0
Outstanding as of 31 December 2018	0
Exercisable as of 31 December 2018	25,000

Cash-settled transactions

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

Valuation model and input parameters

The fair value of the synthetic stock options is measured using a monte carlo option pricing model taking into account the terms and conditions upon which the options were granted.

The beneficiary may exercise the options between the end of the waiting period and the end of the term of the option on the condition that the employment contract has not been terminated and neither the beneficiary nor the company has notified in writing the termination of the employment contract by that date.

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

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

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

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

The expense recognized during 2018 and 2017 is shown in the following table:

€ thousand	**2018**	2017
Expense arising from cash-settled share-based payment transactions	59.1	27.5
Total expense arising from share-based payment transactions	59.1	27.5

I.5.4 Transactions with Associates (Co-Investments) and Joint Ventures (cooperation with local partners)

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

Transactions with Associates (Co-Investments)

€ thousand	**2018**	2017
Revenue from Acquisition Related Fees	2,904	8,499
Revenue from Asset and Property Management	7,805	8,322
Revenue from Promote Fees realized	-	16,978
Share of Profit or Loss from Associates and Joint Ventures	10,340	-
Proceeds from Selling property Holding Companies	4,655	13,916
Interest income from Associates	659	-
Interest expenses from Associates	(213)	-

Balances with Associates (Co-Investments)

€ thousand	**2018**	2017
Receivables from Associates	15,622	18,874
Receivables from Affiliated Companies	2,115	-
Trade receivables	8,086	-
Other short-term receivables	1	-
Long-term loans to Associates	8,169	-
Liabilities to Associates	821	2,209
Liabilities from Affiliated Companies	4,257	-
Liabilities to related parties	29	57,918

I.6 Group entities

CCH SA is the parent company of the Group.

The consolidated financial statements include basically all companies which the Group controls, i.e. typically for which CCH SA owns, directly or indirectly through subsidiaries, more than half of the voting power. There are no restrictions regarding Cash or Dividend Payments from such subsidiaries. Except for CORESTATE MCIF GmbH & Co.KG (Note J.5.2) the equity interest is equal to the voting rights.

Group entities

		31 Dec 2018	31 Dec 2017
Name	Seat and country of incorporation	% equity interest	% equity interest
CORESTATE Capital Holding S.A.	**Luxembourg**	**Parent Company**	**Parent Company**
ACROSS HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
AF ATHENA GmbH	Frankfurt am Main/Germany	100.00%	100.00%
ATOS Property Management GmbH	Hamburg/Germany	100.00%	100.00%
ATOS Real Estate GmbH	Vienna/Austria	100.00%	100.00%
Bayreuth Student Home AcquiCo II S.à r.l.	Luxembourg	100.00%	100.00%
Bego HoldCo I S.L. (Dalia HoldCo I S.L)	Madrid/Spain	100.00%	100.00%
Bego HoldCo S.à r.l. (Dalia HoldCo AIF S.à r.l.)	Luxembourg	100.00%	100.00%
Bego PropCo I S.L. (Dalia PropCo I S.L)	Madrid/Spain	100.00%	100.00%
CAPERA Immobilien Service GmbH	Neu-Isenburg/Germany	100.00%	80.00%
CAP FinCo S.à r.l.	Luxembourg	100.00%	100.00%
CAP HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
CC Venture Management S.à r.l.	Luxembourg	100.00%	n.a.
Corestate Ben HoldCo GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Advisors (Singapore) Pte. Ltd.	Singapore	100.00%	100.00%
CORESTATE Capital Advisors GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE Capital Advisors GmbH (Spanish branch)	Madrid/Spain	100.00%	n.a.
CORESTATE CAPITAL AG	Zug/Switzerland	100.00%	100.00%
CORESTATE Capital Beteiligungs Verwaltung GmbH	Frankfurt am Main/Germany	100.00%	100.00%
CORESTATE CAPITAL Fund Management S.à r.l.	Luxembourg	100.00%	100.00%
CORESTATE Capital Group GmbH	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Capital Investors (Europe) GmbH	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Capital Junior BondCo S.à r.l.	Luxembourg	100.00%	100.00%
CORESTATE Capital Partners GmbH	Zug/Switzerland	100.00%	100.00%
CORESTATE Capital Partners UK Limited	London/United Kingdom	100.00%	100.00%
Corestate Capital Sales Holding S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Capital Senior BondCo S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Capital Services GmbH	Wollerau/Switzerland	100.00%	n.a.

Name	Seat and country of incorporation	31 Dec 2018 % equity interest	31 Dec 2017 % equity interest
CORESTATE Capital Transactions AG	Zug/Switzerland	100.00%	100.00%
Corestate Capital Vorratsgesellschaft mbH 1	Frankfurt am Main/Germany	100.00%	Insolvency
Corestate Capital Vorratsgesellschaft mbh EINS & Co. KG	Frankfurt am Main/Germany	100.00%	Insolvency
Corestate CAPTIVE PropCo V S.à r.l.	Luxembourg	100.00%	100.00%
CORESTATE CIV GmbH	Frankfurt am Main/Germany	100.00%	100.00%
Corestate Condor PropCo GmbH	Vienna/Austria	100.00%	100.00%
Corestate Condor TopCo GmbH	Frankfurt am Main/Germany	100.00%	100.00%
Corestate FIF Portfolio Verwaltung GmbH	Hamburg/Germany	100.00%	100.00%
CORESTATE FMCG Fonds I	Pullach/Germany	100.00%	n.a.
Corestate Investment 1 S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Marketing GmbH	Frankfurt am Main/Germany	100.00%	n.a.
Corestate PropCo Shelf I S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Sailing HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Corestate Shelf 11 S.à r.l.	Luxembourg	100.00%	n.a.
Corestate Shelf 3 S.à r.l.	Luxembourg	100.00%	n.a.
Corestate Shelf 4 S.à r.l.	Luxembourg	100.00%	n.a.
Corestate Shelf 5 S.à r.l.	Luxembourg	100.00%	n.a.
Corestate Shelf 7 S.à r.l.	Luxembourg	100.00%	n.a.
Corestate Student Home Holding S.à r.l.	Luxembourg	100.00%	100.00%
Corestate ZGE Feeder GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
CRM Students Ltd	Oxford/United Kingdom	100.00%	n.a.
Crown PropCo GmbH	Frankfurt am Main/Germany	100.00%	100.00%
DONALD HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Echo HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Echo PropCo S.à r.l.	Luxembourg	100.00%	n.a.
Energy AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
Frankfurt Student Home AcquiCo II S.à r.l.	Luxembourg	100.00%	100.00%
GENOST Consulting GmbH	Leipzig/Germany	100.00%	100.00%
Grindel AcquiCo II S.à r.l.	Luxembourg	100.00%	100.00%
Hannover Leasing Verwaltungsgesellschaft mbH	Pullach/Germany	100.00%	100.00%
Hartly Invest, S.L.	Madrid/Spain	100.00%	n.a.
HFS Helvetic Financial Services AG	Wollerau/Switzerland	100.00%	100.00%
Highstreet GI TopCo Ltd	Guernsey	100.00%	n.a.
Highstreet Giessen HoldCo S.à r.l.	Luxembourg	100.00%	n.a.
Highstreet Giessen PropCo S.à r.l.	Luxembourg	100.00%	n.a.

		31 Dec 2018	31 Dec 2017
Name	Seat and country of incorporation	% equity interest	% equity interest
Highstreet IX HoldCo S.à r.l	Luxembourg	100.00%	n.a.
Highstreet IX PropCo S.à r.l	Luxembourg	100.00%	n.a.
Highstreet Premium II AcquiCo Limited	Guernsey	100.00%	100.00%
Highstreet Premium II PropCo III S.à r.l.	Luxembourg	100.00%	100.00%
Iberian HoldCo II S.à r.l.	Luxembourg	100.00%	100.00%
Iberian HoldCo II S.L.	Madrid/Spain	100.00%	100.00%
Iberian Investment II HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Iberian PropCo II S.L.	Madrid/Spain	100.00%	100.00%
Isabela HoldCo AIF S.à r.l.	Luxembourg	100.00%	100.00%
ISARTAL Beteiligungsverwaltungs GmbH	Frankfurt am Main/Germany	100.00%	100.00%
King HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Leonia sp. z o.o	Warsaw/Poland	100.00%	n.a.
Mainz Student Home AcquiCo II S.à r.l.	Luxembourg	100.00%	100.00%
Manneken AIF S.à r.l.	Luxembourg	100.00%	n.a.
Manneken HoldCo S.à r.l.	Luxembourg	100.00%	n.a.
Marburg TopCo Ltd	Guernsey	100.00%	100.00%
Micro Living Properties Spain S.L.U.	Madrid/Spain	100.00%	n.a.
MicroLiving Service zwei GmbH	Vienna/Austria	100.00%	100.00%
Müller34 Student Home Projektentwicklung- und Verwaltung GmbH	Frankfurt am Main/Germany	100.00%	100.00%
Potsdam Student Home AcquiCo II S.à r.l.	Luxembourg	100.00%	100.00%
Project AcquiCo III S.à r.l.	Luxembourg	100.00%	100.00%
Project AcquiCo IV S.à r.l.	Luxembourg	100.00%	100.00%
RECAP FinCo II S.à r.l.	Luxembourg	100.00%	100.00%
RECAP FinCo III S.à r.l.	Luxembourg	100.00%	100.00%
RECAP FinCo IV S.à r.l.	Luxembourg	100.00%	100.00%
RECAP FinCo S.à r.l.	Luxembourg	100.00%	100.00%
RECAP FinCo V S.à r.l.	Luxembourg	100.00%	100.00%
RECAP FinCo VI S.à r.l.	Luxembourg	100.00%	100.00%
Roman HoldCo S.à r.l.	Luxembourg	100.00%	n.a.
ROSE HoldCo S.à r.l.	Luxembourg	100.00%	100.00%
Spain Shelf I HoldCo I S.L.	Spain	100.00%	n.a.
Spain Shelf I HoldCo S.à r.l.	Luxembourg	100.00%	n.a.
Spain Shelf I PropCo I S.L.	Spain	100.00%	n.a.
Stadttor Düsseldorf AcquiCo S.à r.l.	Luxembourg	100.00%	100.00%
TRIIIPLE TopCo GmbH	Frankfurt am Main/Germany	100.00%	100.00%
TURBO FRA AcquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%

		31 Dec 2018	31 Dec 2017
Name	Seat and country of incorporation	% equity interest	% equity interest
UPARTMENTS Real Estate GmbH	Leipzig/Germany	100.00%	100.00%
VITU AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	100.00%	100.00%
HARBOUR AcquiCo 1 AIF S.à r.l.	Luxembourg	100.00%	n.a.
LOMBARDO Verwaltungsgesellschaft mbH	Pullach/Germany	89.58%	89.58%
PALMYRA Verwaltungs GmbH & Co. Vermietungs KG	Pullach/Germany	89.58%	89.58%
CORESTATE MCIF GmbH & Co. KG	Frankfurt am Main/Germany	86.67%	86.67%
PALMYRA Verwaltungs GmbH & Co. Verm. KG S.e.n.c	Luxembourg	84.92%	84.92%
CORESTATE MCIF Germany GmbH & Co. KG	Frankfurt am Main/Germany	83.87%	83.87%
Soest HoldCo S.à r.l.	Luxembourg	81.80%	81.80%
Corestate SAND HoldCo S.à r.l.	Luxembourg	69.74%	69.74%
Highstreet VIII TopCo II Ltd.	Guernsey	37.26%	100.00%
Highstreet VIII TopCo Ltd.	Guernsey	37.26%	100.00%
Highstreet VIII AcquiCo S.à r.l.	Luxembourg	40.22%	100.00%
Highstreet VIII HoldCo S.à r.l.	Luxembourg	40.22%	100.00%
Highstreet VIII Parking GmbH	Frankfurt am Main/Germany	40.22%	100.00%
Highstreet VIII PropCo I S.à r.l.	Luxembourg	40.22%	100.00%
Highstreet VIII PropCo II S.à r.l.	Luxembourg	40.22%	100.00%
Highstreet VIII PropCo III S.à r.l.	Luxembourg	40.22%	100.00%
SQUIRREL AquiCo II GmbH & Co. KG	Frankfurt am Main/Germany	sold	100.00%
Marburg HoldCo S.à r.l.	Luxembourg	sold	100.00%
ROSE OpCo S.à r.l.	Luxembourg	Sold	100.00%
CORESTATE Asset Management GmbH (formerly ATOS Asset Management GmbH)	Hamburg/Germany	merged	100.00%
CORESTATE Hamburg GmbH (formerly ATOS Capital GmbH	Hamburg/Germany	merged	100.00%
Hannover Leasing GmbH & Co. KG	**Pullach/Germany**	**94.90%**	**94.90%**
Accontis GmbH Finanzanlagen und Beteiligungen	Frankfurt am Main/Germany	94.90%	94.90%
AKANTHUS Verwaltungsgesellschaft mbH	Pullach/Germany	89.21%	89.21%
BERYTOS Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	94.90%
CAMPANULA Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	94.90%
Delta Vermietungsgesellschaft mbH	Pullach/Germany	94.90%	94.90%
DIV Deutsche Immobilienfonds GmbH	Pullach/Germany	94.90%	94.90%
Freizeitgeräte Leasing GmbH	Pullach/Germany	94.90%	94.90%
FRICTION Verwaltungsgesellschaft mbH	Pullach/Germany	89.21%	94.90%
Galena Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	94.90%
GELIMER Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	86.43%
GORDION Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	94.90%

		31 Dec 2018	31 Dec 2017
Name	Seat and country of incorporation	% equity interest	% equity interest
HANNOVER LEASING Automotive GmbH	Pullach/Germany	94.90%	84.15%
HANNOVER LEASING Belgien Beteiligungs GmbH & Co. KG	Pullach/Germany	94.90%	94.90%
Hannover Leasing Beteiligungs GmbH & Co. KG	Pullach/Germany	94.90%	94.90%
HANNOVER LEASING Investment GmbH	Pullach/Germany	94.90%	94.90%
HANNOVER LEASING Private Invest Beteiligungs GmbH	Pullach/Germany	86.43%	86.62%
Hannover Leasing Private Invest Beteiligungs GmbH	Pullach/Germany	94.90%	94.90%
HANNOVER LEASING Private Invest II GmbH & Co. KG	Pullach/Germany	84.15%	86.62%
HANNOVER LEASING Treuhand GmbH	Pullach/Germany	94.90%	94.90%
HANNOVER LEASING Wachstumswerte Europa Beteiligungsgesellschaft mbH	Pullach/Germany	94.90%	94.90%
HANNOVER LEASING Wachstumswerte Europa VI GmbH & Co. KG i.L.	Pullach/Germany	94.90%	94.90%
HANNOVER LEASING Wachstumswerte Europa VIII GmbH & Co. KG	Pullach/Germany	86.62%	47.49%
HANNOVER-LEASING Treuhand-Vermögensverwaltung GmbH	Pullach/Germany	94.90%	94.90%
HERSCHEL Verwaltungsgesellschaft mbh	Pullach/Germany	86.62%	94.90%
KERA Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	94.90%
MERIT Beteiligungsgesellschaft mbH	Pullach/Germany	94.90%	94.90%
NIGRESCO Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	94.90%
NOVELLINO Geschäftsbesorgungs GmbH & Co. Verwaltungs KG	Pullach/Germany	47.49%	94.90%
ORION Verwaltungsgesellschaft mbH & Co. Beteiligungs KG	Pullach/Germany	94.90%	94.90%
PERNILLA Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	94.90%
SINGULI Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	62.63%
VANESSA Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	94.90%
DIRAN Verwaltungsgesellschaft mbH	Pullach/Germany	94.90%	n.a.
LIBANUS Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	n.a.
STYLOS Verwaltungsgesellschaft mbH & Co. Vermietungs KG	Pullach/Germany	94.90%	n.a.
HL Hotel Ulm GmbH & Co. geschlossene Investment-KG	Pullach/Germany	53.63%	n.a.
HANNOVER LEASING Denkmal Münster GmbH & Co. KG	Pullach/Germany	sold	94.90%
DIV Grundbesitzanlage Beteiligungs GmbH & Co. KG	Frankfurt am Main/Germany	merged	94.90%

I.7 Deconsolidation

During the financial year 2018, the following companies were deconsolidated, primarily in relation to the Group's warehousing activities:

	HL Denkmal Münster KG	Marburg HoldCo S.à r.l	ROSE OpCo S.à r.l. (Corestate Shelf 6 S.à r.l.)	HIGHSTREET VIII TopCo Limited	HIGHSTREET VIII TopCo II Limited	HIGHSTREET VIII HoldCo S.à r.l.	HIGHSTREET VIII AcquiCo S.à r.l.	HIGHSTREET VIII PropCo I S.à r.l.	HIGHSTREET VIII PropCo II S.à r.l.	HIGHSTREET VIII PropCo III S.à r.l.	HIGHSTREET VIII Parking GmbH (TRIIIPLE HoldCo GmbH)	Squirrel AcquiCo II GmbH & Co. KG	Corestate Shelf 6 S.à r.l.	Corestate Shelf 10 S.à r.l.	Bassano GmbH	HL Hotel Ulm KG	Pernilla KG	**Total**
Date of sale	29/03/2018	20/02/2018	07/11/2018	28/12/2018	28/12/2018	28/12/2018	28/12/2018	28/12/2018	28/12/2018	28/12/2018	28/12/2018	31/12/2018	07/11/2018	09/10/2018	31/07/2018	30/11/2018	31/12/2018	
Total proceeds from sale	7,161	-	12	32,676	138	-	-	-	-	-	-	-	12	12	25	7,967	1,633	**49,668**
thereof sales prices (cash)	1,960	32	12	16,168	68	-	-	-	-	-	-	-	12	12	25	7,967	1,633	**27,889**
thereof other consideration transferred	5,201		-	16,508	70	-	-	-	-	-	-	-	-					**21,779**
Voting rights sold (%)	57.30%	100.00%	100.00%	78.16%	78.16%	40.22%	40.22%	40.22%	40.22%	40.22%	40.22%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Goodwill	-		-	-	-	-	-	-	-	-	-	-	-	-	6	21	-	27
Shares in subsidiaries	-		-	-	-	-	-	-	-	-	-	-	-	-	-	12,964	-	12,964
Shares in Associates	-	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15
Inventories	20,732		-	-	-	-	-	50,188	76,906	3,938	-	-	-	-	-	-	8,534	160,298
Receivables	-		-	-	-	-	-	451	187	-	-	-	-	-	-	-	-	638
Receivables from affiliated companies	-		-	39,041	-	69,523	61	109	34,997	-	-	-	-	-	-	-	-	143,731
Derivatives	-		-	-	-	-	-	295	424	408	-	-	-	-	-	-	-	1,127
Other assets	-	-	0	-	-	-	-	643	623	323	16	-	-	-	-	1	-	1,607
Cash and cash equivalents	1,377	30	6	134	5	6,748	238	26,915	4,883	248	44	1	6	12	-	949	344	41,938
Total assets	**22,110**	**45**	6	39,175	5	76,270	298	78,601	118,020	4,916	60	1	6	12	6	13,935	8,878	**362,344**
Deferred tax liability	70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	156	226
Financial liabilities due to banks	9,219	-	-	-	-	-	-	39,997	52,739	144	-	-	-	-	-	-	6,863	108,962
Other provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	178	178
Current tax liabilities	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31	31
Liabilities from affiliated companies	-	-	-	735	61	39,053	204	33,846	65,144	5,380	109	-	-	-	-	-	-	144,532
Trade payables	24	6	6	43	28	78	5	3,028	241	16	7	5	6	-	2	-	8	3,504
Other payables	6,385	-	-	-	-	37,229	1	1,161	114	55	17	1	-	-	(63)	6,486	-	51,756
Total liabilities	**15,698**	**6**	**6**	**778**	**89**	**76,361**	**211**	**78,031**	**118,238**	**5,595**	**133**	**6**	**6**	**-**	**(61)**	**6,486**	**7,236**	**309,188**
Fair value of net assets sold	**6,412**	**39**	**(0)**	**38,397**	**(84)**	**(91)**	**88**	**570**	**(218)**	**(678)**	**(73)**	**(5)**	**(0)**	**12**	**67**	**7,449**	**1,642**	**53,155**
Non-controlling interests	(320)	-	-	(10,066)	215	(161)	(103)	(287)	115	280	71	-	-	-	(2)	-	47	(10,212)
Gain/(loss) from deconsolidation	**429**	**(7)**	**12**	**4,345**	**7**	**252**	**16**	**(284)**	**103**	**399**	**3**	**5**	**12**	**-**	**(40)**	**518**	**(57)**	**6,084**
Revenues generated until deconsolidation	**294**	**-**	**-**	**-**	**-**	**-**	**16**	**-**	**3,483**	**399**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,192**
Profit/(loss) until date of deconsolidation	**(6)**	**-**	**(1)**	**(501)**	**(19)**	**(1,007)**	**(11)**	**(73)**	**2,326**	**(260)**	**(2)**	**2**	**(0)**	**-**	**(1)**	**16**	**289**	**755**

The following companies were deconsolidated in the financial year 2017:

	Project LIVER	Project 4711	Project KING	Project HIGH-STREET VII	Project TURICUM	Project CONDOR	Project OLYMPIC	Project ISABELA	Project DONALD	others	**Total**
Date of sale											
Total proceeds from sale	341	7,891	5,025	8,677	2,820	11,355	4,107	8,241	1,892	2,694	**53,044**
thereof sales prices (cash)	341	8,042	5,175	3,405	-	11,505	4,271	8,346	2,359	2,682	**46,126**
thereof contingent consideration	-	-	-	-	2,912	-	24	-	-	-	**2,936**
thereof other consideration transferred	-	(151)	(150)	5,272	(92)	(150)	(187)	(105)	(467)	12	**3,982**
Voting rights sold (%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Shares in subsidiaries	75	-	-	-	-	-	-	-	-	-	75
Advance Payments for Property Purchase Prices	-	201	-	5,966	-	-	-	-	-	-	6,167
Inventories	-	25	190	44,169	-	10,025	-	-	-	-	54,409
Receivables	-	-	-	717	1,563	31	-	50	-	877	3,239
Receivables from affiliated companies	11	-	-	(0)	-	-	-	-	-	106	117
Other assets	11	1,314	763	48,803	-	1	2,374	4	-	33,654	86,925
Cash and cash equivalents	2	5,211	2,945	22,120	62	77	27	7,212	-	784	38,439
Deferred tax assets	-	-	-	-	-	-	-	-	-	75	75
Total assets	**100**	**6,750**	**3,898**	**121,775**	**1,626**	**10,134**	**2,401**	**7,266**	**-**	**35,495**	**189,445**
Deferred tax liability	-	-	-	-	-	-	-	-	-	760	760
Financial liabilities due to banks	-	-	-	0	-	-	-	-	-	29,802	29,802
Other provisions	-	-	-	-	1	-	1	-	-	-	2
Current tax liabilities	-	-	-	1	0	-	-	-	-	-	1
Liabilities from affiliated companies	32	-	-	26,788	-	-	6	-	-	78	26,904
Trade payables	18	206	223	1,776	1	129	122	7	-	28	2,509
Other liabilities	0	5	-	87,648	-	-	17	0	-	1,701	89,371
Total liabilities	**50**	**212**	**223**	**116,212**	**3**	**129**	**146**	**7**	**-**	**32,369**	**149,349**
Fair value of net assets sold	**50**	**6,539**	**3,675**	**5,563**	**1,623**	**10,005**	**2,255**	**7,260**	**-**	**3,126**	**40,096**
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Gain/(loss) from deconsolidation	**292**	**1,352**	**1,350**	**3,114**	**1,197**	**1,350**	**1,852**	**981**	**1,892**	**(432)**	**12,948**
Revenues generated until deconsolidation	**-**	**-**	**-**	**1,044**	**-**	**-**	**-**	**-**	**-**	**1,175**	**2,219**
Profit/(loss) until date of deconsolidation	**-**	**-**	**-**	**(239)**	**(6)**	**3**	**(166)**	**(29)**	**-**	**581**	**143**

I.8 Lease contracts

I.8.1 Operating lease commitments — Group as lessee

The Group has entered into commercial leases on office space, 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 mainly relate to lease of office space and are as follows:

Detailed schedule of lease contracts as per 31 December, 2018 (Group as Lessee)

€ thousand	lease payment (per month) (incl. VAT)	minimum lease payments <1 year (incl VAT)	minimum lease payments 1-5 years (incl VAT)	minimum lease payments > 5 years (incl VAT)
31.12.2018	609	5,961	6,164	1
31.12.2017	437	4,418	9,369	214

I.8.2 Operating lease commitments — Group as lessor

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

The minimum lease payments (net rental income), under the assumption of a twelve month notice period and lease expiry date, of € 4.007k (source: internal forecast) will be generated from the existing contracts on the reporting date.

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

Detailed schedule of lease contracts as per 31 December, 2018 (Group as Lessor)

€ thousand	lease payment (per month) (incl. VAT)	minimum lease payments 01/2018 until 12/2018 (incl VAT)	minimum lease payments 01/2019 until 12/2022 (incl VAT)	minimum lease payments after 01/2023 (incl VAT)	Classification
Description of lease contract					
Sub-lease agreement regarding real estate in Leipzig	1	0	2	0	operating lease
Sub-lease agreement regarding real estate in Leipzig	1	11	2	0	operating lease
Total	**2**	**11**	**4**	**0**	

I.9 Report on Business Relationships with Structured Entities

Disclosures on unconsolidated structured entities

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

The unconsolidated structured entities with which CORESTATE has business relationships are funds divided into the asset classes' media, real estate, rail vehicles and large-scale facilities.

The extent of the structured entities is based on the amount of historical fund assets under management and as of 31 December 2018 (31 December 2017) the extent of the unconsolidated structured entities of CORESTATE are as follows:

€ thousand	Media	Real estate	Rail vehicles	Large scale plants	**Total**
Fund volume 2018	1,830,589	576,049	0	188,314	2,594,952
Fund volume 2017	2,124,668	637,167	277,026	188,314	**3,227,175**

As of 31 December 2018, advances to unconsolidated structured entities and revenues generated from such entities are not material.

Disclosures on consolidated structured entities

If a structured entity is included in the basis of consolidation in accordance with IFRS 10, the business relationships with other consolidated entities are subject to the normal consolidation requirements. As of 31 December 2018, two structured entities were consolidated in accordance with IFRS 10 and affect all real estate funds. CORESTATE participates in these companies only with equity.

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

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

Revenues generated from transactions with unconsolidated entities in which CORESTATE holds no shares as at the reporting date, were not material.

I.10 Significant events after the reporting date (subsequent events)

As per January 2019, 25,000 shares representing a share capital increase of EUR 1,875 have been issued by the management board out of the authorized share capital.

Luxembourg, 18 March 2019

Lars Schnidrig
Chief Executive & Financial Officer

Thomas Landschreiber
Chief Investment Officer

Ernst & Young
Société anonyme

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L-1855 Luxembourg

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Independent auditor's report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Corestate Capital Holding S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

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

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Key audit matters

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

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

Description

As part of the business combinations, the Group has recorded goodwill and other intangible assets with indefinite useful lives, such as trademarks, amounting in total to EUR 613,248 thousand and representing more than 44% of the total Group's consolidated assets as of 31 December 2018. Goodwill and trademarks with indefinite useful life are subject to an annual impairment test.

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

Auditor's response

Our audit procedures included a reconciliation of the projected EBITDA in the management's impairment test models to the management's financial forecasts and the management's business plan. In addition, we made an assessment of the plausibility of cash flows used in calculations by comparing them to actual historical data and prior year business plans and checked mathematical accuracy of the calculations.

We involved our internal specialist to evaluate appropriateness of valuation methodologies selected by management for impairment test and technical accuracy of the calculation, and whether applied parameters, including weighted average cost of capital, growth rate and derivation of recoverable amount used in the impairment test model are appropriate. We also assessed the adequacy of the disclosures in the consolidated financial statements concerning those key assumptions to which the outcome of the impairment test is most sensitive.

b) Fair value of investment properties held by associates

Description

The Group has significant investments in associates amounting to EUR 87,975 thousand as of 31 December 2018. The main activity of the Group's associates and joint ventures is developing or holding investment properties that represent therefore their main assets.

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

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

Auditor's response

As part of our audit procedures over the valuation of investment properties owned by Group's associates, we evaluated the competence, capabilities and objectivity of the valuers and read the terms of engagement of the valuers to determine whether there were any matters that might have affected their objectivity or limited the scope of their work. For a sample of the valuations, we traced the inputs used in the valuation process to corresponding lease agreements and other relevant documentation. We involved our real estate specialist to assist us in assessing the methodologies and assumptions used in the valuation models. In particular, we assessed whether the applied valuation methods are appropriate for the purpose of the valuation of the underlying investment properties.

We also challenged the assumptions used in valuation models including capitalisation, discount and terminal yields by comparing market rents and gross multipliers against available market data.

We assessed the adequacy of the disclosures in the consolidated financial statements in relation to the valuation of the investment properties held by associates.

Other information

The Management Board is responsible for the other information. The other information comprises the information included in the Group management report and the report on corporate governance but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and of those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

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- Conclude on the appropriateness of Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 27 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

The Group management report, which is the responsibility of the Management Board, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying report on corporate governance is the responsibility of the Management Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

We did not provide any significant permitted services in addition to the statutory audit.

Other matter

The report on corporate governance includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Pavel Nesvedov

Luxembourg, 18 March 2019

Responsibility Statement

To the best of our knowledge we confirm, that the consolidated financial statements of CORESTATE Capital Holding S.A. and its subsidiaries ("the Group") which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and the annual accounts of CORESTATE Capital Holding S.A. ("the Company") which have been prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company, and that the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities, uncertainties and risks associated with the expected development of the Group.

CORESTATE Capital Holding S.A., Luxembourg, 18 March 2019

Annual Accounts as at 31 December 2018

CORESTATE Capital Holding S.A.

(Société Anonyme),
4, Rue Jean Monnet
L-2180 Luxembourg,
Grand Duchy of Luxembourg

RCSL-Nr.:	B 199 780	Matricule:

BALANCE SHEET

Financial year from 01 01 January 2018 **to** 02 31 December 2018 (in 03 kEuro)

CORESTATE Capital Holding S.A. (Société Anonyme)

4, Rue Jean Monnet

L - 2180 Luxembourg

ASSETS

			Reference(s)		Current year		Previous year
A.	**Subscribed capital unpaid**	1101		101	-	102	-
I.	Subscribed capital not called	1103		103		104	
II.	Subscribed capital called but unpaid	1105		105		106	
B.	**Formation expenses**	1107		107		108	
C.	**Fixed assets**	1109		109	890,081	110	746,716
I.	Intangible assets	1111	note C.1	111	1,933	112	1,041
1.	Costs of development	1113		113	-	114	-
2.	Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115		115	1,373	116	329
a)	acquired for valuable consideration and need not be shown under C.I.3	1117	note C.1	117	1,373	118	329
b)	created by the undertaking itself	1119		119		120	
3.	Goodwill, to the extent that it was acquired for valuable consideration	1121		121		122	
4.	Payments on account and intangible assets under development	1123	note C.1	123	560	124	711
II.	Tangible assets	1125	note C.2	125	163	126	-
1.	Land and buildings	1127		127	-	128	-
2.	Plant and machinery	1129		129	-	130	-

The notes in the annex form an integral part of the annual accounts

RCSL-Nr.:	B 199 780	Matricule:

			Code	Reference(s)	Code	Current year	Code	Previous year
	3.	Other fixtures and fittings, tools and equipment	1131	note C.2	131	163	132	-
	4.	Payments on account and tangible assets in the course of construction	1133		133	-	134	-
III.		Financial assets	1135	note C.3	135	887,985	136	745,675
	1.	Shares in affiliated undertakings	1137	note C.3.1	137	709,794	138	708,221
	2.	Loans to affiliated undertakings	1139	note C.3.2	139	128,809	140	21,429
	3.	Participating interests	1141	note C.3.3	141	20,865	142	14,080
	4.	Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143	839	144	-
	5.	Investments held as fixed assets	1145	note C.3.4	145	10,000	146	-
	6.	Other loans	1147	note C.3.5	147	17,679	148	1,945
D.		**Current assets**	1151		151	91,964	152	58,105
I.		Stocks	1153		153	-	154	-
	1.	Raw materials and consumables	1155		155		156	
	2.	Work in progress	1157		157		158	
	3.	Finished goods and goods for resale	1159		159		160	
	4.	Payments on account	1161		161		162	
II.		Debtors	1163	note C.4	163	53,185	164	27,981
	1.	Trade debtors	1165	note C.4.1	165	1,578	166	1,819
		a) becoming due and payable within one year	1167		167	1,578	168	1,819
		b) becoming due and payable after more than one year	1169		169	-	170	-
	2.	Amounts owed by affiliated undertakings	1171	note C.4.2	171	34,723	172	13,527
		a) becoming due and payable within one year	1173		173	34,723	174	13,527
		b) becoming due and payable after more than one year	1175		175	-	176	-
	3.	Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177	note C.4.3	177	7,434	178	6,114
		a) becoming due and payable within one year	1179		179	7,434	180	6,114
		b) becoming due and payable after more than one year	1181		181	-	182	-
	4.	Other debtors	1183	note C.4.4	183	9,449	184	6,520
		a) becoming due and payable within one year	1185		185	9,449	186	6,520
		b) becoming due and payable after more than one year	1187		187	-	188	-

RCSL-Nr.:	**B 199 780**	Matricule:

		Reference(s)	Current year	Previous year
III.	Investments	1189	189 -	190 -
1.	Shares in affiliated undertakings	1191	191	192
2.	Own shares	1209	209	210
3.	Other investments	1195	195	196
IV.	Cash at bank and in hand	1197	197 38,779	198 30,124
E.	**Prepayments**	1199 note C.5	199 9,959	200 4,349
	TOTAL (ASSETS)		201 992,003	202 809,170

The notes in the annex form an integral part of the annual accounts

RCSL-Nr.:	B 199 780	Matricule:

CAPITAL, RESERVES AND LIABILITIES

			Reference(s)		Current year		Previous year
A.	Capital and reserves	1301	note C.6	301	412,793	302	413,821
I.	Subscribed capital	1303	note C.6.1	303	1,600	304	1,597
II.	Share premium account	1305	note C.6.3	305	375,051	306	417,640
III.	Revaluation reserve	1307		307		308	
IV.	Reserves	1309	note C.7	309	95	310	-
1.	Legal reserve	1311	note C.7.1	311	95	312	-
2.	Reserve for own shares	1313	note C.7.2	313	-	314	-
3.	Reserves provided for by the articles of association	1315		315		316	
4.	Other reserves, including the fair value reserve	1429		429	-	430	-
a)	other available reserves	1431		431		432	
b)	other non available reserves	1433		433	-	434	
V.	Profit or loss brought forward	1319		319	(5,511)	320	7,408
VI.	Profit or loss for the financial year	1321		321	41,558	322	(12,824)
VII	Interim dividends	1323		323		324	
VIII	Capital investment subsidies	1325		325		326	
B.	Provisions	1331	note C.8	331	3,173	332	2,966
1.	Provisions for pensions and similar obligations	1333		333		334	
2.	Provisions for taxation	1335		335	-	336	-
3.	Other provisions	1337	note C.8.1	337	3,173	338	2,966
C.	Creditors	1435	note C.9	435	575,965	436	390,775
1.	Debenture loans	1437		437	502,479	438	200,200
a)	Convertible loans	1439	note C.9.1	439	200,062	440	200,200
i)	becoming due and payable within one year	1441		441	62	442	200
ii)	becoming due and payable after more than one year	1443		443	200,000	444	200,000
b)	Non convertible loans	1445	note C.9.2	445	302,416	446	-
i)	becoming due and payable within one year	1447		447	2,416	448	-
ii)	becoming due and payable after more than one year	1449		449	300,000	450	-
2.	Amounts owed to credit institutions	1355	note C.9.3	355	21	356	34,120
a)	becoming due and payable within one year	1357		357	21	358	120
b)	becoming due and payable after more than one year	1359		359	-	360	34,000

RCSL-Nr.:	**B 199 780**	Matricule:

		Reference(s)		Current year		Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361		361	-	362	-
a) becoming due and payable within one year	1363		363		364	
b) becoming due and payable after more than one year	1365		365		366	
4. Trade creditors	1367	note C.9.4	367	4,450	368	2,212
a) becoming due and payable within one year	1369		369	4,450	370	2,212
b) becoming due and payable after more than one year	1371		371	-	372	
5. Bills of exchange payable	1373		373	-	374	-
a) becoming due and payable within one year	1375		375		376	
b) becoming due and payable after more than one year	1377		377		378	
6. Amounts owed to affiliated undertakings	1379	note C.9.5	379	59,703	380	92,410
a) becoming due and payable within one year	1381		381	6,457	382	43,809
b) becoming due and payable after more than one year	1383		383	53,247	384	48,601
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	note C.9.6	385	144	386	210
a) becoming due and payable within one year	1387		387	144	388	210
b) becoming due and payable after more than one year	1389		389	-	390	-
8. Other creditors	1451	note C.9.7	451	9,169	452	61,624
a) Tax authorities	1393		393	8,935	394	6,780
b) Social security authorities	1395		395	-	396	-
c) Other creditors	1397		397	234	398	54,843
i) becoming due and payable within one year	1399		399	234	400	54,843
ii) becoming due and payable after more than one year	1401		401	-	402	-
D. Deferred income	1403	note C.10	403	72	404	1,608
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	992,003	406	809,170

RCSL-Nr.:	B 199 780	Matricule:

PROFIT AND LOSS ACCOUNT

Financial year from 01 01 January 2018 **to** 02 31 December 2018 (in 03 kEuro)

CORESTATE Capital Holding S.A. (Société Anonyme)

4, Rue Jean Monnet

L - 2180 Luxembourg

PROFIT AND LOSS ACCOUNT

		Reference(s)	Current year	Previous year
1.	**Net turnover**	1701 note D.1	701 20,961	702 23,273
2.	**Variation in stocks of finished goods and work in progress**	1703	703 -	704 -
3.	**Work performed by the undertaking for its own pruposes and capitalised**	1705	705 -	706 -
4.	**Other operating income**	1713 note D.2	713 156	714 2,125
5.	**Raw materials and consumables and other external expenses**	1671	671 (24,488)	672 (25,298)
	a) Raw materials and consumables	1601	601 -	602 -
	b) Other external expenses	1603 note D.3	603 (24,488)	604 (25,298)
6.	**Staff costs**	1605 note D.4	605 (2,543)	606 (2,043)
	a) Wages and salaries	1607	607 (2,543)	608 (2,006)
	b) Social security costs	1609	609 -	610 (37)
	i) relating to pensions	1653	653 -	654 -
	ii) other social security costs	1655	655 -	656 (37)
	c) Other staff costs	1613	613 -	614 -
7.	**Value adjustments**	1657	657 (418)	658 (62)
	a) in respect of formation expenses and of tangible and intangible fixed assets	1659 note C.1; C.2	659 (418)	660 (62)
	b) in respect of current assets	1661	661 -	662 -
8.	**Other operating expenses**	1621 note D.5	621 (297)	622 (182)

The notes in the annex form an integral part of the annual accounts

		Reference(s)	Current year	Previous year
9.	**Income from participating interests**	1715 note D.6	715 84,562	716 6,710
a)	derived from affiliated undertakings	1717	717 84,562	718 6,710
b)	other income from participating interests	1719	719 -	720 -
10.	**Income from other investments and loans forming part of the fixed assets**	1721	721 -	722 -
a)	derived from affiliated undertakings	1723	723	724
b)	other income not included under a)	1725	725	726
11.	**Other interest receivable and similar income**	1727 note D.7	727 2,028	728 345
a)	derived from affiliated undertakings	1729	729 1,299	730 250
b)	other interest and similar income	1731	731 729	732 95
12.	**Share of profit or loss of undertakings accounted for under the equity method**	1663	663	664
13.	**Value adjustments in respect of financial assets and of investments held as current assets**	1665	665	666
14.	**Interest payable and similar expenses**	1627 note D.8	627 (38,252)	628 (17,686)
a)	concerning affiliated undertakings	1629	629 (27,939)	630 (16,153)
b)	other interest and similar expenses	1631	631 (10,312)	632 (1,532)
15.	**Tax on profit or loss**	1635 note D.9	635 (8)	636 (3)
16.	**Profit or loss after taxation**	1667	667 41,700	668 (12,819)
17.	**Other taxes not shown under items 1 to 16**	1637	637 (142)	638 (5)
18.	**Profit or loss for the financial year**	1669	669 41,558	670 (12,824)

Notes to the

Annual Accounts

CORESTATE Capital Holding S.A.
Luxembourg

for the period from 01 January 2018 to 31 December 2018

A. CORPORATE INFORMATION

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

CCH SA was established on 21 August 2015 for an unlimited period of time. The Company's financial year starts on 1 January and ends on 31 December of each year.

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

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

The Company's shares (31.12.2018: 21,329,417 ordinary shares) are quoted on an European regulated stock exchange (as defined by art. 4 paragraph (1) point 14 of the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments) which essentially increased the reporting and publishing requirements. All costs incurred in connection with the listing and the later up-listing are recognised as "other external expenses" in the profit and loss account (refer to note D.3).

The Company also prepares consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union, which are published according to the provisions of the Luxembourg Law and the exchange rules of the Frankfurt Stock Exchange. The Company is included in its consolidated accounts.

The main activity of the Company is as following:

Pursuant to article 4 of the Company's Articles of Association, the purpose of the Company is (i) the acquisition, holding and disposal, in any form, by any means, whether directly or indirectly, of participations, rights and interests in, and obligations of, Luxembourg and foreign companies or other assets including but not limited to real estate assets, (ii) the acquisition by purchase, subscription, or in any other manner, as well as the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind (including notes or parts or units issued by Luxembourg or foreign mutual funds or similar undertakings) and receivables, claims or loans or other credit facilities and agreements or contracts relating thereto, and (iii) the ownership, administration, development and management of a portfolio of assets (including, among other things, the assets referred to in (i) and (ii) above).

The Company may borrow in any form. It may enter into any type of loan agreement and it may issue notes, bonds, debentures, certificates, shares, beneficiary parts, warrants and any kind of debt or equity securities including under one or more issuance programmes. The Company may lend funds including the proceeds of any borrowings and/or issues of securities to its subsidiaries, affiliated companies or any other company. The Company may also give guarantees and grant security interests over some or all of its assets including, without limitation, by way of pledge, transfer or encumbrance, in favour of or for the benefit of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other company. The Company may enter into, execute and deliver and perform any swaps, futures, forwards, derivatives, options, repurchase, stock lending and similar transactions. The Company may generally use any techniques and instruments relating to investments for the purpose of their efficient management, including, but not limited to, techniques and instruments designed to protect it against credit, currency exchange, interest rate risks and other risks. The descriptions above are to be construed broadly and their enumeration is not limiting. The Company's purpose shall include any transaction or agreement which is entered into by the Company, provided it is not inconsistent with the foregoing matters. In general, the Company may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its purpose. The Company may carry out any commercial, industrial, and financial operations, which are directly or indirectly connected with its purpose or which may favour its development.

At the Company's annual general meeting held on 27 April 2018, the shareholders of CORESTATE Capital Holding S.A. have adopted all agenda items with great approval. The stand-alone financial statements as at 31 December 2017 and the consolidated financial statements as at 31 December 2017 of CORESTATE Capital Holding S.A., prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU, were approved. The meeting acknowledged that the Company made a loss with respect to the financial year 2017 in an aggregate amount of Euro 12,824,000.00 and resolved to carry forward the entire profit to the next financial year. The meeting also resolved to allocate an amount of Euro 94,580.11 out of the profit and reserves carried forward from the financial year 2016 to the legal reserve, in accordance with article 461-1 of the Companies Act and as set out in the notes to the stand-alone annual accounts of the Company for the financial year 2016.

Furthermore, the meeting resolved a distribution out of the existing capital reserves in an aggregate amount of Euro 42,588,246.00 (corresponding to Euro 2.00 per issued share) to the shareholders.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B.1 *Basis of preparation*

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention.

Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002 (as amended), determined and applied by the Board of Managers. In this context, the new Luxembourg Law of 18 December 2015 was also taken into account. The new Luxembourg Law, which is applicable to financial years beginning on or after 1 January 2016, have mainly an impact on the Company's presentation of the annual accounts and amendments in the notes to the Company's accounts. Furthermore, the material concept was introduced and defined as the level of information whose omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the Company's annual accounts. The materiality of individual items must be assessed in the context of other similar items. The new Luxembourg Law clarifies that immaterial information should not be subject to the presentation and disclosure requirements enforced by the Accounting law.

The following items in the Financial Statements as at 31 December 2017 have been adjusted as follows in order to ensure comparability with the Financial Statements as at 31 December 2018:

- Other external expenses kEuro -25,298 (instead of kEuro 0)
- Other operating expenses kEuro -182 (instead of kEuro -25,480)

The above reclassifications had no impact on equity as at 31 December 2017 or on the profit for the financial year 2017.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Management Board to exercise their judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. The Management Board believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The annual accounts are presented in thousand Euros. All values in these notes are rounded to the nearest thousand Euros (kEuro), except where otherwise indicated. The use of automatic data processing equipment can lead to rounding differences in the addition of rounded amounts or percentage rates, therefore some of the total sums disclosed in the accounts may not add up.

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

B.2 *Significant accounting policies*

The accounting policies and main valuation rules applied by the Company are the following:

B.2.1 Formation expenses

The formation expenses and subsequent share capital issue expenses of the Company are directly charged to the profit and loss account of the period in which they incurred.

B.2.2 Intangible assets

<u>Historical cost model</u>

Intangible assets are valued at purchase price including the expenses incidental thereto or at production costs, less cumulated depreciation amounts written of and value adjustments. These value adjustments are not continued if the reasons for which the value adjustments were have ceased to apply.

The depreciation rates and methods applied are as follows:

Intangible assets	Depreciation rate p.a.	Depreciation method
IT-software	33.333%	linear; pro rata temporis
Homepage	33.333%	linear; pro rata temporis
Licence	20.000%	linear; pro rata temporis

B.2.3 Tangible assets

<u>Historical cost model</u>

Tangible assets are also valued at purchase price including the expenses incidental thereto or at production costs, less cumulated depreciation amounts written of and value adjustments. These value adjustments are not continued if the reasons for which the value adjustments were have ceased to apply.

The depreciation rates and methods applied are as follows:

Tangible assets		
	Depreciation rate p.a.	Depreciation method
IT-Equipment	33.333%	linear; pro rata temporis

B.2.4 Financial assets

Historical cost model

Shares in affiliated undertakings and Participating interests are recorded at their acquisition price, including the expenses incidental thereto. They are subject to value adjustments in case of permanent impairment in value. These value adjustments are not maintained if the reasons for making them have ceased to exist.

Long-term loans and claims held as fixed assets are stated at acquisition costs plus capitalised interests less reimbursements to date. A value adjustment is made when the net realisable value is lower than the net book value. These value adjustments are not maintained if the reasons for making them have ceased to exist.

B.2.5 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

B.2.6 Cash at bank and cash in hand

Cash is valued at their nominal value.

B.2.7 Foreign currency translation

The Company maintains its books and records in Euro.

Transactions expressed in currencies other than Euro are translated into Euro at the exchange rate effective at the time of the transaction.

Formation expenses and long-term assets expressed in currencies other than Euro are translated into Euro at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year/period.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. Unrealised exchange losses are recorded in the profit and loss account; realised exchange gains and losses are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account whereas the net unrealised exchange gains are not recognised.

B.2.8 Prepayments

This asset item includes financing fees and expenditures incurred during the financial year but relating to a subsequent financial year.

Financing fees are amortised on a straight-line basis over the duration of the related debt.

B.2.9 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges which have their origin in the financial year under review or in a previous financial year, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

Provision for taxation

Current tax provision

Provisions for taxation corresponding to the difference between the tax liability estimated by the Company and the advance payments for the financial years are recorded under the caption "Tax authorities within other creditors".

B.2.10 Debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt based on a linear/ actuarial method.

B.2.11 Net turnover

The net turnover comprises the amounts derived from the sale of products and the provision of services falling within the Company's ordinary activities, after deductions of sales rebates and value added tax and other taxes directly linked to the turnover.

C. NOTES TO THE BALANCE SHEET

A detailed statement of changes in fixed assets is attached as appendix 1 of the notes.

C.1 *INTANGIBLE ASSETS*

The movements for the period are as follows:

Intangible assets			
Financial Year 2018 (kEuro)			
	Concessions, patents, licences, trade marks and similar rights and assets, if they were acquired for valuable consideration	Payments on account and intangible fixed assets under development	**Total**
Gross book value			
Opening balance as of 01 January 2018	404	711	1,115
Additions for the period	749	549	1,298
Transfers for the period	700	(700)	0
Closing balance as of 31 December 2018	**1,853**	**560**	**2,413**
Accumulated value adjustments			
Opening balance as of 01 January 2018	74	0	74
Depreciation charge for the year	406	-	406
Closing balance as of 31 December 2018	**480**	**0**	**480**
Net book value - closing balance	**1,373**	**560**	**1,933**
Net book value - opening balance	329	711	1,041

A detailed statement of changes is attached in appendix 1 of the notes.

C.2 *TANGIBLE ASSETS*

The movements for the period are as follows:

Tangible assets (Property, plant & equipment)		
Financial Year 2018 (kEuro)		
	Other fixtures and fittings, tools and equipment	**Total**
Gross book value		
Opening balance as of 01 January 2018	0	0
Additions for the period	176	176
Closing balance as of 31 December 2018	**176**	**176**
Accumulated value adjustments		
Opening balance as of 01 January 2018	0	0
Depreciation charge for the year	13	13
Closing balance as of 31 December 2018	**13**	**13**
Net book value - closing balance	**163**	**163**
Net book value - opening balance	0	0

A detailed statement of changes is attached in appendix 1 of the notes.

C.3 *FINANCIAL ASSETS*

The movements for the period are as follows:

Financial assets							
Financial Year 2018 (kEuro)							
	Shares in affiliated undertakings	Loans to affiliated undertakings held as fixed assets	Participating interests	Loans to undertakings with which the undertaking is linked by virtue of participating interests	Investments held as fixed assets	Other loans held as fixed assets	**Total**
Gross book value							
Opening balance as of 01 January 2018	708,221	21,429	14,080	0	0	1,945	745,675
Additions for the period	52,623	115,368	11,401	839	10,000	15,734	205,964
Disposals for the period	(52,621)	(7,988)	(2,999)	-	-	-	(63,608)
Transfers for the period	1,570	-	(1,570)	-	-	-	0
Closing balance as of 31 December 2018	**709,794**	**128,809**	**20,912**	**839**	**10,000**	**17,679**	**888,031**
Accumulated value adjustments							
Opening balance as of 01 January 2018	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	47	-	-	-	47
Closing balance as of 31 December 2018	-	-	47	-	-	-	47
Net book value - closing balance	**709,794**	**128,809**	**20,865**	**839**	**10,000**	**17,679**	**887,985**
Net book value - opening balance	708,221	21,429	14,080	0	0	1,945	745,675

Undertakings in which the Company holds at least 20% of the share capital or in which it is a general partner are as follows:

Undertakings as of 31 December 2018

			31 December 2018		
Name of the undertaking	Registered office and Country of incorporation	Ownership (in %)	Last balance sheet date	Net equity at the balance sheet date of the company concerned (in kEuro)	Profit or loss for the last financial year (in kEuro)
Bego HoldCo S.à r.l. (formerly Dalia HoldCo AIF S.à r.l.)	Luxembourg	100,00%	31.12.2018	7.439	(29)
CORESTATE CAPITAL AG (hereafter "CCAG")	Zug/Switzerland	100,00%	31.12.2018	51.770	1.187
CORESTATE Capital Fund Management S.à r.l.	Luxembourg	100,00%	31.12.2018	1.682	79
CORESTATE Capital Group GmbH (formerly ISAR Beteiligungsverwaltungs GmbH)	Frankfurt am Main/Germany	100,00%	31.12.2018	46.165	(1.629)
Corestate Capital Junior BondCo S.à r.l.	Luxembourg	100,00%	31.12.2018	72	(7)
CORESTATE Capital Sales Holding S.à r.l.	Luxembourg	100,00%	31.12.2018	83	(107)
Corestate Capital Senior BondCo S.à r.l.	Luxembourg	100,00%	31.12.2018	36	(13)
Corestate Capital Venture Management S.à r.l.	Luxembourg	100,00%	31.12.2018	(56)	(68)
Corestate Condor PropCo GmbH	Vienna/Austria	100,00%	31.12.2018	17	(7)
CORESTATE FMCG Fonds I	Luxembourg	100,00%	31.12.2018	4.485	(9)
Corestate PropCo Shelf I S.à r.l.	Luxembourg	100,00%	31.12.2018	(3)	(8)
Corestate Shelf 11 S.à r.l.	Luxembourg	100,00%	31.12.2018	1	(11)
Corestate Shelf 5 S.à r.l.	Luxembourg	100,00%	31.12.2018	(2)	(19)
Corestate Shelf 7 S.à r.l.	Luxembourg	100,00%	31.12.2018	2.756	(24)
Corestate Student Home Holding S.à r.l.	Luxembourg	100,00%	31.12.2018	438	(17)
Corestate ZGE Feeder GmbH & Co. KG	Frankfurt am Main/Germany	100,00%	31.12.2018	(8)	(17)
CRM Students Limited	Oxford/United Kingdom	100,00%	30.09.2018	4.201	558
Echo HoldCo S.à r.l. (formerly Projekt AcquiCo I S.à r.l.)	Luxembourg	100,00%	31.12.2018	3.218	(39)
Harbour AcquiCo 1 S.à r.l.	Luxembourg	100,00%	31.12.2018	1.994	(82)
HFS Helvetic Financial Services AG	Wollerau/Switzerland	100,00%	31.12.2018	92.416	86.141
Highstreet Gießen HoldCo S.à r.l.	Luxembourg	100,00%	31.12.2018	(11)	(46)
Highstreet Premium II PropCo III S.à r.l.	Luxembourg	100,00%	31.12.2018	372	279
Iberian HoldCo II S.à r.l. (formerly Corestate Shelf II S.à r.l.)	Luxembourg	100,00%	31.12.2018	770	(22)
Isabela HoldCo AIF S.à r.l.	Luxembourg	100,00%	31.12.2018	1.004	(59)
ISARTAL Beteiligungsverwaltungs GmbH (formerly Platin 1413. GmbH)	Frankfurt am Main/Germany	100,00%	31.12.2018	14	(5)
King HoldCo S.à r.l.	Luxembourg	100,00%	31.12.2018	49	(16)
Manneken AIF S.à r.l.	Luxembourg	100,00%	31.12.2018	(1)	(13)
Manneken HoldCo S.à r.l. (formerly Corestate Shelf 2 S.à r.l.)	Luxembourg	100,00%	31.12.2018	1.492	(20)
Müller 34 Student Home Projektentwicklung- und Verwaltungs GmbH	Frankfurt am Main/Germany	100,00%	31.12.2018	33	(16)
Plutos HoldCo S.à r.l. (formerly Corestate Shelf 3 S.à r.l.)	Luxembourg	100,00%	31.12.2018	(2)	(19)
Projekt AcquiCo III S.à r.l.	Luxembourg	100,00%	31.12.2018	161	(8)
Projekt AcquiCo IV S.à r.l.	Luxembourg	100,00%	31.12.2018	(5)	(32)
RECAP FinCo II S.à r.l.	Luxembourg	100,00%	31.12.2018	1.600	106
RECAP FinCo III S.à r.l.	Luxembourg	100,00%	31.12.2018	41	(22)
RECAP FinCo IV S.à r.l.	Luxembourg	100,00%	31.12.2018	36	60
RECAP FinCo S.à r.l.	Luxembourg	100,00%	31.12.2018	(10)	1.822
RECAP FinCo V S.à r.l.	Luxembourg	100,00%	31.12.2018	56	(9)
RECAP FinCo VI S.à r.l.	Luxembourg	100,00%	31.12.2018	1.866	(18)
Roman HoldCo S.à r.l. (formerly Corestate Shelf 1 S.à r.l.)	Luxembourg	100,00%	31.12.2018	(1)	(23)
ROSE HoldCo S.à r.l.	Luxembourg	100,00%	31.12.2018	(20)	(20)
Spain Shelf 1 HoldCo S.à r.l.	Luxembourg	100,00%	31.12.2018	38	(21)
Stadttor Düsseldorf AcquiCo S.à r.l.	Luxembourg	100,00%	31.12.2018	33.045	27.294
Triiiple TopCo GmbH	Frankfurt am Main/Germany	100,00%	31.12.2018	7	(11)
SCORE S.à r.l. *)	Luxembourg	50,00%	31.12.2018	n.a.	n.a.

Remark: *) Financial Statements for the company were not available.

Remark: All information relating to the undertakings based on preliminary unaudited Financial Statements prepared under local GAAP or for group reporting purposes.

To expand and diversify of the CORESTATE Group's product range and to improve the Group's access to new sources of capital, on 15 December 2016, CCH SA purchased a 100.0% stake in CRM Students Limited, Oxford/United Kingdom for a preliminary purchase price of kEuro 21,581. The acquisition of CRM Students Limited was completed for the most part on 4 October 2018. CRM Students Limited is one of United Kingdom's largest independent student accommodation providers.

C.3.1 Shares in affiliated undertakings

A detailed composition of shares in affiliated undertakings and a statement of changes are attached in appendix 1 of the notes.

C.3.2 Loans to affiliated undertakings

A detailed composition of loans to affiliated undertakings and a statement of changes are attached in appendix 1 of the notes.

Loans to affiliated undertakings held as fixed assets - key facts

(kEuro)	Start date	Maturity (years)	interest rate	collateral	31 Dec 2018	31 Dec 2017
CORESTATE Capital Group GmbH (formerly ISAR Beteiligungsverwaltungs GmbH)	22.09.2017	5	1.000%	unsecured	69,101	1,303
Highstreet Gießen PropCo S.à r.l.	12.07.2018	5	2.000%	unsecured	24,134	-
CORESTATE Capital Advisors GmbH	01.02.2017	5	0.000%	unsecured	18,047	11,797
Highstreet Premium II PropCo III S.à r.l.	25.06.2018	5	2.000%	unsecured	12,136	-
CORESTATE CAPITAL AG	31.12.2016	5	3.000%	unsecured	2,097	-
CORESTATE Capital Sales Holding S.à r.l.	24.10.2016	5	3.000%	unsecured	1,974	480
Corestate Student Home Holding S. à r.l.	08.02.2017	5	0.000%	unsecured	572	267
Corestate Capital Partners GmbH	24.02.2017	5	0.000%	unsecured	300	300
CORESTATE Capital Partners UK Ltd.	01.09.2018	5	5.500%	unsecured	203	-
CORESTATE Capital Advisors GmbH Spanish branch	02.01.2017	5	0.000%	unsecured	141	-
Corestate Capital Venture Management S.à r.l.	01.12.2018	5	5.500%	unsecured	60	-
CORESTATE Capital Advisors (SG) Pte. Ltd.	03.03.2017	5	0.000%	unsecured	31	31
Isabela HoldCo AIF S. à r.l.	20.10.2017	5	0.000%	unsecured	12	7,220
King HoldCo S.à r.l.	22.02.2017	5	0.000%	unsecured	1	1
CORESTATE Capital Investors (Europe) GmbH	15.02.2017	5	0.000%	unsecured	-	30
Total					**128,809**	**21,429**

C.3.3 Participating interests

A detailed composition of participating interests and a statement of changes are attached in appendix 1 of the notes.

The Company typically invests between 5% and 18% in its investment products structured for its semi-institutional and private clients as alignment capital investment. Since CCH SA provides comprehensive real estate investment management services to, and is acting as asset manager for such investments structures (also referred to as "Projects"), these investment structures qualify as a participating interests under Lux GAAP. The revenues generated with such participating interests are based on market-standard Joint-Venture and Co-Investments Agreements (JVCIA) as well as Asset Management Agreements (AMA), and are entered into with and approved by its clients.

C.3.4 Investments held as fixed assets

With investment agreement dated 23 April 2018, CCH SA as the investor has advised HANSAINVEST Hanseatische Investment GmbH, Hamburg, to implement the real estate Alternative Investment Funds "Corestate Opportunity Deutschland I Fonds (Luxembourg)". In this context, CCH SA has agreed to purchase shares in a total amount of Euro 10 million.

The group company CORESTATE Capital Advisors GmbH acts as the investment advisor of the funds and is responsible for the sale/purchase of investment properties, controlling, reporting, financing and supporting of existing investors

C.3.5 Other loans held as fixed assets

On 18 July 2018, the Company as lender and WGS Private Equity Beteiligungs GmbH, WGS Management GmbH and WGS Verwaltung GmbH (all seated in Königstein/Germany) as borrowers entered into a loan agreement. The maximum available loan amount under the Agreement is Euro 14.0 million which is paid directly to WGS Private Equity Beteiligungs GmbH. The term of the unsecured loan is two years (repayment of the loan and all unpaid interests on 18 July 2020). Fixed interest rate is charged at 8 % per annum.

The loan of kEuro 1,800 (plus accrued interests) granted to Project HIGHSTREET PREMIUM I was used to finance certain working capital requirements of the structure. The unsecured loan is repayable in full as per 31 March 2021. Fixed interest rate is charged at 5 % per annum.

The unsecured loan of kEuro 4 (plus accrued interests) granted to Annapurna AIF S.à r.l. is repayable in full as per 27 December 2021.

C.3.6 Impairment review of shares in affiliated undertakings and participating interests

The Management Board considered factors that could give rise of the impairment of the financial fixed assets and is of the opinion that no permanent impairment exists. For CRM Group acquired during the second half of the financial year 2018, the impairment analysis was based on the purchase price allocations derived from business combination accounting performed for the purpose of preparing the consolidated Financial Statements of the Company in accordance with IFRS as adopted by EU.

For the remaining investments into subsidiaries and participating interests impairment analysis is mainly based on the current equity value of the respective entities and their hidden reserves, where applicable, assuming market values of underlying properties.

C.4 *DEBTORS*

Debtors are mainly composed of:

Debtors		
(kEuro)	**31 Dec 2018**	**31 Dec 2017**
Trade debtors	1,578	1,819
Amounts owed by affiliated undertakings	34,723	13,527
Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	7,434	6,114
Other debtors	9,449	6,520
Total	**53,185**	**27,981**

C.4.1 Trade debtors

Trade debtors (kEuro 1,578; previous year kEuro 1,819) include various fee income streams generated by the Company's Real Estate Investment Management Business with third party clients.

C.4.2 Amounts owed by affiliated undertakings

Amounts owed by affiliated undertakings		
(kEuro)	**31 Dec 2018**	**31 Dec 2017**
Receivables from delivery and service relations	**10,263**	**13,318**
Short-term loans (including accrued interests) and other receivables	**24,459**	**209**
CORESTATE Capital Group GmbH	24,017	-
CORESTATE Capital Partners UK Ltd.	340	-
Marburg TopCo Ltd.	32	32
Across HoldCo S.à r.l.	30	30
Triiiple TopCo GmbH	28	28
ROSE HoldCo S.à r.l.	13	13
CORESTATE Capital Sales Holding S.à r.l.	-	53
CORESTATE Capital Advisors GmbH Sucursal En Espana	-	31
Highstreet VIII HoldCo S.à r.l.	-	12
Isabela HoldCo AIF S.à r.l.	-	12
Total	**34,723**	**13,527**

The receivables from CORESTATE Capital Group GmbH result from the sale of all shares in CORESTATE Hamburg GmbH (formerly ATOS Capital GmbH), Hamburg. With agreement dated 10 August 2018 (notary deed 215/2018 of the notary Dr. Thorsten Reinhard, Frankfurt am Main), the Company sold 100 % of the shares in CORESTATE Hamburg GmbH to its subsidiary CORESTATE Capital Group GmbH for a sales price of kEuro 24,017. The unsecured receivable is interest-free and due for payment on 31 December 2018.

C.4.3 Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests

Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests		
(kEuro)	**31 Dec 2018**	**31 Dec 2017**
Receivables from Project LIVER	1,514	-
Receivables from Project 4711	1,384	1,384
Receivables from Project ISABELA	956	-
Receivables from Project King	888	668
Receivables from Project HIGHSTREET VII	748	2,016
Receivables from Project HIGHSTREET VIII	597	-
Receivables from Project Condor	503	503
Receivables from Project Turicum	406	338
Receivables from Project HARBOUR/POSEIDON	331	-
Receivables from Project Olympic	85	1,205
Receivables from Project HIGHSTREET VI	35	-
Receivables from Project HIGHSTREET Premium II	6	-
Receivables from Project ANNAPURNA	(18)	-
Total	**7,434**	**6,114**

The other amounts owed by undertakings with which the undertaking is linked by virtue of participating interests mainly result from acquisition and onboarding fees in accordance with the underlying Joint Venture and Co-Investment Agreements in connection with the structuring and implementation of the projects.

C.4.4 Other debtors

Other debtors		
(kEuro)	**31 Dec 2018**	**31 Dec 2017**
VAT receivables	9,344	5,255
Third party receivables	70	630
Deposits	35	35
Income tax receivable from Swiss withholding tax resulting from dividend payments of CCAG	-	600
Total	**9,449**	**6,520**

VAT receivables mainly result from transactions with third parties located in the EU zone. Such transactions are subject to the reverse charge method. CCH SA has input tax rebate claims against the Luxembourgish tax authorities from these value added taxes ("VAT").

In previous year, a tax refund reclaim of kEuro 600 results from dividend payment received from CCAG in 2016. The full amount was refunded in 2018.

C.5 *PREPAYMENTS*

Prepayments		
(kEuro)	**31 Dec 2018**	**31 Dec 2017**
Transaction costs bonds	9,797	3,932
Transaction costs Banque Internationale à Luxembourg ("BIL Bank")	-	262
Insurance costs	-	64
Accommodation and tickets	-	62
Contributions	-	27
others	161	2
Total	**9,959**	**4,349**

The transaction costs bonds result from the issue of both bonds (refer to notes C.9.1 and C.9.2) and comprise mainly bank and advisory fees, commissions as well as registration costs. These costs were capitalized as deferred charges and amor-tized over the terms of the bonds.

C.6 *CAPITAL AND RESERVES*

Capital accounts						
(kEuro)	SUBSCRIBED CAPITAL	SHARE PREMIUM	RESERVES	PROFIT AND LOSS BROUGHT FORWARD	PROFIT OR LOSS FOR THE FINANCIAL YEAR	**TOTAL**
As of 31 December 2016	**946**	**65,731**	**-**	**(6,482)**	**13,890**	**74,085**
Transfer of profit or loss	-	-	-	13,890	(13,890)	**-**
Issue of subscribed capital (contribution in kind)	571	342,874	-	-	-	**343,445**
Issue of subscribed capital (in cash from private placement)	75	22,641	-	-	-	**22,716**
Issue of subscribed capital (from exercise of share options)	6	-	-	-	-	**6**
Distributions	-	(13,607)	-	-	-	**(13,607)**
Profit/(loss) for the period	-	-	-	-	(12,824)	**(12,824)**
As of 31 December 2017	**1,597**	**417,640**	**-**	**7,408**	**(12,824)**	**413,821**
Transfer of profit or loss	-	-	-	(12,824)	12,824	**-**
Issue of subscribed capital (from exercise of share options)	3	-	-	-	-	**3**
Additions to the legal reserve	-	-	95	(95)		**-**
Distributions	-	(42,588)	-	-	-	**(42,588)**
Profit/(loss) for the period	-	-	-	-	41,558	**41,558**
As of 31 December 2018	**1,600**	**375,051**	**95**	**(5,511)**	**41,558**	**412,793**

C.6.1 Subscribed capital

All Shares are dematerialized shares without a par value (Dematerialized shares are only represented by a record in a securities account; ownership in the shares is established by such inscription in a securities account). The Shares are freely transferable in accordance with the legal requirements for shares in dematerialized form, that is, through book-entry transfers. There are no prohibitions on disposals or restrictions with respect to the transferability of the Shares.

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

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

As of the incorporation of the Company on 21 August 2015 the Company had a share capital of Euro 35,000.00, divided into 1,750,000 shares with a nominal value of Euro 0.02 each. The Company has been incorporated pursuant to contributions in cash made by Ralph Winter, who subscribed to 1,124,108 shares, Thomas Landschreiber, who subscribed to 117,032 shares, Intershop Holding AG, which subscribed to 491,232 shares, Christine Winter, who subscribed to 11,333 shares and Silke Hechler (née Otto), who subscribed to 6,295 shares. All the shares had been subscribed at their nominal value, being Euro 0.02.

The share capital of the Company has developed as follows:

By resolution of the shareholders of the Company passed at an extraordinary general meeting of shareholders as of 23 September 2015, the share capital was increased by an aggregate amount of one hundred fifty-nine thousand eight hundred forty-six Euro (Euro 159,846.00) in order to bring it from Euro 35,000.00 represented by 1,750,000 shares, up to a new amount of Euro 194,846.00, represented 9,742,300 shares, through the creation and issuance of 7,992,300 shares of the Company, with a nominal value of Euro 0.02 each. This capital increase was implemented through a contribution in kind of the shareholders' shares (Namensaktien) and participation certificates (Participationsscheine) in CCAG, having a total contribution value of Euro 29,580,846.00 allocated as follows among the shareholders. Shares in CCAG and participations in CCAG were treated equally.

- Ralph Winter contributed all his 87,200 shares in CCAG and 23,691 participation shares in CCAG against the issuance of 5,133,850 new shares in the Company,

- Thomas Landschreiber contributed all his 8,319 shares in CCAG and 3,226 participation shares in CCAG against the issuance of 534,500 new shares in the Company,
- Intershop Holding AG contributed all its 37,276 shares in CCAG and 11,183 participation shares in CCAG against the issuance of 2,243,450 new shares in the Company,
- Christine Winter contributed all her 1,118 participation shares in CCAG against the issuance of 51,750 new shares in the Company, and
- Silke Hechler (née Otto) contributed all her 621 participation shares in CCAG against the issuance of 28,750 new shares in the Company.

The extraordinary General Meeting of the shareholders of CORESTATE Capital Holding S.A. held on 31 August 2016 resolved to convert all issued and unissued shares of the Company, having a nominal value of Euro 0.02 each, into shares without nominal value. Further, by resolution of the shareholders of the Company passed at an extraordinary general meeting of shareholders on 31 August 2016, the share capital was increased by an aggregate amount of Euro 555,154.00 in order to bring it from its current amount of Euro 194,846 represented by 9,742,300 shares, up to a new amount of Euro 750,000.00, represented by 10,000,000 shares, through the creation and issuance of 257,700 new shares of the Company, without par value. This capital increase was implemented through a contribution in cash in an aggregate amount of Euro 555,154.00, contributed by the shareholders as follows:

- Ralph Winter contributed Euro 512,434.00 in cash against the issuance of 237,870 new shares in the Company,
- Thomas Landschreiber contributed Euro 37,122.00 in cash against the issuance of 17,232 new shares in the Company,
- Christine Winter contributed Euro 3,598.00 in cash against the issuance of 1,670 new shares in the Company, and
- Silke Hechler (née Otto) contributed Euro 2,000.00 in cash against the issuance of 928 new shares in the Company.

On 28 September 2016, the management board of the Company has authorised the issuance to new investors of 2,532,354 new shares without par value for an aggregate subscription price of Euro 189,926.61 (to be entirely recorded in the share capital account), in order to bring the share capital of the Company from an amount of Euro 750,000.00 up to a new amount of Euro 939,926.61 represented by 12,532,354 shares without par value (the Private Placement Authorised Capital Issuance). The Private Placement Authorised Capital Issuance was implemented through a contribution in cash in an aggregate amount of Euro 189,926.61 and a contribution in cash dedicated to the Company's capital share premium account amounting to Euro 42,860,091.39, in both cases effected by the investors taking part in the private placement. The issue price amounted to Euro 17 per share.

On 28 September 2016, the management board of the Company has also authorised the issuance to Mr Daniel Schoch of 78,327 new shares without par value for an aggregate subscription price of Euro 5,874.53 (to be entirely contributed to the share capital account), in order to bring the share capital of the Company from an amount of Euro 939,926.61 up to a new amount of Euro 945,801.14 represented by 12,610,681 shares without par value (the DS Authorised Capital).

On 23 February 2017, CORESTATE Capital Holding S.A. has completed its capital increase from authorized capital against cash contributions announced from Euro 945,801.14 by a nominal amount of Euro 74,723.86 (approximately 7.9% of the current share capital) to Euro 1,020,525.00. The newly issued 996,318 ordinary shares (the "New Shares") were placed with domestic and international institutional investors outside the United States at a price of Euro 22.80 per share, resulting in gross proceeds of Euro 22,716,050.00. The New Shares are entitled to dividends as of 1 January 2016 and rank pari passu with the existing shares of the Company. The New Shares were included to trading in the Entry Standard segment of the Frankfurt Stock Exchange on 27 February 2017. Starting 1 March 2017, the shares were traded in the newly created market segment "Scale" of the Frankfurt Stock Exchange, which was replaced the Entry Standard segment as of 1 March 2017. The delivery of the New Shares and settlement of the transaction occurred on 28 February 2017.

On 4 July 2017, the Company completed a capital increase from its authorized capital against non-cash contributions from Euro 1,020,525.00 and 13,606,999 ordinary shares to Euro 1,572,919.25 and 20,972,255 ordinary shares by issuing 7,365,256 new ordinary shares to Norbert Ketterer, Christoph Meyer, Marcellino Graf zu Hoensbroech and Sandra Ketterer for an aggregate subscription price of Euro 331,436,520.00. Such capital increase was made in connection with the acquisition of HFS Helvetic Financial Services AG, Wollerau/Switzerland (hereafter "HFS").

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

As part of the ATOS Group acquisition, on 6 October 2017 the Company's share capital was increased from Euro 1,574,456.70 and 20,992,755 ordinary shares by the issuance of 242,544 new shares against contribution in kind from the Company's authorized capital. This increased the amount of the Company's outstanding shares to 21,235,299 equalling a share capital of Euro 1,592,647.50.

On 19 October 2017, the Management Board of the Company authorized the issuance of 58,824 new shares without par value to Mr Thomas Landschreiber, for an aggregate subscription price of Euro 4,412.00 (entirely contributed to the share capital account), in order to bring the share capital of the Company from an amount of Euro 1,592,647.50, up to a new amount of Euro 1,597,059.50, represented by 21,294,123 shares without par value.

On 30 April 2018, the Management Board of the Company authorized the issuance of 35,294 new shares without par value to Sascha Wilhelm, for an aggregate subscription price of Euro 2,647.50 (entirely contributed to the share capital account), in order to bring the share capital of the Company from an amount of Euro 1,597,059.50, up to a new amount of Euro 1,599,707.00, represented by 21,329,417 shares without par value.

C.6.2 Authorised capital

The authorised capital of the Company was originally set at Euro 270,525.00 represented by a maximum of 3,607,000 shares without par value. If fully exercised this authorised capital would be added to the existing issued share capital of the Company and result in an aggregate issued share capital of Euro 1,020,525.00 represented by 13,607,000 shares without par value.

On 28 April 2017, the Company's annual general meeting resolved a new authorized capital in an amount of Euro 2,000,000.00), represented by a maximum of shares of 26,666,666 without par value. If fully exercised this authorized capital would be added to the existing issued share capital of the Company and result in an aggregate issued share capital of Euro 3,020,525.00) represented by 40,273,666 shares without par value.

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

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

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

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

As per 31 December 2018, 35,294 shares representing a share capital increase of Euro 2,647.05 have been issued by the management board out of the authorized share capital and as such, an amount of Euro 1,420,817.95 represented by up to 18,944,248 shares without nominal value remains available as authorized capital.

C.6.3 Share premium and similar premiums

The private placement dated 23 February 2017 results in a cash capital increase allocated to "Share premium account" in an amount of Euro 22,641,326.14.

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

From the issuance of new shares in connection with the acquisition of HFS and the acquisition of ATOS Group result an increase of "Share premium account" in an amount of Euro 330,884,125.80 respectively Euro 11,990,164.20.

The movements for the previous year on the "Share premium account" item corresponded to the capital increase dated 28 September 2016 (contribution in cash dedicated to the Company’s capital share premium account amounting to Euro 42,860,091.39) as well as from the two distributions out of the freely available reserves of the Company in an amount of Euro 6,000,000.00 (approved by the General Meeting of the shareholders of CORESTATE Capital Holding S.A. held on 5 August 2016) and Euro 550,000.00 (approved by the General Meeting of the shareholders of CORESTATE Capital Holding S.A. held on 31 August 2016).

At the Company’s annual general meeting held on 27 April 2018, the shareholders of CORESTATE Capital Holding S.A. resolved a distribution out of the existing capital reserves in an aggregate amount of Euro 42,588,246.00 (corresponding to Euro 2.00 per issued share) to the shareholders.

C.7 *RESERVES*

C.7.1 Legal reserve

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

To comply with the legal standards in Luxembourg, the Management Board proposed to the Company's annual shareholders’ meeting in 2018 to allocate an amount of Euro 94,580.11 (10% of the subscribed share capital) from the financial year 2016 into the legal reserve.

C.7.2 Reserve for own shares

According to article 6.3 of the Articles of Association, the Company may, to the extent and under the terms permitted by law, repurchase its own shares. The Company does not currently hold any of its own shares, nor does a third party on behalf or for account of the Company.

C.8 *PROVISIONS*

Provisions are made up as follows:

Provisions		
(kEuro)	**31 Dec 2018**	**31 Dec 2017**
Provisions for taxation	-	-
Other provisions	3,173	2,966
Total	**3,173**	**2,966**

C.8.1 Other provisions

Other provisions are composed of:

Other provisions					
(kEuro)	**01.01.2018**	**Utilization**	**Reversals**	**Additions**	**31 Dec 2018**
Bonus payments to Board of Management	186	(186)	-	2,089	**2,089**
Audit and audit-related fees	840	(840)	-	225	**225**
Remuneration of the Supervisory Board	52	(52)	-	205	**205**
Annual report and annual general meeting	89	(79)	-	138	**148**
Preparation of Financial Statements	85	(85)	-	102	**102**
Preparation of tax declaration	82	(28)	-	34	**88**
Ancillary costs from share based payments	323	(264)	-	-	**59**
Invoices from Uplisting not received yet	735	(735)	-	-	**-**
Outstanding invoices	552	(402)	(150)	-	**-**
Other provisions	23	(23)	-	257	**257**
Total	**2,966**	**(2,694)**	**(150)**	**3,050**	**3,173**

The provision for bonus payments to the Board of Management also comprises the compensation payment to Dr. Michael Bütter (refer to note E.1) in an amount of kEuro 790.

C.9 *CREDITORS*

Amounts due and payable for the accounts shown under "Creditors" are as follows:

Creditors

(kEuro)	Within one year	After one year and within five years	After more than five years	**Total 31 Dec 2018**
Debenture loans (convertible loans)	62	200,000	-	**200,062**
Debenture loans (non-convertible loans)	2,416	300,000	-	**302,416**
Amounts owed to credit institutions	21	-	-	**21**
Trade creditors	4,450	-	-	**4,450**
Amounts owed to affiliated undertakings	6,457	53,247	-	**59,703**
Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	144	-	-	**144**
Other creditors	9,169	-	-	**9,169**
Total	**22,719**	**553,247**	**-**	**575,965**

(kEuro)	Within one year	After one year and within five years	After more than five years	**Total 31 Dec 2017**
Debenture loans (convertible loans)	200	200,000	-	**200,200**
Amounts owed to credit institutions	120	34,000	-	**34,120**
Trade creditors	2,212	-	-	**2,212**
Amounts owed to affiliated undertakings	43,809	48,601	-	**92,410**
Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	210	-	-	**210**
Other creditors	61,624	-	-	**61,624**
Total	**108,174**	**282,601**	**-**	**390,775**

The total interest charged on the above described debts, amounts to kEuro 12,106 for the year ended (2017: kEuro 15,141). The accrued interest payable as at 31 December 2018 amounts to kEuro 4,354 (31.12.2017: kEuro 1,926).

Except for the convertible debenture loans and the amounts owed to credit institutions, all debts are not secured by collateral on assets.

C.9.1 **Debenture loans (convertible loans)**

Debenture loans (convertible loans)

(kEuro)	**31 Dec 2018**	**31 Dec 2017**
Convertible bonds	200,000	200,000
Interests from covertible bonds	62	200
Total	**200,062**	**200,200**

The Company has issued unsubordinated and unsecured convertible bonds in the aggregate principal amount of Euro 200 million. The bonds are issued in bearer form with a principal amount of Euro 100,000.00 each, which rank pari passu among themselves. The Company used the net proceeds for the refinancing of existing debt as well as for general corporate purposes.

Key facts of the convertible bonds

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

The Bonds with a maturity of 5 years were issued at 100% and will be redeemed at 100% of their principal amount, unless previously converted or repurchased and cancelled. The Bonds were placed with a coupon of 1.375% per annum, payable semi-annually in arrear and the conversion price was set to Euro 61.9580, representing a premium of 27.5% above the reference share price at the bond issue date. The settlement of the bonds took place around 28 November 2017.

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

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

To exercise the conversion right, the bondholder must deliver at its own expense during the conversion period a duly completed and executed exercise notice which must be received by the principal conversion agent by 4:00 p.m. (Frankfurt time) on the last day of the conversion period at the latest.

The bonds bear interest on their principal amount at a rate of 1.375% p.a. as from 28 November 2017. Interest is payable semi-annually in arrears on each interest payment date. Each bond will cease to bear interest until the bondholder exercises the conversion right in respect of any bond or a bond is redeemed.

C.9.2 Debenture loans (non-convertible loans)

Debenture loans (non-convertible loans)		
(kEuro)	**31 Dec 2018**	**31 Dec 2017**
Non-convertible bonds	300,000	-
Interests from non-covertible bonds	2,416	-
Total	**302,416**	**-**

In March 2018, CCH SA issued a non-convertible bond with a volume of Euro 300 million. The non-convertible bond is placed with institutional investors. The key facts are as following:

Key facts of the convertible bonds	
ISIN	DE000A19YDA9
WKN	A19YDA
Issue volume (principal amount)(in Euro)	300.000.000,00
Issue price (in Euro)	98.857 % of the principal amount
Date of Issuance	23.03.2018
Maturity	15.04.2023
Coupon	3.5 % per annum
First Coupon Date	15.10.2018
Denomination	100.000

The proceeds of the issue are used to refinance existing loans at better rates as well as for the continuation of the growth strategy.

C.9.3 Amounts owed to credit institutions

Amounts owed to credit institutions		
(kEuro)	**31 Dec 2018**	**31 Dec 2017**
Loan from BIL-Bank	-	34,000
Interests from bank loans	21	120
Total	**21**	**34,120**

On 30 June 2017, the Company as borrower and CCAG and Corestate Capital Advisors GmbH (Germany) as original obligors entered into a revolving credit facility agreement, as amended and restated on 7 August 2017, with a syndicate of banks arranged by Banque Internationale à Luxembourg (the “Revolving Credit Facility Agreement”). The maximum available loan amount under the Revolving Credit Facility Agreement is Euro 40.0 million. The term of the Revolving Credit Facility Agreement is three years. The loan was repaid in 2018 by issue of the non-convertible bond.

C.9.4 Trade creditors

Trade creditors (kEuro 4,450; previous year kEuro 2,212) mainly consist due to external service providers.

C.9.5 Amounts owed to affiliated undertakings

Amounts owed to affiliated undertakings						
(kEuro)	Start date	Maturity (years)	interest rate	collateral	31 Dec 2018	31 Dec 2017
Long-term loans from subsidiaries					**53,247**	**48,601**
HFS	28.06.2017	5	3.750%	unsecured	32,252	15,595
RECAP FinCo II S.à r.l.	26.11.2018	5	5.500%	unsecured	9,707	-
Stadttor Düsseldorf AcquiCo S.à r.l.	14.09.2018	5	1.000%	unsecured	7,410	-
RECAP FinCo VI S.à r.l.	26.09.2017	5	0.000%	unsecured	1,844	1,844
RECAP FinCo III S.à r.l.	25.06.2018	5	1.000%	unsecured	1,307	-
Donald HoldCo S.à r.l.	27.06.2016	5	3.000%	unsecured	298	19
CRM Students Limited	01.11.2018	1	1.000%	unsecured	283	-
RECAP FinCo V S.à r.l.	05.05.2017	5	0.000%	unsecured	50	8,000
King HoldCo S.à r.l.	05.05.2017	5	0.000%	unsecured	50	5,100
RECAP FinCo IV S.à r.l.	23.12.2016	5	3.000%	unsecured	46	3,762
Short-term liabilities owed to subsidiaries					**6,457**	**43,809**
Liabilities from delivery and services relations				unsecured	6,457	11,196
Short-term loan and accrued interests from Corestate Capital Junior BondCo S.à r.l.				unsecured	-	18,918
Other short-term loans and accrued interests				unsecured	-	8,664
others				unsecured	-	5,030
Total					**59,703**	**92,410**

The Liabilities from delivery and services relations result mainly from cost recharges and the transfer pricing agreements.

C.9.6 Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests

Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests		
(kEuro)	31 Dec 2018	31 Dec 2017
Liabilities owed to Project HIGHSTREET VI	144	210
Total	**144**	**210**

C.9.7 Other creditors

Other creditors		
(kEuro)	31 Dec 2018	31 Dec 2017
Tax authorities	**8,935**	**6,780**
VAT liabilities	8,935	6,005
Liabilities from wage and church taxes	-	776
Other creditors	**234**	**54,843**
Purchase price oligations to Norbert Ketterer	-	54,785
Liabilities due to employees	34	59
others	200	-
Total	**9,169**	**61,624**

VAT liabilities mainly result from transactions with third parties located in the EU zone. Such transactions are subject to the reverse charge method, where CCH SA has to pay these value added taxes (“VAT”) to the Luxembourgish tax authorities.

In previous year, amounts owed to Norbert Ketterer resulted from the purchase of shares in the new acquired subsidiary HFS. The remaining purchase price payment in the amount of kEuro 39,000 was due for payment in July 2018. The remaining amount of due to Norbert Ketterer (kEuro 15,785) related to HFS shareholding in ACRON AG. Subsequent to 31 December 2017, this amount was settled by transferring the shares back to Norbert Ketterer.

C.10 *DEFERRED INCOME*

Deferred income comprises the accrued development fee of the following Projects:

Deferred income		
(kEuro)	**31 Dec 2018**	**31 Dec 2017**
Project Venloer4711	-	417
Project CONDOR	-	362
Project ISABELA	-	284
Project HARBOUR	-	265
Project ANNAPURNA	-	243
Project KING	-	36
others	72	-
Total	**72**	**1,608**

The remaining development fees will be realised over the construction phase to its completion. The remaining development as per 31 December 2017 fees were completely realised during the financial year 2018.

D. NOTES TO THE PROFIT AND LOSS ACCOUNT

D.1 *NET-TURNOVER*

Net turnover is broken down by category of activity and geographical markets as follows:

Net turnover		
(kEuro)	**2018**	**2017**
Categories of activity		
Revenue from delivery of services intra-group	9,710	8,642
Revenue from other Acquisition Related Fees	3,904	9,736
Revenue from Asset Management Fees	3,438	2,681
Revenue from Development Fee	3,131	1,214
Revenue from Onboarding Fee	500	-
Other revenues	279	1,209
Rebates/discounts	-	(209)
Total	**20,961**	**23,273**
Geographical markets		
Germany	18,094	16,605
Switzerland	1,010	2,605
Austria	961	2,324
United Kingdom	433	1,277
Spain	462	436
Luxembourg	-	25
Total	**20,961**	**23,273**

The Company typically invests between 5% and 10% in its investment products structured for its semi-institutional and private clients as alignment capital investment. Since CCH SA provides comprehensive real estate investment management services to, and is acting as asset manager for such investments structures (also referred to as "Projects"), these investment structures qualify as a participating interests under Lux GAAP. The revenues generated with such Associates are based on market-standard Joint-Venture and Co-Investments Agreements (JVCIA) as well as Asset Management Agreements (AMA), and are entered into with and approved by its clients.

D.2 *OTHER OPERATING INCOME*

Other operating income		
(kEuro)	**2018**	**2017**
Reversal of provisions	150	484
Currency translation adjustments	5	60
Thalos Agio	-	1,500
Other / miscellaneous / sundry income	1	80
Total	**156**	**2,125**

In previous year, the income from Thalos Agio related to a loan facility of Euro 150 million granted by Compartment Thalos IX from Thalos Investment Platform S.A. (hereafter "Thalos") used to finance part of the purchase price of HFS (refer to note D.8). In this context, CCH SA received an agio from Thalos which should cover its costs from the implementation of the loan facility.

D.3 *OTHER EXTERNAL EXPENSES*

Other external expenses		
(kEuro)	**2018**	**2017**
Recharges intra-group costs	(9,205)	(12,019)
Legal and consultancy fees	(6,868)	(4,853)
Financing fees	(3,660)	(1,751)
Public relation and stock exchange	(1,374)	(988)
Audit and accounting related advisory fee	(873)	(336)
Travelling expenses	(705)	(404)
Personnel recruitment	(426)	(476)
Offices supplies and IT expenses	(396)	(85)
Insurance costs	(387)	(147)
Accounting and financial statement preparation	(255)	(406)
Capital raising and up-listing related expenses 2017	(86)	(1,529)
Tax advisory and other professional fees	(73)	(48)
Currency translation adjustments	(62)	(49)
Aborted deals	(58)	(370)
Contribution fees	(44)	(36)
Rental and leasing expenses	(16)	(45)
Consultancy fees for project developments	-	(1,130)
Agency fees	-	(339)
2016 listing related expenses	-	(257)
Acquistion related costs	-	(30)
Other miscellaneouse expenses	(1)	(0)
Total	**(24,488)**	**(25,298)**

D.4 *STAFF and STAFF COSTS*

Staff costs		
(kEuro)	**2018**	**2017**
Salaries and wages	**(2,543)**	**(2,006)**
Management Board's Bonus	(2,134)	(412)
Salaries paid to Management Board	(211)	(579)
Share-based remunerations	(199)	(1,015)
Social security on salaries and wages	**-**	**(37)**
Voluntary social security contributions	-	(37)
Total	**(2,543)**	**(2,043)**

As in prior years, the Company has no employees of its own. Therefore, the staff costs comprise only the remunerations of the members of the Management Board.

D.5 *OTHER OPERATING EXPENSES*

Other operating expenses		
(kEuro)	**2018**	**2017**
Remuneration of the Supervisory Board	(210)	(181)
Licence fees	-	(0)
Other miscellaneouse expenses	(87)	(1)
Total	**(297)**	**(182)**

D.6 *INCOME FROM PARTICIPATING INTERESTS*

Income from participating interests		
(kEuro)	**2018**	**2017**
Proceeds from the sale of affiliated undertakings	**31,181**	**6,710**
Dividend payments received	**53,381**	**-**
Dividend payment received from HFS	50,000	-
Dividend payment received from CAST DEUTSCHLAND BETEILIGUNG GMBH	1,976	-
Dividend payment received from RECAP FinCo IV S.à r.l.	1,406	-
Total	**84,562**	**6,710**

In August 2018, the Company received a dividend payment in the amount of kEuro 50,000 from HFS.

D.7 *OTHER INTERESTS RECEIVABLE AND SIMILAR INCOME*

Other interest receivable and similar income		
(kEuro)	**2018**	**2017**
derived from affiliated undertakings	**1,299**	**250**
CORESTATE Capital Group GmbH (interests)	452	3
Highstreet Premium II PropCo III S.à r.l. (interests)	242	-
CORESTATE Capital AG (interests)	171	217
Highstreet Gießen PropCo S.à r.l. (interests)	85	-
Stadttor Düsseldorf AcquiCo S.à r.l. (interests)	70	-
RECAP FinCo II S.à r.l. (interests)	41	-
CORESTATE Capital Sales Holding S.à r.l. (interests)	37	11
CORESTATE Capital Partners UK Ltd. (interests)	6	-
Highstreet VIII PropCo I S.à r.l. (interests)	3	-
Corestate Condor TopCo GmbH (interests)	-	17
others	191	3
other interest and similar financial income	**729**	**95**
WGS Private Equity Beteiligungs GmbH	324	-
Lux Fund Management Services S.à r.l.	260	-
Interests from Project HIGHSTREET PREMIUM I	91	92
LUX Structure Services S.à r.l.	47	-
Iberian PropCo I S.L.	7	-
Total	**2,028**	**345**

D.8 *INTERESTS PAYABLE AND SIMILAR EXPENSES*

Interest payable and similar expenses		
(kEuro)	**2018**	**2017**
concerning affiliated undertakings	**(27,939)**	**(16,153)**
Book value of affiliated undertakings sold	(25,933)	(2,545)
Interest from loan of HFS Helvetic Financial Services AG	(1,057)	(298)
Interest from loan of Corestate Capital Junior BondCo S.à r.l.	(492)	(765)
Interest from loan of RECAP FinCo S.à r.l.	(212)	(213)
Interest from loan of RECAP FinCo IV S.à r.l.	(110)	(110)
Interest from loan of RECAP FinCo II S.à r.l.	(51)	-
Interest from loan of CORESTATE CAPITAL Fund Management S.à r.l.	(29)	(33)
Interest from loan of Stadttor Düsseldorf AcquiCo S.à r.l.	(19)	-
Interest from loan of CORESTATE CAPITAL AG	(19)	(45)
Interest from loan of DONALD HoldCo S.à r.l.	(8)	(11)
Interest from loan of RECAP FinCo III S.à r.l.	(7)	-
Interest from loan of ACROSS HoldCo S.à r.l.	(3)	(8)
Interest from loan of Corestate Capital Senior BondCo S.à r.l.	-	(12,126)
other interest and similar expenses	**(10,312)**	**(1,532)**
Interests from convertible bond	(9,233)	(271)
Interests from bank loans	(1,036)	(746)
Interests from third party loans	(44)	(515)
Total	**(38,252)**	**(17,686)**

Expenses from book value of affiliated undertakings sold mainly results from the sale of shares in CORESTATE Hamburg GmbH (refer to note C.4.2).

The interest expenses also include compensations from the premature repayment of the loan.

In previous year, interest from loan of Corestate Capital Senior BondCo S.à r.l. related to a loan facility of Euro 150 million granted by Thalos used to finance part of the purchase price of HFS. Subsequently, the funds borrowed were passed to the Company in the form of a separate loan agreement. The loan beared an interest rate of 11 % per annum and was redeemed on 29 December 2017.

D.9 *TAXES ON PROFIT AND LOSS*

Tax on profit or loss		
(kEuro)	**2018**	**2017**
Current income tax	**(8)**	**(3)**
Corporate income tax (Luxembourg)	(8)	(3)
Total	**(8)**	**(3)**

E. OTHER INFORMATION

E.1 *MANAGEMENT BOARD*

- Thomas Landschreiber (Chief Investment Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 21 August 2015
- Lars Schnidrig (Chief Financial Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 01 July 2017
- Dr. Michael Bütter (Chief Executive Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 1 May 2018 until 31 December 2018
- Sascha Wilhelm (Chief Executive Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – since 21 August 2015 until 30 April 2018
- Daniel Schoch (Chief Financial Officer of CORESTATE Capital Holding S.A. and a member of the Group's Investment Committee) – from 21 August 2015 until 14 July 2017

The members of the Management Board were appointed by the Supervisory Board for the following terms:

- Thomas Landschreiber has been appointed as Chief Investment Officer of CORESTATE Capital Holding S.A. until 30 June 2019.
- Lars Schnidrig had been appointed as Chief Financial Officer of CORESTATE Capital Holding S.A. until 30 June 2020.

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

Some Senior Management members as well as certain other employees have a minority interest (Limited Partner) in Corestate MCIF GmbH & Co. KG (MCIF). All profits of MCIF are distributable to these Limited Partners (disproportionate profit distribution). Under the MCIF scheme, the participants are required to contribute up to one third of their annual bonus.

An LTI-Share Program for Senior Management and Key People of the CC Group is implemented effectively 1st January 2019. The five-year program is based on certain KPI's with respect to the development of the Share price of CCH SA. The program details are described in legal plan conditions and not limited to current employees but also open for new hires.

<u>Equity-settled transactions</u>

Members of the Management Board receive remuneration in the form of share-based payments. Some members of Management Board are granted so called phantom stocks other are entitled to receive Stock Options based on the achievement of certain company targets.

Upon occurrence of the entry of the Chief Executive Officer ("CEO" in 2018, the new hire was granted a special payment on the basis of the individual service agreement in form of shares in the company (so-called "share-based payment") in an aggregate amount of kEuro 5,000. Such share-based payments are part of the Management Board's remuneration. The related wage tax and fringe benefits such as social security contributions are to be borne by the CEO.

The share-based compensation granted would have been transferred in four parts after 12, 24, 36 and 48 months after inception of the service agreement of the new hire and will only be forfeited under certain circumstances (i.e. when the Company terminates the service agreement for cause or the service agreement is terminated upon request of the CEO during the relevant current term).

The fair value of such share grants is calculated as Euro 50.00 per share and is amortized (i.e. recognised through profit and loss) based on the vesting periods individually agreed for the Board member. The total expense recognized through profit and loss in relation to such share grants to the Group's Executive Management Committee ("EMC") in the financial year 2018 was kEuro 286.5.

Movements during the year

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

	Tranche 4	Tranche 4
Grant Date	4 October 2016	4 October 2016
Granted Stock Options	19.608	19.608
Remaining term of the option	0 years	0 years
Outstanding as as 1 January 2018	19.608	19.608
Granted during the year	0	0
Forfeited during the year	1.961	1.961
Exercised during the year	0	0
Expired during the year	0	0
Cancelled during the year	0	0
Outstanding as as 31 December 2018	0	0
Execisable as at 31 December 2018	17.647	17.647

Equity-settled transactions 2018

In 2018 certain members of the EMC were granted a special payment on the basis of the individual service agreements in form of shares in the company (so-called “share-based payment”) in an aggregate amount of kEuro 1,199.

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

The fair value of such share grants was calculated as Euro 49.08 per share less projected dividend payments per share during the relevant vesting period, and is amortized (i.e. recognised through profit and loss) based on the vesting periods individually agreed for each member of the ECM. The total expense recognized through profit and loss in relation to such share grants to the EMC in the financial year 2018 was kEuro 1,177.

Movements during the year

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

	Tranche 1
Grant Date	May 2018
Granted Stock Options	25.468
Remaining term of the option	0 years
Outstanding as as 1 January 2018	0
Granted during the year	25.468
Forfeited during the year	468
Exercised during the year	0
Expired during the year	0
Cancelled during the year	0
Outstanding as as 31 December 2018	0
Exercisable as at 31 December 2018	25.000

Cash-settled transactions

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

<u>Valuation model and input parameters</u>

The fair value of the synthetic stock options is measured using a monte carlo option pricing model taking into account the terms and conditions upon which the options were granted.

The beneficiary may exercise the options between the end of the waiting period and the end of the term of the option on the condition that the employment contract has not been terminated and neither the beneficiary nor the company has notified in writing the termination of the employment contract by that date.

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

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

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

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

The expense recognized during 2018 and 2017 is shown in the following table:

Euro	*2018*	*2017*
Expense arising from cash-settled share-based payment transactions	*59,1*	*27.5*
Total expense arising from share-based payment transactions	*59,1*	*27.5*

The expense recognized during 2017 from such cash-settled share-based payment amounts to kEuro 27 (2016: kEuro 0).

E.2 *SUPERVISORY BOARD*

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

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

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

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

The chairman of the Supervisory Board shall be entitled to an annual fee in a gross amount of sixty thousand Euro (kEuro 60) and the deputy chairman of the Supervisory Board shall be entitled to an annual fee in a gross amount of kEuro 50.

Each other member of the Supervisory Board shall be entitled to an annual fee in a gross amount of kEuro 40.

The chairman of the audit committee of the Company and the chairman of any other committee of the Company that may exist from time to time, shall be entitled to an additional annual fee in a gross amount of kEuro 10.

Additionally all board members are receiving attendance fees, in 2018 a total of kEuro 50.

In 2018, a total fee of kEuro 210 (previous year kEuro 181) is recognised.

E.3 *RELATED PARTIES TRANSACTIONS*

Parties are generally considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Company has identified the following related parties:

Related Parties	related to/ as
W5 Group AG	Shareholder
W5 Group GmbH	Shareholder
W5 Group LLC	Shareholder
Norbert Ketterer	Shareholder
Thalos	Shareholder until 2017
Vicenda	Supervisory Board (M.Blattmann)
Azteca Holding	Supervisory Board (M.Blattmann) until 2017
Felur Swiss Treuhand AG	Supervisory Board (U.Felder)
Micha Blattmann	Supervisory Board
Urs Felder	Supervisory Board
Ulrich Plett	Supervisory Board
Lars Schnidrig	Management Board
Thomas Landschreiber	Management Board
Daniel Schoch	Management Board until 2017
Sascha Wilhelm	Management Board until 2018
Dr. Michael Bütter	Management Board until 2018

Ralph Winter is a senior advisor to CCH SA through a consultancy agreement between W5 Group AG and CCH SA. W5 Group AG, W5 Group GmbH and W5 Group LLC are both investment advisory firms wholly-owned by Ralph Winter. Norbert Ketterer is a shareholder of CCH SA. Thomas Landschreiber is a member of the Company' board of management (EMC) while Micha Blattmann and Urs Felder are members of the Company's supervisory board. Felur Swiss Treuhand AG is tax Swiss tax advisory firm wholly-owned by Urs Felder.

During the period, the following significant transactions entered into with related parties have been concluded:

Transactions:		Reference
Foundation of CCH SA and contribution in kind of the shareholders		C.6.1, A
Shares in affiliated companies and participating interests		C.3.1, C.3.3
Loans/Receivables to affiliated companies		C.3.2, C.4.2
Receivables/Fees from various Projects (participating interests)		C.4.3
Liabilities due to affiliated companies and participating interests		C.9.5, C.9.6
Intra-group recharges		D.1, D.3

Proceeds and expenses from the sale of subsidiaries		D.6, D.8
Interests related to affiliated companies and participating interests		D.7, D.8
Remuneration and share-based payments for the Management Board		D.4, C.8.1, E.1
Remuneration of the Supervisory Board		D.5, C.8.1, E.2
Transactions with Thalos		D.2, D.8

The Company invests typically between 5% and 10% in each of its Investment Structures alongside its clients as alignment capital investment. Since the Company provides comprehensive real estate investment management services to, and are acting as asset manager for such Investments Structures, these Investment Structures qualify as a participating interest. The revenues generated with such participating interest are based on market-standard Joint-Venture and Co-Investments Agreements as well as Asset Management Agreements, and are entered into with and approved by the other investors.

CCH SA entered into an Investment Advisory Agreement with W5 Group LLC, a company wholly owned by Ralph Winter, on 1 July 2016 (Investment Advisory Agreement). Under such Investment Advisory Agreement, W5 Group LLC is appointed as investment advisor to conduct research in the US investment markets (including but not limited to real estate investment projects in the US) and to identify potential investment opportunities for recommendation to the Company. W5 Group LLC receives a retainer fee on a quarterly basis in an amount of USD 25,000 and, to the extent the services provided by W5 Group LLC under the Investment Advisory Agreement result in a direct or indirect investment in the US market, a specific management and performance fee which will be agreed in the future separately between the parties to the Investment Advisory Agreement. The term of the agreement is fixed at 36 months and may be terminated upon a certain prior notice period at any time by any party. As at 31 December 2016, no concrete investment project has been initiated based on the services provided by W5 Group LLC under the Investment Advisory Agreement and it is currently unclear to which extent any opportunity might be identified at all. For diversification purposes the Company intends to make use of the good network of Mr Winter in the U.S. but is not in any way modifying its clear focus on the German and selectively other European real estate markets. In 2017, the Company paid a commission fee in the amount of kEuro 5,000 in the context of the acquisition of HFS.

E.4 *AUDITOR'S FEES*

The total fees expensed by the Company and due for the current financial period to the audit firm are presented as follows:

Auditor's fees		
(kEuro)	**2018**	**2017**
Audit fees	758	868
Audit-related fees	115	549
Other non-audit related services	-	671
Total	**873**	**2,088**

Ernst & Young S.A., 35E, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg audited the local financial statements as well as the consolidated financial statements of the Company as of and for the year ended 31 December 2017 and issued an unqualified auditors’ report.

At the Company's annual general meeting held on 27 April 2018, Ernst & Young S.A. was also appointed as auditor for the Company and the Group for the financial year 2018.

E.5 *OFF-BALANCE SHEET COMMITMENTS*

There were no financial commitments of the Company as per 31 December 2018.

The nature and the commercial objective of the operations not disclosed on the balance sheet can be described as follows:

E.5.1 **Leasing (rents not yet paid)**

As per 31 December 2018, the Company is no longer party of any lease contracts.

E.5.2 **Contingent liabilities**

There were no contingent liabilities for the provision of collateral for third-party liabilities.

There are no unresolved legal disputes outside the ordinary business activities.

E.6 *SUBSEQUENT EVENTS*

- As per January 2019, 25,000 shares representing a share capital increase of Euro 1,875 have been issued by the management board out of the authorized share capital.
- With Sale and Purchase Agreements dated 14 March 2019, the Company sold all shares in several entities without any operating activities to its subsidiary Rose HoldCo S.à r.l., Luxembourg, for a sales price of Euro 1.00 for each entity.

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 CCH SA.

Luxembourg, 18 March 2019

Lars Schnidrig	Thomas Landschreiber
Chief Financial Officer	Chief Investment Officer

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Société anonyme

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Independent auditor's report

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

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Corestate Capital Holding S.A. (the "Company"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and the notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2018 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

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

Key audit matters

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

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Valuation of shares in affiliated undertakings and participating interests

Description

As at 31 December 2018, Company's investment in shares in affiliated undertakings and participating interests held by the Company amounted to EUR 730,659 thousand in total representing over 73% of the total balance sheet. These investments are recognised and valued at acquisition price, including the expenses incidental thereto, and are subject to value adjustments in case of permanent impairment in value. In assessing whether such permanent impairment exists, management considers factors that could give rise to the impairment of its individual investments and evaluates whether the impairment is of permanent nature when an eventual impairment loss is identified. We considered the valuation of shares in affiliated undertakings and participating interests to be a key audit matter because it requires a high level of management judgement and due to the materiality of the amounts involved.

Auditor's response

We considered management's impairment assessment based on our understanding of the investments and existing market conditions. Where indicators of potential impairment were identified, we compared the carrying value of the individual investments to the net assets of the entities in which the Company holds the shares or participating interests based on their most recent available financial information. When investees hold properties and account them at cost, we assessed management's property fair value adjustments to the net assets of these entities. We assessed management's conclusions of whether any identified potential impairment losses were of permanent nature.

Other information

The Management Board is responsible for the other information. The other information comprises the information included in the annual report and the report on corporate governance but does not include the annual accounts and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and of those charged with governance for the annual accounts

The Management Board is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Management Board determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

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- Conclude on the appropriateness of Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 27 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

The Group management report, which is the responsibility of the Management Board, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The accompanying report on corporate governance is the responsibility of the Management Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We did not provide any significant permitted services in addition to the statutory audit.

Other matter

The report on corporate governance includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Pavel Nesvedov

Luxembourg, 18 March 2019

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