Corestate Capital Holding S.A.

(incorporated in the Grand Duchy of Luxembourg as a public limited liability company (*société anonyme*))

EUR 300,000,000 3.50% Notes due 2023

Corestate Capital Holding S.A., Luxembourg, Grand Duchy of Luxembourg ("**Luxembourg**") (the "**Issuer**" and, together with its consolidated subsidiaries, the "**Group**", the "**Corestate Group**", "**Corestate**" or "**we**", "**us**" or "**our**") will issue on or about 29 March 2018 (the "**Issue Date**") EUR 300,000,000 3.50% Notes due 2023 (the "**Notes**") at an issue price of 98.857% of their principal amount (the "**Issue Price**").

Unless previously redeemed, in whole or in part, or purchased and cancelled in accordance with the terms and conditions of the Notes (the "**Terms and Conditions**"), the Notes will be redeemed at their principal amount on 15 April 2023 (the "**Maturity Date**"). The Notes will bear interest at the rate of 3.50% *per annum* from (and including) the Issue Date to (but excluding) the Maturity Date, payable semi-annually in arrear on each 15 April and 15 October, commencing on 15 October 2018 (long first interest period). The Notes are governed by the laws of the Federal Republic of Germany ("**Germany**") and will be issued in a denomination of EUR 100,000.

The Notes constitute unsubordinated and unsecured obligations of the Issuer ranking *pari passu* among themselves and, in the event of the dissolution, liquidation or insolvency of the Issuer or any proceeding to avoid insolvency of the Issuer, *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations which may be preferred by applicable law.

Application has been made to the Luxembourg Financial Sector Supervisory Authority (*Commission de Surveillance du Secteur Financier*) (the "**CSSF**") in its capacity as competent authority under the Luxembourg law of 10 July 2005 relating to prospectuses for securities as amended (the "**Luxembourg Prospectus Law**"), for the approval of this Prospectus (the "**Prospectus**") as a Prospectus in connection with the admission to trading of the Notes on the Regulated Market of the Luxembourg Stock Exchange. This approval cannot be considered as a judgment on, or as any comment on, the merits of the transaction, nor on the situation of the Issuer and by approving this Prospectus the CSSF gives no undertaking as to the economical and financial soundness of the transaction or the quality or solvency of the Issuer, in line with Article 7(7) of the Luxembourg Prospectus Law. No public offering of Notes is being made in connection with this Prospectus.

Application has also been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market which is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("**MiFID II**").

This Prospectus is available on the Luxembourg Stock Exchange's website (www.bourse.lu) and on the website of the Issuer (www.corestate-capital.com), together with the information incorporated by reference herein. See "*Information Incorporated by Reference*".

An investment in the Notes involves certain risks. For a discussion of these risks, see "*Risk Factors*".

The Notes will be represented by a permanent global note (the "**Global Note**"), which will be deposited with Clearstream Banking AG, Frankfurt am Main ("**Clearstream Frankfurt**").

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act.

Joint Global Coordinators

Credit Suisse Morgan Stanley

Co-Lead Managers

Société Générale UniCredit Bank ODDO

26 March 2018

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NOTICE TO INVESTORS

This Prospectus should be read and understood in conjunction with any supplement(s) hereto and each of the documents incorporated herein by reference (see "*Information Incorporated by Reference*"). Any website referred to in this Prospectus is referred to for information purposes only and does not form part of this Prospectus.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that the information contained in this Prospectus is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same, or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise), results of operation, business and prospects of the Issuer since the date of this Prospectus. Save as required by applicable laws or regulations or the rules of any relevant stock exchange, or under the Terms and Conditions, the Issuer will not provide any post-issuance information to investors.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer or Credit Suisse Securities (Europe) Limited ("**Credit Suisse**") or Morgan Stanley & Co. International plc ("**Morgan Stanley**", and, together with Credit Suisse, the "**Joint Global Coordinators**") or Société Générale ("**Société Générale**"") or UniCredit Bank AG ("**UniCredit Bank**"´) or Oddo BHF SCA ("**ODDO**" together with Société Générale and UniCredit Bank, the "**Co-Lead Managers**" and, the Co-Lead Managers together with the Joint Global Coordinators, the "**Managers**") that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs of the Issuer, and its own appraisal of the Issuer's creditworthiness. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer or the Managers to purchase any Notes.

None of the Issuer or the Managers, or any of their respective representatives, is making any representation to any investor of the Notes regarding the legality of an investment in the Notes by such investor under the laws applicable to such investor. Prospective investors should not construe anything in this Prospectus as legal, tax, business or financial advice. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

No person is or has been authorised by the Issuer to give any information or to make any representations other than those contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Managers. In making an investment decision, investors must rely on their own examination of the Issuer, and the terms of the offering of Notes, including the merits and risks involved.

The Managers have not independently verified this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy and completeness of the information contained or incorporated by reference into this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Managers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular no action has been taken by the Issuer or the Managers which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes.

The language of this Prospectus is English.

NOTICE TO CERTAIN EUROPEAN INVESTORS

Notice to Prospective Investors in the European Economic Area

This Prospectus has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes and is thus, for the purposes of the offering of the Notes, not a prospectus within the meaning of the Prospectus Directive. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are the subject of the offering contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Issuer or the Managers to produce a prospectus for such offers. None of the Issuer or the Managers has authorized, nor does it or do they authorize, the making of any offer of the Notes through any financial intermediary other than offers made by the Managers which constitute the final placement of the Notes contemplated in this Prospectus.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**") or where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

United Kingdom

Members of the public are not eligible to take part in this offering. This Prospectus is for distribution only to persons who (a) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (b) are persons falling within Article 49(2)(a) to (d) ("high net worth companies", "unincorporated associations", etc.) of the Financial Promotion Order, (c) are outside the United Kingdom, or (d) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") in connection with the issue or sale of the Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this Prospectus are not permitted to transmit it to any other person. Persons distributing this Prospectus must satisfy themselves that it is lawful to do so. The Notes are not being offered to the public in the United Kingdom.

France

This Prospectus has not been prepared in the context of a public offering in France within the meaning of Article L.41 1-1 of the *Code Monetaire et Financier* and therefore has not been approved by, registered or filed with the (French Financial Market Authority (*Autorité des Marchés Financiers*). Consequently, the Notes are not being offered, directly or indirectly, to the public in France and this Prospectus has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sale of the Notes to the public in France.

The Notes may only be offered or sold in the Republic of France to qualified investors (*investisseurs qualifies*) or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), to the exclusion of any individuals (*cercle restraint d'investisseurs*) all as defined in and in accordance with articles L.41 1-2 and D. 411-1 to D. 411-4 of the French *Code Monétaire et Financier.*

FORWARD-LOOKING STATEMENTS

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

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

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

Moreover, it should be noted that we do not assume any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments. In addition, the Issuer does not assume any obligation and does not intend, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

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

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial information of the Group as of and for the financial years ended 31 December 2015, 2016 and 2017 presented in the text and in tables in this Prospectus has been taken or derived from the Issuer's audited consolidated financial statements as of and for the financial years ended 31 December 2015, 31 December 2016 (including comparative figures as of and for the financial year ended 31 December 2015, to the extent such comparative figures have been adjusted in the Issuer's audited consolidated financial statements as of and for the financial years ended 31 December 2016) and 31 December 2017 (including comparative figures as of and for the financial year ended 31 December 2016, to the extent such comparative figures have been adjusted in the Issuer's audited consolidated financial statements as of and for the financial year ended 31 December 2017) (together, the "**Audited Consolidated Financial Statements**") as well as the Issuer's accounting records or its management reporting, except as otherwise noted. The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").

Where financial information in tables in this Prospectus is labelled "audited," this means that it has been taken from the audited consolidated financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the Audited Consolidated Financial Statements but rather was derived from the Audited Consolidated Financial Statements, or taken or derived from the Issuer's accounting records or its management reporting, or has been calculated based on figures from the sources mentioned before. Financial information presented in the text and the tables in this Prospectus are shown in thousands of EUR (in EUR '000) except as otherwise stated. Certain financial information (including percentages) in this Prospectus have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts may not correspond in all cases to the corresponding aggregated amounts of the underlying (rounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available, but has been rounded to or equals zero.

PRESENTATION OF NON-IFRS FINANCIAL MEASURES

This Prospectus contains certain non-IFRS measures and ratios, including aggregate revenues and gains, adjusted earnings before interest, taxes, depreciation and amortisation ("**Adjusted EBITDA**"), adjusted net profit ("**ANP**"), ANP margin, assets under management ("**AuM**"), total transaction volume, gross financial debt, net financial debt and adjusted net financial debt (together, the "**Non-IFRS Measures**") that are not required by, or presented in accordance with, IFRS or the accounting standards of any other jurisdiction. Our Non-IFRS Measures are defined by us as follows:

- Aggregate revenues and gains represent the sum of total revenue from real estate investment management, dividends from other alignment capital, total income from Real Estate Operations/Warehousing and share of profit or loss from associates and joint ventures.
- Adjusted EBITDA is defined as EBITDA, adjusted for certain one-off items (*e.g*. costs for capital measures, corporate M&A related cost, management stock options).
- ANP is calculated based on the net profit/(loss) for the period attributable to shareholders of the parent company adjusted for certain exceptional items.
- ANP margin represents ANP as a percentage of aggregate revenues and gains.
- AuM are determined based on the projected development costs for project developments for which the building phase has not yet been launched, the construction costs for project developments for which the building phase has been launched but has not yet been completed, the real estate valuations for project developments for which the building phase has been completed, and the real estate valuation for standing assets. AuM only take into account those transactions which are secured by binding contracts.
- Total transaction volume reflects the total volume of acquisitions and disposals.
- Gross financial debt represents long-term financial liabilities to banks, other long-term financial liabilities, short-term financial liabilities to banks and other short-term financial liabilities (each as shown in the Audited Consolidated Financial Statements).
- Net financial debt is defined as gross financial debt less cash at end of period (including cash and cash equivalents and restricted cash).
- Adjusted net financial debt represents net financial debt adjusted to give illustrative effect to the issuance of Notes in an aggregate principal amount of EUR 300,000,000 and the application of the gross proceeds therefrom (for the repayment of loans in an aggregate outstanding amount of EUR 198,500 thousand, transaction costs, fees and expenses related to the issuance of Notes of EUR 5,900 thousand and cash in an amount of EUR 95,600 thousand (see "*Use of Proceeds*"), as if such issuance had occurred as of 31 December 2017.

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

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

CURRENCY INFORMATION

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

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

STABILISATION

In connection with the issue of the Notes, Morgan Stanley (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

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OVERVIEW

This overview highlights information contained elsewhere in this Prospectus but does not contain all of the information that investors should consider before investing in the Notes. The following overview is qualified in its entirety by, and should be read in conjunction with, the more detailed information and the consolidated financial statements appearing elsewhere in this Prospectus. Investors should read carefully the entire Prospectus to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to any decision to invest in the Notes, including the sections "Selected Consolidated Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Terms and Conditions of the Notes" and the risks discussed under "Risk Factors".

Legal name of the Issuer

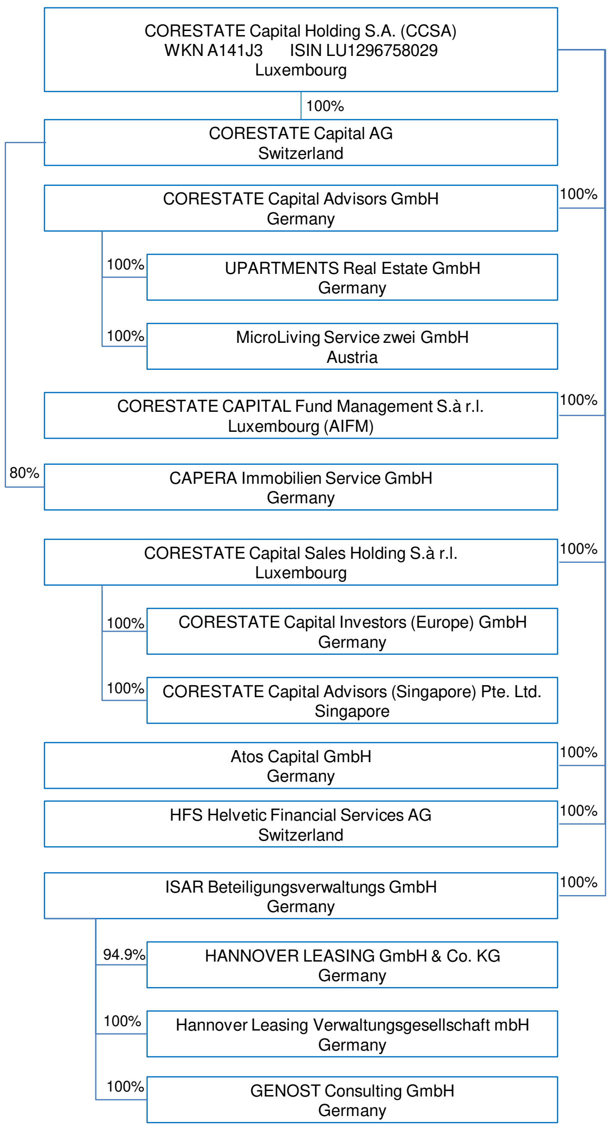
The Issuer's legal name is Corestate Capital Holding S.A.

Legal form, registered office, registration governing law and country of incorporation

The Issuer is a public limited liability company (*société anonyme*) incorporated in the Grand Duchy of Luxembourg ("**Luxembourg**") and governed by Luxembourg law. The Issuer has its registered office at 4, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 199780.

Description of the Group

The Issuer is the holding company of the Group. The Issuer's business is primarily conducted by its relevant operating subsidiaries. The following diagram sets forth an (simplified) overview of the material operating subsidiaries of the Issuer as of the date of this Prospectus.



Business

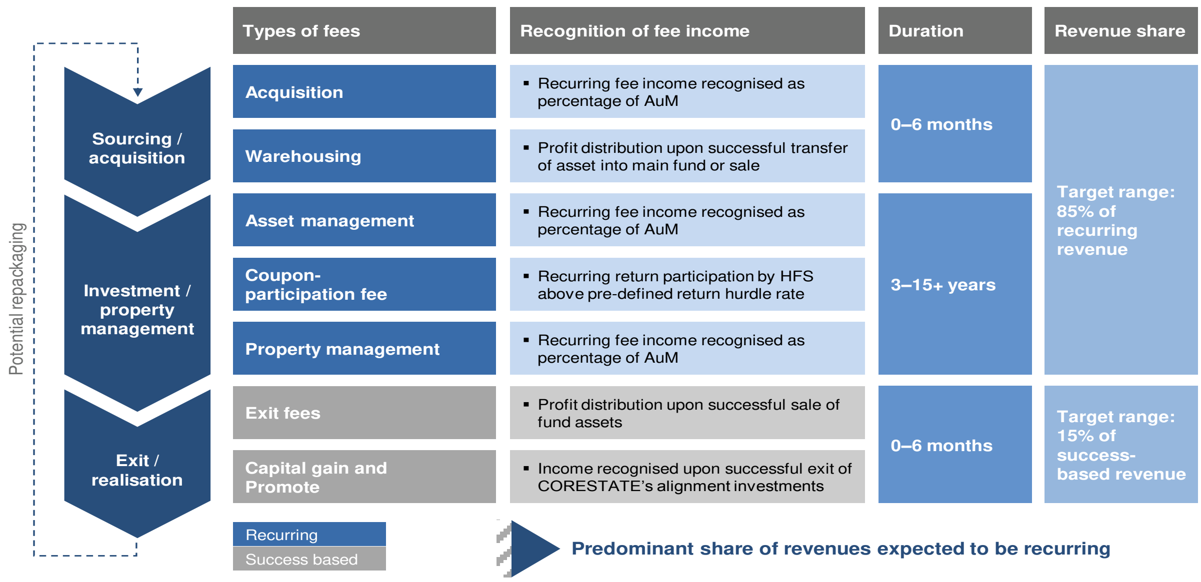
Overview

We believe that we are one of the leading listed investment managers for real estate equity and debt in the German, Austrian and Swiss region of Europe. We are headquartered in Luxembourg with market focus predominantly on Germany covering the entire lifecycle of investments in real estate. In our fully integrated business model we are active as co-investor and manager for our clients applying our experience and expertise to a wide range of real estate investment product offerings. Our business generates revenues from three segments, namely (i) "**Real Estate Investment Management**," (ii) "**Alignment Capital Management**" and (iii) "**Real Estate Operations and Warehousing**." In the Real Estate Investment Management segment our activities encompass the sourcing and acquisition of relevant real estate opportunities and investments, structuring and implementing investment products, performing management services for real estate investments held in separate vehicles established by respective clients together with Corestate and related to our Real Estate Investment Management business (together "**Investment Structures**" and individually "**Investment Structure**"), as well as for assets held for Warehousing purposes (*i.e.* assets which we acquire on our own balance sheet and hold only for a short term (typically 3 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 optimising 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.

To expand and diversify our product range and to improve our access to new sources of capital, on 15 December 2016, we purchased a 94.9% stake (including the subsequent related purchase of a minority shareholding, which was acquired by means of the exercise of a call-option on 21 December 2016) in Hannover Leasing GmbH & Co. KG, Pullach/Germany (together with its subsidiaries, "**HL Group**") (the "**HL Group Acquisition**"). The majority HL Group Acquisition was completed on 7 July 2017 and the minority shareholding acquisition completed on 12 July 2017. We believe HL Group is one of the leading asset managers and providers of asset-based investments in Germany, and offers closed public AIFs (*alternative investment funds*) as well as open-ended and closed-ended special AIFs as a licensed capital management company. Furthermore, with the purchase of Helvetic Financial Services AG, Wollerau/Switzerland ("**HFS**") (the "**HFS Acquisition**") on 1 July 2017, we expanded our product offering to include mezzanine real estate financing solutions and, simultaneously, complemented our fund business by adding access to mezzanine debt funds. The HFS Acquisition was completed on 5 July 2017. We believe HFS is one of the leading providers of mezzanine financing (a hybrid of debt and equity financing which gives the lender under certain conditions the right to convert to an equity interest in the borrowing company in case of default) in the German residential and commercial real estate market and also sub-advises numerous funds. Following the Acquisitions, we provide the full range of asset, fund, and property management services and related investment products (managed accounts, closed-ended funds, so called club deals (meaning that a group of investors pools its equity to make a joint investment), real estate special-AIFM, open-ended funds) to our clients, covering all major real estate asset classes, including retail, residential, micro living, office, hotels and aviation assets and all relevant investment products, including real estate mezzanine financing.

To strengthen our expertise in the commercial real estate sector, on 6 October 2017, we acquired Atos Capital GmbH, Hamburg/Germany (together with its subsidiaries, the "**ATOS Group**") (the "**ATOS Group Acquisition**" and together with the HL Group Acquisition and the HFS Acquisition, the "**Acquisitions**"), a real estate company specializing in the investment, asset and property management of commercial properties in Germany and Austria. ATOS Group provides the full range of asset and property management services with a strong focus on office and retail assets for both institutional and private/semi-institutional clients. ATOS Group managed a portfolio of around 215 assets in more than 150 cities valued at approximately EUR 1.6 billion as of 31 December 2017.

The services rendered to our clients as well as revenues generated throughout the entire investment lifecycle are set out in the following chart.



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

Generally, we derive our investment product offering from our clients' risk/return profile and market dynamics. As a result our current investment focus is on high street retail investments and micro living, *i.e.* student homes and serviced living in Germany and Spain ("**Micro Living**") as well as selected German residential opportunities. This investment and asset selection focus may change depending upon our clients' demand as well as the real estate markets' dynamics.

Our management team and our investment professionals have built a strong and reliable network including a group of approximately 1,500 agents, covering all regional sub-markets, as well as banks, servicers, insolvency receivers and advisors, allowing us strong deal access across all asset classes.

Since inception and without taking the Acquisitions into account, we raised more than EUR 12 billion equity from a large and broad client network. As at 31 December 2017, the amount of equity committed was EUR 795 million. Our real estate investment management business targets institutional and semi-institutional clients as well as private clients and provides real estate investment products to each group. Our private and semi-institutional clients include family offices and ultra-high net-worth individuals. National and international institutional clients, which we target *inter alia* through our new platforms HL Group and HFS, include pension funds, sovereign wealth funds and insurance companies.

Currently, most of our clients are of Western European origin, whereas a growing minority is domiciled in Asia and the rest of the world. We are increasingly seeking to attract clients for real estate investments, in addition to the circle of our current core European clientele; mainly in Southeast Asia and China (such clients to be serviced through our office in Singapore). This will enable us to access new opportunities to invest in more and larger assets and to launch more investment products. Our attractive track record and focused distribution network with scalable offerings will further improve our access to institutional clients.

Our access to clients is generated through our capital raising teams located in our offices in Zurich, London, Frankfurt/Main and Singapore, which operate under appropriate licenses. In addition, the AIFM authorisation obtained by the Corestate AIFM on 21 January 2015 and the Hannover Leasing AIFM enable us to reach out to a wider pool of clients, such as institutional clients (*e.g.* pension funds, private equity funds, sovereign wealth funds and insurance companies), which may prefer to use AIFM managed structures. We are currently in the process of setting up a further open-ended special AIF with a focus on residential property in Germany. The target volume of such fund (to be named "Corestate Residential Germany Fund II") is at least EUR 300 million. The Hannover Leasing AIFM will act as the investment management company for such fund.

Between 2013 and 2016, our assets under management increased at a compound annual growth rate of 35%. Following the Acquisitions, we increased our assets under management to EUR 21.9 billion as at 31 December 2017 (EUR 2.8 billion as of 31 December 2016).

Between 2013 and 2016, we have implemented transactions with a total transaction volume of approximately 3.6 billion. Our transaction volume for the financial year ended 31 December 2017 amounted to EUR 2.0 billion (including the transaction volume of HL Group, HFS and the ATOS Group prior to the Acquisitions), as compared to EUR 0.9 billion for the financial year ended 31 December 2016.

As of 31 December 2017, our Group employed employees representing 566 full time equivalents (FTEs) (308 full time equivalents (FTEs) as of 31 December 2016). We operated out of 41 offices in 6 countries with direct access to local real estate markets as of 31 December 2017. Our headquarter is located in Luxembourg, where Corestate Capital Fund Management S.à r.l., our Group's Alternative Investment Fund Manager ("**AIFM**"), is based. Capital raising and client relationships are performed by dedicated experts out of our four offices in Zurich, London, Frankfurt/Main and Singapore.

Strengths

We believe that the following strengths have been the primary drivers of our success to date and, coupled with our planned strategy, will continue to distinguish us from our competitors in the future:

Fully integrated real estate investment manager with approximately EUR 22 billion assets under management (as at 31 December 2017) and diversified product offering

We believe that we are one of the leading listed investment managers with a clear focus on real estate equity and debt in the German-speaking region of Europe. Our fully-integrated business model as exemplified by our three business segments Real Estate Investment Management, Alignment Capital Management and Real Estate Operations and Warehousing enables us to cover entire lifecycle of investments in real estate. We provide the full range of asset, fund, and property management services and related investment products (managed accounts, closed-ended funds (club deals), real estate special-AIFM, open-ended funds), covering all major real estate asset classes and all relevant investment vehicles comprising real estate equity and real estate mezzanine funds. Our diversified product offering covers a broad range of asset classes, including retail, residential, micro living, office, hotels and aviation assets, which enables us to target a broad range of clients, cross-sell our products and address the specific needs of different client types (institutional, semi-institutional and retail). The diversification offers additional business opportunities while mitigating business risks at the same time.

Our assets under management have increased by approximately EUR 18.5 billion through the Acquisitions and thus amounted to approximately EUR 22 billion as at 31 December 2017, comprising predominantly real estate equity products (53%) as well as real estate debt products (21%), and other assets (26%) (consisting of non-real estate assets including media, shipping, life insurance and aviation).

Through the HFS Acquisition, we expanded our product offering to include mezzanine real estate financing, which serves as the foundation for future growth in this growing market, thereby enhancing our fundraising business by offering our investors greater flexibility to allocate capital across different investment vehicles (*i.e.* equity and mezzanine/debt financing) and investment products (managed accounts, closed-ended funds (club deals), real estate special-AIFM, open-ended funds). We believe that the mezzanine fund business is highly complementary to our business and enables us to participate in value creation alongside the entire real estate investment life cycle.

Strong recurring fee income streams providing stability

We believe that our fully integrated business model leads us to be uniquely placed to reap the benefits from a diversified portfolio of recurring revenue generated by our three business segments.

Fee income in our real estate investment management business is generated along the entire life cycle of a real estate investment and includes acquisition related fees, Warehousing fees, asset and property management fees as well as coupon participation fees (*i.e.* upside sharing fees which apply after a certain threshold coupon for a particular investment product has been exceeded) generated by the acquired HFS and ATOS Group businesses. All of these fees are recurring in nature, which provide for predictability of cash flows. In addition, we generate one-time fees arising from the exit from an investment (*i.e.* promote fees and fixed exit fees) (see for further details "*Business—Income Structure*") which adds to a stable and long-term income basis. In 2017, the majority of our revenues (approximately 85%) were recurring in nature.

Unique sourcing capabilities driving organic growth of assets under management

We believe that we have superior deal sourcing capabilities through our expertise and network of contacts of our management team as well as our dedicated sourcing team.
Our management team and our investment professionals have built up a strong and reliable deal sourcing network involving all relevant major market participants, including approximately 1,500 agents, covering all regional sub-markets, as well as advisors, banks, property companies, servicers and insolvency receivers. This extensive network has been built up over the last ten years giving us strong local coverage and deal access across all asset classes. The ATOS Group Acquisition further strengthens our management team's competency through the addition of the founders of the ATOS Group. Udo Stocker has more than 20 years of experience in the property markets specialising in project development and asset management and Dr. Michael Hermes has over 14 years of experience in real estate and management. Furthermore, we benefit from a dedicated sourcing team, comprising over 10 full time equivalents working from our offices in Frankfurt am Main and Munich/Germany with both sector and regional focus which are capable of quickly assessing new investment opportunities based on their deep knowledge of, and experience in, the real estate investment market. Our unique sourcing capabilities provide us with significant competitive advantages over our competitors and enable us to further drive organic growth of our assets under management in the future. Our current pipeline to potential further deals amounts to EUR 6.0 billion (post HL Group Acquisition and HFS Acquisition as of 31 December 2017).

Diversified investor base with growing allocation to real estate providing for a sustainable fund raising base

We benefit from a significant client base comprising approximately 500 client contacts, consisting of institutional and semi-institutional (family-offices and ultra-high net worth individuals) clients. Furthermore, through the HL Group Acquisition we gained access to approximately 70,000 retail investors and through the ATOS Group Acquisition, we gained access to additional institutional investors, both of which expanded and complemented our existing client base. Our current client base predominantly consists of institutional clients in the German market and we are actively seeking to increase our institutional client base, particularly by reaching out to more international institutional clients, in particular, among others, pension funds, insurance carriers and sovereign wealth funds. In 2017, 75% of our client base consisted of institutional clients as compared to 68% and 45% in 2016 and 2015, respectively. In particular, through the Acquisitions, we expanded our investor base considerably and improved our access to financing and opportunities for new business, especially with institutional investors, such as medium-size pension funds and insurance carriers. Furthermore, we achieved positive effects from our recently established investment and asset management mandates with one of the most important German pension funds, Bayerische Versorgungskammer. In April 2017, we have successfully realised the sale of a large high street portfolio comprising 90 retail assets in Germany with a value of EUR 687 million to Universal-Investment funds that were set up for Bayerische Versorgungskammer as main investor. This transaction was listed by THOMAS DAILY (TD Top Deals July 10, 2017) as the third largest real estate transaction in the first half-year of 2017 in Germany. Moreover, in June 2017, we have acquired an exclusive mandate with a large institutional fund aiming at building up a residential real estate portfolio.

We believe that our diverse base of clients serves as a sustainable base to raise new client capital in the future as we often recognise a multiplier effect derived from our strong track record and existing stable relationships which facilitates new access to further clients. Our extensive customer base also allows us to benefit from the expected shift in asset allocation towards alternative asset classes and particularly real estate. According to PwC (PwC Report, Alternative asset management 2020) the global volume of real estate assets under management is forecast to increase by 9% between 2013 and 2020.

Capital structure provides attractive potential for refinancing

We have successfully demonstrated our ability to generate strong cash flows and to provide for a sustainable profitability. The continuous growth of revenues with a relatively high share of recurring income (approximately 85%), strong margins and our "capital light" business model, supports our ability for high cash conversion. In the financial year ended 31 December 2017, the ANP increased to 93.3 million as compared to EUR 19.4 million for the financial year ended 31 December 2016, while, in the financial year ended 31 December 2017, the operating cash flows before changes in working capital increased as well to EUR 85.1 million from EUR 12.6 million for the financial year ended 31 December 2016. For a reconciliation of ANP to net profit/(loss) for the period attributable to shareholders of the parent company, please refer to "*Selected Consolidated Financial Information-Other Financial Information*". Our net financial debt as of 31 December 2017 amounted to EUR 519.5 million and our debt had an average maturity of approximately 4 years as of 31 December 2017 (excluding debt related to Warehousing). We have the potential to extend this maturity profile through the issuance of longer-term debt and the refinancing of approximately EUR 200.0 million of our debt. In addition, we have the flexibility to reduce our net debt through disposals such as, for example, short term sales of our properties held for Warehousing purposes in Kronberg and Düsseldorf (Stadttor) which we believe would reduce our net debt by approximatey EUR 159.0 million. On 6 November 2017, S&P assigned us a "BB+" long-term corporate credit rating with stable outlook. We believe we are the only real estate investment manager in Germany that has been assigned a corporate credit rating from an international rating agency. The rating improves our access to capital market financing, in particular, to the bond market and enables us to further diversify our funding and capital structure and extend the average maturity of our debt. We are also committed to achieving an investment grade credit rating in the future.

Strategy

We aim to become the leading real estate investment manager in Europe. We intend to achieve this by adopting a predominantly organic growth strategy, with bolt-on acquisitions where appropriate to enhance our product offering or investor base or expand our geographic reach. To finance our further growth, we intend to explore both equity and debt financing opportunities subject to our strategic objectives and market circumstances. In parallel, we strongly focus on the successful completion of the integration of the Acquisitions. The key elements of our growth strategy include:

Continuously enhancing and expanding our product offering and client base

In order to continuously achieve sustainable and profitable growth, we intend to further enhance and expand our product offering and client base by pursuing organic growth opportunities.

A major milestone was achieved by the completion of the Acquisitions, which led to the significant increase of assets under management which increased by approximately EUR 18.5 billion and thus amounted to approximately EUR 22 billion as at 31 December 2017. Through these acquisitions, we broadened our product range and achieved greater diversification and thereby considerably expanded and strengthened our asset and investment management platform. We strive to create additional value by leveraging our scalable platform, which enables us to integrate additional assets at limited marginal costs, and deep market knowledge, to fuel further growth through organic growth opportunities. In particular, through the HL Group Acquisition and the HFS Acquisition our pipeline of potential deals increased from EUR 3.2 billion to EUR 6.0 billion (as of 31 December 2017).

We intend to further enhance our product offering by introducing additional mid- and long-term investment products tailored towards our expanding institutional client base, thereby further increasing our fee based revenues. We will particularly focus on investment products which we believe have the potential to be accretive and will provide us with cross-selling opportunities. Among these opportunities, we will focus on investment products that would complement our existing product offering, but will also consider growth opportunities beyond our core real estate offering if the growth prospects and profitability are attractive. In pursuing this strategy, we expect our investment volume to considerably increase in the near-term.

We seek to grow and broaden our existing base of clients and to reach out to more international institutional clients, among pension funds, insurance carriers and sovereign wealth funds, in addition to our current main client base comprising predominantly institutional investors in the German market as well as semi-institutional market participants such as family offices and ultra-high-net-worth individuals. We intend to further pursue this strategy by expanding our product offering with products such as regulated funds that are suitable for institutional clients, selectively fuelled by our Warehousing capabilities.

Furthermore, we plan to expand our Warehousing of properties in order to enable us to respond to existing demand especially of institutional clients and offer attractive investment alternatives to new institutional clients in the future.

Expand scalable business platform through continued consolidation

We strive to further drive the consolidation process within our industry, which is still fragmented, *inter alia*, due to increasing regulatory requirements. We believe that our large asset base, diversified product offering and client base position us well to further drive the consolidation process by selectively making strategic acquisitions to further expand our product offering and operations and to increase our revenues and profit. In pursuing our external growth strategy, we will particularly focus our future acquisition efforts on value enhancing and accretive businesses, which are suitable for alignment with our existing business model and objectives, but will also consider growth opportunities beyond our core business if the growth prospects and profitability are attractive.

Drive integration of the newly acquired businesses of HL Group, HFS and ATOS Group

Our main focus in 2017 was on the successful integration of the newly acquired businesses of HL Group, HFS and ATOS Group into our established platform. To achieve this, we made important additions to our management team. On the Management Board of the Issuer (the "**Management**

Board") level, Lars Schnidrig, former Head of Finance and Treasury of Vonovia SE, was appointed Chief Financial Officer of Corestate. He replaced Daniel Schoch who continues to support the business as a senior advisor. Stefan Scherrer, former Chief Operating Officer of the "Swiss and EMEA division" of Credit Suisse Asset Management, was appointed Chief Operating Officer ("**COO**") of Corestate. Thomas Landschreiber, co-founder and Chief Investment Officer of Corestate, joined the Management Board of HFS. In addition, Axel Wieandt, former Chief Executive Officer of Hypo Real Estate Holding, who joined Corestate as advisor for post-merger integration and the repositioning of participations, supports the integration of HL Group. Sebastian Hartrott, former Head of Legal for HL Group, was appointed as Managing Director of HL Group. Gregory Gould, former Goldman Sachs managing director, strengthens the Corestate team as a senior advisor for analysis and strategic development in the capital markets. Furthermore, Audrey Klein, formerly of Cromwell and former Managing Director of Park Hill Estate, a subsidiary of Blackstone Group, has expanded Corestate's capital raising and client relations team and is now in charge of expanding the European and global investor platform with a focus on international institutional investors.

Furthermore, we plan to combine the networks and real estate management services of Corestate, HL Group, HFS and the ATOS Group to create a powerful platform. We also seek to exploit synergies, *e.g.* in the areas of equity raising and asset sourcing. Moreover, we plan to exploit opportunities to convert existing assets into new investment structures, to acquire additional real estate investment products on the basis of a broader and higher quality product offering and network platform and use increasing opportunities to cross-sell real estate investment products to an enlarged client base. Additionally, we believe we will be able to achieve overhead synergies by improving productivity through greater organisational efficiency, in particular, with regard to combined support functions and shared services, in combination with a reduction of personnel. We believe that this will lead to a significant increase in our revenues and efficiency and reduce material, personnel and third party costs.

We have also been able to reap substantial benefits from the restructuring of the HL Group business and expect further benefits to be realised. Our post-acquisition restructuring plan comprises the consolidation of certain functions, in particular in the areas of billing, human resources, finance, tax structuring, communication, fund controlling/reporting, cash management and pooling, property management/facility management and IT, within our Group as well as the implementation of a social plan, involving the reduction in office space, the sale of assets, the settlement of legal claims and the elimination of administrative structures and processes, in particular with respect to a complex reporting system vis-à-vis the shareholders of the HL Group, which are no longer needed. The cost reductions achieved through the efficiency enhancement measures and the restructuring steps undertaken, in particular, with respect to the central functions such as human resources, IT and finance and measures to reduce headcount (HL Group's headcount was reduced from 131 full time equivalents ("FTEs") in 2016 to 107 FTEs as of year end 2017 as well as our anticipated increase in revenues in our investment management business through the launch of new products in the core office product category and the successful closing of club deals, including the successful divestment of a EUR 432.0 million development project in Vienna, fund exits (Colosseo) and the launch of new retail fund Denkmal Münster and the planned launch of the new retail fund Leonardo Ulm, have lead to a positive contribution to our operating results in the financial year ended 31 December 2017 of EUR 10.0 million, which represents a return to profitability for HL Group and the highest profit of the HL Group in almost a decade, with further improvements to our results of operations expected in the mid-term.

To a great extent, the integration of the newly acquired businesses of HL Group, HFS and ATOS Group into our established platform is accomplished. For example, implementation of a centralised enterprise resource planning (ERP) and data management program (SAP) was completed in all subsidiaries except ATOS Group where implementation is on going and a key account system was established that helps to bundle Group-wide joint fund equity raising across multiple brands. Beginning in Q2 2018, we aim to accelerate our growth and enable scalability through focused operational alignment, Group-wide standardized core business processes, digital strategies and plug-in capabilities for organic growth.

We estimate that the integration of the businesses of HL Group, HFS and ATOS Group offers significant synergy potential with revenue increases and cost savings. Until 2019, we expect to achieve cost savings of approximately EUR 6.0 million. Initial cost savings results were already achieved in the second half of 2017 through the launch of our first common product - Corestate Residential Fund II - and the acquisition of five development projects for an institutional investor (Project VauVau).

Selected geographical expansion to compliment growth in core markets

We plan to leverage our existing strong footprint in European core markets to increase our international presence. Spreading out from Germany as our main real estate investment market, we selectively operate in other attractive core markets in Europe, such as Austria, the United Kingdom, Switzerland and Spain, sourcing a multi-national deal and client base. Through the HL Group Acquisition, we have most recently expanded our geographical footprint into further core European markets, particularly in the Benelux countries, but also in the United States and Canada and we strive to make use of the aggregated expertise of our combined business platforms to further penetrate these markets. However, there is no focus on fast international growth; we will rather focus on diligent selective international expansion.

Such potential selective geographical expansion will preferably be implemented with reputable local partners either through joint ventures or through M&A activities (*i.e.* by acquisition of suitable industry players who are sufficiently well connected in the relevant markets).

Continue to enhance operational excellence

We constantly strive to enhance our operations across our three business segments by making significant investments into our organisation as well as into our IT platforms and employees. Following the completion of the Acquisitions, in July 2017, we began to implement a new organisation structure aimed at the centralisation of corporate functions (*e.g.* in the areas of billing, human resources, financing, shared services, IT and recruiting) to drive efficiency and consistency of our group-wide operations. We recently enhanced our operational team through the creation of general counsel, head of investor relations and head of human resources roles and hiring accordingly which will serve as a foundation for growth in our operational team. Furthermore, we are currently in the process of implementing a centralised enterprise resource planning (ERP) and data management program (SAP) to integrate finance functions across our Group, and we have introduced new software tools for the group-wide management of assets and funds and target a more homogeneous IT landscape (Project Rise). Moreover, we created a post-merger integration and operation (PMO) platform to facilitate an efficient integration process of the newly acquired businesses of HL Group, HFS and ATOS Group.

We expect to reap substantial process improvements and cost savings from these efforts over the coming years. Moreover, we believe that the implementation of a centralised enterprise resource planning (ERP) and data management program (SAP) will provide us with a competitive advantage over most of our competitors.

Recent Developments

On 21 December 2017, we announced our acquisition of an office complex in Amsterdam, the Netherlands, known as “The Cloud” on behalf of an open-end real estate fund (managed by Amund Real Estate) and the Finnish pension fund Ilmarinen. The purchase price is in the low three-digit million EUR range. The five-story building with a total floor space of close to 23,700 sqm was recently remodelled and updated to the latest standard. The property is fully let; anchor tenants include Uber and Amazon.

On 27 December 2017, Flygon Holding LLC transferred all of its shares in the Issuer to Ralph Winter and Ralph Winter now holds 28.03% of the Issuer's outstanding shares.

On 9 January 2018, we announced the completion of the HFS Acquisition. In connection with the completion of the HFS Acquisition, on 29 December 2017, we repaid the outstanding loan amounting to EUR 150.0 million under the loan agreement entered into on 1 July 2017 between Corestate Capital Senior Bondco S.à r.l. as borrower with Thalos Investment Platform S.A. Munsbach (Luxembourg) (acting on behalf of its Compartment Thalos IX) as lender and security agent for the purpose of partially financing the purchase price of the HFS Acquisition.

On 11 January 2018, we announced the acquisition of five project developments comprising a total of over 1,700 newly built micro-apartments in Germany with an expected combined asset value of EUR 670.0 million after completion. The five properties were acquired by way of a forward deal for the real estate umbrella fund set up for the Bayerische Versorgungskammer on the Luxembourg based AIF platform of Universal-Investment and are located in Dresden, Dusseldorf, Frankfurt/Offenbach, Cologne and Leipzig.

On 20 February 2018, we announced our intention to distribute a dividend per share of EUR 2.00 for the financial year ended 31 December 2017.

End of February 2018 the existing shareholders Ralph Winter and Marcellino Graf von und zu Hoensbroech have placed around 4 million shares in the market via an accelerated bookbuilding offering. The founder of Corestate Ralph Winter remains the largest shareholder with a shareholding of 17.81%.

Recently we have initiated a new Highstreet VIII transaction involving several co-investors. In addition to an alignment capital investment of approximately EUR 5.5 million, so far CCAG has assumed interest in the relevant investment structure amounting up to approximately EUR 45.9 million which is intended to be placed to additional co-investors on a short term basis.

As of 19 March 2018 CCHSA has been included into the German SDAX index.

Outlook

From time to time we consider opportunities to acquire or invest in other businesses that match our strategy, including other real estate investment managers (both real estate and alternatives), Real Estate Operations and Warehousing as well as debt financing businesses or cooperations, also aiming at increasing our capital sourcing capabilities and deal pipeline. We are currently in early stage discussions regarding the potential acquisition of an alternative investment manager with more than EUR 10.0 billion in assets under management for cash and shares. We currently cannot predict if and when any such transaction may materialise.

Furthermore, as a part of our ordinary course of business, we are currently involved in a variety of non-binding negotiations regarding the potential sale or acquisition of real estate portfolios for our micro living and Warehousing activities as well as for existing and future Investment Structures. However, it is difficult to predict to what extent these negotiations are successful and result in the conclusion of a contractual documentation for such transactions.

For 2018 we expect organic net growth of our assets under management of approximately 5%.

Besides providing investment product offerings for its existing client base, the Group intends to intensify its efforts to access institutional investors such as German insurance companies and pension schemes to further increase its business for long-term institutional fund products.

While the Company expects further strong capital inflows to the European real estate market on the back of continued "quantitative easing", as well as further capital inflows to its investment product offerings based on its successful track record of past investments and attractive in-place product offering, further compression in yields as well as an overall lack of supply of appropriate investment opportunities may impose certain restrictions for the Group's development in 2018.

It is currently planned that the Issuer as lender will shortly enter into a loan agreement granting a junior loan of up to EUR 30 million to LUX Structure Services S.à r.l. as borrower bearing interest at a rate of 10% p.a. The purpose of such loan is the financing of the acquisition of direct or indirect interests in certain media funds set up and administered by Hannover Leasing GmbH & Co. KG from retail investors ("***Retail Investors***") as sellers through the borrower's subsidiary Moviestar Zweitmarkt-Management GmbH ("***Moviestar GmbH***" and the "***Moviestar Transaction***"). Therefore, LUX Structure Services S.à r.l. will subsequently forward the junior loan amount to Moviestar GmbH's free reserves (*freie Rücklagen*). As part of the acquisition certain debt will also be assumed from the sellers. The respective media funds are (i) "Shallow Hal" Filmproduktion GmbH & Co. KG (HL 130), (ii) "First Twenty Million" Filmproduktion GmbH & Co. KG (HL 131), (iii) "Dia" Productions GmbH & Co. KG (HL 126), (iv) Kinofilmproduktion „Unfaithful" GmbH & Co. KG (HL 129), (v) Magical Productions GmbH & Co. KG (HL 142), and (vi) „Sam" Productions GmbH & Co. KG (HL 128) (each a "***Film Fund***" and together the "***Film Funds***").

Depending on the quota of sale and purchase agreements concluded between Moviestar GmbH and the Retail Investors LUX Structure Services S.à r.l. will decide to which extent it will make use of the loan provided by the Issuer. In addition Commerzbank AG granted a senior loan of up to EUR 118.4 million to Moviestar. The funds ultimately provided to Moviestar GmbH ensure that Moviestar GmbH is able to acquire certain interests in the Film Funds, assume all associated debt from the Retail Investors and compensate working capital needs as well as all Moviestar Transaction related costs and expenses.

Corestate may either continue to act as a lender under the respective loan agreement or convert its receivables under the respective loan agreement ten business days after the draw down under the junior loan into a preference share in Moviestar GmbH thus becoming a preferred shareholder in Moviestar GmbH.

In addition it is planned that Hannover Leasing GmbH & Co KG as manager and Moviestar GmbH as principal will enter into agreements according to which the manager shall provide certain transaction and management services in relation to the acquisition of the interests in the Film Funds and associated debt and the subsequent onboarding and administering of such interests in those Film Funds and associated debt.

As compensation for such services the manager shall receive (i) an administrative fee, i.e. a lump sum of EUR 300 for each Retail Investor having tendered its direct or indirect interests in a Film Fund to Moviestar GmbH, (ii) a fixed transaction fee of 2% (net of VAT, if any) of all cash consideration paid to the Retail Investors for the relevant interests in the Film Funds as well as the relevant debt assumed from the Retail Investors. Moreover, Hannover Leasing GmbH & Co KG is entitled to (iii) a management fee of 0.6% p.a. (net of VAT, if any) of the sum of debt assumed from the Retail Investors and projected distributions of the relevant Film Funds after completion of the Moviestar Transaction.

The higher the quota of sale and purchase agreements concluded between Moviestar GmbH and the Retail Investors the higher the fee volume to be generated by Hannover Leasing GmbH & Co KG which consequently could receive a significant consideration under the aforementioned agreements entered into between Hannover Leasing GmbH & Co. KG and Moviestar GmbH.

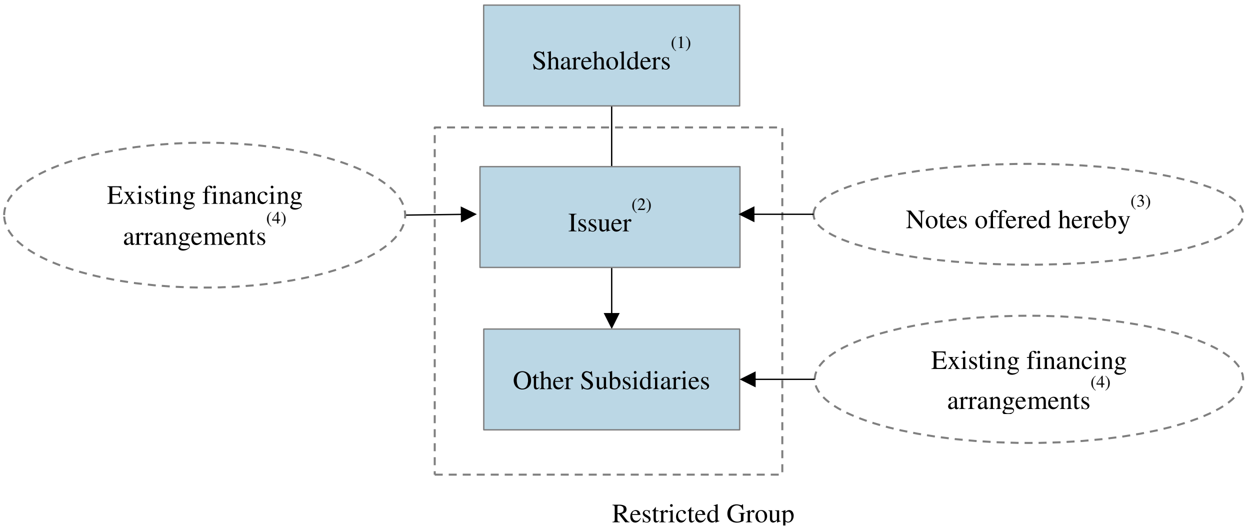
In case Moviestar GmbH accepts the Retail Investors' offer to sell and transfer their direct or indirect, respectively, interests in the Film Funds, Moviestar GmbH would assume their respective position as direct or indirect, respectively, limited partner in the respective Film Funds as well as their position as debtor. Moreover, the contracting Retail Investors declare to withdraw all existing claims vis-à-vis Hannover Leasing and its affiliates, the respective fund vehicles, financing banks and distribution companies.

The documentation provided to the Retail Investors including, *inter alia*, the acquisition offer also explained the derivation (*Herleitung*) of the offered purchase price which also discloses that there is a certain spread between the after tax profit received by the respective Retail Investor when accepting Moviestar GmbH's purchase price for the direct or indirect interest in the respective Film Fund on the one hand and the after tax profit for the direct or indirect interest upon final settlement of the respective Film Fund after expiration of the full holding period on the other hand.

Subject to fees payable to Hannover Leasing GmbH & Co. KG as well as certain transaction, administrative and financing costs Moviestar GmbH may benefit from such spread which could comprise a significant amount depending on the ultimate quota of sale and purchase agreements concluded between Moviestar GmbH and the Retail Investors as well as certain other factors. Depending on such quota and other factors Corestate as lender under the aforementioned loan agreement may therefore decide to exercise its option to acquire the aforementioned preference share in Moviestar GmbH becoming the preferred shareholder with respect to the annual profits (decreased by EUR 50,000 p.a. for the ordinary shareholder) and in case of distributions of reserves or liquidation of Moviestar GmbH (decreased by a portion of EUR 500,000 for the ordinary shareholder).

OVERVIEW OF OUR CORPORATE AND FINANCING STRUCTURE

The following diagram depicts, in simplified form, our corporate and financing structure adjusted to give effect to the offering of the Notes and the use of the proceeds therefrom as set forth under "Use of Proceeds" as if they had occurred on the Issue Date. For an overview of the Issuer's material financing arrangements, see "Description of other Indebtedness."



(1) At the date of this Prospectus, our main shareholders are Ralph Winter (17.81%), Norbert Ketterer (9.64%) and Sandra Ketterer (8.93%). The remaining shares are with other shareholders/in public free float, which refers to shareholdings of less than five percent in the Issuer and amounts to 63.62% (Shareholdings of the management in the amount of 4.69% are included in the calculation of the public free float).

(2) The Issuer is a public limited liability company (*société anonyme*) incorporated under Luxembourg law with its shares listed on the regulated market (*regulierter Markt*) (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

(3) The Issuer is offering EUR 300,000,000 3.50% Notes due 2023 pursuant to this Prospectus which are to be issued on the Issue Date. The Notes constitute unsubordinated and unsecured obligations of the Issuer ranking *pari passu* among themselves and, in the event of the dissolution, liquidation or insolvency of the Issuer or any proceeding to avoid insolvency of the Issuer, *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations which may be preferred by applicable law.

(4) This includes the revolving credit facility of the Issuer with a maximum aggregate amount of EUR 40.0 million. As of 31 December 2017, EUR 34.0 million was drawn under the revolving credit facility. Furthermore, the Issuer issued a convertible bond in an aggregate principal amount of EUR 200.0 million, which will mature on 28 November 2022. HFS issued a corporate bond in an aggregate principal amount of up to EUR 100 million (subsequently amended to up to EUR 30.5 million), which will mature on 4 October 2021. See "*Description of other Indebtedness*". As of 31 December 2017, the aggregate principal amount outstanding under such instruments was approximately EUR 200.0 million and EUR 30.5 million, respectively. See "*Risk Factors – Risks Relating to the Notes – The right of investors to receive payments under the Notes will be effectively subordinated to claims of existing and future secured creditors of the Issuer, up to the value of the collateral securing such indebtedness*." The Issuer and/or certain of its subsidiaries are borrowers under certain financing arrangements with an outstanding amount of approximately EUR 367.6 million as of 31 December 2017, including a shareholder loan with an outstanding amount of EUR 18.9 million as of 31 December 2017 (see "*Description of Other Indebtedness*"). The Issuer intends to repay with the proceeds from the issuance of the Notes a part of its debt as further described under "*Use of Proceeds*". As of 31 December 2017, after giving effect to the issuance of the Notes pursuant to the Offering and the application of the proceeds therefrom, the Issuer's subsidiaries would have had approximately EUR 531.3 million net financial debt outstanding (excluding intercompany indebtedness). See "*The Notes will be structurally subordinated to the liabilities of our subsidiaries.*"

THE OFFERING

The following is a brief overview of certain terms of the Offering. It may not contain all information that is important to investors. For additional information regarding the Notes, see "*Terms and Conditions of the Notes*" *and* "*Description of other Indebtedness.*"

Issuer..Corestate Capital Holding S.A.

Notes Offered ....EUR 300,000,000 3.50% Notes due 2023 (the "**Notes**").

Issue Date ....29 March 2018.

Issue Price ....98.857% of their principal amount.

Maturity Date ....15 April 2023.

Interest Rate..................................3.50% *per annum*.

Interest Payment Dates ....Interest on the Notes will be payable semi-annually in arrear on each 15 April and 15 October, commencing 15 October 2018 (long first interest period).

Denominations ....Each Note will be issued in a denomination of EUR 100,000. For the purposes of the secondary market trading on the Luxembourg Stock Exchange, the minimum transfer amount is one Note.

Ranking of the Notes ....The Notes will:

- be senior obligations of the Issuer and will rank equal in right of payment with all of the Issuer's existing and future unsecured obligations that are not subordinated in right of payment to the Notes;
- rank senior in right of payment to any existing and future subordinated indebtedness of the Issuer;
- be effectively subordinated to the Issuer's existing and future secured indebtedness to the extent of the value of such property and assets securing such indebtedness; and
- be structurally subordinated to all existing and future obligations of the Issuer's subsidiaries.

Use of Proceeds ....The Issuer will use the gross proceeds from the offering of the Notes (the "**Offering**") as set forth in "*Use of Proceeds*".

Make-Whole Redemption ....At any time, the Issuer may redeem the Notes in whole but not in part, at a redemption price equal to the Make-Whole Redemption Amount (as defined in Article 5(b) of the Terms and Conditions), plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

Additional Amounts; Tax Redemption .... All payments of principal and interest in respect of the Notes will be made without withholding or deduction for any taxes imposed by the Issuer's country of domicile for tax purposes unless required by law. Subject to certain exceptions and limitations, if the Issuer is required to make such withholding or deduction, the Issuer will pay such additional amounts to the Noteholder as the Noteholder would have received if no such withholding or deduction had been required. See Article 7 of the Terms and Conditions.

If a gross-up event (as defined in § 1 of the Terms and Conditions) occurs, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. See Article 5(c) of the Terms and Conditions.

Change of Control .... If an aquisition of control (as defined in the Terms and Conditions) with respect to the Issuer occurs, each Noteholder will have the right to require the Issuer to redeem all or some of its Notes at a redemption price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase. See Article 5(d) of the Terms and Conditions.

Certain Covenants .... Pursuant to the Terms and Conditions, the ability of the Issuer and its Subsidiaries to:

- incur additional indebtedness;
- pay dividends, redeem capital stock and make other distributions;
- prepay or redeem subordinated debt or equity;
- effect a merger or consolidation of the Issuer or a transfer or sale of all or substantially all of the assets of the Issuer and its Subsidiaries;
- create or permit to exist certain liens; and
- transfer or sell certain assets

will be limited.

Certain of the covenants will be suspended if and for as long as we achieve investment grade ratings. See Articles 8(d), 10(c), 11(d) and 12(d) of the Terms and Conditions. Each of the covenants in the Terms and Conditions will be subject to significant exceptions and qualifications.

Absence of a Public Market for the Notes .... The Notes will be new securities for which there is no established trading market. Although the Managers have advised us that they intend to make a market in the Notes, they are not obligated to do so and may discontinue market-making at any time without notice.

Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes.

Risk Factors	Investing in the Notes involves substantial risks. You should consider carefully all the information in this Prospectus and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Notes.
Listing and admission to trading	Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.
Governing Law	The Notes will be governed by German law.
Paying Agent	BNP Paribas Securities Services S.C.A., Zweigniederlassung Frankfurt.
Calculation Agent	Conv-Ex Advisors Limited.
Registrar	Clearstream Banking AG, Frankfurt am Main.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following selected consolidated financial information of the Group as of and for the financial years ended 31 December 2015, 2016 and 2017 has been taken or derived from the Issuer's audited consolidated financial statements as of and for the financial years ended 31 December 2015 and 31 December 2016 (including comparative figures as of and for the financial year ended 31 December 2015 and to the extent such comparative figures have been adjusted in the Issuer's audited consolidated financial statements as of and for the financial year ended 31 December 2016) and 31 December 2017 (including comparative figures as of and for the financial year ended 31 December 2016, to the extent such comparative figures have been adjusted in the Issuer's audited consolidated financial statements as of and for the financial year ended 31 December 2017) (together, the "**Audited Consolidated Financial Statements**"). The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").

Where financial information in the following tables is labelled "audited," this means that it has been taken from the audited consolidated financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the Audited Consolidated Financial Statements but rather was derived from the Audited Consolidated Financial Statements, or taken or derived from the Issuer's accounting records or its management reporting, or has been calculated based on figures from the sources mentioned before. All of the financial information presented in the text and the tables below are shown in thousands of EUR (in EUR '000) except as otherwise stated. Certain financial information (including percentages) in this Prospectus have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts may not correspond in all cases to the corresponding aggregated amounts of the underlying (rounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available, but has been rounded to or equals zero.

Selected Financial Information from the Consolidated Statement of Profit and Loss

(in EUR '000)	For the financial year ended 31 December 2015	2016 (audited)	2017
Revenue from Acquisition Related Fees	4,483	9,615	30,016
Revenue from Asset and Property Management	20,886	25,336	52,539
Revenue from Sales Fees	491	–	900
Revenue from Coupon Participation Fees	–	–	53,689
Revenue from Promote Fees Realised	12,174	5,817	14,456
Total Revenue from Real Estate Investment Management	*38,034*	*40,769*	*151,600*
Management Expenses	*(19,779)*	*(23,167)*	*(50,814)*
Total Expenses from Real Estate Investment Management	*(19,779)*	*(23,167)*	*(50,814)*
Total Earnings from Real Estate Investment Management	**18,255**	**17,601**	**100,786**
Share of Profit or Loss from Associates and Joint Ventures	*4,695*	*5,255*	*9,498*
Dividends from other Alignment Capital	–	–	*9,877*
Expenses from Management of Associates and Joint Ventures	*(667)*	*(2,637)*	*(1,088)*
Total Earnings from Alignment Capital Management	**4,028**	**2,617**	**18,286**
Net Rental Income	1,322	1,078	9,224
Revenue from Service Charges	557	364	889
Net Gain from Selling Property Holding Companies	2,506	12,244	13,916
Total Income from Real Estate Operations/Warehousing	*4,386*	*13,685*	*24,028*
Expenses from Real Estate Operations/Warehousing	*(2,077)*	*(4,044)*	*(5,029)*
Total Earnings from Real Estate Operations/Warehousing	**2,308**	**9,641**	**18,999**
General and Administrative Expenses	(13,118)	(9,963)	(35,400)
Other Income	803	147	2,010
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	**12,276**	**20,044**	**104,682**
Depreciation and Amortisation	(349)	(374)	(20,866)
Earnings before Interests and Taxes (EBIT)	**11,927**	**19,670**	**83,816**
Financial Income	173	514	8,951
Financial Expenses	(3,458)	(3,315)	(29,778)
Earnings before Taxes (EBT)	**8,642**	**16,870**	**62,989**
Income Tax (Expense)/Benefit	1,446	(1,313)	(6,634)
Net Profit/(Loss) for the Period	**10,087**	**15,556**	**56,355**
of which attributable to equity holders of parent company	*9,656*	*15,396*	*55,717*
of which attributable to non-controlling interests	*431*	*160*	*638*
Total Revenues(1)	**39,914**	**42,210**	**161,712**
Total Expenses(2)	**(35,642)**	**(39,811)**	**(92,331)**

(1) Not including Share of Profit or Loss from Associates and Net Gain from Selling Property Holding Companies.
(2) Excluding Financial Expenses and Depreciation and Amortisation.

Selected Financial Information from the Consolidated Statement of Financial Position

	As of 31 December		
	2015	2016	2017
(in EUR '000)		(audited)	
Non-Current Assets			
Property, Plant and Equipment	642	1,235	30,668
Long-term Receivables	–	–	37,827
Other Intangible Assets	96	930	141,016
Goodwill	–	–	556,861
Investment in Associates and Joint Ventures	29,247	35,747	59,929
Other Financial Instruments	31	2,217	72,183
Long-term Loans to Associates	-	2,493	6,808
Deferred Tax Assets	2,406	2,363	10,526
Total Non-Current Assets	**32,421**	**44,985**	**915,818**
Current Assets			
Advance Payments for Property Purchase Prices	1,000	1,305	–
Inventories	39,216	15,905	268,258
Receivables from Associates	11,469	8,263	18,874
Receivables from Joint Venture	5,755	1,031	–
Trade Receivables	3,984	5,271	32,141
Other short-term Receivables	1,329	1,530	1,774
Current Income Tax Assets	122	730	853
Other short-term Assets	940	3,376	63,948
Restricted Cash	2,800	700	745
Cash and Cash Equivalents	9,647	47,509	108,830
	76,263	**85,619**	**495,422**
Assets held for Sale	–	–	15,785
Total Current Assets	**76,263**	**85,619**	**511,207**
Total Assets	**108,684**	**130,605**	**1,427,025**
Equity			
Share Capital	195	946	1,597
Other Reserves	24,292	69,699	493,616
Net Profit/(Loss) for the Period	9,656	15,396	55,717
Subtotal Capital Accounts of shareholders of parent company	*34,143*	*86,040*	*550,930*
Non-controlling Interests	213	405	503
Total Equity	**34,356**	**86,446**	**551,433**
Non-Current Liabilities			
Other long-term Provisions	–	–	6,205
Long-term Financial Liabilities to Banks	25,378	14,126	238,262
Other long-term Financial Liabilities	–	–	243,030
Net Employee Defined Benefit Liabilities	443	–(1)	–
Long-term Derivatives	–	–	4,941
Deferred Tax Liabilities	–	0	18,630
Other non-current Liabilities	1,275	9,831(1)	30,534
Total Non-Current Liabilities	**27,096**	**23,957**	**541,601**
Current Liabilities			
Other short-term Provisions	–	–	42,884
Short-term Financial Liabilities to Banks	0	4,004	132,278
Other Short-term Financial Liabilities	–	–	15,509
Short-term Derivatives	–	–	3,394
Short-term Liabilities to Associates	91	948	2,209
Trade Payables	8,258	7,266	14,795
Current Income Tax Liabilities	603	1,050	31,201
Other Current Liabilities	38,279	6,934	75,937
Liabilities directly associated with Assets held for Sale	–	–	15,785
Total Current Liabilities	**47,232**	**20,202**	**333,991**
Subtotal Liabilities	**74,328**	**44,159**	**875,592**
Total Equity and Liabilities	**108,684**	**130,605**	**1,427,025**

(1) Due to changes in the presentation this figure for the financial year ended 31 December 2016 has been taken from the consolidated financial statements as of and for the financial year ended 31 December 2017 (which include the respective comperative fincnacial information as of and for the financial year ended 31 December 2016.

Selected Financial Information from the Consolidated Statement of Cash Flows

	For the financial year ended 31 December		
	2015	**2016**	**2017**
(in EUR '000)		**(audited)**	
Net cash flows from operating activities	(34,100)	23,845	15,391
Net cash flows generated from / (used in) investing activities	(4,575)	(15,524)	(145,613)
Net cash flows from / (used in) financing activities	29,302	27,441	191,587
Cash and cash equivalents at beginning of period	21,820	12,447	48,209
Net increase (decrease) in cash and cash equivalents	(9,373)	35,762	61,366
Cash and cash equivalents at end of period	12,447	48,209	109,575

Other Selected Financial Information

	As of and for the financial year ended 31 December		
	2015	**2016**	**2017**
(in EUR '000, except as otherwise noted)	**(unaudited, except as otherwise noted)**		
Net Profit/(Loss) for the Period attributable to Shareholders of the Parent Company[(1)]	**9,656**	**15,396**	**55,717**
Net Profit Adjustments[(2)]	6,935	4,019	37,613
Adjusted Net Profit[(3)]	**16,591**	**19,415**	**93,330**
Total Revenue from Real Estate Investment Management[(1)]	38,034	40,769	151,600
Dividends from other Alignment Capital[(1)]	–	–	9,877
Total Income from Real Estate Operations/Warehousing[(1)]	4,386	13,685	24,028
Share of Profit or Loss from Associates and Joint Ventures[(1)(4)]	4,695	5,255	9,498
Aggregate Revenues and Gains[(5)]	**47,115**	**59,709**	**195,003**
Adjusted Net Profit Margin[(6)]	**35.2%**	**32.5%**	**47.9%**
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)[(1)]	**12,276**	**20,044**	**104,682**
EBITDA Adjustments[(7)]	6,676	3,070	18,617
Adjusted EBITDA[(8)]	**18,952**	**23,114**	**123,299**
Assets under Management at the end of the period (in EUR billion)[(9)]	**2,044**	**2,759**	**21,925**

(1) Audited.

(2) Includes adjustments for certain one-off items net of (deferred) tax effects, *i.e.* adjustments for one-off capital raising costs (IPO costs) of EUR 3,845.0 thousand, one-off investments for institutional product business of EUR 880.0 thousand and interest burden from bridge facility of EUR 2,210.0 thousand for the financial year ended 31 December 2015, adjustments for one-off acquisition related expenses of EUR 944.0 thousand, costs for management stock options of EUR 625.0 thousand, adjustments for one-off capital raising costs (IPO costs) of EUR 590.0 thousand and interest burden from bridge facility of EUR 1,860.0 thousand for the financial year ended 31 December 2016 and adjustments for acquisition related expenses of EUR 12,569 thousand, costs for management stock options of EUR 4,702 thousand, adjustments for severance payments of EUR 1,346 thousand, adjustments for a repayment penalty of EUR 3,637 thousand, adjustments for depreciation of the capitalized management contracts of EUR 15,359 thousand (net of taxes) for the financial year ended 31 December 2017.

(3) Adjusted Net Profit is defined as the net profit/(loss) for the period attributable to shareholders of the parent company adjusted for certain exceptional items as described above in footnote two.

(4) Share of profit or loss from associates and joint ventures may include fair value gains or losses or other non-cash items.

(5) Includes total revenue from real estate investment management, dividends from other alignment capital, total income from Real Estate Operations/Warehousing and our share of profit or loss from associates and joint ventures.

(6) Adjusted net profit expressed as a percentage of aggregate revenues and gains.

(7) Includes adjustments for certain one-off items net of (deferred) tax effects, *i.e.* one-off investments for institutional product business of EUR 1,244.0 thousand and adjustments for one-off capital raising costs (IPO costs) of EUR 5,432.0 thousand for the financial year ended 31 December 2015, adjustments for one-off acquisition related expenses of EUR 1,294.0 thousand, costs for management stock options of EUR 967.0 thousand and for one-off capital raising costs (IPO costs) of EUR 809.0 thousand for the financial year ended 31 December 2016 and adjustments for one-off acquisition related expenses EUR 12,569 thousand, costs for management stock options of EUR 4,702 thousand and adjustments for severance payments of EUR 1,346 thousand for the financial year ended 31 December 2017.

(8) Adjusted EBITDA is defined as EBITDA adjusted for certain exceptional items as described above in footnote seven.

(9) Assets under management are determined based on the projected development costs for project developments for which building phase has not yet been launched, the construction costs for project developments for which the building phase has been launched but has not yet been completed, the real estate valuation for project developments for which the building phase has been completed, and the real estate valuation for standing assets. Assets under management only take into account those transactions which are secured by binding contracts.

	As of and for the financial year ended 31 December
	2017
(in EUR '000, except as otherwise noted)	**(unaudited, except as otherwise noted)**
Net Financial Debt[(1)]	**519,504**
Adjusted Net Financial Debt[(2)]	**531,304**
Net Leverage Ratio[(3)]	**4.2x**

(1) The following table sets forth our net financial debt for the period indicated:

	As of and for the financial year ended 31 December
	2017
(in EUR '000, except as otherwise noted)	**(audited, except as otherwise noted)**
Long-term Financial Liabilities to Banks	238,262
Other long-term Financial Liabilities	243,030
Short-term Financial Liabilities to Banks	132,278
Other short-term financial liabilities	15,509
Gross Financial Debt[(*)(**)]	**629,079**
Cash at end of Period[(***)]	109,575
Net Financial Debt[(*)(****)]	**519,504**

(*) Unaudited.

(**) Gross financial debt represents long-term financial liabilities to banks, other long-term financial liabilities, short-term financial liabilities to banks and other short-term financial liabilities (each as shown in the Audited Consolidated Financial Statements).

(***) This includes cash and cash equivalents of EUR 108,830 thousand and restricted cash of EUR 745 thousand.

(****) Net financial debt is defined as gross financial debt less cash and cash equivalents.

(2) Adjusted net financial debt gives illustrative effect to the issuance of Notes in an aggregate principal amount of EUR 300,000 thousand and the application of the gross proceeds therefrom (for the repayment of loans in an aggregate outstanding amount of EUR 198,500 thousand, transaction costs, fees and expenses related to the issuance of Notes of EUR 5,900 thousand and cash in an amount of EUR 95,600 thousand (see "*Use of Proceeds*"), as if such issuance had occurred as of 31 December 2017.

(3) Net Leverage Ratio represents the ratio of net financial debt to adjusted EBITDA.

RISK FACTORS

*Before deciding to purchase the Notes to be issued by the Issuer, prospective investors should carefully read and consider the risks discussed below, in addition to the other information contained in this Prospectus (the "**Prospectus**"), before making an investment decision with respect to the notes (the "**Notes**") of Corestate Capital Holding S.A. (the "**Issuer**" and, together with its consolidated subsidiaries, "**we**," "**us**," "**our**," "**Corestate**," the "**Group**" or the "**Corestate Group**"). With regard to the period before 23 September 2015 and before effectiveness of the capital increase by contribution in kind, references to the "Group," "Corestate Group," "Corestate" or "we", "us" or "our" refer to Corestate Capital AG together with its consolidated subsidiaries unless it is referred to Corestate Capital Holding S.A. in the respective context. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, could have a material adverse effect on our business, results of operations, financial position and prospects. In such a case the stock exchange price of the Notes could decline and investors may lose all, or part of their investment.*

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

The risk factors are based on assumptions that could turn out to be incorrect. Furthermore, although we believe that the risks and uncertainties described below are the material risks and uncertainties relating to us and the Notes, other risks, facts or circumstances not presently known to us, or that we currently deem to be immaterial could, individually or cumulatively, prove to be important and could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

Risks Relating to Our Market Environment

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

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

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

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

These changing developments can adversely affect the results of our co-investments of our own funds alongside the funds of our clients, which we refer to as alignment capital investments, in the structures set up by us to optimise legal ownership and distribution of assets and funds for maximum efficiency (the "**Investment Structures**"), the revenues we generate as an integrated real estate investment manager and the results from our assets held for Warehousing purposes. As a result, developments in any of the above factors could have a material adverse effect on our business, financial condition and results of operations.

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

Among the significant factors for the performance of the overall economic development in Germany are global economic conditions, inflation rates, levels of public debt and interest rates as well as factors specific to regional markets, such as the development of rental rates. For example, macroeconomic development could be adversely affected by a further intensification of the recent financial and economic crisis in various countries within the Eurozone or at various system-relevant banks, extreme fluctuations in the price of oil, an increased inflation rate (possibly resulting from events such as further monetary support measures from central banks, or interest rates remaining low for an extended period), as well as deflationary trends. Excessive public debt could result in tax raises, increased inflation rates, lower economic output and a declining proclivity to invest among private and institutional investors. Similar effects could be triggered by deflation. Fluctuations in exchange rates, especially the Euro-to-US-Dollar rate, could have material effects on German exports and, consequently, also on the performance of the German economy as a whole. Particularly, because of the currently uncertain economic situation in Germany and Europe, it cannot be foreseen whether the real estate market in Germany will evolve favourably for us. In addition, there are current geopolitical crises, like in the Ukraine, where far-reaching economic sanctions have been imposed on the Russian Federation which, in turn, introduced retaliation measures. Furthermore, there are a number of uncertainties in connection with the future of the UK and its relationship with the European Union after the UK's vote to leave the European Union in the referendum held on 23 June 2016. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the business of the Issuer. A withdrawal could, among other outcomes, disrupt the free movement of goods, services and people between the UK and the European Union, undermine bilateral cooperation in key policy areas, significantly disrupt trade between the United Kingdom and the European Union and cause political and economic instability in other countries of the European Union. All these factors may have a negative impact on the European and German economies in general and, in turn, the German real estate market in particular. This instability, together with the resulting market volatility, entails a risk of contagion also for economically sound countries like Germany and may spread to the German financial sector and the German real estate market. If any of these risks materialise, this could have material adverse effects on our business, financial condition and results of operations.

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

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

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

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

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

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

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

Risks Relating to Our Business

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

Our ability to find clients for our Investment Structures depends on a number of factors, including market-driven factors that are outside our control. Clients may choose to invest in assets other than real estate or in real estate investment structures that we do not offer. Poor performance of our Investment Structures may also make it more difficult for us to raise new funds. If existing clients cease or significantly curtail commitments to our Investment Structures, we may need to identify and attract new clients in order to maintain or increase the size of our investment portfolios. There can be no assurance that we can find or secure commitments from new clients. If we are unable to identify and secure capital commitments from existing or new clients, this could have a material adverse affect on our business, financial condition, results of operations and prospects.

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

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

The historical performance of our Investment Structures should not be considered indicative of their future results or the results of any other Investment Structures that we may develop in the future. For example, historical performance may be due to favourable investment opportunities and positive economic and market conditions which existed in the historical period and that may not exist in future periods. In the event of weak economic and market conditions in the future, we may not be able to identify and invest in profitable investment opportunities, which in turn may have an adverse effect on the future performance of our Investment Structures. If the future performance of our Investment

Structures is significantly weaker compared to previous periods, this could affect our fee income and the results of our alignment capital investments and could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Our customers or clients may withdraw assets under management at short notice.

Our fees are derived from management fees, which are generally based on the value of the assets under management. A significant number of our contracts permit clients to reduce the aggregate amount of their investment with no, or only short periods of notice, or to withdraw altogether from an Investment Structure or contract. Such withdrawals may be permitted under contractual provisions, such as change of control provisions, which result in financings terminating and/or becoming due and payable upon the occurrence of a change of control event or may be permitted at the option of the parties without grounds. Redemptions of investments in Investment Structures could also be requested at a rate that outpaces the rate at which assets can be sold to meet such redemptions, especially where the underlying assets of an Investment Structure are less liquid. This could result in a suspension of redemptions or the use of other mitigating mechanisms which could negatively affect our reputation. Withdrawals of assets under management could have an immediate impact on fees and revenues and could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

We benefit from the relationships, skills, expertise and experience in the real estate industry of the members of our senior advisory circle, including our major shareholder Ralph Winter. The members of our senior advisory circle assist us, among other things, to the extent required, with raising capital for our Investment Structures, in particular, by referring new clients to us. Our future success will depend in part on new clients referred to us by the members of our senior advisory circle. The loss of the services of our senior advisory circle could limit our ability to attract new clients to invest in our Investment Structures. As such, the loss of their services could have a material adverse effect on our business, financial condition and results of operations.

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

Our Investment Structures depend on investments by third parties. There are general risks involved such as potential disputes with clients of our Investment Structures in connection with the performance of their obligations under the relevant agreements or conflicts with the policies or objectives adopted by us. Each of our Investment Structures is structured to reduce risks stemming from a potential or temporary default on a payment obligation of its parties by including appropriate sanctions to adequately protect the interests of the relevant Investment Structure as well as (indirectly) its other (i.e. non-defaulting) clients. However, in particular, if a client is unable or unwilling to perform its financial obligations under the relevant agreements and ultimately defaults on its payment obligations and the relevant Investment Structure is unable to remedy such default, the planned investments may be adversely affected and may no longer be feasible. This may result in a decrease or even total loss of the returns from such investment. Further, we are exposed to credit risk from our operating activates, primarily from trade receivables as well as receivables from associates and joint ventures) which, in turn, are dependent on the operating performance of the underlying investments. If one of our counterparties is unable or unwilling to perform its financial obligations this may lead to a financial loss. The occurrence of such events may have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

Through our subsidiary CAPERA Immobilien Service GmbH ("**Capera**"), we provide property management services to third-party real estate owners in addition to the Investment Structures we manage. The property management business is very competitive. While competition in the property management business is based on a variety of factors, the amount of fees charged is an important consideration for those seeking to outsource property management services to vendors such as Capera. As a result of consolidation in the German market among real estate companies that offer property management, some of our competitors benefit from significant economies of scale and have greater financial, technical, marketing and other resources than we do, which may create adverse pricing pressure. If we are unable to compete effectively for property management business, our earnings may be reduced and this could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Operational risks may disrupt our business or result in losses.

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

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

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

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

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

We are exposed to risks arising from the recent acquisitions of Hannover Leasing Group, Helvetic Financial Services and Atos Capital GmbH.

We are exposed to various risks arising from our acquisition of a 94.9% stake in Hannover Leasing GmbH & Co. KG, Pullach/Germany (together with its subsidiaries, "**HL Group**") (the "**HL Group Acquisition**"), which was consummated on 7 July 2017 and the minority stake acquisition completed on 12 July 2017, the acquisition of Helvetic Financial Services AG, Wollerau/Switzerland ("**HFS**") (the "**HFS Acquisition**"), which was consummated on 5 July 2017 and the acquisition of Atos Capital GmbH, Hamburg/Germany (together with its subsidiaries, the "**ATOS Group**") (the "**ATOS Group Acquisition**" and together with the HL Group Acquisition and the HFS Acquisition, the "**Acquisitions**"), which was consummated on 6 October 2017. Our assets under management have increased by approximately EUR 18.5 billion through the Acquisitions and thus amounted to approximately EUR 22 billion as at 31 December 2017.

For example, the Acquisitions carry the risk that they might prove less successful than anticipated, that the combination of the Issuer's original business with the businesses of HL Group, HFS and ATOS Group might not develop as expected and that revenue and earnings expectations may not be met.

Inter alia, the Acquisitions may expose us to the following risks:

We could be exposed to risks or issues of HL Group and/or HFS and/or ATOS Group that were not detected during the due diligence conducted preceding the Acquisitions and that could not have been derived from available financial information of HL Group, HFS or ATOS Group: The businesses of each of HL Group, HFS and ATOS Group may be subject to risks or issues that we are not aware of, which were not detected or which were not disclosed to us during the due diligence process or derived from the financial information of the HL Group, HFS or ATOS Group. The existence of or the materialisation of any undetected risks or issues could lead to a deterioration of the Issuer's business, financial condition and results of operations.

Integration failure risk: The process of integrating the businesses of HL Group, HFS and ATOS Group into the Issuer's existing business involves certain risks and uncertainties and there can be no assurance that the Issuer will be able to integrate the businesses of HL Group, HFS and ATOS Group in the manner or within the time frame currently anticipated. For instance, we could encounter issues such as costs and issues relating to regulatory requirements, the integration of personnel, the implementation of governance and compliance systems and procedures, the integration of information technology and accounting or internal control systems. We may also be required to inject cash into HL Group and/or HFS and/or ATOS Group beyond the budgeted amount in order to ensure sufficient liquidity which may affect our cash flows. The materialisation of the aforementioned risks could result in, *inter alia*, inefficiencies, loss of clients, additional tax obligations and increased integration costs.

The restructuring plan with respect to HL Group and its business may fail: By the time of the HL Group Acquisition, the business of the HL Group had been generating significant losses for several years, including the financial years 2015 and 2016 as well as the six months ended 30 June 2017. HL Group was and is significantly dependent on financing by its former and current owners. This was mainly due to stranded assets, in particular with respect to investments in the shipping sector, which have been materially adversely affected by the crisis in the shipping industry and the resulting loss in asset value and related law suits/legal claims regarding certain funds. It also resulted from other deficitary investments in real estate assets, the loss of certain employees performing key functions (in particular with respect to sales), increasingly onerous regulatory requirements, such as the implementation of the AIFMD, and also the strategic decision of HL Group's shareholders to reduce their financial support in anticipation of a potential sale of the HL Group, which strained HL Group's ability to generate new business. We are currently in the process of restructuring the HL Group and its business operations pursuant to a post-acquisition integration plan, which comprises the consolidation of certain functions, mainly in the areas of billing, human resources, finance, tax structuring, communication, fund controlling/reporting, cash management and pooling, property management/facility management, IT and recruiting, within our Group as well as the implementation of a social plan, involving the reduction in office space, the sale of assets, the settlement of legal claims and the elimination of administrative structures and processes, in particular with respect to a complex reporting system vis-à-vis the former shareholders of the HL Group, which are no longer needed.

The efficiency enhancement measures and restructuring steps undertaken in 2017 lead to a significant improvement of HL Group's results of operations in the second half of 2017. However, there can be no assurance that the efficiency enhancement measures and restructuring plan will continue to be implemented as envisaged, due to *e.g.* resistance among HL Group's workforce (where also a works council (*Betriebsrat*) exists) or an inability to attract sufficient demand for our products, or that it will yield the desired results in the time frame anticipated or at all.

Risks relating to HL Group's aviation assets: Our aviation assets are subject to various risks, *inter alia* the risk that the current market value of the aircraft decreases more negatively than forecast, the creditworthiness of the lessee is not properly assessed or subsequently develops more negatively than expected and the loan to value ("**LTV**") ratio in case of loans and/or the value of the underlying aircraft asset develops more negatively than expected. In addition risks such as terrorism or political instability which typically affect the aviation market may occur more often or more intensely than in the past or than forecast. Even though HL Group provides a permanent monitoring of such risk factors and applies rather conservative financing structures and cautiously takes into account the value of the underlying aviation asset, we cannot exclude that the aforementioned risks may occur or realise and could have a material adverse effect on our business, financial conditions and results of operations.

Commitment of management capacity: The combination of the businesses of HL Group, HFS, ATOS Group and the Issuer will require a large amount of time and attention of the management of each of the Issuer, HL Group, HFS and ATOS Group. Should these tasks render management unable to devote enough time to other responsibilities, our operational business could be negatively affected.

Possible loss of key employees: The Issuer and each of HL Group, HFS and ATOS Group depend on their respective key employees for the successful combination of the Issuer's business with the businesses of HL Group, HFS and ATOS Group. The implementation of a common strategy and the execution of normal business operations could be negatively affected or delayed if either the Issuer, HL Group, HFS or ATOS Group were to lose key employees or know-how due to the combination of HL Group's, HFS's and ATOS Group's businesses with the Issuer's business. In particular, with respect to HFS, two key individuals, who have been instrumental for the operations and the continuing success of HFS, are currently working under contracts with a two-year term expiring on 30 June 2019. While we have no reason to doubt their long-term commitment with respect to HFS and the Group as they are also shareholders of the Issuer, ensuring their services for the future is of critical importance for the anticipated growth of the HFS business and its integration within the Group.

Estimated synergies may not be realised in part or at all or could prove to be incorrectly forecast: The Issuer expects that the Acquisitions will lead to revenue and cost synergy benefits, *e.g.* in the areas of equity raising and asset sourcing. Moreover, we plan to exploit opportunities to convert existing assets into new investment structures, to acquire additional real estate investment products on the basis of a broader and higher quality product offering and network platform and use increasing opportunities to cross-sell real estate investment products to an enlarged client base. Additionally, we plan to achieve overhead synergies by improving productivity through a higher organisational efficiency in combination with a reduction of personnel. We estimate that the integration of the businesses of HL Group and HFS offers significant synergy potential with revenue increases and cost savings. Until 2019, we expect to achieve cost savings of approximately EUR 6.0 million. The targeted synergies are based on estimates and assumptions that are inherently uncertain and, therefore, subject to change resulting from a large number of factors. Those factors include general macroeconomic, industry, legal, regulatory and tax environments, as well as changes in the Issuer's business strategy, development and investment plans, all of which are difficult to predict and many of which are beyond the Issuer's control. Further, the anticipated synergy benefits of the HL Group Acquisition and the HFS Acquisition are predicated upon the successful integration of the HL Group and HFS businesses with our existing operating platform. If the integration of either of the HL Group or HFS is unsuccessful, it could negatively impact the targeted synergies. As a result, there can be no assurance that such synergies will be realised in part or at all. Even if the expected synergies are realised, they may not be realised within the anticipated time frame.

Legal, regulatory, tax, market, business and other risks: HL Group, HFS and the ATOS Group are exposed to legal and regulatory, tax, market, business and other risks similar to those that have been described in the section "*Risk Factors*" with respect to the Issuer. Furthermore, HL Group, HFS and/or the ATOS Group are, *inter alia*, exposed to the following risks: legal and regulatory risks related to licenses (in accordance with to the German Banking Act (*Kreditwesengesetz*, KWG) and the German Capital Investment Code (*Kapitalanlagegesetzbuch*, KABG)), permit requirements and prospectus liability, risks resulting from increased regulatory restrictions regarding financing or liquidity requirements, tax risks related to the structure of investment vehicles changes in investment behaviour, business risks and other risks related to the provision of guarantees, comfort letters and other means of support, including contractual provisions, such as change of control provisions, which result in financings terminating and/or becoming due and payable upon the occurrence of a change of control event and other risks related to non-performing funds.

We are subject to legal and financial risks resulting from HL Group's investment fund activities and its restructuring. HL Group was involved in the structuring and implementing of and retains a stake in a number of investment funds. As part of the integration of HL Group, the HL Group will be restructured. HL Group retains a stake in some investment funds, either directly or indirectly, because (i) HL Group acquired shares in an investment fund during the structuring of the investment fund, but was unable to subsequently dispose of those shares, (ii) HL Group provided a placement guarantee (*Platzierungsgarantie*) to an investment fund company and was obligated to purchase shares in that investment fund because not all of its shares were placed during the initial placement period or (iii) an investment fund is not performing and HL Group repurchased shares of such fund to mitigate damages that could result from *inter alia* prospectus liability. Alternatively, HL Group assumes certain financial risks by enabling investors to acquire fund participations which could not be placed before. Non-performing funds expose the HL Group to *inter alia* prospectus liability risks, reputational risks with negative impact on current investment sales, and financial risks related to financings, the provision of guarantees, comfort letters and other means of support, the loss of management fees or the need to write-off loans granted to a non-performing fund or made as part of an agreement with an individual investor. In addition, the terms of numerous financings provided to HL Group, totalling more than EUR 115.0 million (as at 31 December 2017), directly or indirectly, for *inter alia* working capital needs or in relation to a particular investment fund, contain provisions that result in such financings terminating and/or becoming due and payable upon the occurrence of a change of control event. The HL Group Acquisition triggers many of these change of control provisions, and we could be required to pay the outstanding amounts under such financings. HL Group is also subject to significant exposure related to the provision of guarantees, comfort letters and other means of support as well as proceedings with tax authorities. In the context of the HL Group Acquisition, Landesbank Hessen-Thüringen Girozentrale and Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft mbH (as sellers) undertook to hold ISAR Beteiligungsverwaltungs GmbH (a wholly-owned subsidiary of the Issuer) and/or the HL Group harmless against certain of such risks. The remainder of risk positions identified within HL Group have been reflected in provisions in the financial statements of HL Group or taken into account in the determination of the purchase price for the HL Group. However, it cannot be excluded that some of these risks are not covered by the hold harmless undertaking (*inter alia* since they are capped) or the corresponding provisions/adjustments and that we will be required to pay, *e.g.*, damages to aggrieved investors in an amount beyond the expected amount. In particular, HL Group is subject to numerous claims for damages arising from prospectus liability, most noteworthy arising from the distribution by HL Group of certain media funds and real estate funds (especially a real estate investment product relating to the asset Drosbach/Luxembourg) The total amount in dispute (*Streitwert*) relating to the media funds is in the mid-double-digit million euro range. Should the relevant courts decide in favour of the claimants and we do not succeed with any appeals against such decisions, we may be required to pay compensation damages up to the maximum amount. In this scenario, we will not be able to recover these sums from the sellers as these claims are not covered by the hold harmless undertaking mentioned above, but have instead been compensated for by the sellers through a lump sum adjustment in the amount of EUR 9.0 million in connection with the HL Group Acquisition. Should the compensation to be paid to claimants exceed this amount, we may suffer substantial financial damages. In relation to the prospectus liability cases regarding the real estate investment fund "Wachstumswerte Europa III GmbH & Co. KG," which invested in a commercial building complex (An der Drosbach) in Luxembourg, we estimate the amount in dispute (*Streitwert*) plus estimated costs to be in the low double-digit million euro range. While we believe we have mitigated such risk through the creation of respective provisions there can be no assurance that the actual financial damages will not exceed the expected amount and lead to a substantially higher cash-outflow. Such risks could, in certain circumstances, subject us to additional liabilities that may exceed the value of our original investment therein or lead to a liquidity shortage.

Any of the aforementioned risks could result in a material adverse effect on our business, financial condition and results of operations.

In addition, other risks and unexpected problems could arise in connection with the Acquisitions that we cannot currently assess and that, as in the case of the occurrence of one of the aforementioned risks, could cause the combination of the businesses of HL Group, HFS and the ATOS Group with the Issuer's business to be more difficult, time consuming and expensive than anticipated, resulting in a material adverse effect on our business, financial condition and results of operations.

We may need to write down goodwill, which would adversely affect our financial results.

We recognise goodwill in connection with the purchase price allocation for the Acquisitions. Goodwill arising from an acquisition represents the excess of the consideration transferred over the acquisition date fair values of the assets acquired, liabilities assumed and contingent liabilities recognised. Goodwill is recognised at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but tested for impairment annually whenever events or changes in circumstances indicate that the carrying amount of a cash generating unit may not be recoverable. Preparation of these calculations requires the use of estimates and assumptions.

IFRS requires that goodwill be periodically evaluated for impairment based on the fair value of the reporting unit. Declines in our profitability or the value of comparable companies may impact the fair value of our reporting units, which could result in a write-down of goodwill and a reduction in net income. In addition, if we acquire new businesses in the future, we may recognise additional goodwill, which could be significant. We could also be required to recognise additional impairments in the future and such an impairment charge could have a material adverse effect on our financial position and results of operations in the period of recognition.

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

We intend to grow our business and may expand into new geographic markets and business segments in the real estate industry in which we have little or no experience. To the extent that we make strategic investments or acquisitions in new geographic markets or enter into additional joint ventures or other strategic initiatives, we may face numerous risks and uncertainties including, but not limited to, the required investment of capital and other resources and the possibility that we may have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk. We may acquire real estate portfolios or companies involved in insolvency proceedings from time to time. Distressed acquisitions have a specific risk profile and may result in higher costs than initially anticipated due to, for example, higher than anticipated liabilities or through third parties enforcing against the distressed assets. If these initiatives generate insufficient revenue or if we are unable to efficiently manage the expanded operations, there could be a material adverse effect on our business, financial condition and results of operations.

We may be exposed to potential liabilities as a result of any strategic investments or acquisitions in underperforming companies or restructurings or companies that hold underperforming assets or need to be restructured, any of which may result in additional risks and uncertainties for our business.

We may make strategic investments in restructurings or acquisitions that involve entities that are experiencing or are expected to experience financial difficulties and in respect of which other investors may have sought to exit. These financial difficulties may never be overcome and may cause such strategic investment or acquisition to become subject to bankruptcy or insolvency proceedings. Such strategic investments or acquisitions could, in certain circumstances, subject us to certain additional potential liabilities that may exceed the value of our original investment therein. For example, in certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments we received and distributions we made may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Further, strategic investments or acquisitions in restructurings may be adversely affected by statutes relating to, *inter alia*, fraudulent conveyances, voidable preferences, lender liability and, where applicable, a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterise investments made in the form of debt as equity contributions. If we were to lose all or part of any strategic investments or acquisitions in underperforming companies or restructurings or companies that hold underperforming assets or need to be restructured, or suffer additional liabilities in connection with such strategic investments or acquisitions, there could be a material adverse effect on our business, financial condition and results of operations.

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

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

We might be subject to typical project development risks.

Certain of our projects comprise the acquisition of plots and securing of respective building rights and additional project planning steps (without assuming typical project development risks on our own balance sheet), before converting such projects into investment products available to clients or further developing them for our co-investors in our typical function as real estate investment manager. These projects may also include our usual alignment investments. Even though such projects are no true project developments, there are certain risks regarding such projects, *e.g.* the risk that any required building permit cannot be obtained. The realisation of this risk could have a material adverse effect on our business, financial condition, cash flow and results of operation.

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

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

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

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

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

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

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

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

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

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

In addition, we entered into related party transactions with shareholders of the Issuer and related parties of such shareholders. As a result, the conditions of these transactions were not negotiated with third parties within the meaning of IAS 24, so that there is no assumption that these contractual relationships have been entered into on an at arm's length basis, *i.e.* that the conditions were always correctly determined and recorded. If any of such related party transactions should prove not to have been entered into at arm's length, we might incur, for example, monetary losses and may not be able to recover such losses.

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

Our Investment Structures may run into liquidity issues and we may postpone the invoicing of our management fees and make capital contributions or loans to our Investment Structures in order to alleviate such liquidity issues.

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

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

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

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

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

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

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

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

- the amount of rent and the terms on which lease renewals and new leases are agreed being less favourable than current leases or previously estimated rental amounts;

- a competitive rental market which may affect rental amounts and occupancy levels; and

- changes in laws and governmental regulations in relation to real estate, including those governing permitted and planning usage, taxes and government charges, health and safety and environmental requirements.

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

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

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

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

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

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

In future acquisitions or sales for the benefit of our Investment Structures or for Warehousing purposes, unforeseen problems could arise, for example, in the form of substantial economic or legal impediments. For example, a transaction could be subject to a number of closing conditions and contain certain rights of withdrawal for both parties. If certain conditions precedent set out in a sale and purchase agreement are not fulfilled or if the parties fail to reach final agreements with respect to, for example, the acquisition financing entered into in connection with a transaction, a transaction may not occur in the intended form and/or within the intended timeframe. The same is true if the seller or purchaser of an asset or portfolio of assets fails to fulfil its obligations under a sale and purchase agreement, in particular, transferring the purchased object or paying the purchase price or if there is a significant delay. In the event of a failure of future acquisitions or sales for our Investment Structures or for Warehousing purposes, we could have to bear the associated transaction costs without receiving any of the intended results and benefits from the envisaged transaction. The realisation of this risk could have material adverse effects on our business, financial condition and results of operations.

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

In order to ensure the safety of a rental property's inhabitants, sustain demand for a rental property and generate adequate revenue over the long term, a property's condition must be maintained or improved to a standard that satisfies technical requirements and meets market demand. Maintaining or improving the condition of properties is important to capturing any increase in market demand and can entail significant costs. We undertake maintenance and refurbishment work for assets held by our Investment Structures or held by us for Warehousing purposes on an on-going basis. Failure to maintain the technical soundness of a rental property poses a risk to the health and safety of the tenants. Typically, the costs associated with maintaining a rental property at market standards are borne primarily by the property owner. If maintenance and modernisation are required to meet changing legal or market requirements (*e.g.*, with regard to energy efficiency or health and safety requirements), the property owner may be burdened with substantial expenses. In Germany, rent increases to compensate for these expenses may only be introduced under certain conditions and may not exceed a certain percentage of the costs incurred in connection with certain modernisation measures. In addition, we may not be able to increase rents to the extent legally permissible as a result of prevailing market conditions or the inability of tenants to afford these increased rents.

Although we have a system in place to monitor and budget necessary maintenance and modernisation measures, numerous factors may generate substantial unbudgeted costs for maintenance and modernisation. Maintenance and refurbishment work is subject to a number of construction, operating and other risks, many of which are beyond our control, including shortages and price inflation of materials, equipment and labour, adverse weather conditions, accidents, unexpected delays and other unforeseen circumstances, any of which could result in costs that are materially higher than we initially estimated. In addition, numerous other factors, such as the age of the building, the material and substances used at the time of construction or building code violations could also result in substantial maintenance costs. We could incur additional and unexpected costs if the actual costs of maintaining or modernising properties were to exceed our estimates, if it is not permitted to increase rents in connection with the modernisation and maintenance or if hidden defects not covered by insurance or contractual warranties are discovered during the maintenance or modernisation process.

Any failure to undertake appropriate maintenance and modernisation work could adversely affect the rental income earned from affected properties results in unplanned costs, negatively impact the affected units' value and, in some circumstances, result in a breach of obligations under a lease. Such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing lease contracts. Any such event could reduce the performance of our Investment Structures, which could affect our fee income and our results from alignment capital investments, which in turn could have material adverse effects on our business, financial condition and results of operations.

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

We may make significant investments in modernisation measures for properties held by our Investment Structures or held by us for Warehousing purposes. There can be no assurance that we will be able to achieve the targeted yield in the future on capital invested in modernisation measures. Furthermore, we may face challenges in overseeing and organising such modernisation measures. Management may make investment decisions that turn out to be less profitable than expected as a result of insufficient information or lack of knowledge of pertinent facts. In addition, we may not be able to pass on the costs of such modernisation measures to the tenants if these tenants are unable to afford such rent increases. Further, our Investment Structures may be restricted in their ability to finance the modernisation measures through loans or other debt instruments depending on their current and future debt level and structure. The materialisation of any of the risks described above could reduce the performance of our Investment Structures, which could affect our fee income and our results from alignment capital investments, which in turn could have material adverse effects on our business, financial condition, cash flow and results of operations.

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

Real estate investments are relatively illiquid, in particular due to the complex nature of real estate sale procedures, the need for due diligence in the course of such transactions and a varying market demand. Such illiquidity may affect our ability to change the composition of portfolios of our Investment Structures or to dispose of or liquidate part of their portfolios in a timely fashion and at satisfactory prices. This may lower the returns of our Investment Structures, which in turn would result in lower fee income and lower returns on our alignment capital investments and could materially and adversely affect our financial condition and results of operations.

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

We generally attempt to transfer real estate assets held by us for Warehousing purposes to Investment Structures within 3 to 12 months after the acquisition of the asset. However, we may not be able to do so in all cases. Real estate assets held by us for Warehousing purposes are shown on our consolidated balance sheet until they are transferred to our Investment Structures or otherwise disposed. It is possible that we will not be able to transfer real estate assets to our Investment Structures or otherwise dispose of them for an extended time period and that we may be required to write down the value of the real estate assets on our balance sheet. Any such write-down of real estate assets could have a material adverse effect on our business, financial condition and results of operations.

Our alignment capital investments in our Investment Structures are reflected in our consolidated financial statements as investments in associates. The fair value of real estate property, as the main assets of our associates, is determined by using recognised valuation techniques. Such fair value measurement has a direct impact on our balance sheet items investment in associates, long-term loans to associates and receivables from associates. The valuation techniques comprise both the discounted cash flow method and the residual value method. If the property market or general economic situation develops negatively, there is a risk that the measurements might have to be adjusted. If the real estate assets have to be impaired, this would have a negative effect on our business, financial condition and results of operations.

Our ability to increase rents in Germany is limited by German law which could lead to substantial losses.

The ability of landlords to increase rent in Germany under existing tenancy agreements is limited under German law. If the parties to a tenancy agreement have not agreed on a stepped rent (*Staffelmiete*) or an indexation of rents (*Indexmiete*) – which is permissible only in specific cases – and the tenant refuses to amend the tenancy agreement, a rent increase may be effected unilaterally only within strict limits. If a tenancy agreement continues in duration without the possibility to increase the rent, this could potentially lead to a situation where our costs under the tenancy agreement are more than the revenue we receive and this could lead to substantial losses. Additionally, possible future changes in the German legal framework may further negatively affect our ability to increase rents. Tightened rent restrictions could impair our ability to increase rents, which in turn could lead to a reduction in the revenues we earn and affect the results from our capital alignment investments and from the assets held by us for Warehousing purposes, all of which could have material adverse effects on our business, financial condition and results of operations.

German law provides tenants with substantial protection against termination and eviction which could lead to substantial losses. In addition, we use standardised tenancy agreements and standardised contract terms, the strict interpretation of which by German courts could lead to increased costs and legal disadvantages.

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

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

Our Investment Structures and real estate assets held by us for Warehousing purposes may be exposed to substantial risk of loss from environmental claims arising in respect of real estate assets that have environmental problems, and the loss may exceed the value of such assets. Furthermore, changes in environmental laws or in the environmental condition of assets may create liabilities that did not exist at the time of acquisition of the real estate assets and that could not have been foreseen. Generally, we perform environmental due diligence of real estate assets to be acquired for our Investment Structures or for Warehousing purposes. However, such due diligence may not reveal all environmental liabilities, such as soil contamination or asbestos-related issues. In the event there are environmental liabilities, this may lower the returns of our Investment Structures. This would result in lower fee income and lower returns on our alignment capital investments and could have a material adverse effect on our business, results of operation and financial position.

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

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

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

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

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

Risks Relating to Our Financial Profile

Our borrowings subject us to risks associated with leverage and may make it difficult for us to operate our business.

We currently have and will continue to have a substantial amount of outstanding debt with significant debt service requirements. Our net financial debt (sum of current and non-current financial liabilities less cash at end of period (including cash and cash equivalents and restricted cash)) as of 31 December 2017 amounted to EUR 519.5 million. Our existing and future indebtedness exposes us to risks associated with the use of leverage such as refinancing risk, liquidity risk,interest rate risk and foreign currency risk, and may have important consequences for our business and operations, including:

- making it more difficult for us to satisfy our obligations under our financing arrangements;
- increasing our vulnerability to a downturn in our business or general economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt and reducing the availability of our cash flow to fund internal growth through capital expenditures;
- placing us at a competitive disadvantage compared to our competitors that have lower leverage or greater access to capital resources than we have;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from exploiting certain business opportunities; and
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future.

Our exposure to the risk of changes in market interest rates relates primarily to our short-term and long-term debt obligations with floating interest rates. Our Investment Structures are likewise exposed to the risk of changing interest rates under debt obligations with floating interest rates.

This risk may be heightened in the future if we finance our business through additional borrowings. The materialisation of any of these factors could have material adverse effects on our business, financial conditions and results of operations.

If our credit rating is not in line with market expectation or downgraded this could limit our financing options.

On 6 November 2017 Standard & Poor's Rating Services ("**S&P**") assigned us a "BB+" long-term corporate credit rating with stable outlook ("**Credit Rating**"). In general, credit ratings are important to determine financing costs and access to both debt and equity capital markets. If our credit rating is downgraded, this could adversely affect our ability to obtain funding on the capital and loan markets on economically acceptable terms. In addition, any downgrade of our credit rating could, *inter alia*:

- adversely affect our liquidity and competitive position;
- undermine investor confidence in us;
- increase our financing costs;

- require us to provide additional security and/or guarantees for existing and future financings;
- restrict our access to the capital markets; and/or
- adversely affect the price of our Shares and other securities (including the Notes).

Our credit rating could be subject to change and could be downgraded as a result of many factors, including the failure of the Group to successfully implement its strategies. The materialisation of any of these risks could have material adverse effects on our business, financial conditions and results of operations.

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

We are subject to restrictive covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

In each case subject to certain exceptions, the terms and conditions of the notes (the "**Terms and Conditions**") and the terms and conditions governing our other financing arrangements, contain covenants which may impose significant restrictions on the way we can operate, including restrictions that limit the ability of the Issuer and its Subsidiaries to incur additional indebtedness, pay dividends, redeem capital stock and make other distributions, prepay or redeem subordinated debt or equity, create or permit to exist certain liens, and transfer or sell certain assets.

On 30 June 2017, the Issuer as borrower and CORESTATE Capital AG (Switzerland) 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 ("**BIL**") and with BIL as facility agent (the "**Revolving Credit Facility Agreement**"), in order to, *inter alia*, refinance existing liabilities.

The Revolving Credit Facility Agreement restricts, among other things, the ability of the Issuer and certain of its material subsidiaries to:

- create security interest on assets;
- dispose of assets;
- incur or permit to be outstanding financial indebtedness;
- merge or consolidate with or into another company;
- change the general nature of its business;
- make acquisitions; and
- pay dividends or make other distributions or purchase or redeem its stock.

Upon the occurrence of a defined change of control event, each lender under the Revolving Credit Facility Agreement has the right to demand prepayment of its participation in the revolving credit facility and cancellation of its commitments. This may have a material adverse effect on our business, financial condition, results of operations and prospects.

The covenants to which the Issuer and its subsidiaries are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. Among other restrictions, the Revolving Credit Facility requires us to comply with a maximum leverage ratio covenant pursuant to which the ratio of interest bearing debt (less any such debt which is without recourse to the Issuer) to EBITDA (on a consolidated basis) shall be less than 2 to 1 and as well as with a maximum gearing ratio pursuant to which the ratio of our interest bearing debt (less any such debt which is without recourse to the Issuer) to total equity (on a consolidated basis) (the "**Gearing Ratio**") shall be less than 60%, provided that any repayment of debt made or capital measures conducted after the date of any relevant testing period but prior to the due date for delivery of the relevant compliance certificate may be taken into account for calculating compliance with the Gearing Ratio. These financial covenants are tested as of 31 December and 30 June in each financial year of the Issuer with the first testing date being 31 December 2017. Our ability to meet these financial requirements could be affected by deterioration in our operating results, as well as by events beyond our control, including declining economic conditions and fluctuations in interest rates, and there can be no assurance that we will be able to meet these tests. Our failure to comply with the covenants under the Revolving Credit Facility Agreement, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our financial condition, cash flows and results of operations. If an event of default or mandatory prepayment event occurs under any of our debt instruments and is not cured or waived, borrowings under any other debt instruments that we have outstanding that contain cross-acceleration or cross-default provisions may also be accelerated or become payable on demand, together with accrued and unpaid interest and other fees payable thereunder. In these circumstances, our assets and cash flow may not be sufficient to repay in full all of our indebtedness that has been accelerated, which could force us into bankruptcy or liquidation. This could affect our fee income and the results of our alignment capital investments and could have a material adverse effect on our business, financial condition and results of operations.

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

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

Legal and Regulatory Risks

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

We are and may become the subject of legal disputes, administrative proceedings or government investigations. Such legal disputes, proceedings and investigations may, in particular, arise from our relationships with clients, tenants, employees, third-party facility managers, building contractors and other contractual counterparties, neighbours and public authorities alleging breaches of contract, tort or the failure to comply with applicable laws and regulations. In addition, HL Group is the subject of numerous legal disputes relating to statements or omissions in fund prospectuses (for further information please refer to "*Risks Relating to Our Business–We are exposed to risks arising from the recent acquisitions of Hannover Leasing Group, Helvetic Financial Services and Atos Capital GmbH*", above). We may be required to pay damages or fines or to take, or to refrain from taking, certain actions. There may also be investigations by governmental authorities or criminal proceedings into circumstances of which we are currently not aware or which will arise in the future. If we were to be found liable under any such claims or even if complaints, lawsuits or investigations brought against us are unsuccessful, this could result in significant liabilities, further costs and substantial legal fees and have a material adverse effect on our business, financial condition and results of operations.

Risks resulting from past transaction with vehicles belonging to the S&K Group

Corestate Capital Transactions AG ("**CCTAG**"), a subsidiary of Corestate, advised, in the ordinary course of business, other Corestate subsidiaries with respect to a contemplated sale of an acquisition structure, including a signed sale and purchase agreement and related debt financing to two purchasing entities affiliated with S&K Group (Frankfurt/Main, Germany), MAINTWAIN GmbH, seated in Frankfurt/Main (now: Tristan Projekt GmbH, seated in Aschaffenburg) and AT Real Estate Verwaltungs GmbH, seated in Regensburg (the "**T6 Transaction**"). The sale related to a commercial property portfolio comprising six office buildings let to Deutsche Telekom AG. Prior to the closing of the T6 Transaction and based on related media reports, we learned that S&K Group's responsible persons, in particular its founders, Mr. Schäfer and Mr. Köller, were subject to investigations (*Ermittlungsverfahren*) by the Prosecutor's Office (*Staatsanwaltschaft Frankfurt/Main*). On 29 March 2017, the two S&K Group founders, Mr. Schäfer and Mr. Köller, were sentenced (*verurteilt*) by the district court (*Landgericht*) of Frankfurt am Main for *inter alia* abetting a third party to commit a breach of trust (*Untreue*) under §§ 266, 26 StGB (*German Criminal Code*) against three private investor fund vehicles belonging to S&K Group. Even though we currently do not expect any negative consequences for CCTAG or Corestate resulting from such criminal activity related to S&K Group and its founders we cannot rule out *inter alia* reputational damage for the Group resulting from involvement in the T6 Transaction.

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

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

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

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

Our insurance coverage may not be sufficient.

We carry insurance that we consider adequate in regard to the nature of the covered risks and the costs of coverage. We are not fully insured against all possible risks, nor are all such risks insurable. There can be no assurance that our insurance coverage will be sufficient to cover all claims, that such claims will not exceed our insurance coverage limits or that such insurance will continue to be available on commercially reasonable terms, if at all. As a result, losses that are not covered by insurance could have a material adverse effect on our business, financial condition and results of operations.

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

To protect us against legal risks and other potential harm, we have implemented a Group-wide code of conduct. This binding policy addresses conduct, corruption prevention, conflicts of interest, information and data protection, discrimination, environmental protection and protection of company property and applies to all employees and the members of the management board. Legal and compliance risks are addressed by our risk management procedures. There can be no assurance, however, that the aforementioned compliance arrangements will be sufficient to completely prevent all unauthorised practices, legal infringements, corruption or other legal or financial risks. Additional compliance procedures are implemented, in particular, within Corestate Capital Fund Management S.à r.l., Hannover Leasing GmbH & Co. KG, Hannover Leasing Investment GmbH and Investment Structures which may qualify as an alternative investment fund or "**AIF**" pursuant to Alternative Investment Fund Managers Directive ("**AIFMD**" or "**Directive 2011/61/EU**"), defined as collective investment undertaking, which raises capital from a number of investors with a view to investing it in accordance with a defined investment policy for the benefit of those investors (the managers of such funds, an "**AIFM**"). Such Investment Structures, depending on the circumstances, may or may not themselves also be part of the Group or the HL Group. Further, the risk exists that a competent regulatory authority requires amendments and/or modifications to our compliance structure which may result in increased costs. Any failure of our compliance structure or regulatory changes affecting our compliance structure could have material adverse effects on our business, financial condition, results of operations and reputation.

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

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

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

Our business and the businesses of HL Group are subject to a number of regulatory licenses and authorisations, including those issued by *Bundesanstalt für Finanzdienstleistungsaufsicht* ("**BaFin**") and *Commission de Surveillance du Secteur Financier* ("**CSSF**") in relation to the rules applying to

AIFM, in particular the AIFMD (as defined above) (“**AIFM Rules**”). Competent regulatory authorities are empowered to conduct investigations and administrative proceedings that could result in fines, suspensions of personnel, temporary suspensions or definitive withdrawals of any license or authorisation granted and other sanctions in case irregularities were to be detected. Any adverse publicity relating to any such investigation and proceeding may harm our reputation and cause us to lose existing clients or fail to attract new clients. Certain Investment Structures within the Group may be qualified as AIF and/or AIFM by competent regulatory authorities, but may either (i) not yet have been identified as AIF and/or AIFM by us or (ii) are in the process of being brought in full compliance with the AIFM Rules by applying to become an authorised AIFM with the respective competent regulatory authority. In that case that an Investment Structures has not obtained, failed to upgrade its current registration to a proper authorisation or does not have a sufficient registration or authorisation, the competent regulatory authority may sanction the Investment Structure and/or its management by issuing fines, requesting the winding-up of the relevant entity or otherwise limiting or restricting the business of such Investment Structure and or potentially its members of management. Were such a competent regulatory authority to sanction an Investment Structure, it may have repercussions for the management of other Investment Structures, entities, or the Corestate AIFM (as defined below), or the Hannover Leasing AIFM (as defined below) to the extent the management of these entities is identical to or overlaps with the management of the Investment Structure to the sanctions. While Corestate Capital Fund Management S.à r.l., fully owned by the Issuer, was authorised by the CSSF on 21 January 2015 as an AIFM (the “**Corestate AIFM**”) under the Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended (the “**AIFM Act**”), implementing the AIFMD in Luxembourg and Hannover Leasing Investment GmbH, a subsidiary of Hannover Leasing GmbH & Co. KG (the “**Hannover Leasing AIFM**”), obtained a license as an external AIF management company in accordance with the KAGB (*externe AIF-Kapitalverwaltungsgesellschaft*) on 14 March 2014 from the BaFin and each of them will be in a position to be appointed as AIFM of such AIFs and replace other Group entities that have or may have been considered AIFMs in fact, there can be no assurance that this will not become subject of any regulatory inquiry with potentially adverse consequences. Moreover, the Group is currently in the process to request a domiciliation agency license (*Professionnels du secteur financier*) for a new Group company to be set up in Luxembourg. This license will enable Corestate to domicile companies set up for structures that are not AIFs under the management of the AIFM (such as Luxembourg based company under offshore structures). Any violations of our licenses or license/authorisation requirements or regulatory sanctions may lead to significant operational, reputational and business risks for the Group resulting in higher costs and/or otherwise a reduction in the Group’s cash flow and results of operation.

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

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

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

We do not believe that either we or the Investment Structures that we manage qualify or qualified as (internally-managed) AIF or AIFM within the meaning of the AIFM Rules or should have been qualified as AIF, with either the need to register the Investment Structure as an internally-managed (*de minimis*) AIF or the need for an Investment Structure to appoint an external AIFM. Our believe is based on (i) either our being exempted (most likely as a holding company within the meaning of Article 1 (62) a) of the AIFM Act), (ii) – in relation to our Investment Structures – the use of grandfathering provisions, or (iii) because the criteria to qualify as an AIF and/or AIFM were not met before the AIFM Act entered into force on 22 July 2013. Since the AIFM Act entered into force, we continuously endeavoured to undertake a self-assessment of any Investment Structure that forms part of our Group or that we manage with regard to any Investment Structures' potential to qualify as an AIF, in order to identify whether any Investment Structure needs to be registered as an internally-managed (*de minimis*) AIF or needs to appoint an external AIFM, such as the Corestate AIFM. There is a risk that we may (i) either not have properly identified an Investment Structure as an AIF or (ii) that given the scope of interpretation of the rules and stipulations of the AIFM Act in relation to the AIF qualification, a third party or a competent regulatory authority may take or may have taken a different view as to the factual circumstances, and assess that an Investment Structure (or Investment Structures) within the Group qualifies as an internally-managed (*de minimis*) AIF that is required to register as an AIF or as an AIF that is required to appoint an external AIFM. In case an Investment Structure that we manage were to be considered by competent regulatory authorities to have conducted business falling within the scope of the AIFM Rules before 22 July 2013, or if after 22 July 2013, without having either registered as internally-managed (*de minimis*) AIF or appointed an authorised external AIFM such as the Corestate AIFM, this could expose the management of such Investment Structure and us to administrative sanctions such as fines, judicial penalties for non-compliance for the management of the Investment Structure that failed to comply or other sanctions imposed by competent regulatory authorities. In addition, any finding that an Investment Structure is an internally-managed (*de minimis*) AIF may lead to reputational damage and may restrict the further distribution of shares/units of the relevant Investment Structure. Any such determinations and resulting regulatory sanctions may have material adverse affects on our business, financial condition and results of operations.

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

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

In some cases, the Corestate AIFM may obtain advisory services from entities within or outside the Group. It is possible that competent regulatory authorities may request an amendment to or the termination of an advisory agreement, in particular, if the relevant advisor was required to be licensed or authorised but failed to obtain or had its authorisation or license withdrawn by the competent regulatory authority. The Corestate-AIFM may not be in a position to or may choose not to find an appropriate substitution for the relevant advisor. These risks also apply in case of the use of other service providers.

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

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

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

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

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

Tax Risks Related to Our Investment Structures

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

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

The tax efficiency of our Investment Structures is an integral part of the Investment Structures' realised return profiles. This includes the usage of structures designed to avoid German real estate transfer tax (so-called "**RETT-Blocker**") and off-shore financing companies. If any Investment Structure is deemed not tax efficient for whatever reason, for example, due to a change in tax legislation or case law or due to an administrative decision, this may result in a reduction of the net returns from such investment and thus negatively influence the performance of the investment. The same applies if the tax authorities consider the substance of the respective parent entity of an Investment Structure (which are mainly tax resident in Luxembourg) as insufficient to receive dividends from its subsidiaries free of withholding tax under the EU parent-subsidiary directive or an applicable tax treaty. This would make our Investment Structures less attractive for clients and ourselves as Co-Investor and could reduce the fee income we earn and the proceeds we receive as Co-Investor whereby in respect of the fee income we are in general treated as normal contractual party to the Investment Structure and our risk in respect of proceeds as Co-Investor is limited to the pro-rata amount we participate in the Investment Structure in relation to our client. Such potential reduction of fee income and/or proceeds as Co-Investors may have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

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

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

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

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

As a consequence of current or future tax audits or as a result of possibly divergent tax law interpretations by the tax authorities or tax courts, we could be obliged to pay additional taxes, *e.g.* resulting from the non-deductibility of intragroup payments for services, adjustment of applied transfer prices, or other adjustments of the taxable income or value added tax ("**VAT**")-basis or denial of Input-VAT deduction by the tax authorities as well as the challenging of the tax residency or assumption of a permanent establishment of a group company (in particular as we operate in various jurisdictions, the tax authorities might assume a permanent establishment of Corestate Capital AG in these jurisdictions or the tax authorities might assume a German permanent establishment of group companies which own and manage German real estate and are organised in the form of a Luxembourg S.à r.l.). Such additional taxes (including VAT) could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations to the extent we participate in the Investment Structures as Co-Investor.

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

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

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

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

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

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

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

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

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

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

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

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

Comparable rules may also exist in other jurisdictions.

Tax Risks Related to Us and Our Affiliates

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

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

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

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

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

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

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

In Switzerland, tax assessments for income and equity tax from 2013 and the following business years are not yet final and may be subject to a tax audit or may be challenged in the tax assessment process. For withholding and stamp duty purposes, a field or desk audit may take place for the previous five business years.

As a consequence of current or future tax audits or as a result of possibly divergent tax law interpretations by the tax authorities or tax courts, we could be obliged to pay additional taxes in the jurisdictions where we operate. This also applies to the acquired HL Group, where the financial years 2002 to 2005, 2006 to 2008 and 2009 to 2012 are still subject to an ongoing German tax audit. Such additional taxes could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Tax authorities might disallow participation exemption on our promote income.

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

Tax authorities might reclassify our Warehousing margin.

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

Tax authorities might disallow VAT exemptions on our services or deny input VAT deductions.

In recent years, a substantial part of our services provided to our regulated investment vehicles (funds) is considered to be VAT exempt according to Art. 135 (1) (g) of the EU VAT Directive. The services have been considered as outsourced fund administration services which generally are VAT exempt under EU law. It should be noted that the VAT treatment of fund administration services is quite complex and it is controversially discussed in tax literature. In addition, the VAT treatment of such services has been the subject of recent court decisions (*e.g.* EU court decision dated 9 December 2015, C-595/13, *Fiscale Eenheid X*). As a consequence, the tax authorities may question the VAT exemption of these services. Furthermore, input VAT deductions may be denied if, for instance, the tax authorities reallocate input VAT to with such VAT exempt services. Such additional taxes could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

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

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

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

German RETT is potentially triggered if, directly or indirectly, 95% or more of the shares of corporations holding German real estate are transferred to or unified in the hand of one acquirer whereas the acquirer would be liable for such RETT. In almost all of our Investment Structures where we acquired real estate portfolios through a share deal we have used so called RETT Blockers to avoid the unification in the hand of one acquirer. Although the implemented RETT Blockers are market standard, it cannot be excluded that the tax authorities might want to challenge these in the future by applying substance over form rules or similar concepts at least in some of the structures. This could result in significant RETT payments at the level Corestate Capital AG which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

German tax authorities may challenge the applied transfer pricing model.

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

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors.

Potential investors should consider whether an investment in the Notes is appropriate in their respective circumstances and should consult with their legal, business, and tax advisors to determine the consequences of an investment in the Notes and to form an independent opinion whether to invest in the Notes.

An investment in the Notes is only suitable for investors who:

(a) possess sufficient knowledge and experience in financial and business matters to make a meaningful evaluation of the chances and risks of an investment in the Notes and the information contained in, or incorporated by reference into, this Prospectus or any supplement hereto;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate such chances and risks in the context of the potential investor's particular financial situation and to evaluate the impact the Notes will have on their overall investment portfolio;

(c) understand thoroughly the terms of the Notes and are familiar with the behaviour of the financial markets;

(d) are capable of bearing the economic risk of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(e) know that it may not be possible to dispose of the Notes for a substantial period of time, if at all, before maturity; and

(f) are able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect a potential investor's investment and ability to bear the applicable risks.

Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

We may incur substantial additional debt in the future. Any debt that we incur at our subsidiary level would be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. The terms of the Notes will permit us to incur future debt that may have substantially the same or more restrictive covenants as those of the Notes. If we incur any additional indebtedness that ranks equally with the Notes, the holders of that debt will be entitled to share ratably in any proceeds distributed in connection with our insolvency, liquidation, reorganisation, dissolution or other winding-up. We may be unable to pay the Notes and these debts in full in such circumstances. The incurrence of additional debt would increase the leverage related risks described in this Prospectus.

We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

We are highly leveraged and have significant debt service obligations. Our ability to make payments on or to refinance our debt obligations, including the Notes, will depend on our future operating performance and ability to generate sufficient cash. These factors, in turn, are dependent on general economic and financial conditions, as well as competitive, market, regulatory and other factors, all of which are largely beyond our control. Our significant leverage may also make it more difficult for us to satisfy our obligations with respect to the Notes and exposes us to interest rate increases to the extent our variable rate debt is not hedged.

Our business may not generate sufficient cash flows from operations to make payments on our debt obligations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to refinance such debts, including the Notes. If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce our business activities or delay capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would yield sufficient funds to satisfy our obligations under our indebtedness.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time as well as on many factors outside of our control, including then-prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the Indenture may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service our indebtedness we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the Notes, restrict our ability to transfer or sell assets and the use of proceeds from any such disposition. We may not be able to consummate certain dispositions or to obtain the funds that we could have realised from the proceeds of such dispositions, and any proceeds we do realise from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

If a loan is used to finance the acquisition of the Notes, the loan may significantly increase the risk of a loss.

If a loan is used to finance the acquisition of Notes by a potential investor and the Notes subsequently go into default, or if the trading price diminishes significantly, the investor may not only have to face a potential loss on its investment, but will also have to repay the loan and pay interest thereon. A loan may significantly increase the risk of a loss. Potential investors should not assume that they will be able to repay the loan or pay interest thereon from the profits of an investment in the Notes. Instead, potential investors should assess their financial situation prior to an investment in the Notes, as to whether they are able to pay interest on the loan, repay the loan on demand, and the possibility that they may suffer losses instead of realizing gains.

An investment in the Notes may be subject to inflation risks.

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on the Notes. If the inflation rate were to increase and match or exceed the nominal yield. The nominal yield is the interest rate (to par value) that the Issuer promises to pay Noteholders. The real yield of the Notes would be zero or even negative.

The Issuer may not be able to finance a change of control offer.

The Terms and Conditions will require the Issuer to make an offer to repurchase the Notes at their principal amount if we experience certain specified change of control events. The Issuer's failure to effect a change of control offer when required would constitute an event of default under the Notes. However, some important corporate events that might adversely affect the value of the Notes would not constitute an "acquisition of control" under the Terms and Conditions. In addition, the Issuer's ability to repurchase the Notes as may be required by the Terms and Conditions will depend on its access to funds at such time, and it may not be able to secure access to enough cash to finance the repurchase. Upon a change of control event, the Issuer may be required to also offer to repurchase certain other debt instruments, including the Convertible Bonds. It cannot be assured that there will be sufficient funds available upon a change of control to make these repayments and repurchases of tendered Notes. For a complete description of the events that would constitute an "acquisition of control", prospective investors should read Article 5(d) of the Terms and Conditions.

The change of control provisions contained in the Terms and Conditions may not necessarily afford investor's protection in the event of certain corporate events, including reorganisations, restructurings, mergers or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership, or, even if they do, may not constitute an "acquisition of control" as defined in the Terms and Conditions. Except as described in Article 5(d) of the Terms and Conditions, the Terms and Conditions do not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganisation, restructuring, merger, recapitalisation or similar transaction.

The interests of our shareholders may be inconsistent with the interests of the holders of the Notes.

As of the date of this Prospectus, our largest shareholders, directly or indirectly, were Ralph Winter (17.81%), Norbert Ketterer (9.64%) and Sandra Ketterer (8.93%). See "*Information on Exisiting Shareholders*". The interests of our ultimate shareholders could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to the holders of the Notes. Finally, our direct and indirect shareholders may have strategic objectives or business interests that could conflict with our own strategies or interests. If the interests of our principal shareholders conflict with our interests or the interests of the holders of the Notes, or if our principal shareholders engage in activities or pursue strategic objectives that conflict with our interests or the interest of the holders of the Notes, we and investors could be disadvantaged.

An active trading market may not develop for the Notes, in which case investors may not be able to resell the Notes.

There is no existing trading market for the Notes and we cannot assure you that an active or liquid trading market will develop for the Notes. The Managers have advised us that they intend to make a market in the Notes after completing the Offering, however, they have no obligation to do so and may discontinue market making activities at any time without notice. We have made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market. We cannot guarantee that the application we have made will be approved as of the Issue Date or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading. Future liquidity will depend, among other things, on the number of holders of the Notes, our financial performance, the market for similar securities and the interest of securities dealers in making a market in the Notes. In addition, changes in the overall market for securities of similar type as the Notes and changes in our financial performance or in the markets where we operate may adversely affect the liquidity of the trading market in these Notes and the market price quoted for these Notes. As a result, we cannot assure you that an active trading market will actually develop for these Notes. Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the Notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the Notes.

The trading market for debt securities may be volatile and may be adversely impacted by many events.

The market for debt securities issued by the Issuer is influenced by a number of interrelated factors, including economic, financial and political conditions and events in Germany as well as economic conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialized countries. There can be no assurance that events in Germany, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect. Accordingly, the price at which a Noteholder will be able to sell his Notes may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Noteholder.

The development of market prices of the Notes depends on various factors.

The market value of the Notes is influenced by a change in the creditworthiness (or the perception thereof) of the Issuer and by the credit rating of the Issuer and a number of other factors including Market Interest Rate levels and rate of return.

The development of market prices of the Notes depends on various factors, such as changes of Market Interest Rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Note. Noteholders are therefore exposed to the risk of an unfavorable development of market prices of the Notes which could materialize upon a sale of Notes.

Incidental costs related in particular to the purchase and sale of Notes may have a significant impact on the profit potential of the Notes.

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) may be incurred in addition to the purchase or sale price of the Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro rata commissions, depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, investors may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third-party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), investors must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes. These additional costs may significantly reduce or eliminate any profit from holding the Notes.

No assurance can be given as to the impact of any possible judicial decision or change of laws or administrative practices after the date of this Prospectus.

The Terms and Conditions are based on the laws of Germany in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in German law or administrative practice or the official application or interpretation of German law after the date of this Prospectus.

A potential investor may not rely on the Issuer, the Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes.

Each potential investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, whether its acquisition of the Notes is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

A potential investor may not rely on the Issuer, the Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

Without independent review and advice, a potential investor may not adequately understand the risks inherent with an investment in the Notes and may lose parts or all of its capital invested without taking such or other risks into consideration before investing in the Notes.

The right of investors to receive payments under the Notes will be effectively subordinated to claims of existing and future secured creditors of the Issuer, up to the value of the collateral securing such indebtedness.

The Notes will not be secured by any of the Issuer's assets. As a result, the indebtedness represented by the Notes will be effectively subordinated to any existing and future secured indebtedness we may incur, to the extent of the value of the assets securing such indebtedness. The terms of the Notes will permit us to incur additional secured indebtedness in the future subject to certain limitations. Accordingly, in the event of a bankruptcy, dissolution, reorganisation or similar proceeding affecting the Issuer, the right of investors to receive payment will be effectively subordinated to those of secured creditors up to the value of the collateral securing such indebtedness. Noteholders will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the Notes, and potentially with all of our other general creditors, based on the respective amounts owed to each holder or creditor, in our remaining assets. In addition, if the secured lenders were to declare a default with respect to their loans and enforce their rights with respect to their collateral, there can be no assurance that our remaining assets would be sufficient to satisfy our other obligations, including our obligations with respect to the Notes. In any of the foregoing events, we cannot assure investors that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of the Notes may receive less, ratably, than holders of secured indebtedness.

The Notes will be structurally subordinated to the liabilities of our subsidiaries.

None of our subsidiaries will guarantee the Notes. Our subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. As of 31 December 2017, our subsidiaries had approximately EUR 395 million of financial indebtedness outstanding (excluding intercompany indebtedness). Generally, claims of creditors of a subsidiary, including trade creditors and preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by Noteholders under the Notes. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceeding of any of holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our subsidiaries. In addition, the terms of the Notes and our other indebtedness allow subsidiaries to incur additional debt in the future which will be structurally senior to the Notes.

If the Notes are rated investment grade, certain covenants contained in the Terms and Conditions will be suspended, and you will lose the protection of these covenants unless or until the Notes subsequently fall back below investment grade.

The Terms and Conditions contain certain covenants that will be suspended for so long as the Notes are rated investment grade by at least two of Standard & Poor's, Moody's and Fitch.

As a result, we will be able to incur additional indebtedness and consummate transactions that may impair our ability to satisfy our obligations with respect to the Notes. In addition, we will not have to make certain offers to repurchase the Notes. These covenants will only be restored if the credit ratings assigned to the Notes later fall below investment grade. Any actions taken during the period of suspension will remain in effect despite such a restoration of the covenants.

Certain amendments to the Terms and Conditions may be passed in accordance with the German Act on Debt Securities of 2009 (Gesetz über Schuldverschreibungen aus Gesamtemissionen, Schuldverschreibungsgesetz, SchVG).

The Terms and Conditions may be amended by a vote of the holders of the Notes in accordance with the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen, Schuldverschreibungsgesetz,* "**SchVG**"). Amendments require a majority of not less than 50.1% of votes cast or, 75% for certain amendments, of the votes cast as opposed to 50.1% or 75%, respectively, of the aggregate principal amount of the Notes outstanding. The voting process under the Terms and Conditions will be governed in accordance with the SchVG, pursuant to which the quorum for noteholder votes is principally set at a simple majority. In case there is no sufficient quorum, there is no minimum quorum requirement at a second meeting (unless the resolution to be passed requires a qualified majority, in which case Noteholders representing at least 25 % of outstanding Notes by principal amount must participate in the meeting or voting). As the relevant majority for Noteholders' resolutions is generally based on votes cast, rather than on principal amount of the Notes outstanding, the aggregate principal amount required to vote in favor of an amendment will vary based on the Noteholders' votes participating. For example, if the holders of less than 55.5% of the aggregate principal amount of the Notes participate in a vote, any proposed amendment, including amendments subject to the 75 % threshold, can be passed with less than a majority of the aggregate principal amount of the Notes consenting. See Article 19 of the Terms and Conditions. Therefore, a Noteholder is subject to the risk of being outvoted by a majority resolution of such Noteholders and losing rights towards the Issuer against his will in the event that Noteholders holding a sufficient aggregate principal amount of the Notes participate in the vote and agree to amend the Terms and Conditions or on other matters relating to the Notes by majority vote in accordance with the Terms and Conditions and the SchVG.

Since no Noteholders' Representative will be appointed as from the Issue Date, it will be more difficult for Noteholders to take collective action with respect to the Notes.

No initial representative for the Noteholders ("**Noteholders' Representative**") will be appointed under the Terms and Conditions and as a consequence it will become more difficult for Noteholders to take collective action with respect to the Notes. Any appointment of a Noteholders' Representative of the Notes post-issuance of the Notes will, therefore, require a majority resolution of the Noteholders.

If a Noteholders' Representative has been appointed by majority resolution of the Noteholders, it is possible that a Noteholder may be deprived of its individual right to pursue and enforce its rights under the Terms and Conditions against the Issuer, if such right was passed to the Noteholders' Representative by majority vote. In such case, the Noteholders' Representative becomes exclusively responsible to claim and enforce the rights of all of the Noteholders.

The Noteholders have no voting rights in shareholders' meetings.

The Notes are non-voting with respect to general shareholders' meetings of the Issuer. Consequently, the Noteholders cannot influence any decisions by the Issuer to defer interest payments or to optionally settle such arrears of interest or any other decisions by the Issuer's shareholders concerning the capital structure or any other matters relating to the Issuer.

Changes in Accounting Standards.

The Issuer's consolidated financial statements are prepared in accordance with IFRS, as applicable in the European Union. New or changed accounting standards may lead to adjustments in the relevant accounting positions of the Issuer. This might lead to a different perception of the market regarding the Issuer's creditworthiness. As a result, there is a risk that the market value of the Notes might decrease.

The income under the Notes may be reduced by taxes.

Potential investors should be aware that they may be required to pay taxes or other charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors are advised not to rely on the tax discussions contained in this Prospectus but to ask for their own tax advisor's ad-vice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor.

The Financial Transactions Tax could apply to certain dealings in the Notes.

The European Commission has published a proposal for a directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). The proposed FTT could, if introduced in its current form, apply to certain dealings in the Notes in certain circumstances, in particular where at least one party is a financial institution. The FTT, if introduced, could apply to persons both within and outside of the Participating Member States. As a result, Noteholders may be burdened with additional costs for the execution of transactions with the Notes. Potential investors should refer with respect to the FTT to the section "*Taxation—The Proposed Financial Transactions Tax*".

Changes in respect of the public debt ratings of the Notes may materially and adversely affect the availability, the cost and the terms and conditions of our debt.

The Notes will be, and any of our future debt instruments may be, publicly rated by independent rating agencies. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. These public debt ratings affect our ability to raise debt. A negative change, or an indication of a possible negative change, in our ratings could have an adverse effect on the trading and market price of the Notes. Any future downgrading of the Notes or any other debt instruments we may have at such time by any rating agency may affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

In case of certain events of default, the Notes will only be redeemable if Noteholders of at least 10 % of the aggregate principal amount of the Notes then outstanding declare the Notes due and payable. Such declaration of acceleration may be rescinded by majority resolution of the Noteholders.

The Terms and Conditions provide that, in case of certain events of default, any notice declaring the Notes due and payable shall become effective only when the Principal Paying Agent has received such default notices from Noteholders representing at least 10 % of the aggregate principal amount of Notes then outstanding. In addition, under the SchVG, even if a default notice had been given by a sufficient number of Noteholders of the Notes, the Noteholders could rescind such acceleration by majority resolution within three months. A simple majority of votes would be sufficient for a resolution on the rescission of such acceleration but, in any case, more Noteholders would have to consent to a rescission than have delivered default notices.

Noteholders should be aware that, as a result, they may not be able to accelerate the Notes upon the occurrence of certain events of default, unless the required quorum of Noteholders delivers default notices and such acceleration is not rescinded by majority resolution of the Noteholders.

The Noteholders are subject to exchange rate risks and exchange controls.

The Notes are denominated in Euros. Potential investors should bear in mind that an investment in the Notes involves currency risks. This presents certain risks relating to currency conversions if financial activities of a Noteholder are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes, and (iii) the Investor's Currency-equivalent market value of the Notes.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, Noteholders may receive less interest or principal than expected, or no interest or principal at all.

Investment in the Notes may also have important tax consequences as a result of any foreign currency exchange gains or losses.

The Noteholders are exposed to risks relating to fixed interest notes.

The Notes bear interest at a fixed rate. A Noteholder of a fixed interest rate note carries the risk that the price of such note may fall as a result of changes in the current interest rate on the capital market (the "**Market Interest Rate**"). While the nominal interest rate of a note with a fixed interest rate is fixed in advance for the entire duration or during a certain period, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of a note with a fixed interest rate also changes – but in the opposite direction. If the Market Interest Rate increases, the price of a note with a fixed interest rate typically falls until the yield of such note approximately equals the Market Interest Rate. If the Market Interest Rate decreases, the price of a fixed interest rate note typically increases until the yield of such note is approximately equal to the Market Interest Rate. Potential investors should be aware that movements of the Market Interest Rate can adversely affect the market price of the Notes and can lead to losses for Noteholders if they sell their Notes.

Noteholders are subject to the risk of a partial or total failure of the Issuer to make interest and/or redemption payments.

Any person who purchases Notes is relying on the creditworthiness of the Issuer and has no rights against any other person. Noteholders are subject to the risk of a partial or total failure of the Issuer to make interest and/or redemption payments that the Issuer is obliged to make under the Notes. As a general rule, the worse the creditworthiness of the Issuer, the higher the risk of a loss (see also "*A. Risks Relating to Our Financial Profile*" above). A materialization of the credit risk may result in partial or total failure of the Issuer to make interest and/or redemption payments under the Notes.

In addition, even if the likelihood that the Issuer will be in a position to fully perform all obligations under the Notes when they fall due, actually has not decreased, market participants could nevertheless be of that opinion. Market participants may in particular be of this opinion if market participant's assessment of the creditworthiness of corporate debtors in general or debtors operating in the same industry as the Issuer adversely changes. If any of these risks occur, third parties would only be willing to purchase the Notes for a lower price than before the materialization of said risk, or not at all. The market value of the Notes may therefore decrease and investors could lose some or all of their investment.

The Noteholders' only remedy against the Issuer is the institution of legal proceedings to enforce payment or to file an application for insolvency proceedings.

The only remedy against the Issuer available to the Noteholders for recovery of amounts which have become due in respect of the Notes will be the institution of legal proceedings to enforce payment of the amounts or to file an application for the institution of insolvency proceedings. On an insolvency or liquidation of the Issuer, any Noteholder may only declare its Notes due and payable and may claim the amounts due and payable under the Notes after the Issuer has discharged or secured in full (i.e., not only with a quota) all claims that rank senior to the Notes.

If the Notes are redeemed, a Noteholder of such Notes is exposed to the risk of a lower yield than expected.

The Issuer may redeem all outstanding Notes under certain circumstances as defined in the Terms and Conditions. If the Notes are redeemed, a Noteholder is exposed to the risk that due to such redemption his investment will have a lower than expected yield. In such circumstances, the investor might possibly not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Consequently, the Notes may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, and Noteholders who have acquired the Notes may be required to bear the cost of their investment in the Notes until their maturity. It is the Noteholders' obligation to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

The Notes will be held in book-entry form and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will be represented by global notes. These will be deposited with Clearstream Banking AG, Frankfurt am Main ("**Clearstream Frankfurt**"). Investors will not be entitled to receive definitive notes. Interests in the global notes will be recorded in book-entry form only. Ownership of interests in each global note will be limited to persons who have accounts with Clearstream Frankfurt or persons who hold interests through participants. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to BNP Paribas Securities Services S.C.A., Zweigniederlassung Frankfurt am Main as paying agent, which will make payments to Clearstream Frankfurt. Clearstream Frankfurt will, in turn, distribute those payments to its participants that hold book-entry interests in the global notes representing the Notes in accordance with its procedures and these payments will be credited by such participants to indirect participants for the benefit of the holders of the co-ownership interests (*Miteigentumsanteile*) in the Notes represented by each global note. After payment to Clearstream Frankfurt, we will have no responsibility or liability for the payment of interest, principal or other amounts in respect of the Notes. Accordingly, if investors own a book-entry interest, investors must rely on the procedures of Clearstream Frankfurt and, if investors are not a participant in Clearstream Frankfurt, on the procedures of the participant through which investors own your interest, to exercise any rights and obligations of a holder under the Terms and Conditions.

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

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

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

Insolvency proceedings may be brought against us and such proceedings may proceed under, and be governed by, Luxembourg insolvency laws. The insolvency laws of Luxembourg may not be as favourable to our interests as the laws of Germany or other jurisdictions with which we may be familiar including aspects such as the priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, which may take several years. Thus, your ability to recover payments due on the Notes may be limited to an extent exceeding the limitations arising under other insolvency laws.

Under Luxembourg insolvency laws, the following types of proceedings (together referred to as "**Insolvency Proceedings**") may be opened against us to the extent that we have our registered office or our centre of main interests (*centre des intérêts principaux*) (within the meaning given to such term in Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast), as amended) in Luxembourg at the time of the commencement of these proceedings:

- bankruptcy (*faillite*) proceedings, the opening of which may be requested by the company or by any of its creditors; following such a request, a competent Luxembourg court may open bankruptcy proceedings if the company (i) is unable to pay its debts as they fall due (*cessation des paiements*), and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*); if a court finds that these conditions are met without any request, it may also open bankruptcy proceedings on its own motion;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors. The Commercial District Court (*Tribunal d'arrondissement siégeant en matière commerciale*) may (i) approve the proposed reorganisation plan if a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the company's liabilities have agreed thereto or (ii) disagree with the reorganisation plan proposed by the administrators even though a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the company's liabilities have agreed to such plan, in which case the application for controlled management will be dismissed or (iii) ask the administrators to propose an amended plan (such amended plan will have to be submitted again to the creditors). The judgment approving the plan will be binding upon the company and its creditors, joint debtors and guarantors.

- Voluntary composition with creditors (*concordat préventif de la faillite*), upon request only by the company. The composition may only be adopted if a majority of the creditors representing, by their unchallenged claims, three-quarters of the company's debt, has adhered to the proposal and if the composition has been homologated by the Commercial District Court. Creditors benefiting from mortgages (*hypothèques*), privileges (*privilèges*) or pledges (*gages*) only have a deliberating voice in the operations of the concordat, if they renounce the benefit of their mortgages, privileges or pledges. The vote in favour of the concordat entails renunciation. The renunciation may be limited by the secured creditors to only a portion (but representing at least 50% in value) of their claims with corresponding voting rights. While the composition is being negotiated, creditors may not take action against the company to recover their claims. Secured creditors who do not participate in the composition proceedings may take action against the company to recover their claims and to enforce their security. Fraudulent transactions which took place before the date on which the Commercial District Court commenced composition proceedings may be set aside.

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

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

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

Further, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings, "the courts of the member state within the territory of which the centre of a debtor's main interests is situated" have jurisdiction to open insolvency proceedings. The "centre of main interests" is defined as "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties." Pursuant to Article 3(1) of the EU Insolvency Regulation, the centre of main interests of a company or legal person is presumed to be located in the Member State of the registered office in the absence of proof to the contrary. At the moment, the factual requirements of this presumption are fulfilled by the Issuer, however, it is not certain that this will continue to be the case.

USE OF PROCEEDS

The gross proceeds accruing to the Issuer from the issuance of the Notes will amount to EUR 300.0 million.

The Issuer intends to use the gross proceeds from the issuance of the Notes for the following purposes:

(i) approximately EUR 198.5 million are intended to be used for repayment of existing debt (*e.g.,* working capital facilities, corporate debt and warehouse debt);

(ii) approximately EUR 5.9 million will be used to pay transaction costs, fees and expenses related to the issuance of Notes;

(iii) the remaining approximately EUR 95.6 million are intended to be used to finance general corporate purposes (including M&A transactions and the acquisition of warehousing assets).

The net proceeds from the issuance of the Notes are estimated by the Issuer to be approximately EUR 294.1 million.

The actual amounts and the allocation of the proceeds from the issuance of the Notes may be subject to adjustment and may differ at the time of the consummation of the Offering.

CAPITALISATION

The following table sets forth our capitalisation as of 31 December 2017 on a historical basis and as adjusted to reflect the issuance of the Notes pursuant to the Offering and the application of the proceeds therefrom, as described under "*Use of Proceeds*" as if it had occurred on 31 December 2017.

Prospective investors should read this table in conjunction with the sections "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operation*" included elsewhere in this Prospectus, and the Audited Consolidated Financial Statements, including the notes thereto, which are incorporated by reference into this Prospectus. Except as set forth below, there have been no material changes to our capitalisation since 31 December 2017.

	As of 31 December 2017		
	Actual	**Adjustment**[12]	**As adjusted**
('000 EUR)		**(unaudited)**	
Total current debt[1]	**333,991**	–	**265,351**
of which guaranteed[2]	*6,604*	*(6,604)*[13]	–
of which secured[3]	*111,855*	*(33,536)*[13]	*78,320*
of which unguaranteed/unsecured[4]	*215,532*	*(28,500)*[13]	187,032
Total non-current debt[5] **(excluding current portion of long-term debt)**	**541,601**	–	**700,107**
of which guaranteed[6]	*18,600*	*(18,600)*[13]	–
of which secured[7]	*213,165*	*(90,227)*[13]	*122,938*
of which unguaranteed/unsecured[8]	*309,836*	*267,332*[13]	*577,169*
Shareholder's equity[9]	**550,930**	–	**550,930**
of which share capital	*1,597*	–	*1,597*
of which legal reserve	–	–	–
of which other reserves	*549,333*[11]	–	*549,333*
Capitalization (total)[10]	**1,426,521**	–	**1,516,388**

(1) Referred to as total current liabilities in Issuer's Audited Consolidated Financial Statements.

(2) The guaranteed total current debt relates to loans with regard to Hannover Leasing Group as borrower.

(3) The secured total current debt relates to a loan with Rüsselsheimer Volkbank eG as lender (EUR 241 thousand), loans with regard to Hannover Leasing Group as borrower (EUR 86,307 thousand), the lombard loan with Notenstein La Roche Privatbank AG as lender (EUR 10,000 thousand) and our bridge loan from SO Holding AG as lender (EUR 15,309 thousand).

(4) The unguaranteed/unsecured current debt relates to other short-term provisions (EUR 42,884), short-term financial liabilities to banks (EUR 29,128 thousand), other short-term financial liabilities (EUR 200 thousand), short-term derivatives (EUR 3,394 thousand), short-term liabilities to associates (EUR 2,209 thousand), trade payables (EUR 14,795 thousand), current income tax liabilities (EUR 31,201 thousand), other current liabilities (EUR 75,937 thousand) and liabilities directly associated with the assets held for sale (EUR 15,785 thousand).

(5) Referred to as total non-current liabilities in the Issuer's Audited Consolidated Financial Statements.

(6) The guaranteed total non-current debt relates loans with regard to Hannover Leasing Group as borrower.

(7) The secured non-current debt relates to a loan with Rüsselsheimer Volkbank eG as lender (EUR 8,788 thousand), loans with regard to Hannover Leasing Group as borrower (EUR 163,867 thousand), our revolving credit facility (EUR 34,000 thousand) and our bridge loan from SO Holding AG as lender (EUR 6,510 thousand).

(8) The unguaranteed/unsecured non-current debt relates to other long-term provisions (EUR 6,205), long-term financial liabilities to banks (EUR 13,007 thousand), other long-term financial liabilities (EUR 236,519 thousand), long-term derivatives (EUR 4,941thousand), deferred tax liabilities (EUR 18,630 thousand) and other noncurrent liabilities (EUR 30,534 thousand).

(9) Referred to as sub-total capital accounts of shareholders of parent company in the Issuer's Audited Consolidated Financial Statements.

(10) Sum of total current debt, total non-current debt and shareholder's equity.

(11) This includes net profit/(loss) for the period in the amount of EUR 55,717 thousand.

(12) As adjusted to reflect the issuance of the Notes pursuant to the Offering and the application of the proceeds therefrom, as described under "*Use of Proceeds*" as if it had occurred on 31 December 2017. The adjustments are based on the assumption of gross proceeds from the issuance of the Notes in the amount of EUR 300,000 thousand, the repayment of loans in an aggregate outstanding amount of EUR 198,500 thousand, transaction costs, fees and expenses related to the issuance of Notes of EUR 5,900 thousand and cash in an amount of EUR 95,600 thousand.

(13) The allocation of the proceeds from the issuance of the notes among the various debt categories reflect the current intention of the Issuer. However, the Issuer may decide to re-allocate the proceeds from the issuance of the Notes among the various debt categories.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of the Group as of and for the financial years ended 31 December 2015, 2016 and 2017 has been taken or derived from the Issuer's audited consolidated financial statements as of and for the financial years ended 31 December 2015, 31 December 2016 (including comparative figures as of and for the financial year ended 31 December 2015, to the extent such comparative figures have been adjusted in the Issuer's audited consolidated financial statements as of and for the financial year ended 31 December 2016) and 31 December 2017 *(including comparative figures as of and for the financial year ended 31 December 2016, to the extent such comparative figures have been adjusted in the Issuer's audited consolidated financial statements as of and for the financial year ended 31 December 2017)* (together, the "**Audited Consolidated Financial Statements**") as well as the Issuer's accounting records or its management reporting. The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").

This selected consolidated financial information should be read in conjunction with the above-mentioned Audited Consolidated Financial Statements, as well as the information contained in section "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Where financial information in the following tables is labelled "audited," this means that it has been taken from the audited consolidated financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the Audited Consolidated Financial Statements but rather was derived from the Audited Consolidated Financial Statements, or taken or derived from the Issuer's accounting records or its management reporting, or has been calculated based on figures from the sources mentioned before.

All of the financial information presented in the text and the tables below are shown in thousands of EUR (in EUR '000) except as otherwise stated. Certain financial information (including percentages) in this Prospectus have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts may not correspond in all cases to the corresponding aggregated amounts of the underlying (rounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available, but has been rounded to or equals zero.

Selected Financial Information from the Consolidated Statement of Profit and Loss

The following table sets forth certain financial information from our consolidated statements of profit and loss for the periods indicated:

(in EUR '000)	For the financial year ended 31 December 2015	2016	2017
		(audited)	
Revenue from Acquisition Related Fees	4,483	9,615	30,016
Revenue from Asset and Property Management	20,886	25,336	52,539
Revenue from Sales Fees	491	–	900
Revenue from Coupon Participation Fees	–	–	53,689
Revenue from Promote Fees Realised	12,174	5,817	14,456
Total Revenue from Real Estate Investment Management	*38,034*	*40,769*	*151,600*
Management Expenses	*(19,779)*	*(23,167)*	*(50,814)*
Total Expenses from Real Estate Investment Management	*(19,779)*	*(23,167)*	*(50,814)*
Total Earnings from Real Estate Investment Management	**18,255**	**17,601**	**100,786**
Share of Profit or Loss from Associates and Joint Ventures	*4,695*	*5,255*	*9,498*
Dividends from other Alignment Capital	–	–	*9,877*
Expenses from Management of Associates and Joint Ventures	*(667)*	*(2,637)*	*(1,088)*
Total Earnings from Alignment Capital Management	**4,028**	**2,617**	**18,286**
Net Rental Income	1,322	1,078	9,224
Revenue from Service Charges	557	364	889
Net Gain from Selling Property Holding Companies	2,506	12,244	13,916
Total Income from Real Estate Operations/Warehousing	*4,386*	*13,685*	*24,028*
Expenses from Real Estate Operations/Warehousing	*(2,077)*	*(4,044)*	*(5,029)*
Total Earnings from Real Estate Operations/Warehousing	**2,308**	**9,641**	**18,999**
General and Administrative Expenses	(13,118)	(9,963)	(35,400)
Other Income	803	147	2,010
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	**12,276**	**20,044**	**104,682**
Depreciation and Amortisation	(349)	(374)	(20,866)
Earnings before Interests and Taxes (EBIT)	**11,927**	**19,670**	**83,816**
Financial Income	173	514	8,951
Financial Expenses	(3,458)	(3,315)	(29,778)
Earnings before Taxes (EBT)	**8,642**	**16,870**	**62,989**
Income Tax (Expense)/Benefit	1,446	(1,313)	(6,634)
Net Profit/(Loss) for the Period	**10,087**	**15,556**	**56,355**
of which attributable to equity holders of parent company	*9,656*	*15,396*	*55,717*
of which attributable to non-controlling interests	*431*	*160*	*638*
Total Revenues(1)	**39,914**	**42,210**	**161,712**
Total Expenses(2)	**(35,642)**	**(39,811)**	**(92,331)**

(1) Not including Share of Profit or Loss from Associates and Net Gain from Selling Property Holding Companies.
(2) Excluding Financial Expenses and Depreciation and Amortisation.

Selected Financial Information from the Consolidated Statement of Financial Position

(in EUR '000)	As of 31 December 2015	2016 (audited)	2017
Non-Current Assets			
Property, Plant and Equipment	642	1,235	30,668
Long-term Receivables	–	–	37,827
Other Intangible Assets	96	930	141,016
Goodwill	–	–	556,861
Investment in Associates and Joint Ventures	29,247	35,747	59,929
Other Financial Instruments	31	2,217	72,183
Long-term Loans to Associates	-	2,493	6,808
Deferred Tax Assets	2,406	2,363	10,526
Total Non-Current Assets	**32,421**	**44,985**	**915,818**
Current Assets			
Advance Payments for Property Purchase Prices	1,000	1,305	–
Inventories	39,216	15,905	268,258
Receivables from Associates	11,469	8,263	18,874
Receivables from Joint Venture	5,755	1,031	–
Trade Receivables	3,984	5,271	32,141
Other short-term Receivables	1,329	1,530	1,774
Current Income Tax Assets	122	730	853
Other short-term Assets	940	3,376	63,948
Restricted Cash	2,800	700	745
Cash and Cash Equivalents	9,647	47,509	108,830
	76,263	**85,619**	**495,422**
Assets held for Sale	–	–	15,785
Total Current Assets	**76,263**	**85,619**	**511,207**
Total Assets	**108,684**	**130,605**	**1,427,025**
Equity			
Share Capital	195	946	1,597
Other Reserves	24,292	69,699	493,616
Net Profit/(Loss) for the Period	9,656	15,396	55,717
Subtotal Capital Accounts of shareholders of parent company	*34,143*	*86,040*	*550,930*
Non-controlling Interests	213	405	503
Total Equity	**34,356**	**86,446**	**551,433**
Non-Current Liabilities			
Other long-term Provisions	–	–	6,205
Long-term Financial Liabilities to Banks	25,378	14,126	238,262
Other long-term Financial Liabilities	–	–	243,030
Net Employee Defined Benefit Liabilities	443	–(1)	–
Long-term Derivatives	–	–	4,941
Deferred Tax Liabilities	–	0	18,630
Other non-current Liabilities	1,275	9,831(1)	30,534
Total Non-Current Liabilities	**27,096**	**23,957**	**541,601**
Current Liabilities			
Other short-term Provisions	–	–	42,884
Short-term Financial Liabilities to Banks	0	4,004	132,278
Other Short-term Financial Liabilities	–	–	15,509
Short-term Derivatives	–	–	3,394
Short-term Liabilities to Associates	91	948	2,209
Trade Payables	8,258	7,266	14,795
Current Income Tax Liabilities	603	1,050	31,201
Other Current Liabilities	38,279	6,934	75,937
Liabilities directly associated with Assets held for Sale	–	–	15,785
Total Current Liabilities	**47,232**	**20,202**	**333,991**
Subtotal Liabilities	**74,328**	**44,159**	**875,592**
Total Equity and Liabilities	**108,684**	**130,605**	**1,427,025**

(1) Due to changes in the presentation, this figure for the financial year ended 31 December 2016 has been taken from the consolidated financial statements as of and for the financial year ended 31 December 2017 (which include the respective comparative financial information as of and for the financial year ended 31 December 2016).

Selected Financial Information from the Consolidated Statement of Cash Flows

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

	For the financial year ended 31 December		
	2015	2016	2017
(in EUR '000)		(audited)	
Net cash flows from operating activities	(34,100)	23,845	15,391
Net cash flows generated from / (used in) investing activities	(4,575)	(15,524)	(145,613)
Net cash flows from / (used in) financing activities	29,302	27,441	191,587
Cash and cash equivalents at beginning of period	21,820	12,447	48,209
Net increase (decrease) in cash and cash equivalents	(9,373)	35,762	61,366
Cash and cash equivalents at end of period	12,447	48,209	109,575

Other Financial Information

The following table sets forth the calculation of our ANP, aggregate revenues and gains, ANP margin and Adjusted EBITDA for the periods indicated as well as the AuM at the end of the respective period:

	As of and for the financial year ended 31 December		
	2015	2016	2017
(in EUR '000, except as otherwise noted)	(unaudited, except as otherwise noted)		
Net Profit/(Loss) for the Period attributable to Shareholders of the Parent Company[(1)]	**9,656**	**15,396**	**55,717**
Net Profit Adjustments[(2)]	6,935	4,019	37,613
Adjusted Net Profit[(3)]	**16,591**	**19,415**	**93,330**
Total Revenue from Real Estate Investment Management[(1)]	38,034	40,769	151,600
Dividends from other Alignment Capital[(1)]	–	–	9,877
Total Income from Real Estate Operations/Warehousing[(1)]	4,386	13,685	24,028
Share of Profit or Loss from Associates and Joint Ventures[(1)(4)]	4,695	5,255	9,498
Aggregate Revenues and Gains[(5)]	**47,115**	**59,709**	**195,003**
Adjusted Net Profit Margin[(6)]	**35.2%**	**32.5%**	**47.9%**
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)[(1)]	**12,276**	**20,044**	**104,682**
EBITDA Adjustments[(7)]	6,676	3,070	18,617
Adjusted EBITDA[(8)]	**18,952**	**23,114**	**123,299**
Assets under Management at the end of the period (in EUR billion)[(9)]	**2,044**	**2,759**	**21,925**

(1) Audited.

(2) Includes adjustments for certain one-off items net of (deferred) tax effects, *i.e.* adjustments for one-off capital raising costs (IPO costs) of EUR 3,845.0 thousand, one-off investments for institutional product business of EUR 880.0 thousand and interest burden from bridge facility of EUR 2,210.0 thousand for the financial year ended 31 December 2015, adjustments for one-off acquisition related expenses of EUR 944.0 thousand, costs for management stock options of EUR 625.0 thousand, adjustments for one-off capital raising costs (IPO costs) of EUR 590.0 thousand and interest burden from bridge facility of EUR 1,860.0 thousand for the financial year ended 31 December 2016 and adjustments for acquisition related expenses of EUR 12,569 thousand, costs for management stock options of EUR 4,702 thousand, adjustments for severance payments of EUR 1,346 thousand, adjustments for a repayment penalty of EUR 3,637 thousand, adjustments for depreciation of the capitalized management contracts of EUR 15,359 thousand (net of taxes) for the financial year ended 31 December 2017.

(3) Adjusted Net Profit is defined as the net profit/(loss) for the period attributable to shareholders of the parent company adjusted for certain exceptional items as described above in footnote two.

(4) Share of profit or loss from associates and joint ventures may include fair value gains or losses or other non-cash items.

(5) Includes total revenue from real estate investment management, dividends from other alignment capital, total income from Real Estate Operations/Warehousing and our share of profit or loss from associates and joint ventures.

(6) Adjusted net profit expressed as a percentage of aggregate revenues and gains.

(7) Includes adjustments for certain one-off items net of (deferred) tax effects, *i.e.* one-off investments for institutional product business of EUR 1,244.0 thousand and adjustments for one-off capital raising costs (IPO costs) of EUR 5,432.0 thousand for the financial year ended 31 December 2015, adjustments for one-off acquisition related expenses of EUR 1,294.0 thousand, costs for management stock options of EUR 967.0 thousand and for one-off capital raising costs (IPO costs) of EUR 809.0 thousand for the financial year ended 31 December 2016 and adjustments for one-off acquisition related expenses EUR 12,569 thousand, costs for management stock options of EUR 4,702 thousand and adjustments for severance payments of EUR 1,346 thousand for the financial year ended 31 December 2017.

(8) Adjusted EBITDA is defined as EBITDA adjusted for certain exceptional items as described above in footnote seven.

(9) Assets under management are determined based on the projected development costs for project developments for which building phase has not yet been launched, the construction costs for project developments for which the building phase has been launched but has not yet been completed, the real estate valuation for project developments for which the building phase has been completed, and the real estate valuation for standing assets. Assets under management only take into account those transactions which are secured by binding contracts.

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

Investors should read the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" in conjunction with the sections entitled "Selected Consolidated Financial Information" as well as the Audited Consolidated Financial Statements (as defined below), including the notes thereto, which are incorporated by reference into this Prospectus.

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

*The following historical consolidated financial information of the Group as of and for the financial years ended 31 December 2015, 2016 and 2017 has been taken or derived from the Issuer's audited consolidated financial statements as of and for the financial years ended 31 December 2015, 31 December 2016 (including comparative figures as of and for the financial year ended 31 December 2015, to the extent such comparative figures have been adjusted in the Issuer's audited consolidated financial statements as of and for the financial year ended 31 December 2016) and 31 December 2017 (including comparative figures as of and for the financial year ended 31 December 2016, to the extent such comparative figures have been adjusted in the Issuer's audited consolidated financial statements as of and for the financial year ended 31 December 2017) (together, the "**Audited Consolidated Financial Statements**") as well as the Issuer's accounting records or its management reporting. The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").*

*The acquisitions of HFS Helvetic Financial Services AG, Wollerau/Switzerland ("**HFS**") (the "**HFS Acquisition**"), Hannover Leasing GmbH & Co. KG, Pullach/Germany (together with its subsidiaries, the "**HL Group**") (the "**HL Group Acquisition**") and Atos Capital GmbH, Hamburg/Germany (together with its subsidiaries, the "**ATOS Group**") (the "**ATOS Group Acquisition**", and together with the HFS Acquisition and the HL Group Acquisition, the "**Acquisitions**") were completed on 5 July 2017, 7 July 2017 and 6 October 2017, respectively, and are therefore included in the figures for the financial year ended 31 December 2017 as from the aforementioned dates of completion of the respective acquisition, onwards.*

Where financial information in the following tables is labelled "audited," this means that it has been taken from the audited consolidated financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the Audited Consolidated Financial Statements but rather was derived from the Audited Consolidated Financial Statements, or taken or derived from the Issuer's accounting records or its management reporting, or has been calculated based on figures from the sources mentioned before.

All of the financial information presented in the text and the tables below are shown in thousands of EUR (in EUR '000) except as otherwise stated. Certain financial information (including percentages) in this Prospectus have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts may not correspond in all cases to the corresponding aggregated amounts of the underlying (rounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("–") signifies that the relevant *figure is not available, while a zero ("0") signifies that the relevant figure is available, but has been rounded to or equals zero.*

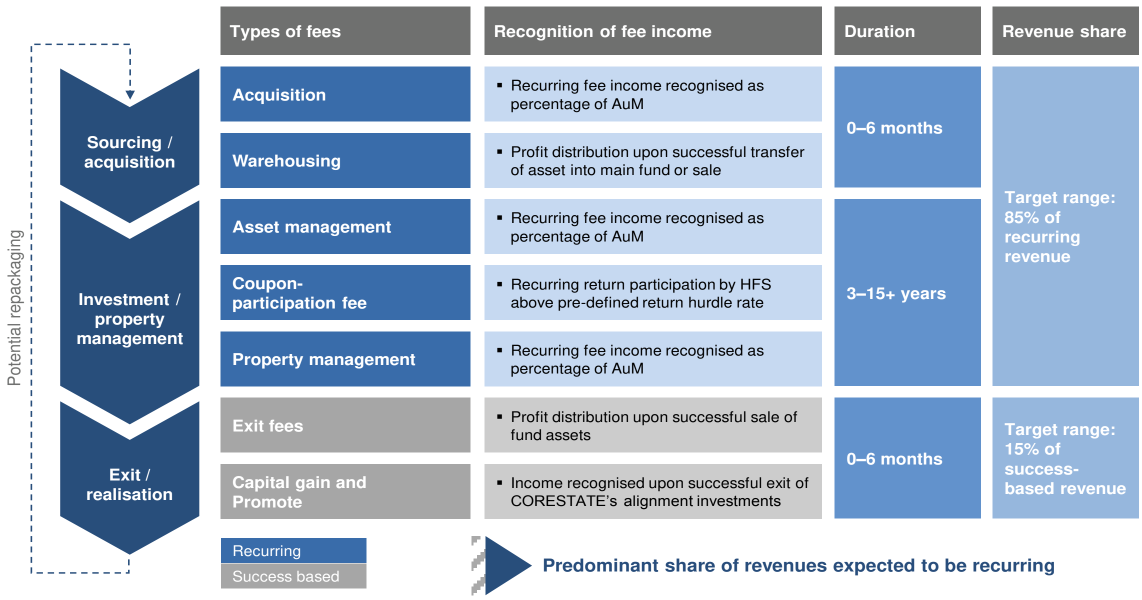
Overview

We believe that we are one of the leading listed investment managers for real estate equity and debt in the German, Austrian and Swiss region of Europe. We are headquartered in Luxembourg with market focus predominantly on Germany covering the entire lifecycle of investments in real estate. In our fully integrated business model we are active as co-investor and manager for our clients applying our experience and expertise to a wide range of real estate investment product offerings. Our business generates revenues from three segments, namely (i) "**Real Estate Investment Management**," (ii) "**Alignment Capital Management**" and (iii) "**Real Estate Operations and Warehousing**." In the Real Estate Investment Management segment our activities encompass the sourcing and acquisition of relevant real estate opportunities and investments, structuring and implementing investment products, performing management services for real estate investments held in separate vehicles established by respective clients together with Corestate and related to our Real Estate Investment Management business (together "**Investment Structures**" and individually "**Investment Structure**"), as well as for assets held for Warehousing purposes (*i.e.* assets which we acquire on our own balance sheet and hold only for a short term (typically 3 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 optimising 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.

To expand and diversify our product range and to improve our access to new sources of capital, on 15 December 2016, we purchased a 94.9% stake (including the subsequent related purchase of a minority shareholding, which was acquired by means of the exercise of a call-option on 21 December 2016) in HL Group. The majority HL Group Acquisition was completed on 7 July 2017 and the minority shareholding acquisition completed on 12 July 2017. We believe HL Group is one of the leading asset managers and providers of asset-based investments in Germany, and offers closed public AIFs (*alternative investment funds*) as well as open-ended and closed-ended special AIFs as a licensed capital management company. Furthermore, with the purchase of HFS on 1 July 2017, we expanded our product offering to include mezzanine real estate financing solutions and, simultaneously, complemented our fund business by adding access to mezzanine debt funds. The HFS Acquisition was completed on 5 July 2017. We believe HFS is one of the leading providers of mezzanine financing (a hybrid of debt and equity financing which gives the lender under certain conditions the right to convert to an equity interest in the borrowing company in case of default) in the German residential and commercial real estate market and also sub-advises numerous funds. Following the Acquisitions, we provide the full range of asset, fund, and property management services and related investment products (managed accounts, closed-ended funds, so called club deals (meaning that a group of investors pools its equity to make a joint investment), real estate special-AIFM, open-ended funds) to our clients, covering all major real estate asset classes, including retail, residential, micro living, office, hotels and aviation assets and all relevant investment products, including real estate mezzanine financing.

To strengthen our expertise in the commercial real estate sector, on 6 October 2017, we acquired ATOS, a real estate company specializing in the investment, asset and property management of commercial properties in Germany and Austria. ATOS Group provides the full range of asset and property management services with a strong focus on office and retail assets for both institutional and private/semi-institutional clients. ATOS Group managed a portfolio of around 215 assets in more than 150 cities valued at approximately EUR 1.6 billion as of 31 December 2017.

The services rendered to our clients as well as revenues generated throughout the entire investment lifecycle are set out in the following chart.



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

Generally, we derive our investment product offering from our clients' risk/return profile and market dynamics. As a result our current investment focus is on high street retail investments and micro living, *i.e.* student homes and serviced living in Germany and Spain ("**Micro Living**") as well as selected German residential opportunities. This investment and asset selection focus may change depending upon our clients' demand as well as the real estate markets' dynamics.

Our management team and our investment professionals have built a strong and reliable network including a group of approximately 1,500 agents, covering all regional sub-markets, as well as banks, servicers, insolvency receivers and advisors, allowing us strong deal access across all asset classes.

Since inception and without taking the Acquisitions into account, we raised more than EUR 12 billion equity from a large and broad client network. As at 31 December 2017, the amount of equity committed was EUR 795 million. Our real estate investment management business targets institutional and semi-institutional clients as well as private clients and provides real estate investment products to each group. Our private and semi-institutional clients include family offices and ultra-high net-worth individuals. National and international institutional clients, which we target *inter alia* through our new platforms HL Group and HFS, include pension funds, sovereign wealth funds and insurance companies.

Currently, most of our clients are of Western European origin, whereas a growing minority is domiciled in Asia and the rest of the world. We are increasingly seeking to attract clients for real estate investments, in addition to the circle of our current core European clientele; mainly in Southeast Asia and China (such clients to be serviced through our office in Singapore). This will enable us to access new opportunities to invest in more and larger assets and to launch more investment products. Our attractive track record and focused distribution network with scalable offerings will further improve our access to institutional clients.

Our access to clients is generated through our capital raising teams located in our offices in Zurich, London, Frankfurt/Main and Singapore, which operate under appropriate licenses. In addition, the AIFM authorisation obtained by the Corestate AIFM on 21 January 2015 and the Hannover Leasing AIFM enable us to reach out to a wider pool of clients, such as institutional clients (*e.g.* pension funds, private equity funds, sovereign wealth funds and insurance companies), which may prefer to use AIFM managed structures. We are currently in the process of setting up a further open-ended special AIF with a focus on residential property in Germany. The target volume of such fund (to be named "Corestate Residential Germany Fund II") is at least EUR 300 million. The Hannover Leasing AIFM will act as the investment management company for such fund.

Between 2013 and 2016, our assets under management increased at a compound annual growth rate of 35%. Following the Acquisitions, we increased our assets under management to EUR 21.9 billion as at 31 December 2017 (EUR 2.8 billion as of 31 December 2016).

Between 2013 and 2016, we have implemented transactions with a total transaction volume of approximately 3.6 billion. Our transaction volume for the financial year ended 31 December 2017 amounted to EUR 2.0 billion (including the transaction volume of HL Group, HFS and the ATOS Group prior to the Acquisitions), as compared to EUR 0.9 billion for the financial year ended 31 December 2016.

As of 31 December 2017, our Group employed employees representing 566 full time equivalents (FTEs) (308 full time equivalents (FTEs) as of 31 December 2016). We operated out of 41 offices in 6 countries with direct access to local real estate markets as of 31 December 2017. Our headquarter is located in Luxembourg, where Corestate Capital Fund Management S.à r.l., our Group's Alternative Investment Fund Manager ("**AIFM**"), is based. Capital raising and client relationships are performed by dedicated experts out of our four offices in Zurich, London, Frankfurt/Main and Singapore.

Key Factors Affecting Results of Operations

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

General Macroeconomic Developments in Germany

As our business activities are subject to general economic conditions prevailing in Germany, we often have to adapt our investment strategies during a particular period to maximise returns for our clients. Cyclical macroeconomic developments outside of our control, such as economic growth rates, unemployment rates, inflationary or deflationary trends and interest rate levels — affect the realisation of or exit from our investment products, rental income, property sales, acquisitions and the purchase prices to be paid in the context of add-on purchases. We have to monitor and assess, on a regular basis, the effect of macroeconomic developments on our investment environment and the resulting effect on our business, such as the availability and the creditworthiness of tenants, the availability of real estate investors and their financial resources, the legal framework and tax conditions, the attractiveness of the location "Germany" compared to other countries and in the context of the global real estate markets, supply of and demand for real estate investments compared to other types of investments, as well as the general economic trends, in particular, the interest rates for the financing of real estate acquisitions, in order to be able to adapt our investment strategies to ever evolving circumstances and make appropriate decisions to maximise returns for our clients.

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

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

The regulatory environment may also affect our business as insurance companies, in particular, life insurance companies, are seeking new asset classes in order to generate higher yields for their insured persons. However, insurance companies are restricted by the regulatory solvency framework. Therefore, in line with our business practice of providing custom solutions to meet our clients' unique criteria, in order to attract more insurance companies as clients, we began to offer investment products which are structured to fit in the regulatory solvency framework.

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

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

Macroeconomic Trends in the Eurozone

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

We monitor and assess, on a regular basis, changes in macroeconomic trends in the Eurozone in order to be able to adapt our investment strategies, to the extent possible, on a timely basis to these changing circumstances and make appropriate decisions to maximise returns for our clients. One example of our ability to adapt can be seen in the successful sale of a number of our investment vehicles' value-add residential investments during the periods under review. As a result of the increased competition in the residential real estate market and corresponding effects therefrom, we decided, in coordination with our clients, to sell such residential real estate portfolios at attractive sales prices. Reflecting client sentiment for stable income and long-term products, we have also shifted focus to our retail high street investment products.

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

As opposed to the German real estate market where we currently only see limited value-add purchase opportunities, the Spanish real estate market currently provides multiple value-add purchase opportunities and our experienced local team and cooperation with select local partners in Spain ensures that we participate only in transactions with the benefit of an in-depth understanding of the local markets and related assets.

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

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

Sourcing Activities

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

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

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

Changes in Interest Rates

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

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

Ability to Find Clients

Our ability to find clients for our Investment Structures depends on a number of factors, including market-driven factors that are outside our control. Clients may choose to invest in assets other than real estate or in real estate investment structures that we do not offer. Our ability to find clients for new Investment Structures may similarly be influenced if the general appeal of alternative investments were to decline. We are actively seeking to increase our client base by reaching out to more international institutional clients, such as pension funds, insurance carriers and sovereign wealth funds, in addition to our current main client base comprising predominantly institutional investors as well as semi-institutional market participants such as family offices and ultra-high-net-worth individuals and are expanding our product offering with products that are suitable for institutional clients, selectively supported by our Warehousing capabilities. In particular, through the Acquisitions, we expanded our investor base considerably and improved our access to financing and opportunities for new business, especially with institutional investors. Furthermore, we achieved further positive effects from our recently established investment and asset management mandates with one of the most important German pension funds, Bayerische Versorgungskammer. It is intended to further develop the business relationship with Bayerische Versorgungskammer both with respect to student housing assets as well as other real estate asset classes. Moreover, in June 2016, we have acquired an exclusive mandate with a large institutional fund aiming at building up a residential real estate portfolio.

We also plan to selectively enter further European markets and U.S. markets based on our clients' needs and the relevant market dynamics, based on our deep understanding of and insight into local market dynamics and asset sourcing capabilities. Such potential selective geographical expansion will preferably be implemented with reputable local partners either through joint ventures or through merger and acquisition ("**M&A**") activities (*i.e.* by acquisition of suitable industry players who are sufficiently well connected in the relevant markets).

Ability to Identify and Enter into Joint Ventures with Suitable Partners

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

Our Access to Clients and Capital Base

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

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

Access to Suitable Financing and Financing Conditions

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

In addition, if we are unable to sell existing assets at attractive prices or are unable to access attractive financing opportunities, we may not have sufficient funds to finance Alignment Capital investments, which may affect our ability to attract new clients. One of the limiting factors of our business has been our on-going need to recycle capital in order to finance Alignment Capital investments in new investment products.

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

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

Ability to Lease Properties to Appropriate Tenants on Appropriate Terms

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

Ability to Exit Our Investment Products on Appropriate Terms

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

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

Changes in Laws and Regulations Relating to Our Business

Our wholly-owned subsidiary, Corestate Capital Fund Management S.á r.l., was authorised by the CSSF in January 2015 to act as an Alternative Investment Fund Manager ("**AIFM**") under the Alternative Investment Fund Managers Directive ("**AIFMD**"). In addition, Hannover Leasing Investment GmbH, a subsidiary of the HL Group, was authorised by the BaFin in March 2014 to act as an AIFM. As a licensed AIFM, Corestate Capital Fund Management S.á r.l. and Hannover Leasing Investment GmbH are able to benefit from the marketing passport introduced under the AIFMD. This passport allows them to market real estate Alternative Investment Funds ("**AIF**") (*i.e.*, investment products and structure), irrespective of whether these AIFs are established in Luxembourg, Germany or in another country in the European Union, to professional investors in the European Union. AIFMs must adhere to strict regulations, and as such, our Group has put in place several internal policies to ensure our Group's compliance with these regulations. As a result, the AIFMD may also have certain impact on our general and administrative expenses. However, we believe that the AIFM license enables us to reach out to a wider pool of investors, such as institutional investors which seek comfort in AIFMD-regulated structures and we believe that possessing the AIFM license will provide access to additional sources of revenues.

The parent company of the HL Group, Hannover Leasing GmbH & Co. KG conducts financial leasing business and administrates property leasing companies. In December 2008, BaFin granted Hannover Leasing GmbH & Co. KG a financial leasing license according to section 1 (1a) of the German Banking Act (*Kreditwesengesetz*, "**KWG**") and, as such, this company remains subject to BaFin supervision related to such license under the KWG. In addition, Hannover Leasing Automotive GmbH, a subsidiary of the HL Group provides automobile leasing services. In December 2008, BaFin granted Hannover Automotive GmbH a financial leasing license and, as such, this company remains subject to BaFin supervision related to such license under the KWG until the company is liquidated.

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

Recurring Patterns in Our Business

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

Valuation of Investment Properties of Associates

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

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

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including estimated rental income and an exit or terminal value. This involves the projection of future cash flows which are discounted by a market-derived discount rate in order to determine the property's present value. The fair value of investment property is considered to be level 3 in respect to the categorisation of the fair value hierarchy (valuation models). Main key input parameters under the level 3 valuation models include:

Discount rate;

Cap-rate;

Market rents;

Vacancy rate (current/long-term);

Fluctuation rate;

Annual rent adaptation;

Maintenance costs;

Inflation rate; and

Costs to sell.

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

Key input parameters may vary depending on the real estate property usage (*i.e.*, commercial or residential building, student homes and developments) as well as the location and condition of the property and market trends. If the property market or general economic situation develops negatively, there is a risk that the book values of real estate assets might have to be adjusted to reflect their lower market values. If the real estate assets have to be impaired, this would have a negative effect on the Group's investment in Investment Structures or Warehousing assets, loans to Investment Structures or Corestate as owner of Warehousing assets and receivables from Investment Structures (including loans and receivables). In addition, impairments of real estate assets of our Investment Structures may also negatively affect our fee-based revenues from real estate investment management.

Summary of Significant Accounting Policies

For a summary of our significant account policies, see Note B., *Summary of significant accounting policies*, to the audited consolidated financial statements of the Issuer as of and for the financial year ended 31 December 2017, which are incorporated by reference into this Prospectus.

Use of Accounting Estimates

Our financial statements included in this Prospectus are prepared in accordance with IFRS. Some of the accounting methods and policies used in preparing financial statements under IFRS are based on complex and subjective assessments by management or on estimates based on past experience and assumptions deemed realistic and reasonable based on the circumstances concerned. The actual value of assets, liabilities and equity and of earnings could differ from the value derived from these estimates if conditions change and these changes had an impact on the assumptions adopted. For a summary of significant accounting judgments, estimates and assumptions in the preparation of our financial statements, see Note C. *Significant Accounting Judgments, Estimates and Assumptions*, to the audited consolidated financial statements of the Issuer as of and for the financial year ended 31 December 2017, which are incorporated by reference into this Prospectus.

Recent Accounting Pronouncements

For information regarding new accounting standards recently issued by the International Accounting Standards Board, see Note B.4, *New Standards issued but not yet effective*, to the audited consolidated financial statements of the Issuer as of and for the financial year ended 31 December 2017, which are incorporated by reference into this Prospectus.

Segment Reporting

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

In addition to the operating segments, we have segmented our capital allocation by geographical area based on the location of the properties underlying our Real Estate Investment Management business.

The following tables set forth our capital allocation (consisting of investment in associates, long-term loans to associates and receivables from associates) as of the dates and revenues by geography for the periods indicated.

	As of 31 December		
	2015[(1)]	**2016**	**2017**
(in EUR '000)		**(audited)**	
Capital Allocation			
Germany	77,790	60,095	263,092
The Netherlands	–	–	62,600
UK	–	–	17,260
Austria	4,441	2,305	4,423
Spain	4,456	2,343	3,286
Switzerland	–	–	3,207
Total	**86,687**	**64,744**	**353,868**

(1) Due to changes in the presentation of geographical allocation, figures as of and for the financial year ended 31 December 2015 are taken from the consolidated financial statements as of and for the financial year ended 31 December 2016 (which include the respective comparative financial information as of and for the financial year ended 31 December 2015).

	For the financial year ended 31 December		
	2015[(1)]	**2016**	**2017**
(in EUR '000)		**(audited)**	
Revenues	**39,914**	**42,210**	**161,712**
Germany	38,914	37,078	151,087
The Netherlands	–	–	3,148
Austria	1,000	4,340	2,998
Switzerland	–	–	2,336
UK	–	–	1,271
Luxembourg	–	–	462
Spain	–	792	336
Czech Republic	–	–	75

(1) Due to changes in the presentation of geographical allocation, figures as of and for the financial year ended 31 December 2015 are taken from the consolidated financial statements as of and for the financial year ended 31 December 2016 (including the respective comparative financial information as of and for the financial year ended 31 December 2015).

For further information regarding our segments, see Note D.4, *Segment information*, to the audited consolidated financial statements of the Issuer as of and for the financial year ended 31 December 2017, which are incorporated by reference into this Prospectus.

Explanation of Key Line Items

Total Revenue from Real Estate Investment Management

Revenue from real estate investment management is fee-based revenue and includes management-related as well as transaction-related revenues. Management-related revenues include asset and property management fees whereas transaction-related revenues comprise Acquisition Related Fees as well as Promotes and Sales Fees. The detailed development of each of such fee element is set out below.

Revenue from Acquisition Related Fees

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

Revenue from acquisition related fees accounted for 11.8%, 23.6 % and 19.8% of our total revenue from real estate investment management for the financial years ended 31 December 2015, 2016 and 2017, respectively.

Revenue from Asset and Property Management

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

Revenue from asset and property management accounted for 54.9%, 62.1% and 34.7% of our total revenue from real estate investment management for the financial years ended 31 December 2015, 2016 and 2017, respectively.

Revenue from Sales Fees

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

Revenue from sales fees accounted for 1.3% of our total revenue from real estate investment management for the financial year ended 31 December 2015. We recorded no revenue from sales fees for the financial year ended 31 December 2016. In the financial year ended 31 December 2017, revenue from sales fees accounted for 0.6% of our total revenue from real estate investment management.

Revenue from Coupon Participation Fees

Coupon participation fees are generated through sustainable and significant excess returns of HFS products above a certain pre-agreed hurdle rate.

Revenue from coupon participation fees accounted for 35.4% of our total revenue from real estate investment management for the financial year ended 31 December 2017. We recorded no revenue from coupon participation fees in the financial years ended 31 December 2016 and 2015.

Revenue from Promote Fees Realised

Revenue from promote fees realised is mainly derived from payments received upon realisation of exits from our investment products. The promote fee is determined as a percentage of the net cash profit realised from an investment product. Revenue from promote fees realised resulted from Project T6, Project Squirrel and Project Turbo FRA for the financial year ended 31 December 2015 and Project Ben and Project Turbo Vie for the financial year ended 31 December 2016. In the financial year ended 31 December 2017, revenue from promote fees realised resulted primarily from Project Highstreet I, Project Highstreet II, Project Highstreet IV, Project Highstreet V, Project Highstreet Premium I (*i.e*, the sale of various commercial buildings to the BVK fund) and Project Danube.

Revenue from promote fees realised accounted for 32.0%, 14.3% and 9.5% of our total revenue from real estate investment management for the financial years ended 31 December 2015, 2016 and 2017, respectively.

Total Expenses from Real Estate Investment Management

Total expenses from real estate investment management comprise personnel and overhead expenses (*e.g.*, rent and leasing expenses, IT and telecommunication expenses, travel expenses, legal and other advisory fees) allocated to our real estate investment management activities.

Total Earnings from Alignment Capital Management

Total earnings from alignment capital management include our *pro rata* share in the periodic income of our Investment Structures and gains or losses realised upon the exit of such Investment Structures, offset by costs allocated for the management of the alignment capital investments. The periodic income of the Investment Structures typically includes the recurring result from rental operations as well as results from sales of real estate assets and potential fair value adjustments of the underlying properties, net of costs, financial expenses and taxes. Costs are allocated to alignment capital management on a co-investment by co-investment basis, and are calculated by multiplying the total fees generated by such co-investment from real estate management in the period (excluding Sales Fees and Promotes) with the percentage of co-ownership in such investment. A key element of our business model is the alignment of our interests with those of our clients, which is implemented by our co-investments alongside our clients in our various investment products. As a result, in addition to the fee-based revenues generated through our real estate investment management services, we also participate in the performance of the investment products both during the management phase and upon exit.

Typically, our alignment capital investments range between 5% and 10% (with certain exceptions for particular transactions) of the total equity capital invested into an investment product. Given that we have significant influence over our investment products by way of our asset management mandates, we account for our alignment capital investments using the equity method and record them in our consolidated statements of financial position as investments in associates. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. For additional information, see Note B.3.2, *Summary of significant accounting policies—Investment in Associates and Joint Ventures*, and Note C.1.1, *Judgments—Consolidation and Associates*, to our audited consolidated financial statements as of and for the financial year ended 31 December 2017, which are incorporated by reference into this Prospectus.

Total Earnings from Real Estate Operations/Warehousing

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

General and Administrative Expenses

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

Financial Income

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

Financial Expenses

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

Income Tax Expenses

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

Results of Operations

The following table sets forth certain data from our consolidated profit and loss for the periods indicated:

	For the financial year ended 31 December		
	2015	**2016**	**2017**
(in EUR '000)		**(audited)**	
Revenue from Acquisition Related Fees	4,483	9,615	30,016
Revenue from Asset and Property Management	20,886	25,336	52,539
Revenue from Sales Fees	491	–	900
Revenue from Coupon Participation Fees	–	–	53,689
Revenue from Promote Fees Realised	12,174	5,817	14,456
Total Revenue from Real Estate Investment Management	*38,034*	*40,769*	*151,600*
Management Expenses	*(19,779)*	(23,167)	(50,814)
Total Expenses from Real Estate Investment Management	*(19,779)*	*(23,167)*	*(50,814)*
Total Earnings from Real Estate Investment Management	**18,255**	**17,601**	**100,786**
Share of Profit or Loss from Associates and Joint Ventures	*4,695*	*5,255*	*9,498*
Dividends from other Alignment Capital	–	–	*9,877*
Expenses from Management of Associates and Joint Ventures	*(667)*	*(2,637)*	*(1,088)*
Total Earnings from Alignment Capital Management	**4,028**	**2,617**	**18,286**
Net Rental Income	1,322	1,078	9,224
Revenue from Service Charges	557	364	889
Net Gain from Selling Property Holding Companies	2,506	12,244	13,916
Total Income from Real Estate Operations/Warehousing	*4,386*	*13,685*	*24,028*
Expenses from Real Estate Operations/Warehousing	*(2,077)*	*(4,044)*	*(5,029)*
Total Earnings from Real Estate Operations/Warehousing	**2,308**	**9,641**	**18,999**
General and Administrative Expenses	(13,118)	(9,963)	(35,400)
Other Income	803	147	2,010
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	**12,276**	**20,044**	**104,682**
Depreciation and Amortisation	(349)	(374)	(20,866)
Earnings before Interests and Taxes (EBIT)	**11,927**	**19,670**	**83,816**
Financial Income	173	514	8,951
Financial Expenses	(3,458)	(3,315)	(29,778)
Earnings before Taxes (EBT)	**8,642**	**16,870**	**62,989**
Income Tax (Expense)/Benefit	1,446	(1,313)	(6,634)
Net Profit/(Loss) for the Period	**10,087**	**15,556**	**56,355**
of which attributable to equity holders of parent company	*9,656*	*15,396*	*55,717*
of which attributable to non-controlling interests	*431*	*160*	*638*
Total Revenues(1)	**39,914**	**42,210**	**161,712**
Total Expenses(2)	**(35,642)**	**(39,811)**	**(92,331)**

(1) Not including Share of Profit or Loss from Associates and Net Gain from Selling Property Holding Companies.
(2) Excluding Financial Expenses and Depreciation and Amortisation.

Financial Year ended 31 December 2017 Compared to Financial Year ended 31 December 2016

Revenue from Acquisition Related Fees

Revenue from acquisition related fees increased by 212.2% to EUR 30.0 million for the financial year ended 31 December 2017 from EUR 9.6 million for the financial year ended 31 December 2016. This increase in revenue from acquisition related fees was primarily due to an increase in revenue from acquisition fee, which increased by 105.4% to EUR 18.1 million for the financial year ended 31 December 2017 from EUR 8.8 million[1] for the financial year ended 31 December 2016 and an increase in revenue from exit/sales fee to EUR 13.2 million; there was no revenue from exit/sales fee recorded in the prior financial year. This increase mainly relates to the overall growing investment volume of our investment products as well as the consolidation of HL Group and HFS.

Revenue from Asset and Property Management

Revenue from asset and property management increased by 107.4% to EUR 52.5 million for the financial year ended 31 December 2017 from EUR 25.3 million for the financial year ended 31 December 2016, primarily due to an increase in revenue from property management fees, which increased by 51.8% to EUR 18.0 million for the financial year ended 31 December 2017 from EUR 11.8 million for the financial year ended 31 December 2016, an increase in revenue from asset management fees, which increased by 37.2% to EUR 18.2 million for the financial year ended 31 December 2017 from EUR 13.2 million for the financial year ended 31 December 2016, an increase of revenue from sales fee from third parties, which increased to EUR 3.1 million for the financial year ended 31 December 2017 from EUR 0.1 million for the financial year 2016 as well as an increase of revenue from other fees, which increased to EUR 11.9 million for the financial year ended 31 December 2017 from EUR 0.2 million for the financial year ended 31 December 2016, primarily as a result of increased business volumes due to the overall growing investment volume of our investment products as well as the consolidation of HL Group and HFS.

Revenue from Promote Fees Realised

For the financial year ended 31 December 2017, we recorded revenue from promote fees realised of EUR 14.5 million, primarily relating to Project Highstreet I, Project Highstreet II, Project Highstreet IV, Project Highstreet V, Project Highstreet Premium I (*i.e*, the sale of various commercial buildings to the BVK fund) and Project Danube. For the financial year ended 31 December 2016, we generated revenue from promote fees realised of EUR 5.8 million, mainly due to Project Ben and the sale of various student homes to Bayerische Versorgungskammer (Project Turbo Vie).

Revenue from Coupon Participation Fees

For the financial year ended 31 December 2017, we recorded revenue from revenues from coupon participation fees of EUR 53.7 million, primarily generated through excess returns of HFS products above a certain pre-agreed hurdle rate. For the financial year ended 31 December 2016, we generated no revenue from coupon participation fees.

Total Expenses from Real Estate Investment Management

Total expenses from real estate investment management increased by 119.3% to EUR 50.8 million for the financial year ended 31 December 2017 from EUR 23.2 million for the financial year ended 31 December 2016, primarily due to increased personnel expenses, which amounted to EUR 24.7 million for the financial year ended 31 December 2017 compared to EUR 13.6 million for the

[1] Due to changes in the presentation this figure for the financial year ended 31 December 2016 has been taken from the consolidated financial statements as of and for the financial year ended 31 December 2017 which includes the respective comparative financial information as of and for the financial year ended 31 December 2016).

financial year ended 31 December 2016 as well as increased overhead expenses (e.g. rent and leasing expenses, IT and telecommunication expenses, travel expenses, legal and other advisory fees), which amounted to EUR 26.1 million for the financial year ended 31 December 2017 compared to EUR 9.6 million for the financial year ended 31 December 2016, mainly due to increased real estate investment management activities and the further expansion of the Corestate Group's property management business. This increase was largely driven by the first-time consolidation of HL Group and HFS.

Total Earnings from Real Estate Investment Management

As a result of the factors described above, total earnings from real estate investment management increased to EUR 100.8 million for the financial year ended 31 December 2017 from EUR 17.6 million for the financial year ended 31 December 2016.

Total Earnings from Alignment Capital Management

Total earnings from alignment capital management increased to EUR 18.3 million for the financial year ended 31 December 2017 from EUR 2.6 million for the financial year ended 31 December 2016. This was mainly due to a higher share of profit from associates and joint ventures, which increased to EUR 9.5 million for the financial year ended 31 December 2017 from EUR 5.2 million for the financial year ended 31 December 2016, mainly due to the sale of a Highstreet portfolio to a German institutional investor, and dividends from other alignment capital, resulting from two projects of Hannover Leasing Group; we recorded no dividends from other alignment capital for the financial year ended 31 December 2016.

Total Earnings from Real Estate Operations/Warehousing

Total earnings from Real Estate Operations/Warehousing increased by 97.1% to EUR 19.0 million for the financial year ended 31 December 2017 from EUR 9.6 million for the financial year ended 31 December 2016, primarily due to the consolidation of HL Group. In addition, total earnings from Real Estate Operations/Warehousing for the financial year ended 31 December 2017 include total income from Real Estate Operations/Warehousing of EUR 24.0 million and expenses from Real Estate Operations/Warehousing of EUR 5.0 million.

General and Administrative Expenses

General and administrative expenses increased by 255.3% to EUR 35.4 million for the financial year ended 31 December 2017 from EUR 10.0 million for the financial year ended 31 December 2016. In general this increase of expenses is mainly driven by acquisition related costs incurred in connection with the acquisitions of HFS, ATOS Group and Hannover Leasing Group. Personnel expenses accounted for EUR 10.7 million (previous year: EUR 4.5 million) due to the growing size (especially the business combinations in 2017) and complexity of the Group's operations and extension to serve institutional clients. Administrative expenses (including the costs for the uplisting of the Issuers shares to the regulated market (*regulierter Markt*) (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)), increased by 349.7% to EUR 24.7 million for the financial year ended 31 December 2017 from EUR 5.5 million for the financial year ended 31 December 2016.

Financial Income

Financial income increased to EUR 9.0 million for the financial year ended 31 December 2017 from EUR 0.5 million for the financial year ended 31 December 2016, mainly attributable to higher interest income, which increased to EUR 4.1 million for the financial year ended 31 December 2017 from EUR 0.4 million for the financial year ended 31 December 2016 and other financial income, which increased to EUR 2.2 million for the financial year ended 31 December 2017 from EUR 0.1 million for the financial year ended 31 December 2016. In addition, financial income included SWAP valuation income and foreign currency income in an amount EUR 1.6 million and EUR 1.0 million, respectively, for the financial year ended 31 December 2017.

Financial Expenses

Financial expenses increased by to EUR 29.8 million for the financial year ended 31 December 2017 compared to EUR 3.3 million for the financial year ended 31 December 2016, mainly due to increased interest expenses, which increased to EUR 20.1 million for the financial year ended 31 December 2017 from EUR 1.0 million for the financial year ended 31 December 2016, mainly attributable to interest expenses paid under the EUR 150.0 million loan agreement of Corestate Capital Senior Bondco S.à r.l as borrower with Thalos Investment Platform S.A.

Income Tax Expenses/Benefit

For the financial year ended 31 December 2017, income tax expenses amounted to EUR 6.6 million as compared to EUR 1.3 million for the financial year ended 31 December 2016, primarily relating to current income tax expense (EUR 11.4 million), partially offset by deferred taxes in an amount of EUR 4.8 million which were attributable to temporary differences in the recognition of assets and liabilities (*i.e.*, certain expenses are recognised under the IFRS accounting regime but will only become relevant for tax purposes (*i.e.*, tax deductible) in subsequent periods) of Hannover Leasing Group and HFS and from the capitalisation of deferred tax assets on tax loss carry-forwards of the Issuer.

Net Profit for the Period

As a result of the factors described above, the net profit for the period increased by 262.3% to EUR 56.4 million for the financial year ended 31 December 2017 from EUR 15.6 million for the financial year ended 31 December 2016. Net profit attributable to equity holders of the Issuer amounted to EUR 55.7 million for the financial year ended 31 December 2017, compared to EUR 15.4 million for the financial year ended 31 December 2016.

Financial Year ended 31 December 2016 Compared to Financial Year ended 31 December 2015

Revenue from Acquisition Related Fees

Revenue from acquisition related fees increased by 114.5% to EUR 9.6 million for the financial year ended 31 December 2016 from EUR 4.5 million for the financial year ended 31 December 2015, due to an increase in revenue from acquisition fee by 153.1% to EUR 8.8 million[1] for the financial year ended 31 December 2016 from EUR 3.5 million for the financial year ended 31 December 2015. The increase in revenue from acquisition fee was primarily due to the fact that we successfully introduced new investment products for our clients (in particular, Highstreet portfolios).

Revenue from Asset and Property Management

Revenue from asset and property management increased by 21.3% to EUR 25.3 million for the financial year ended 31 December 2016 from EUR 20.9 million for the financial year ended 31 December 2015. This increase was primarily due to an increase in revenue from property management fee, which increased by 29.5% to EUR 11.8 million for the financial year ended 31 December 2016 from EUR 9.1 million for the financial year ended 31 December 2015 as well as an increase in revenue from asset management fees, which increased by 23.9% to EUR 13.2 million for the financial year ended 31 December 2016 from EUR 10.7 million for the financial year ended 31 December 2015, as a result of increased business volumes. This increase was partly offset by a decrease in revenue from sales fees from third party asset management, which decreased by 91.4% to EUR 0.1 million for the financial year ended 31 December 2016 from EUR 1.0 million for the financial year ended 31 December 2015.

Revenue from Sales Fees

We recorded no revenue from sales fees for the financial year ended 31 December 2016. Revenue from sales fees for the financial year ended 31 December 2015 amounted to EUR 0.5 million, primarily relating to asset-by-asset sales in relation to Project Squirrel as well as the DR portfolio management for an insolvency receiver.

Revenue from Promote Fees Realised

Revenue from promote fees realised decreased by 52.2% to EUR 5.8 million for the financial year ended 31 December 2016 from EUR 12.2 million for the financial year ended 31 December 2015. The promote fees realised for the financial year ended 31 December 2016 related primarily to Project Ben and the sale of various student homes to Bayerische Versorgungskammer (Project Turbo Vie). The Promote Fees realised for 2015 related to Projects T6, Squirrel and Turbo FRA.

Total Expenses from Real Estate Investment Management

Total expenses from real estate investment management increased by 17.1% to EUR 23.2 million for the financial year ended 31 December 2016 from EUR 19.8 million for the financial year ended 31 December 2015, primarily due to increased personnel expenses allocated to our Real Estate Investment Management activities, which amounted to EUR 13.6 million for the financial year ended 31 December 2016, compared to EUR 11.6 million for the financial year ended 31 December 2015 as well as increased overhead expenses allocated to our Real Estate Investment activities, which amounted to EUR 9.6 million for the financial year ended 31 December 2016, compared to EUR 8.1 million for the financial year ended 31 December 2015. This increase was largely driven by an

[1] Due to changes in the presentation this figure for the financial year ended 31 December 2016 has been taken from the consolidated financial statements as of and for the financial year ended 31 December 2017 (which includes the respective comparative financial information as of and for the financial year ended 31 December 2016).

expansion of our property management activities as well as various new hires for both our investment team as well as our institutional client group.

Total Earnings from Real Estate Investment Management

As a result of the factors described above, total earnings from real estate investment management decreased by 3.6% to EUR 17.6 million for the financial year ended 31 December 2016 from EUR 18.3 million for the financial year ended 31 December 2015.

Total Earnings from Alignment Capital Management

Total earnings from alignment capital management decreased by 35.0% to EUR 2.6 million for the financial year ended 31 December 2016 from EUR 4.0 million for the financial year ended 31 December 2015, mainly due to an increase in expenses from management of associates and joint ventures, which increased by 295.4% to EUR 2.6 million for the financial year ended 31 December 2016 from EUR 0.7 million for the financial year ended 31 December 2015. This increase was primarily due to EUR 2.1 million in expenses incurred in the financial year ended 31 December 2016 in relation to the wind-down of a joint venture with various companies of the Grupo Villar Mir in the course of restructuring the Group's go-to-market approach in Spain. Our share of profit from associates and joint ventures increased to EUR 5.3 million for the financial year ended 31 December 2016 from EUR 4.7 million for the financial year ended 31 December 2015. This increase was primarily due to the sale of a student home portfolio in Germany to Bayerische Versorgungskammer as well as the exit from Madrid-based development Icono Torre Vida (Project Salud) in the financial year ended 31 December 2016.

Total Earnings from Real Estate Operations/Warehousing

Total earnings from Real Estate Operations/Warehousing increased by 317.7% to EUR 9.6 million for the financial year ended 31 December 2016 from EUR 2.3 million for the financial year ended 31 December 2015, mainly due to a substantial increase in Warehousing activity and volume and a related increase in net gain from selling property holding companies, which was partly offset by an increase in expenses from Real Estate Operations/Warehousing.

General and Administrative Expenses

General and administrative expenses decreased by 24.1% to EUR 10.0 million for the financial year ended 31 December 2016 from EUR 13.1 million for the financial year ended 31 December 2015. This decrease was primarily due to a one-off effect in relation to the aborted IPO in the fourth quarter of the financial year ended 31 December 2015 (EUR 5.8 million). General and administrative expenses in the financial year ended 31 December 2016 included one-off items in relation to our private placement and subsequent listing in October 2016 (EUR 0.8 million), the acquisition of HL Group (EUR 1.3 million) as well as expenses resulting from the DS Authorised Capital Issuance and shares granted to members of the executive management committee upon the occurrence of the listing (EUR 1.0 million). Personnel expenses not allocable to our business segments and included in general and administrative expenses increased to EUR 4.5 million for the financial year ended 31 December 2016 from EUR 2.7 million for the financial year ended 31 December 2015, primarily due to the growing size and complexity of our operations.

Financial Income

Financial income increased by 197.1% to EUR 0.5 million for the financial year ended 31 December 2016 from EUR 0.1 million for the financial year ended 31 December 2015, mainly due to higher interest income, which increased to EUR 0.4 million for the financial year ended 31 December 2016 from EUR 0.2 million for the financial year ended 31 December 2015.

Financial Expenses

Financial expenses decreased by 4.1% to EUR 3.3 million for the financial year ended 31 December 2016 from EUR 3.5 million for the financial year ended 31 December 2015. This decrease was primarily due to lower interest expenses from related parties, which decreased to EUR 1.9 million for 2016 from EUR 2.2 million for the financial year ended 31 December 2015, as well as lower impairment losses on loans, which were close to zero for the financial year ended 31 December 2016, compared to EUR 0.6 million for the financial year ended 31 December 2015.

Income Tax Expenses/Benefit

The income tax expenses amounted to EUR 1.3 million for the financial year ended 31 December 2016 as compared to an income tax benefit in the amount of EUR 1.4 million for the financial year ended 31 December 2015, primarily due to current income tax expenses (EUR 0.9 million), partially offset by deferred taxes which were attributable to temporary differences in the recognition of assets and liabilities, *i.e.*, certain expenses are recognised under the IFRS accounting regime but will only become relevant for tax purposes (*i.e.*, tax deductible) in subsequent periods.

Net Profit for the Period

As a result of the factors described above, net profit for the period increased by 54.2% to EUR 15.6 million for the financial year ended 31 December 2016 from EUR 10.1 million for the financial year ended 31 December 2015. Net profit attributable to equity holders of the parent company amounted to EUR 15.4 million for the financial year ended 31 December 2016, compared to EUR 9.7 million for the financial year ended 31 December 2015.

Consolidated Statement of Financial Position

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

	As of 31 December		
	2015	2016	2017
(in EUR '000)		(audited)	
Non-Current Assets			
Property, Plant and Equipment	642	1,235	30,668
Long-term Receivables	–	–	37,827
Other Intangible Assets	96	930	141,016
Goodwill	–	–	556,861
Investment in Associates and Joint Ventures	29,247	35,747	59,929
Other Financial Instruments	31	2,217	72,183
Long-term Loans to Associates	-	2,493	6,808
Deferred Tax Assets	2,406	2,363	10,526
Total Non-Current Assets	**32,421**	**44,985**	**915,818**
Current Assets			
Advance Payments for Property Purchase Prices	1,000	1,305	–
Inventories	39,216	15,905	268,258
Receivables from Associates	11,469	8,263	18,874
Receivables from Joint Venture	5,755	1,031	–
Trade Receivables	3,984	5,271	32,141
Other short-term Receivables	1,329	1,530	1,774
Current Income Tax Assets	122	730	853
Other short-term Assets	940	3,376	63,948
Restricted Cash	2,800	700	745
Cash and Cash Equivalents	9,647	47,509	108,830
	76,263	**85,619**	**495,422**
Assets held for Sale	–	–	15,785
Total Current Assets	**76,263**	**85,619**	**511,207**
Total Assets	**108,684**	**130,605**	**1,427,025**
Equity			
Share Capital	195	946	1,597
Other Reserves	24,292	69,699	493,616
Net Profit/(Loss) for the Period	9,656	15,396	55,717
Subtotal Capital Accounts of shareholders of parent company	*34,143*	*86,040*	*550,930*
Non-controlling Interests	213	405	503
Total Equity	**34,356**	**86,446**	**551,433**
Non-Current Liabilities			
Other long-term Provisions	42,884	–	6,205
Long-term Financial Liabilities to Banks	25,378	14,126	238,262
Other long-term Financial Liabilities	–	–	243,030
Net Employee Defined Benefit Liabilities	443	–(1)	–
Long-term Derivatives	–	–	4,941
Deferred Tax Liabilities	–	0	18,630
Other non-current Liabilities	1,275	9,831(1)	30,534
Total Non-Current Liabilities	**27,096**	**23,957**	**541,601**
Current Liabilities			
Other short-term Provisions	–	–	42,884
Short-term Financial Liabilities to Banks	0	4,004	132,278
Other Short-term Financial Liabilities	–	–	15,509
Short-term Derivatives	–	–	3,394
Short-term Liabilities to Associates	91	948	2,209
Trade Payables	8,258	7,266	14,795
Current Income Tax Liabilities	603	1,050	31,201
Other Current Liabilities	38,279	6,934	75,937
Liabilities directly associated with Assets held for Sale	–	–	15,785
Total Current Liabilities	**47,232**	**20,202**	**333,991**
Subtotal Liabilities	**74,328**	**44,159**	**875,592**
Total Equity and Liabilities	**108,684**	**130,605**	**1,427,025**

(1) Due to changes in the presentation this figure for the financial year ended 31 December 2016 has been taken from the consolidated financial statements as of and for the financial year ended 31 December 2017 (which includes the respective comparative financial information as of and for the financial year ended 31 December 2016).

As of 31 December 2017

Non-current assets

As of 31 December 2017, our total non-current assets amounted to EUR 915.8 million, representing 64.2% of our total assets. Non-current assets mainly comprised other intangible assets in an amount of EUR 141.0 million for the financial year ended 31 December 2017 as compared to EUR 0.9 million for the financial year ended 31 December 2016 as well as goodwill in an amount of EUR 556.9 million, primarily as a result of the acquisitions of HL Group and HFS.

Current assets

As of 31 December 2017, our total current assets amounted to EUR 511.2 million, representing 35.8% of our total assets. Current assets increased mainly due to an increase in inventories which amounted to EUR 268.3 million as of 31 December 2017 as compared to EUR 15.9 million as of 31 December 2016, mainly resulting from increasing Warehousing activities (*e.g.* Project Stadttor, Project Danone, Project Denkmal Muenster, Project Crown and Project Rostock) and an increase in trade receivables (which include receivables from various income streams generated by our real estate investment management business with third party clients and receivables from renting activities) and other short-term assets, which amounted to EUR 32.1 million and EUR 63.9 million, respectively, as of 31 December 2017 compared to EUR 5.2 million and EUR 3.4 million, respectively, as of 31 December 2016, resulting from HL Group and HFS. As of 31 December 2017, cash and cash equivalents increased by 129.1% to EUR 108.8 million as compared to EUR 47.5 million as of 31 December 2016.

Equity

Total equity increased to EUR 551.4 million in the financial year ended 31 December 2017 from EUR 86.4 million in the financial year ended 31 December 2016, mainly due to the effects of the capital increases in February, July and October 2017 and the purchase price allocation in connection with the Acquisitions. Total equity mainly comprised other reserves of EUR 493.6 million as of 31 December 2017 (as of 31 December 2016: EUR 69.7 million).

Non-current liabilities

As of 31 December 2017, our total non-current liabilities amounted to EUR 541.6 million (as of 31 December 2016: EUR 24.0 million), representing 61.9% of our total liabilities. Non-current liabilities mainly comprised long-term financial liabilities to banks in an amount of EUR 238.3 million, mainly reflecting the financing arrangements of Hannover Leasing Group as well as our revolving credit facility and other long-term financial liabilities in an amount of EUR 243.0 million, including our convertible bond and the corporate bond of HFS Helvetic Financial Services AG.

Current liabilities

As of 31 December 2017, our total current liabilities amounted to EUR 334.0 million, representing 38.1% of our total liabilities. As of 31 December 2017, current liabilities comprised mainly short-term financial liabilities to banks of EUR 132.3 million and other current liabilities of EUR 75.9 million.

As of 31 December 2016

Non-current assets

As of 31 December 2016, our non-current assets amounted to EUR 45.0 million, representing 34.4% of our total assets. Non-current assets mainly comprised investments in associates and joint ventures.

Current assets

As of 31 December 2016, our total current assets amounted to EUR 85.6 million, representing 65.6% of our total assets. Current assets mainly comprised cash and cash equivalents, inventories, and receivables from associates.

As of 31 December 2016, cash and cash equivalents amounted to EUR 47.5 million.

As of 31 December 2016, inventories amounted to EUR 15.9 million mainly relating to the acquisition of properties in Kronberg/Germany (Project Crown), Frankfurt am Main/Germany (Project Across), Bocholt (Project Highstreet VI) and Madrid/Spain (Project Annapurna) which were converted into investment products and sold to independent investment structures. Receivables from associates as of 31 December 2016 amounted to EUR 8.3 million, mainly resulting from acquisition and onboarding fees in accordance with the underlying Joint Venture and Co-Investment Agreements in connection with the structuring and implementation of the projects as well as asset management fees for on-going projects with EUR 2.0 million of receivables from Project Highstreet VI, EUR 1.5 million of receivables from Project 4711 and EUR 0.9 million of receivables from Project Harbour, together comprising 52.5% of receivables from associates.

Equity

Total equity of EUR 86.4 million as of 31 December 2016, in addition to the share capital of EUR 0.9 million, comprised other reserves of EUR 69.7 million and net profit for the period of EUR 15.4 million.

Non-current liabilities

As of 31 December 2016, our total non-current liabilities amounted to EUR 24.0 million, representing 54.3% of our total liabilities. Non-current liabilities comprised mainly long-term financial liabilities to banks of EUR 14.1 million and other non-current liabilities of EUR 9.8 million.

Other non-current liabilities as of 31 December 2016 comprised mainly EUR 6.0 million related to a Warehousing facility from SO Holding AG as lender. As of 31 December 2016, loans in the aggregate amount of EUR 5.7 million have been drawn under this facility.

Current liabilities

As of 31 December 2016, our total current liabilities amounted to EUR 20.2 million, representing 45.7% of our total liabilities. Current liabilities as of 31 December 2016 comprised mainly trade payables of EUR 7.3 million, other current liabilities amounting to EUR 6.9 million and short-term financial liabilities of EUR 4.0 million.

Other current liabilities as of 31 December 2016 comprised mainly provisions for liabilities from employee benefits amounting to EUR 4.1 million and related to expected bonus payments of the relevant Group companies for the financial year 2016 (paid in April 2017) including such portion of the bonus to be contributed to the Group's MCIF scheme for members of the executive management committee as well as certain other employees.

As of 31 December 2015

Non-current assets

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

Current assets

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

As of 31 December 2015, inventories amounted to EUR 39.2 million, mainly comprising a commercial property located in Paderborn, which was subsequently sold in the first quarter of 2016, as well as certain acquisition costs recognised in relation to the proposed acquisition of Warehousing assets in Halle, Hamburg and Bremerhaven. Receivables from associates as of 31 December 2015 amounted to EUR 11.5 million, mainly comprising promote fees realised in relation to Project T6. Cash and cash equivalents amounted to EUR 9.6 million, receivables from joint venture amounted to EUR 5.8 million and primarily included a loan granted in connection with Project Salud in Madrid, Spain in the amount of EUR 3.7 million, and trade receivables amounting to EUR 4.0 million as of 31 December 2015.

Equity

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

Non-current liabilities

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

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

Current liabilities

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

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

As of 31 December 2017 compared with as of 31 December 2016

Our total assets as of 31 December 2017 amounted to EUR 1.4 billion, compared to total assets of EUR 130.6 million as of 31 December 2016. Our total assets as of 31 December 2017 were higher compared to our total assets as of 31 December 2016, mainly due to a goodwill of EUR 556.9 million and a EUR 140.1 million increase in other intangible assets as a result of the consolidation of the Acquisitions. Furthermore, inventories increased to EUR 268,3 million as of 31 December 2017 from EUR 15.9 million as of 31 December 2016, mainly attributable to the Corestate Group's increasing warehousing activities. Cash and Cash equivalents increased by 129.1% to EUR 108.8 million as of 31 December 2017 as compared to EUR 47.5 million as of 31 December 2016.

Our total equity amounted to EUR 551.4 million as of 31 December 2017, compared to total equity of EUR 86.4 million as of 31 December 2016, the increase being attributable to other reserves, which increased to EUR 493.6 million as of 31 December 2017 from EUR 69.7 million as of 31 December 2016, mainly due to the effects of the capital increases in February, July and October 2017 as well as the purchase price allocation in connection with the Acquisitions.

Our total liabilities as of 31 December 2017 amounted to EUR 875.6 million, as compared to EUR 44.2 million as of 31 December 2016. Total liabilities as of 31 December 2017 were higher compared to total liabilities as of 31 December 2016, mainly due to the EUR 224.1 million increase in long-term financial liabilities to banks, the EUR 243.0 million increase in other long-term financial liabilities primarily attributable to the Acquisitions and their financing and an increase in short-term financial liabilities to banks of EUR 128.3 million and an increase in other short-term financial liabilities of EUR 15.5 million, which resulted from the acquisition of HFS and its financing as well as the financing of the majority of shares in PALMYRA Verwaltungs GmbH & Co. Vermietung KG (Project Stadttor Düsseldorf).

As of 31 December 2016 compared with as of 31 December 2015

Our total assets as of 31 December 2016 amounted to EUR 130.6 million, compared to total assets of EUR 108.7 million as of 31 December 2015. Our total assets as of 31 December 2016 were higher compared to our total assets as of 31 December 2015, mainly as a result of the cash proceeds generated from the private placement of shares of the Issuer in December 2016 amounting to EUR 43.0 million as well as a reduction of inventories (real estate assets held in warehouse) at the year end to EUR 15.9 million as of 31 December 2016 compared to EUR 39.2 million as of 31 December 2015.

Our total equity as of 31 December 2016 amounted to EUR 86.4 million, compared to total equity of EUR 34.4 million as of 31 December 2015. The movement in total equity was mainly due to the private placement structured as a cash capital increase.

Our total liabilities as of 31 December 2016 amounted to EUR 44.2 million, as compared to total liabilities of EUR 74.3 million as of 31 December 2015. Total liabilities as of 31 December 2016 were lower compared to total liabilities as of 31 December 2015, mainly due to reduced long-term financial liabilities to banks and reduced other current liabilities mainly due to the repayment of a bridge loan from Intershop Holding AG amounting to EUR 21.2 million.

Liquidity and Capital Resources

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

Cash Flows

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

	Financial year ended 31 December		
	2015	2016	2017
(in EUR '000)		(audited)	
Net cash flows from operating activities	(34,100)	23,845	15,391
Net cash flows generated from / (used in) investing activities	(4,575)	(15,524)	(145,613)
Net cash flows from / (used in) financing activities	29,302	27,441	191,587
Net increase (decrease) in cash and cash equivalents	(9,373)	35,762	61,366
Cash and cash equivalents at beginning of period	21,820	12,447	48,209
Cash and cash equivalents at end of period	12,447	48,209	109,575

Net cash flows from operating activities

In the financial year ended 31 December 2017, net cash flows from operating activities were EUR 15.4 million. This was mainly attributable to the sale of inventories in an amount of EUR 22.7 million.

In the financial year ended 31 December 2016, net cash flows from operating activities were EUR 23.8 million. This was mainly attributable to the sale of several Warehousing assets.

In the financial year ended 31 December 2015, net cash flows used in operating activities were EUR 34.1 million. This was mainly attributable to net cash outflows in relation to the acquisition of the Paderborn Warehousing asset which only contributed into an investment product in the first quarter of the financial year ended 31 December 2016 as well as an increased receivable in connection with the exit from Project T6 only converting into cash in January 2016.

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

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

In the financial year ended 31 December 2017, net cash flows used in investing activities were EUR 145.6 million, mainly attributable to cash outflows for acquisition of subsidiaries (share purchase price net of cash balance at the date of acquisition) of EUR 174.0 million in particular for HL Group, HFS and ATOS, cash outflows for alignment capital investments (investments in associates and loans to associates) of EUR 46.0 million (in particular for Project Liver and Project Highstreet VII, partly offset by cash inflows from purchase of financial instruments of EUR 27.9 million.

In the financial year ended 31 December 2016, net cash flows used in investing activities were EUR 15.5 million, mainly attributable to cash outflows for alignment capital investments (investments in associates and loans to associates) of EUR 27.7 million, partly offset by cash inflow from profit realised from alignment capital investments of EUR 10.2 million (in particular for Projects BEN (EUR 4.8 million), T6 (EUR 3.5 million) and Turbo VIE (EUR 1.8 million)) and cash inflows from repayments of alignment capital investments (investments in associates and loans to associates) of EUR 3.3 million for Project Highstreet I.

In the financial year ended 31 December 2015, net cash flows used in investing activities were EUR 4.6 million, mainly attributable to cash outflows for alignment capital investments (investments in associates and loans to associates) of EUR 13.7 million (in particular for Projects Highstreet II, Highstreet IV and Ben), partly offset by cash inflows from repayments of alignment capital investments (investments in associates and loans to associates) of EUR 2.4 million and profit realised on alignment capital investments of EUR 7.0 million, in each case, in particular in relation to Project T6, Project Turbo FRA and Project Squirrel.

Net cash flows from / (used in) financing activities

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

In the financial year ended 31 December 2017, net cash flows from financing activities were EUR 191.6 million, mainly driven by proceeds from loans and borrowings of EUR 189.7 million, a repayment of loans and borrowings of EUR 176.0 million and proceeds from the issuance of the convertible bond of EUR 196.1 million.

In the financial year ended 31 December 2016, net cash flows from financing activities were EUR 27.4 million, mainly due to proceeds of EUR 43.6 million from an issuance of new share capital to Intershop Holding AG, partly offset by a net loan borrowing of EUR 6.0 million, dividend payments of EUR 6.6 million and interest payments of EUR 2.4 million.

In the financial year ended 31 December 2015, net cash flows from financing activities were EUR 29.3 million, mainly due to proceeds from loans and borrowings, net of repayments of loans and borrowings, of EUR 45.0 million, offset by dividend payments, including dividends paid to non-controlling interests, of EUR 14.4 million. The loans and borrowings primarily related to the acquisition of Warehousing assets in Paderborn and Soest.

Financial Liabilities

The breakdown of our financial liabilities as of 31 December 2017 on a consolidated basis is as follows:

Lender	Borrower	Type of Facility	Amount of facilities granted	Amount outstanding as of 31 December 2017	Maturity Date	Security
			(unaudited)			
	Corestate Capital Holding S.A.	Convertible bond	EUR 200,000,000	EUR 200,000,000	28 November 2022	–
Syndicate arranged by BIL	Corestate Capital Holding S.A.	Revolving facility	EUR 40,000,000 (of which EUR 34,000,000 are presently available)	EUR 34,000,000	30 June 2020	Share pledges over certain subsidiaries of the Issuer.
Schwyzer Kantonalbank	Corestate Capital AG	Line of credit	CHF 10,000,000	–	30 June 2020	Global assignment of receivables
SO Holding AG	Recap Finco I S.à r.l. and	Revolving facility	EUR 25,000,000	20,771,502	9 June 2020	Share pledges over certain subsidiaries of

	Recap Finco II S.à r.l.					CCHSA and account pledge over a reserve account of CCHSA
Rüsselsheimer Volksbank eG	Crown PropCo GmbH	Acquisition financing in relation to a property in Kronberg	EUR 10,500,000	EUR 9,185,000	30 June 2021	Land charge, assignment of rent and other asset security relating to the Kronberg property
Deutsche Hypotheken-bank AG	Rock Ridge RE 4 S.à r.l.	Financing of the property Stadttor 1, Düsseldorf	EUR 65,500,000	EUR 63,800,000	30 June 2024	Land charge, unconditional promise of payment, assignment of rent and other rights
Deutsche Hypothekenba nk AG	Rock Ridge RE 4 S.à r.l.	Financing of the property Stadttor 1, Düsseldorf	EUR 35,500,000	EUR 35,500,000	31 October 2018	Land charge, unconditional promise of payment, assignment of rent and other rights
Thalos Investment Platform S.A. acting on behalf of its Compartment Thalos IX	Corestate Capital Senior BondCo S.à r.l.	Loan – Securitisation	EUR 150,000,000	–	7 January 2019	Share pledge over shares in HF, guarantee of Corestate Capital Holding S.A.
Norbert Ketterer	Corestate Capital Senior BondCo S.à r.l.	Subordinated loan	EUR 18,918,402	EUR 18,918,402	7 January 2019	-
Notenstein La Roche Privatbank AG	HFS	Lombard loan	EUR 10,000,000	EUR 10,000,000	anytime	Pledge of various assets, surety of Norbert Ketterer
	HFS	Bond	EUR 100,000,000	EUR 30,500,000	4 October 2021	- Equity covenant > 35% and limitation of the purpose of funds
Landesbank Hessen-Thürigen and other banks	Hannover Leasing Group	Equity financing, working capital facilities	Totally approx. EUR 359,000,000	Totally approx. EUR 209,400,000	2027	Pledge over shares, assignment of dividend claims

On 28 November 2017, the Issuer issued EUR 200 million in aggregate principal amount of its 1.375% Convertible Bonds due 2022 (the "**Convertible Bonds**") in a private placement to

institutional investors. The Convertible Bonds pay a coupon of 1.375% per annum and will mature on 28 November 2022. The Convertible Bonds constitute unsubordinated and unsecured obligations of the Issuer, ranking pari passu among themselves and pari passu with all other present and future unsubordinated and unsecured obligations of the Issuer, unless such obligations are preferred by applicable law. The Convertible Bonds are included in trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse). For further information regarding our convertible bond, see "*Description of Other Indebtedness*."

On 30 June 2017, the Issuer as borrower and CORESTATE Capital AG (Switzerland) 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 BIL and with BIL as facility agent (the "**Revolving Credit Facility Agreement**"). The maximum aggregate amount available under the revolving credit facility is EUR 40.0 million. The revolving credit facility is split into two tranches: tranche A with a maximum aggregate amount available of EUR 34.0 million ("**Tranche A**") and tranche B with a maximum aggregate amount available of EUR 6.0 million ("**Tranche B**"). Tranche A is available for drawings until and including the date falling one month prior to the termination date of the revolving credit facility. Tranche B is available for drawings until and including (i) 31 December 2017 or (ii) if security has been granted over 100% of the shares in CORESTATE Capital Fund Management S.à r.l. and such security has been authorised by the *Commission de Surveillance du Secture Financier* in each case prior to 31 December 2017, the date falling one month prior to the termination date of the revolving credit facility. Unutilised commitments will be automatically cancelled at the end of the relevant availability period. The revolving credit facility terminates on 30 June 2020. For further information regarding our corporate financing facility, see "*Description of Other Indebtedness*."

Our subsidiary Corestate Capital AG ("**CCAG**") entered into a corporate financing facility with Schwyzer Kantonalbank in an amount of CHF 10.0 million, to be reduced by CHF 2.0 million every year beginning on 31 December 2016. The facility matures on 30 June 2020. The facility is secured by a global assignment of receivables. Under the facility agreement, CCAG has agreed to maintain an equity ratio of at least 40.0% and earnings before interest and tax of at least CHF 2.0 million per annum. Such financial covenants relate to the statutory accounts of CCAG. The facility may be cancelled if certain events occur, such as a change of control having a material adverse effect on CCAG's financial position or the violation of a negative pledge undertaking. CCAG may draw down under the corporate financing facility in either Euro or Swiss Franc and on a fixed or variable interest basis. This facility has been repaid in full as of 11 August 2017.

As of 9 June 2016, our subsidiary Recap Finco I S.à r.l. entered into a loan agreement with SO Holding AG as lender providing for a EUR 25.0 million revolving loan facility for the financing of the acquisition or development of real estate assets in the European Union, the UK and Switzerland. Our subsidiary Recap Finco II S.à r.l. and Stadttor Düsseldorf AcquiCo S.à.r.l. have acceded to this loan agreement as additional borrowers. As of 31 December 2017, loans in the aggregate amount of EUR 20,733 thousand have been drawn under this facility. The facility has a term of four years and bears interest at a rate of 8% p.a. (for all drawn amounts). A commitment fee of 8% p.a. applies with respect to all undrawn amounts. The loan is secured by share pledges over the borrowers and by a pledge over an interest reserve account in Luxembourg, in which we deposit on a monthly basis 1/12 of the annual interest and commitment fee payable under the loan agreement. In addition, SO Holding AG may under certain circumstances request share pledges over subsidiaries of the borrowers (*e.g.* investment vehicles or target companies involved in an acquisition financed under the facility). The loan agreement provides for various covenants and events of default. Events of default that relate to one investment only can trigger a partial termination of the facility. A cancellation right in respect of the entire facility is triggered, *inter alia*, if a party which is not majority-owned or controlled by Mr. Ralph Winter acquires 50% or more of the share capital of the Issuer or can exercise 50% of more of the voting rights in the Issuer.

On 13 June 2016, our (indirect) subsidiary Crown PropCo GmbH entered into a loan agreement with Rüsselsheimer Volksbank eG providing for a loan to Crown PropCo GmbH of up to EUR 10.5 million for the financing of the acquisition and refurbishment of a real estate asset in Kronberg. The loan matures on 30 June 2021 and is repayable in 60 monthly instalments (59 repayment instalments in an amount of EUR 26,250 and one (final) repayment instalment in an amount of EUR 8.95 million). The loan bears interest at a rate of (currently) 1.25%. Such interest rate is based on 3-months Euribor and will be increased if 3-months Euribor increases to (or above) 0.25%. The loan is secured by, *inter alia*, a land charge over the Kronberg property and an assignment of rent receivables.

On 31 May 2013, our indirect subsidiary Rock Ridge RE 4 S.à r.l. as borrower and Palmyra Verwaltungsgesellschaft mbH & Co. Vermietung KG as guarantor entered into a loan agreement with Deutsche Hypothekenbank (Actien-Gesellschaft) providing for a EUR 65.5 million loan facility for the financing of the property "40219 Düsseldorf, Stadttor 1". The loan matures on 30 June 2024. The loan is secured by, inter alia, a land charge over the property, the unconditional promise of payment of the borrower in the total amount of EUR 13,100,000 and an assignment of rent receivables and other rights. The facility may be cancelled if certain events occur.

The corporate bond of HFS Helvetic Financial Services AG (International Securities Identification Number (ISIN): DE000A186WC7, German Identification Number (Wertpapierkennnummer; WKN): A18 6WC) was issued in accordance with the terms and conditions on 4 October 2016 with an aggregate principal amount of up to EUR 100 million, divided into up to 100,000 bearer bonds in the principal amount of EUR 1,000 each (subsequently amended to up to EUR 30.5 million divided into up to 30,500 bearer bonds in the principal amount of EUR 1,000 each), ranking pari passu among themselves and governed by German law. The bonds have a fixed coupon of 3.5% per annum, the interest payment date being 15 December of each year (the first interest payment date being 15 December 2017). The term of the bonds ends on 4 October 2021. As of 31 December 2017, the aggregate pricinpal amount outstanding under the bond was approximately EUR 30.5 million. For further information regarding HFS corporate bond, see "*Description of Other Indebtedness.*"

Hannover Leasing and its subsidiaries have entered into a number of working capital facilities and financing arrangements relating to real estate and other assets. Some of these financing arrangements are secured by land charges and share pledges and benefit from assignments of rental receivables and dividend claims. As of 31 December 2017, indebtedness in an aggregate amount of EUR 209.4 million was outstanding under these working capital facilities and financing arrangements.

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

For more information regarding the loans granted by Norbert Ketterer and Thalos Investment Platform S.A. and the financing with Notenstein La Roche Privatbank AG, please see the sections "*Description of Other Indebtedness.*"

Contractual Obligations and Commitments

The following table sets forth, as of 31 December 2017, our debt obligations and contractual obligations and commercial commitments, based upon the period in which payments are due.

(in EUR '000)	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
Bank loans	135,679	159,576	87,187	382,443
Other financial liabilities	28,038	245,962	–	274,001
Total financial debt	**163,717**	**405,539**	**87,187**	**656,443**
Operating lease	4,418	9,369	214	14,001
Finance lease	785	338	–	1,123

(in EUR '000)	< 1 year	1 to 5 years	> 5 years	Total
Total lease obligation	**5,203**	**9,707**	**214**	**15,124**
Short-term Liabilities to Associates	2,209	–	–	2,209
Trade payables	14,795	–	–	14,795
Other current financial liabilities	73,581	–	2,355	75,937
Total commercial commitments	**259,506**	**415,246**	**89,756**	**764,508**

Investments, Acquisitions and Divestments

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

	Financial year ended 31 December						
	2015		2016		2017		
	Investments and Acquisitions	Divestments	Investments and Acquisitions	Divestments	Investments and Acquisitions	Changes from business combinations and sales of subsidiaries	Divestments
(in EUR '000)				(unaudited)			
ACROSS	–	–	1,202	–	–	–	–
ANNAPURNA	–	–	1,542	–	–	–	–
BEN	1,465	(1,000)	878	(7,578)	–	–	(0)
BERRY	–	–	–	–	–	–	–
CADMUS	–	–	–	–	–	–	–
CLG	–	–	53	–	–	–	–
CONDOR	–	–	–	–	1,320	–	–
DANUBE	8,800	(7,540)	790	–	–	–	(2,450)
DONALD	384	(563)	–	(426)	–	–	–
ENERGY	–	(1,408)	–	–	–	–	–
FLIGHT 47	–	–	–	–	–	1,418	(137)
FLIGHT 48	–	–	–	–	–	725	(150)
HABANA	–	–	–	–	–	32	–
HARBOUR	–	–	1,355	–	–	–	–
HIGHSTREET I	–	(504)	50	(3,234)	–	–	(5,240)
HIGHSTREET II	3,055	–	–	–	–	–	(4,053)
HIGHSTREET IV	4,400	–	–	–	–	–	(5,982)
HIGHSTREET PI	130	(113)	3,965	–	–	–	(6,297)
HIGHSTREET PII	–	–	3,471	(36)	147	–	(225)
HIGHSTREET V	–	–	1,500	–	–	–	(1,950)
HGHSTREET VI	–	–	5,081	(81)	(0)	–	–
HIGHSTREET VII	–	–	–	–	16,246	–	(10,461)
IBERIAN Advisors	25	–	–	(25)	–	–	–
ISABELA	–	–	–	–	–	845	–
KANADA	–	–	–	–	–	–	–
KING	–	–	–	–	700	–	–
LIVER	–	–	–	–	19,557	–	(6,367)
MARBURG	–	–	–	–	15	–	–
OLYMPIC	–	–	–	–	–	2,046	–
PALMYRA	–	–	–	–	–	40,635	(40,009)
PHOENIX	–	(120)	–	(18)	–	–	–
REGIA	–	–	–	–	–	11,449	(340)
ROSE	–	–	331	–	–	–	(38)
SAILING	3	–	–	–	–	–	–
SALUD	29	–	–	(2,080)	–	–	–
SCORE	4	–	–	–	–	–	–
SQUIRREL	–	(1,515)	–	–	–	–	–
T6	3,200	(1,596)	–	(3,495)	500	–	–
TURBO FRA	–	(5,120)	–	–	–	–	–
TURBO VIE	–	–	–	(3,330)	–	–	–
TURICUM	–	–	–	–	4,365	–	(1,493)
VITU	–	–	–	(142)	–	–	(3)
VOLARE	–	–	–	–	–	29	–
4711	–	–	1,475	–	(151)	–	–
Warehousing Asset Kronberg	–	–	15,690	–	1,390	–	–
Warehousing Asset Madrid	–	–	11,862	(11,862)	–	–	–
Warehousing Asset Hanau	–	–	–	–	–	–	–
Warehousing Asset Soest	20,257	(22,764)	–	–	–	–	–
Warehousing Asset Halle	1,186	–	–	(1,609)	–	–	–
Warehousing Asset Bremerhaven	940	–	–	(2,618)	24,440	–	(24,440)
Warehousing Asset Hamburg	99	–	26	(125)	–	–	–
Warehousing Asset Paderborn	36,990	–	–	(40,723)	–	–	–
Warehousing Asset	–	–	–	–	1,748	–	(1,748)

	Financial year ended 31 December						
	2015		2016		2017		
	Investments and Acquisitions	Divestments	Investments and Acquisitions	Divestments	Investments and Acquisitions	Changes from business combinations and sales of subsidiaries	Divestments
(in EUR '000)				(unaudited)			
M'gladbach, Wuppertal							
Warehousing Asset Homburg	–	–	–	–	5,042	–	–
Warehousing Asset Berlin	–	–	3,294	(3,294)	–	–	–
Warehousing Asset Bocholt	–	–	21,989	(21,989)	–	–	–
Warehousing Asset Frankfurt am Main	–	–	10,175	(10,175)	–	–	–
Warehousing Asset Dessau-Roßlau	–	–	–	(1,186)	–	–	–
Warehousing Asset Düsseldorf	–	–	190	–	–	–	(190)
Warehousing Asset Köln	–	–	25	–	–	–	(25)
HS VII PropCo O S.à.r.l.	–	–	–	–	17,981	–	(17,981)
PALMYRA Verwaltungs GmbH & Co. Verm. KG S.e.n.c.	–	–	–	–	(38)	–	–
Sub-group of Hannover Leasing (DANONE)	–	–	–	–	18	62,600	–
Stadttor Düsseldorf AcquiCo S.à.r.l.	–	–	–	–	162,842	–	–
Sub-group of Hannover Leasing (Münster)	–	–		–	–	20,714	–
Sub-group of Hannover Leasing (House 4 located in Pullach)	–	–	–	–	–	3,400	(3,400)
Total................................	**80,968**	**(42,242)**	**84,942**	**(114,027)**	**256,123**	**143,894**	**(132,980)**

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

Financial year ended 31 December 2017

In the financial year ended 31 December 2017, investments and acquisitions amounted to EUR 256.1 million, consisting mainly of EUR 162.5 million relating to the acquisition of the Warehousing asset Stadttor in Düsseldorf (Stadttor Düsseldorf AcquiCo S.à.r.l.), EUR 24.4 million relating to the acquisition of a Warehousing asset in Bremerhaven/Germany, EUR 19.6 relating to the acquisition of a property in Liverpool/United Kingdom (Project Liver), a co-investment in Project Highstreet VII amounting to EUR 16.2 million and EUR 18.0 million relating to the deconsolidation of a project relating to HSVII PropCo O S.à.r.l.

In the financial year ended 31 December 2017, changes from business combinations and sales of subsidiaries amounted to EUR 143.9 million, mainly due to the HL Group Acquisition which resulted in an increase of inventories of EUR 86.7 million relating to the acquisition of significant stakes of two assets located in Utrecht/Netherlands (Project Danone) and Muenster as well as EUR 40.6 million relating to the consolidation of Stadttor Düsseldorf (Project Palmyra).

In the financial year ended 31 December 2017, our divestments amounted to EUR 133.0 million, primarily consisting of EUR 40.0 million relating to the consolidation of Stadttor Düsseldorf (Project Palmyra), EUR 24.4 million relating to the sale of a Warehousing asset in Bremerhaven, EUR 18.0 million relating to the deconsolidation of a project relating to HSVII PropCo O S.à.r.l. and EUR 10.5 million relating to a co-investment in Project Highstreet VII.

2016

Investments and acquisitions in the financial year ended 31 December 2016 amounted to EUR 84.9 million, mainly consisting of EUR 22.0 million for the acquisition of a Warehousing asset in Bocholt (Project Highstreet VI), EUR 15.7 million for the acquisition of a Warehousing asset in Kronberg/Germany (Project Crown), EUR 11.9 million for the acquisition of a Warehousing asset in Madrid/Spain (Project Annapurna), EUR 10.2 million for the acquisition of a Warehousing asset in

Frankfurt am Main/Germany, a co-investment in Project Highstreet VI amounting to EUR 5.1 million, a co-investment in Project Highstreet Premium I amounting to EUR 4.0 million and a co-investment in Project Premium II amounting to EUR 3.5 million.

In the financial year ended 31 December 2016, our divestments amounted to EUR 114.0 million, consisting mainly of EUR 40.7 million relating to Warehousing in Paderborn, EUR 22.0 million relating to Warehousing in Bocholt, EUR 11.8 million relating to Project in Madrid, EUR 10.2 million relating to Project in Frankfurt am Main, EUR 7.6 million relating to Project Ben, EUR 3.5 million relating to Project T6, EUR 3.3 million relating to Project in Berlin, EUR 3.3 million relating to Project VIE and EUR 3.2 million relating to Project Highstreet I.

2015

In the financial year ended 31 December 2015, investments and acquisitions amounted to EUR 81.0 million, mainly consisting of EUR 37.0 million for the acquisition of a Warehousing asset in Paderborn, EUR 20.3 million for the acquisition of a Warehousing asset in Soest, a co-investment in Project Danube amounting to EUR 8.8 million, a co-investment in Project Highstreet IV amounting to EUR 4.4 million, a co-investment in Project T6 amounting to EUR 3.2 million and a co-investment in Project Highstreet II amounting to EUR 3.1 million.

In the financial year ended 31 December 2015, our divestments amounted to EUR 42.2 million, consisting mainly of EUR 22.8 million relating to the Warehousing asset in Soest, EUR 7.5 million relating to Project Danube and EUR 5.1 million relating to Project Turbo FRA.

Other Financial Information

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

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

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

We determine our assets under management based on the projected development costs for project developments for which the building phase has not yet launched, the construction costs for project developments for which the building phase has launched but is not yet completed, the real estate valuation for project developments for which the building phase has been completed, and the real estate valuation for standing assets. Assets under management only take into account those transactions which are secured by binding contracts. For more information regarding our assets under management, see "*Business*."

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

	As of and for the financial year ended 31 December		
	2015	**2016**	**2017**

(in EUR million, unless otherwise indicated)	**(unaudited, except as otherwise noted)**		
Assets under management at beginning of period	1,064	2,044	2,759
Assets under management at end of period	2,044	2,759	21,925
Average assets under management during period	1,554	2,401	12,342
Total transaction volume during period(1)	1,077	920	2,006
Management fees(3)	20.9	25.3	52,5
as a percentage of average assets under management during period	*1.3%*	*1.1%*	*0.4%*
Transaction related fees(5)	17.1	15.4	45.4
as a percentage of total transaction volume during period	*1.6%*	*1.7%*	*2.3%*

(1) Acquisitions and disposals, net of third-party mandates retained post exit.
(2) Includes the transaction volume of HL Group and HFS.
(3) Shown as revenue from asset and property management in the consolidated financial statements. Audited.
(4) Annualised.
(5) Includes revenue from acquisition related fees, revenue from sales fees and revenue from promote fees realised, each as shown in the consolidated financial statements.

Our management fees as a percentage of average assets under management during the periods were 1.3%, 1.1% and 0.4% (annualised) for the financial year ended 31 December 2015, 2016 and 2017, respectively. Our transaction related fees as a percentage of total transaction volume during the periods were 1.6%, 1.7% and 2.3% for the financial year ended 31 December 2015, 2016 and 2017, respectively. The decrease of management fees from 2015 until 31 December 2017 as a percentage of assets under management is mainly driven by the ongoing change from residential to commercial assets as well as our increasing institutional business which generate lower average management fees.

Adjusted Net Profit (ANP) and ANP Margin

General

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

	As of and for the financial year ended 31 December		
	2015	**2016**	**2017**
(in EUR '000, except as otherwise noted)	**(unaudited, except as otherwise noted)**		
Net Profit/(Loss) for the Period attributable to Shareholders of the Parent Company (1)	**9,656**	**15,396**	**55,717**
Net Profit Adjustments(2)	6,935	4,019	37,613
ANP(3)	**16,591**	**19,415**	**93,330**
Total Revenue from Real Estate Investment Management(1)	38,034	40,769	151,600
Dividends from other Alignment Capital(1)	–	–	9,877
Total Income from Real Estate Operations/Warehousing(1)	4,386	13,685	24,028
Share of Profit or Loss from Associates and Joint Ventures(1)(4)	4,695	5,255	9,498
Aggregate Revenues and Gains(5)	**47,115**	**59,709**	**195,003**
ANP Margin(6)	**35.2%**	**32.5%**	**47.9%**

(1) Audited.
(2) Includes adjustments for certain one-off items net of (deferred) tax effects, i.e. adjustments for one-off capital raising costs (IPO costs) of EUR 3,845 thousand, one-off investments for institutional product business of EUR 880 thousand and interest burden from bridge facility of EUR 2,210 thousand for the financial year ended 31 December 2015, adjustments for one-off acquisition related expenses of EUR 944 thousand, costs for management stock options of EUR 625 thousand, adjustments for one-off capital raising costs (IPO costs) of EUR 590 thousand and interest burden from bridge facility of EUR 1,860 thousand for the financial year ended 31 December 2016 and adjustments for acquisition related expenses of EUR 12,569 thousand, costs for management stock options of EUR 4,702 thousand, adjustments for severance payments of EUR 1,346 thousand, adjustments for a repayment penalty of EUR 3,637 thousand , adjustments for depreciation of the capitalized management contracts of EUR 15,359 thousand (net of taxes) for the financial year ended 31 December 2017.
(3) Adjusted Net Profit is defined as the net profit/(loss) for the period attributable to shareholders of the parent company adjusted for certain exceptional items as described above in footnote two.
(4) Share of profit or loss from associates and joint ventures may include fair value gains or losses or other non-cash items.

(5) Includes total revenue from real estate investment management, dividends from alignment capital management, total income from Real Estate Operations/Warehousing and our share of profit or loss from associates and joint ventures.
(6) Adjusted net profit expressed as a percentage of aggregate revenues and gains.

ANP is defined as net profit/(loss) for the period attributable to shareholders of the parent company adjusted for certain exceptional items. ANP margin is calculated as ANP as a percentage of aggregate revenues and gains, which include total revenue from real estate investment management, our share of profit or loss from associates and joint ventures and total income from Real Estate Operations/Warehousing.

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

Financial Year ended 31 December 2017 Compared to Financial Year ended 31 December 2016

ANP increased by 380.9% to EUR 93.3 million for the financial year ended 31 December 2017 from EUR 19,4 million for the financial year ended 31 December 2016. ANP margin increased to 47.9% for the financial year ended 31 December 2017 from 32.5% for the financial year ended 31 December 2016. The increase in absolute ANP was primarily attributable to higher revenues generated from management and acquisition-related fees, coupon participation fees and promotes.

Financial Year ended 31 December 2016 Compared to Financial Year ended 31 December 2015

ANP increased by 17.0% to EUR 19.4 million for the financial year ended 31 December 2016 from EUR 16.6 million for the financial year ended 31 December 2015. ANP margin decreased to 32.5% for the financial year ended 31 December 2016 from 35.2% for the financial year ended 31 December 2015. The increase in absolute ANP mainly resulted from the EUR 5.7 million increase in net profit for the period attributable to shareholders of the parent company (EUR 15.4 million for the financial year ended 31 December 2016 as compared to EUR 9.7 million for the financial year ended 31 December 2016).

Off-Balance Sheet Arrangements

For information regarding our contractual obligations and commitments, see "*Material Contracts*" below. For additional information regarding our operating lease commitments, see Note I.10.1, *Operating lease commitments—Group as lessee*, to our audited consolidated financial statements as of and for the financial year ended 31 December 2017, which are incorporated by reference into this Prospectus.

Pension and Employee Benefit Obligations

For information regarding our employee compensation arrangements and pension and employee benefit obligations, see Note B.3.19, *Employee benefits*, and Note B.3.20, *Share-based payments*, to our audited consolidated financial statements as of and for the financial year ended 31 December 2017, which are incorporated by reference into this Prospectus.

Disclosures about Market Risk

The following discussion summarises our market risks. It is difficult to accurately predict changes in economic or market conditions and anticipate the effects of such changes on our financial performance and business operations. See Note I.4, *Financial risk management objectives and policies*, to our audited consolidated financial statements as of and for the financial year ended 31 December 2017, which are incorporated by reference into this Prospectus for additional information.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to credit risk from our operating activities (primarily from trade receivables as well as receivables from associates and joint ventures) which, in turn, are dependent on the operating performance of the underlying investments. Such operating performance is very closely monitored by our asset, property and financial management teams. The carrying amount of our financial assets represents the maximum credit exposure. Our Investment Structures are likewise exposed to the credit risk of their counterparties, including in particular tenants under rental agreements.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Except for a minor portion of our cost base, which is denominated in Swiss Francs, we do not have any foreign currency risk relating to financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates relates primarily to our short and long-term debt obligations with floating interest rates. Our Investment Structures are likewise exposed to the risk of changing interest rates under debt obligations with floating interest rates.

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

MARKET OVERVIEW AND COMPETITION

The following Market Overview, except for the sections "*The Global Aviation Market*" and "*Competition*" and "*Mezzanine Financing*", is taken from the CBRE Report (as defined on page 319-320). The section "*Mezzanine Financing*" is taken from the FAP Report (as defined on page 319).

Germany

In 2016, with gross value added of more than EUR 500 billion, 18.2 percent of total value added was generated by the real estate industry in a broader sense (plus architects, planners, lenders, consultants and construction companies) (Source: ZIA German Property Federation).

Macroeconomic Environment

With a population of approximately 82.3 million (Source: Destatis, Population based on the 2011 Census) and a gross domestic product (GDP) at market prices of EUR 3.1 billion in 2016, Germany is the largest economy in the European Union (EU28) accounting for approximately 21% of the European Union's total GDP (Source: Eurostat, GDP Germany). It is also the fourth largest national economy in terms of GDP in 2016 at current prices worldwide after the USA, China, and Japan (Source: International Monetary Fund, GDP).

The German economy grew by 1.7% and 1.9% per annum in 2015 and 2016, respectively. In Q1 2017 and Q2 2017, GDP growth showed more momentum with an increase of 2.0% and 2.1%, respectively. In comparison, from 2011 to 2016, potential growth stood at nearly 1.25% on average. (Source: Destatis, Bundesbank).

Among the EU28 Member States, Germany reported the second-lowest unemployment rate in August 2017 with 3.6% after the Czech Republic (2.9%). The EU28 unemployment rate was 7.6%. (Source: Eurostat, Unemployment Rate Germany), For Germany this is at the lowest level post re-unification as a consequence of structural reforms of domestic labor markets and the social system. The inflation rate in Germany as measured by the consumer price index increased by 1.8% in September 2017. In 2016 and 2015 the annual inflation rate was 0.5% and 0.3%, respectively. (Source: Destatis, Consumer prices index for Germany).

Germany ranked 17th out of 190 economies in The World Bank's Doing Business 2017 report (Source: The World Bank, Doing Business). With a score of 7.96, Germany ranked 10th in Western Europe, and 16th in the world in the 2017 International Property Rights Index. Germany is classified by the International Monetary Fund (IMF) as part of the Advanced Economies group and by the World Bank as a high-income OECD nation (Source: The International Property Rights Index).

According to Worldwide Governance Indicators published by the World Bank, the corresponding sub-indicator for "political stability and absence of violence/ terrorism" improved by 2.38 points to 70.95 points (percentile rank, 0 to 100) in 2016 (Source: The World Bank, WGI).

As stated in the 2017 Index of Economic Freedom published by the Heritage Foundation, Germany ranked 26th out of 180 economies (regional ranking: 15th out of 44 economies in Europe with Switzerland ranked 1st with an overall score of 81.5) with a slightly decreased score of 73.8 (-0.6 compared to the previous year; regional average: 68.8) and can therefore be characterised as a mostly free economy (Source: The Heritage Foundation).

According to the latest stress test for the banking and insurance sectors, the German banking system would remain broadly stable under the International Monetary Fund's ("**IMF**") baseline scenario. The resilience of the German financial sector, which plays a key role in the global economy, is bolstered by major financial sector reforms driven by EU-wide and global developments (Source: International Monetary Fund, Country Report). Currently German government bonds with maturities up to six years are trading at -0.079% at 5 October 2017 (Source: Stock Exchange Stuttgart). In August 2017, the ten-year German government bond stood at 0.35% and was therefore the second lowest long-term interest rate of government bonds with maturities of close to ten years of the EU Member States after Lithuania (Source: European Central Bank). This is underpinned by the fact that Germany holds one of the highest and most stable credit ratings in Europe as most credit rating agencies including Fitch (as of 1 September 2017), S&P (as of 28 April 2017) and Moody's (as of 24 February 2017) have affirmed Germany's AAA rating with a stable outlook (Source: Börsen-Zeitung).

Germany's key strength is based on industrial production of goods and services. Industry is at the heart of Germany's strong export performance. The country is a world leader in many sectors, such as vehicle manufacturing, mechanical and plant engineering, and chemicals and pharmaceuticals. Almost 10% of Europe's manufacturing companies are German. They generate 30% of the EU's gross value added in manufacturing in 2015 alone. In fact, they represent more than one fifth of all of Germany's value added – one of the highest shares in Europe (Source: GTAI, Eurostat). This reflects why products 'Made in Germany' are valued around the world. The brand "Made in Germany" (Source: J. A. Ugesh) and the reputation for high quality products have contributed to Germany becoming one of the largest exporting nations in the world, ranked third after China and the USA in 2016 (Source: IMF, Value of Exports). In 2016, the export of goods and services totalled EUR 1,207 billion (gross), while goods and services worth EUR 955 billion were imported (Source: Destatis, Foreign Trade). Considering the export of capital in 2016, Germany outranked China and strengthened its world-wide top position (Source: ifo Institute).

German Real Estate Market

According to CBRE's EMEA Investor Intentions Survey 2017 Germany (22% out of 501 respondents) was identified as the most attractive country for real estate investments in EMEA, followed by the UK (20%) (Source: CBRE EMEA). Investors favoring Germany and the UK value both markets for their relatively high liquidity and transparency. Germany distinguishes itself through its stable geopolitical environment and strong economic fundamentals that are driving rental values (Source: ZIA Spring Report). Interest rates are at record lows (Source: German Federal Bank, ECB interest rates), with German ten-year government bonds trading at 0.47% 28 September 2017 (Source: German Federal Bank, Yields on debt securities). The current low interest rate environment drives investors to seek investment opportunities, where higher yields can be attained, compared to fixed-income investments. This is the main reason why interest in real estate investments increased since 2010 as office property provides a positive and significant yield spread of 273 basis points (as of 28 September 2017) over the German ten-year government bond (Source: CBRE MarketView Germany).

Germany is historically organised as a federation, with agglomerations of varying economic characteristics and underlying dynamics, thus offering a widely diversified market structure. This offers real estate investors the opportunity for regional diversification, particularly with regards to the available risk-return profiles in Germany. The country comprises 16 federal states; Berlin, Bremen and Hamburg form the so- called city-states with the remainder being larger territorial states such as Bavaria and North Rhine-Westphalia. Germany had four cities with populations larger than a million within the respective city boundaries by the end of 2015, namely Berlin (3.52 million; (Source: Statistical Office Berlin-Brandenburg)), Hamburg (1.78 million; (Source: Statistical Office Hamburg and Schleswig-Holstein)), Munich (1.45 million; (Source: Statistical Office Bavaria)) and Cologne (1.06 million; (Source: IT.NRW)). There were approximately 80 cities with more than 100,000 inhabitants by the end of 2015, as well as over 100 cities between 50,000 and 100,000 inhabitants

(Source: Destatis and the Statistical Offices of the States, Cities). The biggest real estate markets in Germany in terms of office stock and total volume invested in German commercial real estate are located in the so called “prime” or A-cities, which comprise Berlin, Cologne, Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart (Source: CBRE ERIX). In general, these markets are characterised by relatively high prime office and high street retail rents as well as low net initial yields. In addition to these cities, there are a number of further important markets, such as Dortmund, Essen, Bremen, Leipzig, Dresden, Hanover, Nuremberg, Duisburg, Bochum and a number of other cities, which are widely referred to as secondary or B-cities. These “prime” and “secondary” cities are influenced by different structural and cyclical growth trends, resulting in different price levels and corresponding volatility (Source: BulwienGesa RIWIS).

German Residential Property Market

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

Population growth

According to the most current statistical data of Destatis, the German population increased to 82.3 million by the end of June 2016 from a level of 81.2 million end of 2014 (Source: Destatis, Population based on the 2011 Census). The increase can be mainly attributed to the positive balance of migrants moving into and those leaving Germany, which significantly compensates for the birth deficit.

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

Population development and gains in Germany have been heavily dependent on migration and the prolongation of the average lifetime of citizens since the post war baby-boom faded away in the 1960s and 1970s. As a result, the German population got more diverse and older on average. According to the current statistics of The World Bank, average life expectancy in Germany is 81.1 years (2015). Life expectancy increased by two years in the last ten years sine 2006 (79.1 years) (Source: The World Bank, Life Expectancy at Birth). However, the population development and change in population structure differs significantly between regions. While some regions have experienced massive growth, others have shrunk in the past years (Source: Destatis and the Statistical Offices of the States). Growth in particular regions is accelerated by a second trend, urbanisation.

Urbanisation

Major cities and their surrounding regions are usually economically strong centres and thus attract increasing numbers of people – often young, mobile and well-educated – from rural and peripheral regions due to better employment opportunities and amenities (Source: BBSR Urbanisation).

Major cities and their metropolitan regions in particular also attracted a large share of initial migration from abroad due to their higher level of internationalisation, their function as transportation hubs and their overall amenities. For example, the cities of Berlin (+41,085), Hamburg (+19,998), Leipzig (+15,347), Munich (14,590) and Frankfurt (+12,047) recorded a positive net migration in 2015, while on the other hand the more rural counties of Germany like Bayreuth (220) or Coburg (327) reported a lower net migration (Source: Destatis and the Statistical Offices of the States, Cities).

Household Growth and Demand for Residential Accommodation

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

According to Destatis around 40.96 million households were registered in Germany in 2016. Since 2011, approximately 1.45 million households were added in Germany. The small increase in the number of households with three or more persons of around 83,000 stands in contrast with a strong increase in the number of one- and two-person households of 1.45 million. (Source: Destatis, Households).

The number of newly completed residential accommodations started to rise significantly in 2011, a positive trend that continued in 2016. In the 2016, 277,700 new accommodations were completed. A higher number of completed accommodations could only be seen in 2004 (278,000); (Source: Destatis, Dwelling completions). This development is driven by the reduction in average household size, mainly caused by the high increase of one- and two-person households. In 1991, on average 2.27 persons lived in a household, declining to 2.01 persons per household in 2016 (Source: Destatis, Household Members). Destatis lists two main demographic factors for this trend: a decreasing birth rate with a smaller number of children per parent, and an increasing lifespan resulting in more senior citizens, which live predominantly in single- or two-person households. In 2016, citizens aged 65+ lived in 12.3 million households, which is every third of ten households in Germany (Source: Destatis, Population & Employment).

In 2016, Germany records the third-highest share of population in the age of 65 and older among the EU Member States (EU28) after Italy (21.7%) and Greece (21.3%). Compared to the year 2005, the share has risen by 2.5%-points to 21.1%. The share of elderly people (65 years and older) within the EU 28 total population amounts to 19.2% (Source: Eurostat, Population Structure Germany).

Proportion of Residential Owner-Occupation

Germany is traditionally one of the countries with the lowest home ownership rates in Europe, despite an increase in the last few years. According to the recent data, approximately 51.9% of residential units were owner-occupied in Germany in 2015 (Source: Eurostat, Population Distribution. As a consequence, just below 50% of German households are therefore tenants. Unlike in other countries, however, no stigma is attached to living in rented property. Together with the good quality of the housing stock, this positively influences the trend to rent rather than to buy an apartment.

Residential rent rates

Residential rent rates (asking rents, hedonic, any building age) rose by 2.6% over prior-year period (Q3 2016), which is slower than growth in 2015 (3.4%). The median rent across Germany is c. EUR 7.20 per sqm per month, which implies an increase by EUR 1.10 per sqm per month or 18% since 2010. When adjusted for inflation, the growth rate is still 9.4% (Source: ZIA Spring Report).

Since 1 June 2015 the capping of rents of new leases is in force, which enables the federal states to establish individual decrees. The new law limiting rent increases (*MietNovG*) upon re-letting of existing residential units in regions with low supply only allows an increase of rent up to local rental table level plus 10%. This law applies for five years. There are, however, exceptions: residential units completed after 1 October 2014 are not affected as well as rent increases reflecting modernisation works, pursuant to § 559 section 1 to 3 BGB. In such cases, 11% of the total capital expenditure may still be recouped from the tenant each year. This new law also does not apply for the small market segment of furnished apartments.

Residential Development Activities

Availability of new supply is especially low in primary city areas, particularly in the low to medium price segments (Source: Cologne Institute for Economic Research). The number of completed residential units per 1,000 inhabitants has significantly slowed down since the mid-1990s but shown signs of reversal recently. Development activities have been increasing since 2009, due to rising residential sales prices. According to recent official data, completion figures increased by 12.1% in 2016 compared to the previous year and even by 55.8% compared to 2009. Overall, 277,691 apartments were completed in 2016, after 247,722 in 2015 (Source: Destatis, Construction work completed in Germany). In addition, real estate investors and developers typically concentrate on the high and mid-price segments in prime cities and particularly in urban areas with a significant net migration, because developments in lower priced segments are considered economically unattractive due to the high land prices (Source: Destatis, Construction Prices, Real Property Prices) and construction costs (Source: Destatis, Construction price indices). Due to the lack of available land, the volume of newly constructed housing can vary significantly between different cities.

The relative scarcity of defensive asset classes, together with the low interest rate environment - the yield for a German ten-year government bond was 0.47% on 27 September 2017 (Source: Bundesbank: Yields of Federal bonds (Bunds)) and the low mortgage rates of 1.88% in July 2017 (Source: Bundesbank: Effective interest rates of German banks), is driving demand for German residential real estate, both from private as well as from institutional real estate investors in both the rental as sales segments.

Accompanied by a shortage of suitable investment products in Q2 2017, the average net initial yield for existing residential stock in top locations currently stands at 3.30% in Munich and 3.80% in Cologne and for new builds at between 3.20 in Munich and 3.70% in Cologne and Düsseldorf (Source: CBRE MarketView Residential, Q2 2017). The yield spread to the German ten-year government bond on 31. July 2017 amounts 274 basis points (Source: Deutsche Bundesbank).

Market for Student Accommodation

Students form an important part of many local housing markets. Due to the specific requirements of students as a demand group, this generally increases the difficulty for them to find proper accommodation. Small household sizes combined with relatively low incomes limit the potential housing supply to primarily small, low-priced accommodation, but also to apartments suitable for sharing. In this respect students compete with other demand groups such as trainees, commuters, and temporary workers for accommodation. Housing shortages ensue, particularly in Germany's relatively strained housing markets (according to a low vacancy rate of 3.0% on average in 2015 according to CBRE-empirica-vacancy index (Source: CBRE/empirica)), where small-scale housing per se is in short supply. The main alternatives to the general housing market are continued living with parents – approximately 12% of the students lived with their parents in 2013 (Source: CBRE, Student Accommodation) –or a room in a student residence. The demand for accommodation suitable for students stands in contrast to the existing supply for students, which is often equated with the provision of halls of residence by the local students' unions (*Studentenwerke*). In the winter term 2015/16, 239,934 publicly subsidised places in halls of residence were available for the more than 2.80 million students throughout Germany (Source: Destatis, Study; Deutsches Studentenwerk). This corresponds to an accommodation ratio of only 9.0%. In the analysis conducted by CBRE and TU Dresden, hall of residence places provided by private and religious/non-commercial organisations were included in addition to the halls of residence procured by the local students' unions (Source: CBRE, Student Accommodation).

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

In Germany, student halls of residence have increased in their relative importance in recent years. Traditionally, most of the student halls of residence were owned by the publicly-subsidised student unions. Over the last few years, however, they have modernised and reconfigured out-dated facilities, so that the supply of hall of residence places initially ran short. The accommodation ratio in publicly-subsidised halls of residence moreover reduced due to increasing levels of enrolment in higher education nationally. The number of students increased with an average annual growth in numbers of 3.5% between 2000 and 2016 (Source: Destatis, Education), in part due to the suspension of compulsory military service in July 2011 and in part due to the reduction of length of schooling up to Abitur (secondary school leaving examination) from 13 to 12 years in almost all federal states, particularly since the turn of the millennium. Moreover, the number of foreign students rose by an annual average growth rate of 5.7% between 2000 and 2016 resulting in 357.836 students in 2016 due to the attractiveness of German universities (Source: Destatis, Education; Destatis, Study). Considering the increasing trend towards single-person, the competition between students and other groups of potential tenants for smaller residential units picked up in the recent years. The demand for accommodation suitable for students thus stands in contrast to the existing supply of accommodation available to students.

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

Rents for student flats rose more rapidly in the period between 2010 and 2015, in some metropolises such as Berlin (+28.1%), Hamburg (+11.7%), Munich (+16.5%) or Stuttgart (18.1%) rental increase for student housing exceeded rental growth for the total residential market between 0.9 percentage points (for Hamburg) and 3.8 percentage points (for Munich). In Cologne (+11.8%) the rental increase evolved parallel to the total market, whereas in Frankfurt (+11.1%) the rental increase grew below-average (-0.6 percentage points) compared to the total market. (Source: F+B). According to the most recent study by the Cologne Institute for Economic Research, average rents for typical student flats in major cities and university towns have risen by up to 70% for new rentals between the first half of 2010 and the first half of 2017 (Source: F+B 2017).

Market for Micro Apartment

Increased migration flows of young people to major or university cities (Source: Demografie-Portaland) the growing professional as well as the individual mobility and a growing share of single-person households from 38.8% in 2006 up to 41.1% end of 2016 (Source: Destatis Households) caused increasing demand for small-scale rental units and compact living space.

According to a recent study by the Federal Institute for Building, Urban Affairs and Spatial Research ("**BBSR**") 60% of the employees subject to social security contribution working in metropolises live outside the city boundaries (Source: BBSR, Commute). Based on BBSR data, the number of commuting employees rose to 18.4 million people in 2016 (Source: Handelsblatt). Commuters with an one-way working distance of more that 150 kilometers rose from one million in 2010 to 1.3 million in 2016. They belong to the interest group for micro apartments.

As further interest groups for central and conveniently located living space include expatriates, temporarily employed persons as well as singles. While over 92% of the housing stock accounted for apartments with four or more rooms during the year 1995, historically few small-scale living units exist in Germany. In 2016, around 13% of the German housing stock accounted for apartments with one or two rooms (Source: Destatis, Bundesbank).

Furnished micro-apartments furthermore do not underlie rental control and allow due to the substitutability of the user group a third-party utilisation for example age-appropriate living. The market segment of micro-apartments counts to be relatively independent of economic cycles and has aroused the interest of national and international institutional investors. The risen interest in student housing and micro apartments brought this market segment a transaction volume of EUR 471 million, outperforming the previous year’s figure by EUR 266 million (Source: CBRE Germany Residential Investment MarketView).

Retail Real Estate Market

Together with the sustained health of the domestic economy, the demand for German commercial real estate remains strong. The positive economic development in Germany was accompanied by decreasing unemployment, and the highest observed real wage growth since 2008 (+1.8% year over year in 2016) (Source: Federal Employment Agency and Destatis, Real Earnings). This growth in real wages, combined with historically low interest rates and generally attractive financing conditions, have driven an improvement in consumer sentiment and an increased consumer spending. In 2016, total private consumer expenditure amounted to more than EUR 1,674 billion, which is approximately 8.3% higher compared to 2010 on an adjusted to prices basis (Source: Destatis, National Accounts). In September 2017, the consumer confidence edged slightly downwards by 0.1 points to 10.8 index points compared to the August 2017 but remained on a high level (Source: GfK).

Positive scores for retail-relevant expenditures do not automatically result in positive numbers for high street sales homogenously. While especially the non-food sector increased only moderately by 0.6% in sales in 216 compared to the previous year due to saturation tendencies in the electronic and textile trade, online trading increased by 7.4% in 2016 compared to the previous year (Source: GfK Report). For the year 2017 about 71% of managers responsible for expansion of retailer’s footprint stated that the linkage of online and offline trade is mainly responsible for the reduction of sales area.

The share of high-street commercial buildings remained relatively stable in the first six months of 2017 with a share of 14% of total investment volume. The fact that only products outside the top locations were traded shows a product shortage in prime location of the high-street (Source: Hahn Gruppe). The result is a trend towards investment in alternative retail products such as retail parks (Source: CBRE 2017). With a share of 47% retail warehouses and retail parks remain the strongest asset class in 2017 so far, based on capital inflows. A positive side-effect is that the quality of the retail warehouse stock goes up due to investments being done (Source: CBRE 2017).

The German retail sector benefited from these developments and registered an increase in investment transaction volumes recently. In 2016, around EUR 12.8 billion was invested in German retail real estate, clearly exceeding the 7-year average by 34.7%. Alongside direct investments with a comparatively high number of large-scale portfolio transactions of 57,1%, large-scale real estate takeovers as part of company transactions contributed to this result (Source: Germany CBRE, Retail Investment MarketView Q4 2016).

Compared with relatively moderate results of the first half of 2016, the current investment volume of 2017 rose by 44%. In total, some EUR 6.3 billion was transacted in the German retail property investment market in the first six months of 2017. With an investment volume of EUR 3.8 billion in the first quarter of 2017 alone, the long-standing quarterly average of EUR 2.4 billion was clearly exceeded and the volume more than doubled compared to the same period in 2016. Domestic investors accounted for most of the investment volume achieved in the German investment market for retail property in the first two quarters of 2017. They acquired retail property across Germany worth more EUR 3.99 billion, thus contributing 63% of the overall transaction volume. The result is characterised by a higher proportion of portfolio asset transactions which makes up for half of the share compared to only 24 % in 2016. (Source: CBRE, Retail Investment MarketView Q2 2017).

Office Real Estate Market

With 32.239 million employees subject to social insurance contributions, the German economy continues to excel with very robust fundamental data in terms of GDP growth and growth in its working population. This has direct impact on office users' leasing and location decisions. A particularly high growth is seen in the service sector, mainly qualified business service providers. Therefore, the information- and communication sector demonstrated a growth of 5.6% in employees in July 2017 compared to July 2016, while the banking and insurance sector registered 1.0% less employees (Source: Federal Employment Agency).

In 2016, around EUR 24.8 billion were invested in German office real estate. At 47% of the entire commercial transaction volume, office properties therefore remained the asset class attracting most of the investment activity. Compared to a stronger overall investment market measured by volume compared to 2015, the investment volume in the office segment declined by 2%. Approximately 74% of the entire office investment volume was attributable to the major five locations Berlin, Düsseldorf, Frankfurt, Hamburg and Munich (Source: CBRE, Office Investment MarketView Q4 2016).

The demand for modern office space is correspondingly high but can no longer be serviced in some inner-city locations due to the shortage of suitable properties. The absolute volume of vacant office space has fallen across the board in all major five locations Berlin, Düsseldorf, Frankfurt, Hamburg and Munich in a year-on-year comparison and stood at 4.1 million sqm at the end of the first six months of 2017, which equates to a vacancy rate of 5.5 % with the steepest decline in absolute terms recorded in Berlin. (Source: CBRE Press Release). This makes locational decisions more challenging, also in view of winning best talent and employees for a company.

Office real estate proved to be the asset class with the highest investment volume by a good margin in the German commercial investment market also in the first half of 2017. Just under EUR 11.7 billion or 47% of the overall transaction volume was attributable to office properties, which represents an increase of 51% compared to the first six months of 2016 (Source: CBRE, Office Investment MarketView Q2 2017). Investors were focused on the top locations Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Munich, Cologne and Stuttgart in particular, but also increasingly invested in regional centres and secondary cities.

Austria

The importance of real estate for the Austrian economy is illustrated by a share of around 17% of the total value added to the GDP in 2016 (Source: Statistik Austria, Yearbook).

Macroeconomic Environment

Austria, with a population of 8.8 million as of 1st January 2017, is strategically located in the heart of Europe and benefits from strong external trade relations with Western as well as Eastern European economies (Source: Statistik Austria, Population, Statistik Austria, Foreign Trade). The Austrian economy has been on a rather flat growth path since 2012. Gross domestic product("**GDP**") growth rate improved from 1.1% in 2015 to 1.5% in 2016 (Source: Statistik Austria, GDP). The relatively stable economic development in Austria with a stronger average annual growth rate of the nominal GDP than in the Eurozone from 2007 to 2016 (Austria around 2.46%; EU (19) around 1.52%), is also reflected by the overall good labor market conditions (Source: Eurostat, GDP). The unemployment rate in Austria increased moderately over a five-year period to 6.0% in 2016, but was still below the Eurozone average of 10.0% (Source: Eurostat, Unemployment Rate Austria). The Austrian unemployment rate improved to 5.4% at the end of the second quarter of 2017 (Source: Eurostat, Unemployment Rate Austria). The inflation rate in Austria reached 0.9% in 2015 and 2016, respectively (Source: Statistik Austria, Inflation Rates and Consumer Price Index). The export ratio of goods and services in Austria amounted to 52.2% in 2016 with an export volume of around EUR 185 million in 2016 (Source: European Commission, Import and Export; Eurostat, Import and Export).

Austria constitutes of nine federal states including the capital city of Vienna, which is the only city in Austria with more than one million inhabitants. Only four other cities in Austria, Graz, Linz, Salzburg and Innsbruck exceed the 100,000 inhabitants mark (Source: Statistik Austria, Population Development). Among others, the real estate market in Austria was influenced by population growth of ca. 1.3% in 2015 and 1.0% in 2016, which is above the EU average of 0.3% and one of the fastest growing populations in the EU (Source: Eurostat, Demographic Changes). Over a period of 19 years the population growth was driven by immigration from other EU member states, apart from 2015, when around 54% of all immigrants (excl. Austrians) were citizens of third countries (Source: Statistik Austria, Population Changes; Statistik Austria, Change with Foreign Countries).

Within urban areas in Austria, the population growth is higher compared to the national average. For example, in Vienna by 2.4% in 2015 and 1.5% in 2016 (Source: Eurostat, Population by State). The household structure is different among urban and rural areas in Austria. In 2016 around 37% of all households in Austria were single-person households, while in Vienna this share amounts to approximately 45% (Source: Statistik Austria, Private Accommodations by State).

Vienna is the primary real estate investment market, as around 71% of the total volume invested in Austrian commercial real estate from 2012 to 2016 was invested into properties in Vienna (Source: CBRE, Investment Deals Austria).

Austrian Commercial Property Investment Market

A factor contributing to the development of the Austrian real estate market is the low interest rate environment of the recent years with negative money market interest rates in the Eurozone at -0.11% in 2015 and -0.32% in 2016 (Source: Eurostat, Money Market). Gross initial yields for commercial real estate investments declined since 2009 and reached a level of 3.95% for prime office buildings and 4.05% for prime shopping centres at the end of June 2017 (Source: CBRE, Austria Investment MarketView, H1 2017). The Yields for 10-year Austrian government bonds stood at 0.61% in August 2017 and was therefore the fifth lowest long-term interest rate of government bonds with maturities of close to ten years of the euro countries after Germany, Lithuania, Netherlands and Luxembourg (Source: RCB).

Supported by favorable financing conditions the commercial real estate investment volume in Austria increased since 2014 with a peak reached in 2015 (around EUR 3.9 billion). Among other factors, a shortage on the supply side and the delayed closings of some large investment deals led to a decline of the investment volume in 2016 to approximately EUR 2.8 billion, followed by the highest investment turnover for a first half-year since CBRE's records in Austria began in 1993, with around EUR 2.4 billion transacted from January to June 2017 (Source: CBRE, Austria Investment MarketView, Q4 2016; CBRE, Austria Investment MarketView, H1 2017).

A long-term view on the total investment volume from 2012 to 2016 in Austria, points out office with a share of around 34% as the asset class attracting most of the investment volume, followed by retail and hotel with ca. 29% and 14%, respectively (Source: CBRE, Investment Deals Austria). With more than EUR 700 million transacted and a share of around 26% of the total investment volume, 2016 was an exceptional year for hotel investments in Austria. Even though, with around 40% on the total investment volume in 2016, office properties claimed the highest share of the volume of all asset classes (Source: CBRE, Austria Investment MarketView, H1 2017). Based on two large transactions of Viennese office landmarks in the first half-year 2017, the proportional distribution of the investment volume by asset class was dominated by office properties and focused on investments within the capital Vienna. Investments in commercial residential properties with around 13% of the total transaction volume reached the second highest share from January to June 2017, while the investment volume in retail properties stood on a comparatively low level of around 12% in 2016 and 9% in the first half-year 2017 (Source: CBRE, Austria Investment MarketView, H1 2017; CBRE, Austria Investment MarketView, Q4 2016).

International investors claimed a share of the total investment volume of almost 46% in 2016. Followed by a rather moderate investment activity of German investors in 2016, the Austrian investment market in the first half-year 2017 registered a strengthened engagement of German investors – traditionally an active purchaser group on the Austrian market –with around 54% of the total investment volume (Source: CBRE, Austria Investment MarketView, H1 2017; CBRE, Austria Investment MarketView, Q4 2016).

Austrian Residential Real Estate Market

Austria has the second lowest owner-occupancy rate in the European Union, spelt out by the fact, that only 55% of all residential units were owner-occupied in 2016 (Source: Eurostat, Distribution of Population Austria). Especially in Vienna the tenure status is dominated by tenancies with a share of 77%, while only 18% of residences were occupied by the owner and 5% belonged to other tenure statuses (Source: Statistik Austria, Residential Market in Austria).

Rising demand on the back of population growth, particularly in urban areas, caused Austria to keep its housing development on a high level of 7.6 new housing units per 1,000 inhabitants in 2016. This reflects the highest value of all surveyed EU member states for the third consecutive year (Source: Deloitte). In Vienna, construction activity of new dwellings is expected to increase from 2016 to 2017 by around 36% and by ca. 50% from 2017 to 2018 (Source: CBRE, Multi-story Residential Construction in Vienna). Rental apartments are the main driver of the increased number of completed dwellings (Source: CBRE, Multi-story Residential Construction in Vienna).

Housing prices across Austria increased between 2000 and 2016 by around 80% and by approximately 117% in Vienna. Recently, other parts of Austria did some catching up on housing prices by a growth of ca. 5.1% in 2015 and around 9.1% in 2016, while the growth of housing prices in Vienna increased by 2.2% in 2015 and 3.8% in 2016. The residential prices in Vienna were driven by a price increase of 10.1% at the segment of newly built condominium segment in 2016 (Source: OENB).

In the long-term, the rents for condominiums outside of Vienna increased by approximately 63% from 2000 to 2016. In the same period rents within the capital Vienna rose less dynamically by around 50%. The gap between the growth rates of housing rents in Vienna (6.8%) and for locations outside of the capital (3.0%) in 2016 demonstrates the fact, that the rental level in Vienna, in contrast to the development of residential prices, gained stronger momentum in 2016 than in other parts of Austria (Source: OENB).

Austrian Market for Student Accommodation

According to the Federal Ministry of Science, Research and Economy, 370,584 students were enrolled at Austrian high education institutions in the winter term 2016/2017 (Source: FMSRE). Foreign students accounted for 28% of all students. Since the winter term 2011/2012 the number of students in Austria increased by ca. 9%. Approximately 68% of these around 32,000 additional students at Austrian universities were foreign nationals (Source: FMSRE).

In 2015 around 9% of all students in Austria lived in a student accommodation, while ca. 17% of foreign students in Austria dwelt in student housing properties (Source: IHS, 2015 Band 3). Based on the increased numbers of students, the additional demand for student hall of residence units in Austria amounts to more than 4,000 additional units from 2012 to 2016 or around 800 units per year on average (Source: FMSRE and IHS, 2015 Band 3). The average accommodation costs of students increased from 2011 to 2015 by around 18% in Austria and by around 23% in Vienna. The growth in accommodation costs in general was driven by rising demand based on increased numbers of students (Source: IHS, 2011 Band 2; IHS, 2015 Band 2).

On the supply side, the Austrian market for student accommodation registered some larger commercial student hall of residence developments since 2013 with a locational focus on the cities with the largest student population, Vienna and Graz (Source: CBRE, Student Pipeline). From 2016 to September 2017 five student hall of residence developments in Vienna and Graz with a total investment volume of more than EUR 300 million were purchased by international investors (Source: CBRE Research Austria, Investment Deals Austria).

At the end of June 2017, the total stock of student halls of residence in Vienna amounted to around 18,000 places. Since 2013 profit-oriented operators entered the Viennese market and provided nearly 9% of all student hall of residence places as per the end of June 2017. Until 2020 around 3,100 additional places are expected to be completed in Vienna, around 79% of this amount will be run by profit-oriented operators (Source: CBRE, Student Pipeline). These figures include three larger developments with an average size of ca. 700 places. The private student hall of residence operators does not only focus on students but additionally provide micro-living solutions for young professionals (Source: CBRE, Student Pipeline).

Spain

Political Situation in Spain

The holding of a referendum on Catalonian independence on 1 October 2017, which was not recognised by the Spanish government has created considerable political uncertainty. The process is unclear but the most likely outcome is a negotiated settlement that gives increased autonomy to Catalonia. Nonetheless, this outcome is by no means certain and if current discussions result in Catalonia becoming independent this would be likely to have significant but currently unpredictable impacts. On-going uncertainty, or independence, could impact the level and geographic distribution of economic activity, and within real estate could impact overseas investor demand and occupier activity, as well as consumer confidence and demand for residential property. Uncertainty about how the situation will be resolved, and what that may mean for economy and property markets, should be taken in to account.

Major short-term political and economic uncertainty in the event of independence could give way to a more settled picture eventually but this could take a number of years. How long it would take a newly independent Catalonia to gain full EU and single currency membership would be key factors determining how long this would take.

Macroeconomic Environment

After a deep recession from 2009 to 2013, the Spanish economy registered a growth from 2013 to 2016. For the second consecutive year, the Spanish GDP grew above 3% in 2016, 3.3% year-on-year (Source: INE, Annual Spanish Accounts), surpassing the Eurozone (EU19) average of 1.8% growth in 2016 (Source: Eurostat, GDP Spain). In Q2 2017 the Spanish economy registered a quarterly growth of 0.9%, 3.1% year-on-year versus 3.0% in the previous quarter (Source: INE, Quarterly Spanish Accounts).

The growth rates are the result of the recovery of the main economic drivers and a constant upward trend in employment creation. Private household consumption and investment (Gross Fixed Capital Investment) have been growing year-on-year above 2.4% and 2.2% respectively over the last ten quarters since Q1 2015. As of Q2 2017, a 2.5% increase year-on-year was reported in private consumption and a 3.4% growth year-on-year in investment (Source: INE, Quarterly Spanish Accounts).

Unemployment has dropped significantly from a record high in Q1 2013 of 26.9%, to of 17.2% in Q2 2017, an eight-year low. The result has been an expansion of the employed population. In Q2 2017 the annual net job creation (512,000 new employments) rose by 17.9% compared to Q2 2016 (Source: EPA, Population Survey). A favorable regulatory environment has helped to stabilise previous imbalances in the labor market and to reduce unemployment (Source: BOE Labour Market Reform Law).

Current political crisis around Catalan independence is likely to hurt the economy. Although the risk of secession is remote, it cannot be ruled out. If current discussions result in Catalonia becoming independent this would be likely to have significant but currently unpredictable impact upon the Spanish economy.

Spanish Real Estate Investment Market

Between 1998 and 2007 the Spanish construction sector, fuelled by the residential market, experienced a period of strong growth. The value added of the construction industry to the Spanish GDP increased by 10% per annum on average during that period (Source: INE, Annual Spanish Accounts, Aggregates by industry). In the meanwhile, national average free market house prices increased from EUR 716 per sqm in Q1 1998 to EUR 2,085 per sqm in Q4 2007 (Source: MFOM, Value of Free Housing). With the implosion in 2007 of the Spanish real estate bubble, combined with the global financial crisis, National average free market house price decreased by 30% to EUR 1,458 per sqm in Q1 2015 (Source: MFOM, Value of Free Housing).

The commercial real estate market was also negatively affected: in the office sector, since the peak reached in Q1 2008 at EUR 40.5 per sqm per month in Madrid and EUR 28.0 per sqm per month in Barcelona, prime office rental levels decreased by 40% and 36.6%, respectively (Source: CBRE ERIX).

Investment volumes in real estate also registered a significant drop. In 2012, EUR 598 million were invested in the Spanish office market compared to EUR 5.6 billion invested in 2007. Investment in the retail market also declined from EUR 3.6 billion invested in 2007 to EUR 967 million in 2012 (Source: CBRE EMEA – Investment Database).

On the other hand, the reforms introduced by the Government in December 2012 in the REIT regime, including 0% taxation – though the initial regime released in 2009 did not meet real estate investors' expectations –, placed them on a par with REITs of neighboring countries in terms of tax liability. Since the country emerged from recession in Q4 2013 (Source: INE, Quarterly Spanish National

Accounts, Base 2010) SOCIMIs (Spanish REITs) have played a leading role in reactivating the real estate market since 2014.

Since 2013, a long list of SOCIMIs have gone public. At 10 October 2017, Merlin Properties and Colonial are the only two SOCIMIs included in the IBEX 35 (Source: Bolsa de Madrid), the benchmark stock market index of Bolsa de Madrid, Spain's principal stock exchange. Axiare, Hispania and Lar Socimi are the three additional SOCIMIs currently listed in the Spanish Stock Exchange. Additionally, 41 are listed in the Alternative Equity Market (Mercado Alternativo Bursátil, MAB), covering a wide range in terms of size and investment strategies (Source: MAB).

Economic and employment growth have contributed to the recovery of the real estate sector in Spain but the low interest rate environment of recent years has also played an important role. Average short-term interest rates in the euro area turned negative (-0.02 %) in 2015 and this pattern was continued in 2016 when the annual rate was at -0.26 % (Source: Eurostat, Interest Rates).

In 2016, the investment volume in the Spanish real estate sector hit record highs for the third consecutive year, accounting for EUR 14 billion, compared to EUR 9.6 billion in 2014 and EUR 13.10 billion in 2016. Furthermore, the investment volume in real estate was EUR 7.4 billion in the first half (H1) of 2017, 59% above H1 2016 (Source: CBRE EMEA – Investment Database).

Low interest rates and a lack of prime investable real estate has driven prime yields down since Q3 2013. In 2017, prime office and retail - shopping centres and high-street - yields went down to levels below their historical lows registered in 2007 (Source: CBRE EMEA – Investment Database). The office prime yield stood at 3.75% in Madrid and at 3.85% in Barcelona in H1 2017 compared to 4.25% in both cities at the end of H1 2007. As for retail high street, both cities recorded the same prime yield of 3.25% and both 4.50% for shopping centres, compared to 4.25% at the end of H1 2007. In prime shopping centres yields stood around 4.50% at the end of H1 2017, compared to 4.75% at the end of H1 2007 (Source: CBRE EMEA – Investment Database).

A prospering tourist sector, with record levels of visitors from abroad of around 50.3 million in 2016 – an increase of 10% compared to 2015 (Source: INE, Hotel Occupancy Survey), is attracting investment towards the hotel sector with EUR 578 million invested in H1 2016 to EUR 2.1 billion in H1 2017 (Source: CBRE Spain – Investment Database).

Excluding SOCIMIS, roughly 39% of the total direct investment figure in 2016 and 66% in H1 2017 related to foreign capital through funds and cross-border investors (Source: CBRE Spain – Investment Database). Despite the fact, that SOCIMIs are a vehicle for national investment, a significant proportion of their capital is foreign. As a result, SOCIMIs accounted for an additional 38% share of the total investment in 2016 whilst in H1 2017 it went down to 11% (Source: CBRE Spain – Investment Database). Following a high activity in terms of asset acquisitions in 2015 and 2016, this decrease is explained by SOCIMIs presently being focused on portfolio management instead of doing acquisitions. On the other hand, national investors (excluding SOCIMIs) represented 23% of the total investment in 2016 and 23% in H1 2017 (Source: CBRE Spain – Investment Database).

Nevertheless, and given the political crisis following the non-recognised Referendum held on 1 October 2017, it is likely that on-going uncertainty could impact investor sentiment in Spain.

Madrid Office Market

Due to its political and economic condition Madrid is the most important office market in Spain, followed by Barcelona and well ahead of cities such as Valencia, Bilbao, Málaga or Seville (Source: CBRE ERIX).

Madrid is the 8th largest office market in Europe with a stock of approximately 12.4 million sqm (Source: CBRE ERIX). The Central Business District (CBD) is the largest submarket with around 3.5 million sqm (Source: CBRE ERIX). Taking advantage of the new economic cycle that started by the end of 2013 (Source: INE, Quarterly Spanish National Accounts, Base 2010), an increasing number of buildings that had become obsolete went under total refurbishment. New-built projects are gradually coming back and by the end of Q2 2017 a total of 187,000 sqm of new-build office space was under construction, which amounts to 1.5% of current stock (Source: CBRE ERIX).

Supply – Vacancy rate in the Madrid office market peaked at just over 15% in 2014, initiating a downward trend since then. Since 2013, limited new supply delivered to the market combined with higher levels of demand resulted in a reduction of the vacancy rate in the Madrid office market, to 12.2% at the end of H1 2017 which represents a total of 1.5 million sqm of vacant space (Source: CBRE ERIX).

Supply is unevenly distributed and notable differences can be found, even between areas located in each other's vicinity. Public transport and amenities, apart from building quality, are key factors in corporate relocation strategy and therefore determine demand.

Within the M-30 ring-road, the vacancy rate is around 8% of its total stock at the end of H1 2017. The lion's share of supply is located outside of the M-30, along the A-1 and A-2 motorways, with this figure exceeding 16% of stock (Source: CBRE ERIX).

Demand – After an annual record of over 900,000 sqm in 2006, take-up levels for office space dropped due to the economic crisis, registering its lowest take-up level in 2012 with just 250,000 sqm let. Average annual office take-up amounted to 350,000 sqm for the period 2008-2014 (Source: CBRE ERIX).

Matching economic growth, office demand entered a period of higher activity, with take-up reaching 500,000 sqm in 2015. Take-up in 2016 was 9% lower compared to 2015, this likely being a consequence of the political uncertainty regarding the formation of the Spanish government. Although just three large transactions (over 10,000 sqm) were registered, compared to nine registered in 2015 (Source: CBRE Spain, Letting Deals Database), medium-sized transactions increased in 2016 compared to 2015, a trend that continued during the first half of 2017. 2017 has become the best beginning of the year since 2008 for the office market, with a total take-up of 275,000 sqm up to Q2, 26% more than the same period in 2016 (Source: CBRE ERIX). Employment growth (Source: INE, Quarterly Spanish Accounts) and related company expansion is the main reason for the increase in the demand on the Madrid office market (Source: CBRE Spain, Letting Deals Database).

Rents – Prime rents peaked at EUR 40.50 per sqm per month in the third quarter of 2008 in an environment of high demand coupled with low supply. Since then, rental levels started a readjustment period that bottomed at EUR 24.50 per sqm per month in 2013 (Source: CBRE ERIX).

By 2014 first signs of a prime rental recovery in the CBD were noticed. By the end of Q2 2017, the prime rent for Madrid offices stood at EUR 29.75 per sqm per month, representing an increase of 21% from the lowest point reached in 2013. Prime rent increases have not yet spread to peripheral submarkets (Source: CBRE ERIX).

Barcelona Office Market

Due to the importance of the Catalan region for the national economy, Barcelona has developed as an important office market over the years becoming the second most relevant office market in Spain after Madrid in terms of stock and investment volumes in commercial real estate (Source: CBRE ERIX).

The economic crisis in 2008 halted the promotion of new projects and the stock only increased due to the delivery of those projects started prior to 2007. From 2011 to 2015, 164,000 sqm of new product was delivered and the stock even got reduced as a consequence of reconversions of office buildings in the central areas of the city – Paseo de Gracia and surrounding area – to other uses such as hotel, luxury residential and retail. Since 2016, stock has started to increase due to new developments coming onto the Barcelona office market. By the end of Q2 2017, a total of 169,000 sqm of new offices were under construction and another 54,000 sqm were under refurbishment. Most of this new product is concentrated in the 22@ & Front Marítim area, one of the most demanded areas in the city. The lack of large and good product in this area resulted in an increase of pre-let transactions, like those from Schibsted, ATOS Group or more recently Amazon and Wework (Source: CBRE Spain, Office Market database Q2 2017).

Supply – From 2004 to 2008, high demand encouraged construction of new office projects in the city (Source: CBRE Spain, Office Market database Q2 2017). As a result, office stock increased by 25% from 2004 to 2010. Up to 2008, despite the new supply the vacancy rate did not exceed 8%. Since 2008, the completion of some new-built projects, the return of second hand space to the market coupled with a weak demand made availability of office space increase gradually and reaching its highest level at 15.5% in 2014. Since Q4 2014, vacancy rate has gone down and currently stands at 11.7%. Higher demand and limited new supply have been key factors to reduce the vacancy rate (Source: CBRE ERIX).

CBD is the submarket with the lowest vacancy rate in the Barcelona office market, with 5.6% of its total stock of around 0.79 million sqm (Source: CBRE ERIX). Other areas in the city also register low vacancy rates such as Plaza de las Glorias in the 22@ & Front Maritim submarket, which is said to be an extension of the current CBD. This is also the area with more projects under construction, a more modern area with high interest of IT and foreign companies, such as HP, Sage, or SAP amongst others, some of them already committed (Source: CBRE Spain, Office Market database Q2 2017).

Demand – The average annual take-up for the period from 2004 to 2008 was 362,000 sqm. Following 2008, take-up levels fell drastically. 2009 was especially dramatic due to take-up levels falling by 40% compared to the previous year. Since 2014, coupled with an improvement in the Spanish economy, office take-up recovered, reaching an annual record in 2015 with a take-up of 400,000 sqm and registering a high activity since then. After weaker take-up figures in 2016 (-17% vs. 2015) H1 2017 registered a strong performance with take-up levels reaching 227,000 sqm (Source: CBRE ERIX).

Rents – With low supply and high demand in 2007 and Q1 2008 prime rents reached levels up to EUR 28,00 per sqm per month. Due to low demand and high supply that the market had to deal with since 2008, rents went through a readjustment process, bottoming at EUR 17.75 per sqm per month in 2013-2014. Having overcome the economic crisis and along with the rise in demand, rental levels started to increase in early 2015. By Q2 2017 prime rents in the Barcelona office market stood at EUR 23.00 per sqm per month, an increase of 30% since they bottomed in 2013-2014. Rental increases have been registered in all office submarkets of Barcelona since 2015, with 22@ & Front Marítim submarket registering an increase of 38% to a level of EUR 20.00 per sqm per month by the end of Q2 2017 since Q4 2014 (Source: CBRE ERIX).

It should be considered that the effect of the political instability could have an effect on the occupier office market and, eventually, in the on-going rental recovery both in Madrid and Barcelona.

Spanish Retail Real Estate Market

The Spanish retail market has been recovering significantly since 2014. The year 2014 marked the turning point, with a first growth in private consumption of 1.6% (Source: INE, Quarterly Spanish National Accounts, Base 2010) and retail sales of 0.9% (Source: INE, Retail Sales Index). Thereafter

2015 and 2016 followed with growth of 2.9% and 3.2% in private consumption and of 3.0% and 3.6% in retail sales, respectively. Retail sales growth for 2017 through to the end of July was 1.4% year-to-date. Among the different retail sectors, food, personal equipment and home equipment are performing well, with increases of 2.4%, 3.7% and 3.8%, respectively (2017 year-to-date through the end of July), whereas the category "Other Goods" only increased by 0.4% over the same time period (Source: INE, Retail Sales Index).

Driven by the increase in consumption, there has been a great deal of expansion activity by retailers. In the shopping centre portfolio managed by CBRE the average occupancy increased from 89.6% to 93.9% between 2014 and 2016 (Source: CBRE Spain, Monthly Shopping Centre Indicators report), which demonstrates the recovery of the sector over this time period. Moreover, indicators such as the level of footfall (visitors) and shopping centre sales have been improving, with 3.1% and 1.6% respectively in 2016 (Source: CBRE, Spain Monthly Shopping Centre Indicators report).

The improved economic situation is drawing retailers from abroad to the Spanish market and in 2016 nearly thirty foreign retailers opened their first store in Spain (mainly in Madrid and Barcelona) according to a study of CBRE's report "How Global is the Business of Retail Spain" (Source: CBRE EMEA). During 2017, other foreign brands have continued this trend, having confirmed to open their first store in Spain (CBRE Spain, High Street Retail Report).

Retail investment has been very active since 2014, and 2016 registered a record volume of EUR 3.8 billion in total, mainly driven by the corporate acquisition of Metrovacesa by Merlin Properties, which consisted of a large portfolio of shopping centers. The shopping centre investment market and the high street retail investment market closed the year 2016 with a volume of EUR 3 billion and of EUR 800 billion, respectively. The retail sector as a whole experienced an increased investment volume of 5% compared to 2015 (Source: CBRE Spain – Investment Database).

Shopping centre development is gradually making a comeback following a lengthy hiatus during the crisis years (2008-2014) when construction was on a very low level. In 2015 five new schemes opened their doors. In 2016 seven additional new shopping centres did so, contrasting with the opening of one shopping centre in 2014 (Source: CBRE Spain, Shopping centre stock database). This resulted in 128,000 sqm GLA added to the stock in 2015 and 306,000 sqm GLA in 2016. In 2015, the main new shopping centers opened, comprising La Fira, a 29,000 sqm scheme in Reus (Catalonia) and Siam Mall, a 31,000 sqm scheme in Adeje (Tenerife). The most significant new openings in 2016 were Nevada, a 120,000 sqm scheme in Armilla (Granada) as well as Fan Mallorca Shopping, a 45,000 sqm extension of an existing hypermarket in Coll d'en Rabassa (Mallorca) (Source: CBRE Spain, Shopping centre stock database).

Given the current political crisis following the non-recognised Referendum held 1st October 2017, it is likely that on-going uncertainty could impact consumer confidence. Consequently retail sales and rental levels could be affected.

Spanish Residential Real Estate Market

Spain's population has been shrinking since 2012 due to net migration, as recession and high unemployment encouraged people to seek better prospects abroad. According to the Municipal Register, the Spanish population decreased by 708,313 inhabitants between 2012 and 2016 (Source: INE, Official Population Figures). Nevertheless, the number of households has increased as a result of the diminishing size of Spanish families. During the same period (2012-2016) 353,300 new households were created (Source: INE, Economically Active Population Survey). The main driver for housing demand was the net household growth which kept demand stable during the recovery.

Spain has one of the largest owner-occupied housing stock amongst the EU member states. According to Eurostat as of 2015 up to 78.2% of households lived in their own homes, compared to the EU28 average (69.4%) or to countries such as Italy (72.9%), France (64.1%) or Germany (51.9%) (Source: Eurostat, People in the EU). The rental housing market in Spain has significantly grown since 2007, when 80.4% of households lived in their own homes. From 2009 to 2016 more than half (52%) of the net new households created in Spain (548,000) were tenants (Source: Eurostat, People in the EU).

Housing demand has been growing at a constant pace since Q4 2013. According to Ministerio de Fomento (MFOM) the Spanish annual average number of housing transactions as of Q1 2017 (476,933) represented an increase of 14% compared to Q1 2016. Apart from La Rioja, 16 out of the 17 autonomous regions have been showing positive annual increases in Q1 2017 (Source: MFOM, Housing Transactions Series).

Home prices have been increasing since H2 2014. The Housing Price Appreciation (HPA) Index from INE, indicates a 5.6% rise year-on-year nationwide as per end of Q2 2017. Price increases have been accelerating over the last four quarters represented by 4% year-on-year in Q3 2016, 4.5%, year-on-year in Q4 2016 and 5.3% year-on-year in Q1 2017 driven by an increased demand. The current upward home price trend - with different intensity - is registered across the country. All except for one autonomous region (Asturias) showed annual home price growth in Q2 2017. Nevertheless, regions with large metropolitan areas such as Madrid and Catalonia showed increases well above national average (10.9% and 9.3% year-on-year respectively) (Source: INE, Housing Price Index).

Despite the growth of mortgage lending (19% annual average year-on-year increase as of Q1 2017), the annual average of granted loans during that period (235,000 loans) represents only 56% of all housing transactions (Source: Bank of Spain). Hence, at least 44% of all transactions did not need financial support.

Investment in the residential sector is driven by the relatively high returns in comparison with alternative investments. Gross housing yield stands at around 4% (4.27% as of Q2 2017), well above Spanish ten years sovereign bond (1.5% in Q2 2017) (Source: Bank of Spain).

Real estate investment into housing has expanded over the last two years. Professional investment on residential assets has increased from EUR 647 million in 2015 to more than EUR 2.1 billion in 2016 (Source: CBRE Spain – Investment Database). Over 72% of residential transaction of the investment market in 2016 was driven by corporate acquisitions (*e.g.* Merlin; EUR 980 million) or direct purchases of non-performing (NPL) home loan portfolios (*e.g.* Blackstone; EUR 540 million).

Given the current political crisis following the non-recognised Referendum held 1st October 2017, it is likely that on-going uncertainty could impact investor sentiment in Spain. Simultaneously, demand for residential property could also be affected.

The Global Aviation Market

As air travel continues to become more a part of our daily lives, it is more important than ever that the aviation industry be fully prepared for growth (Source: Boeing Current Market Outlook 2017-2036).

In general, air transport is a growth market. It has experienced 60% growth over the last ten years and more than doubled the market size since the events of September 2011. The current Airbus Global Market Forecast predicts a demand for 34,900 new aircraft (~34,170 passenger aircraft and 730 freighters) in the period between 2017 and 2036. It is expected that about 40% of passenger aircraft demand is needed for replacement and 60% for growth. As air transport develops, drivers evolve, with some becoming more significant such as private consumption.

Oil and jet fuel prices are an important component in airline operating costs, with their relatively low levels, whilst not the whole story, playing a large part in the improved airline profitability during the current period. In the short to medium term, forecasts suggest that oil and jet fuel prices will recover

over time, although may not reach the peak levels of the past. Passenger traffic grew impressively in 2016, with 6.3% year over year growth, supporting an increase in the number of passenger aircraft with over 100 seats to over 19,000 aircraft and also supporting record levels of deliveries from aircraft manufacturers. As of June 2017, leading indicators for the industry remain positive, with aircraft expected to be more productive and the share of stored aircraft expected to continue to fall. These indicators combined with record load levels are signs that supply and demand are currently well balanced and that the airlines and aircraft continue to operate efficiently.

Whilst GDP remains an important driver for air transport, it is clear that it is not the only factor that drives air traffic growth. Other drivers that define where and how air travel will develop are factors such as the evolution of airline business models, liberalisation in the industry and tourism development. As well as growth for existing routes, positive political activity between countries can also lead to growth, due to the fact that organic growth has reached its limits. Two recent examples of political change allowing for growth are the newly developed routes to Iran and Cuba. (Source: Airbus Global Market Forecast 2017 – 2036)

Passenger Traffic continues to grow

In 2016, Revenue Passenger Kilometres (RPKs) grew 6.3%, as compared to 2015, according to ICAO figure (Source: ICAO, Yearly Monitor 2016). This represents an impressive 3.7 billion passengers carried by air in 2016. Over half of the world's tourists who travel across international borders each year are transported by air.

Air passengers benefited from oil prices which remained relatively low, allowing airlines to choose between stimulating the market through lower yields and therefore lower ticket prices and their margins. Air traffic continues to prove its resilience to slow economic growth by outperforming global GDP, demonstrating the world's appreciation of the benefits aviation brings.

For the next 20 years, the Airbus GMF forecasts a 4.4% global air traffic growth annually whereas Boeing is predicting 4.7% annual growth in its Current Market Outlook, despite some downward revision of future economic growth by a number of forecasters in several regions of the world.

Traffic Forecast

Asia-Pacific will lead world air traffic by 2036, with an expected three fold increase in the traffic serving this region by the end of the forecast period. Traffic between emerging countries is forecast to grow at 6.2% per annum, and will represent a growing share of air traffic, from 29% of world traffic in 2016 up to 40% by 2036. Domestic China will become the largest air traffic market before the end of the forecast period. Domestic Chinese traffic is forecast to almost quadruple, with Domestic USA traffic expected to increase by 50% from an already high base level. The three major air traffic flows connecting Western Europe are all expected to develop: Western-Europe – USA, Intra-Western Europe and Western-Europe – Middle East are forecasted to grow 1.8, 1.6 and 2.5 times respectively. Amongst the Top 20 forecast traffic flows, 50% will involve Asia-Pacific and 25% will involve the Middle East (Source: Airbus Global Market Forecast 2017 – 2036).

Airport Infrastructure Investment Continues to grow

Airport investment projects have proceeded at a brisk pace, supporting air travel growth that has occurred—and is expected to continue—over the next 20 years. Predictably, the fast-growing Asia Pacific region has dominated growth in airport expansion and new airport construction. However, there has been significant airport investment in most regions of the world. For example, between 2017 and the end of 2021, nearly USD 1 trillion will be invested in new and existing airports worldwide, with Asia Pacific accounting for about 40 percent of that investment. This global airport investment is a mix of improvements at existing facilities and spending on new airports. Improvements to existing facilities are more prevalent in mature aviation markets, while new airports garner a larger share of spending in emerging markets. Estimates show that at least USD 2 trillion will be invested in airport infrastructure through 2030.

Due to the long-term nature of airport design and construction, along with large financing requirements, airport investment levels reflect government and key stakeholder support for aviation development and future growth. Investment in airport development supports global market access. Air travel is essential in the modern business world and the connection of countries to global value chains. It is also a key metric in foreign direct investment location decisions. Indicators of the quality of air transport infrastructure closely correlate with the availability of new technologies. In addition to airport investment, airlines address potential airport constraints through business and network strategies. As airlines seek competitive advantage in passengers' preference for shortest trip times, networks continue to gravitate toward more point-to-point air travel. This strategy is helped by the availability of airplanes with new technology such as the Boeing 787 and Airbus A350, which can economically offer direct routes between secondary cities and thus reduce routings through congested airports. This market dynamic is expected to continue developing over the next 20 years (Source: Boeing Current Market Outlook 2017 – 2036).

Access to assets

The Alternative Investment Team is offering investment opportunities both in equity as well as debt products in the aviation business.

We have established a debt portfolio fund for aircraft financings predominantly secured by first ranking aircraft mortgages. For this debt fund, access to aircraft financings is obtained through a cooperation agreement with KfW IPEX-Bank, which acts as the originator of all the loans.

Furthermore, we are working on a classical aircraft portfolio as well. Hannover Leasing has been active in the aviation business since 1994. We therefore have longstanding relationships with reputable airlines and lessors. This network will allow us to access suitable investment opportunities for our investors.

Competition

In line with our business as a real estate investment manager covering the entire lifecycle of investments in real estate, our relevant business comprises the access to assets, capital raising, asset and property management and the exit phase. We see that the European asset management market is highly fragmented and that there are more than 90 asset managers with assets under management ("**AuM**") below 90% (Source: GIM 2016). At the same time, we have come to know that constantly higher and rising regulatory costs impose a meaningful burden on smaller asset managers that lack scale. Therefore, we believe that Corestate, with AuM of approximately EUR 22 billion, is in a strong market position as client demand and market requirements are becoming increasingly sophisticated resulting in a competitive edge for larger asset managers such as Corestate.

Our business model as a real estate investment manager covering the entire lifecycle of investments in real estate is more common in the United Kingdom or other markets outside of Germany. To the best of our knowledge, PATRIZIA Immobilien AG follows a business model similar to ours to a certain extent, although PATRIZIA Immobilien AG has, in particular, a different client base than ours (*i.e.* targeting other client types) and is active in different markets from our own, such as Scandinavia. It cannot be excluded that additional potential competitors will enter the German market or that other market participants will start implementing a business model similar to ours and, as a result, increase competition.

Furthermore, we face competition in each of the distinct stages of the real estate investment lifecycle and the competitive landscape we face frequently varies for each stage. Thus, given the heterogeneous clustering of the German commercial real estate market, it is not possible to give a precise description of our competitive situation as compared to potential competitors. Along the real estate investment lifecycle, in one or more of its stages, international clients, private equity firms, open-ended funds and listed property companies are competing with us. It cannot be excluded that additional potential competitors will enter the German market or that other market participants will start implementing a business model similar to ours and, as a result, increase competition.

Access to assets

We face competition when acquiring suitable assets for our investment products. For acquisition opportunities, we compete primarily on rapidity concerning *inter alia* deal execution, access to market information about suitable investment opportunities and price.

Access to capital

Furthermore, we compete primarily in raising capital from clients for transactions, on the basis of the following factors: investment performance, track record on execution and delivery, alignment of interest, quality of service provided to and relationship with clients, fee structure charged for services, possession of necessary expertise, depth in the organisation to execute deals and reliability. There are generally no significant limits for investing in real estate other than the availability of capital, real estate expertise and access to marketing offers.

Property management

Furthermore, and in particular in relation to non-client third party property management, we compete on contractual terms (services, fees, payment terms etc.) with other providers of property management services. These are in particular small or medium sized property management providers acting locally or all over Germany (*e.g.* Treureal GmbH or Wohnbau Service Bonn GmbH).

Asset management

In the field of asset management services, we currently only provide services to selected third parties which in such cases – typically after our exit from an Investment Structure – request us to continue to provide asset management services for a certain time period. Thus, we currently do not actually compete with other market participants among stand-alone third party asset management services providers. Should we provide such services to third parties in the future, we might compete with other market participants in particular relating to services, fees and payment terms.

Exit phase

In addition, we face competition when exiting Investment Structures (*i.e.* when disposing of assets). This applies in particular for the attractiveness of the sales terms for buyers.

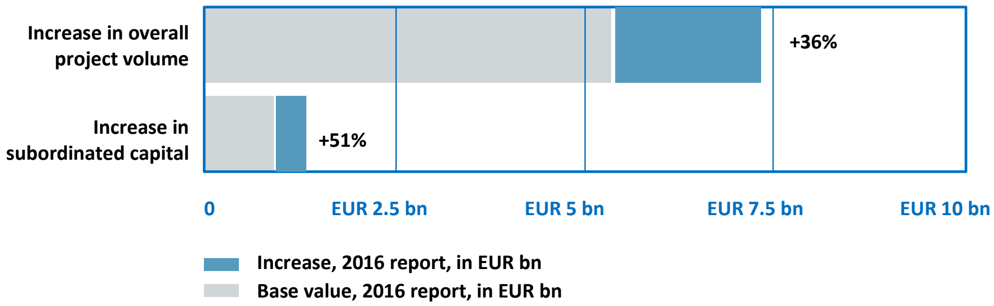
Mezzanine Financing

Current market environment

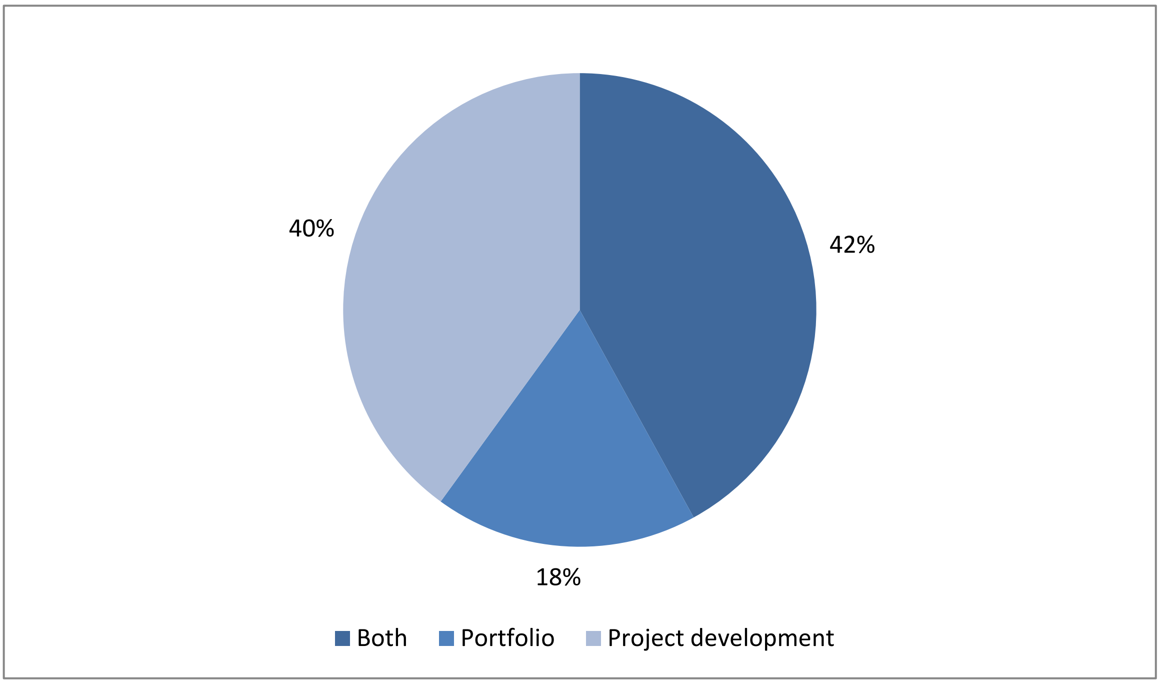
As expected, capital investment pressure on all market participants has continued to grow over the past 12 months as a result of the low interest rates in Europe. Once regarded as absolutely solid, certain forms of investment currently do not even guarantee compensation for inflation in the long term. It is not surprising that again this year more and more international capital, in addition to significant amounts of domestic, institutional and private funds, is being pushed into the subordinated financing market. Given the well-known particular stability of the German real estate financing landscape, however, international capital barely reached a noteworthy volume. In addition to an increasing number of capital providers, further alternatives such as crowdfunding platforms seem to be mushrooming. A combination of senior and subordinated financing often with high loan-to-value ratios has become quite common practice. This trend is supported by, *inter alia*, now well-established business connections between senior and junior creditors. It can clearly be seen that more and more well-established capital providers are making the financing of value-add or bridge scenarios (short-term financing) also possible at B and C locations. The increased demands of all parties involved as regards assessments and collaterals have, however, remained as discerning as before.

Business development with subordinated capital

With a 51% increase in subordinated capital provided compared to 2015, an overall project volume of approx. EUR 7.4 billion in portfolio and project developments of subordinated financing was realised by 60% of the capital providers. As a result of a new distribution of investors among the two segments, the realised overall project volume has not increased to the same extent, in percentage terms.



As a result of the increased capital flow, capital providers are spreading their investments more broadly and are increasingly stepping up their investments in both project development and portfolio financing. Capital is available in many forms and from more providers than in the previous year. This development is also reflected in the coverage area: 60% – and thus the clear majority of capital providers – have invested nationwide in all locations, therefore, building an increasingly broader base.

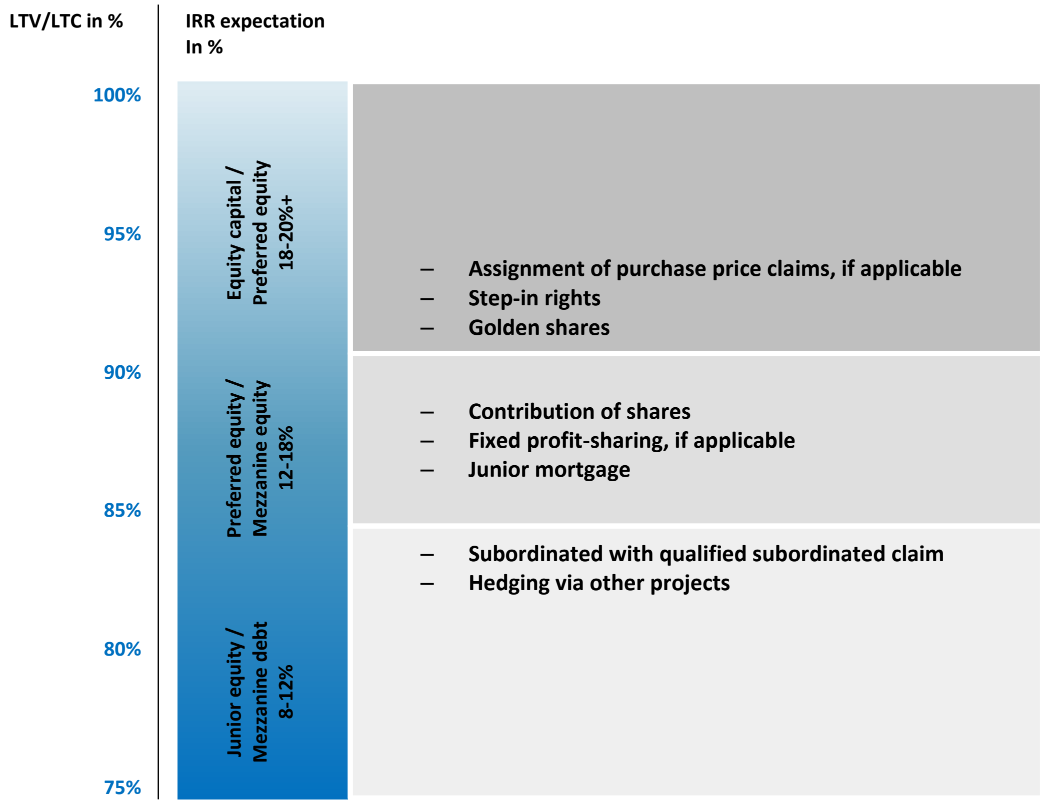


In connection with portfolio financing, a loan-to-value (LTV) limit of up to 85% of the market value is common practice for the most part, a trend that started in 2015. The number of capital providers willing to take risks and accept a LTV limit of over 90% has increased slightly year-on-year. Consequently, project initiators have to contribute their own capital equal to 15% of the market value.

Project developments are financed up to a loan-to-cost ratio (LTC) of 93% to 98% of the total investment costs. Compared to 2015, slightly higher LTCs can thus be accepted. In turn, this requires, in the extreme case, a minimum developer equity ratio of between 2% and 7% of total investment costs.

The significant increase in business volume and the further professionalisation as well as the successful collaboration between senior and junior capital providers contribute to the consolidation of asset classes of subordinated capital. Cooperative partnerships require strong expertise and appropriate forms of hedging. Provided that these preconditions are met, high LTCs across the board are possible with relatively moderate returns as expected by the capital provider.

At the same time, the multiple forms and options of capital provision lead to a variety of interest rates and collateral amounts as well as, to a certain extent, to high LTV and/or LTC ratios.

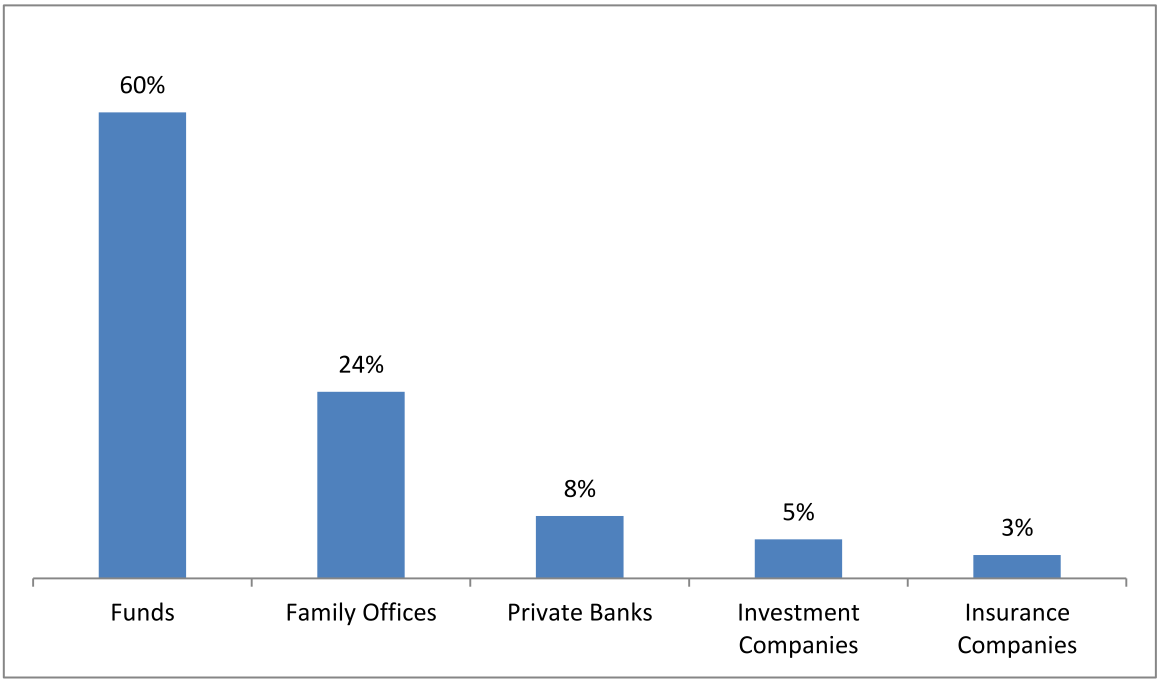


In general, coordination between senior and subordinated investors based on inter-creditor agreements (ICA) is still the rule. More often than in the past year, required subordinated capital tranches are also offered for use at the holdco level, to provide the capital seeker with greater flexibility, but also, to simplify the structuring of the collateral demands of senior and subordinated capital providers. The provision of capital at the holdco level requires a certain company size that has corresponding revenues, real estate portfolios, cash flows and hedging opportunities within the group. Subordinated financing also requires individual hedging to be agreed upon, which establishes and/or enables an entrepreneurial and fair approach.

Examples to be mentioned here are change of control clauses, step-in rights, and options to take ownership of senior loans in the event that a project company runs into difficulties. All these particularities require coordination with the senior bank, with its consent preferably to be obtained as early as possible. Subordinated capital is increasingly and preferably made available for ‘difficult’ situations in connection with *e.g.* stressed assets / value-add / heavy refurbishment bridging up to the repositioning of real estate. Decisive factors in this context are the sponsor’s business plan and the track records of all parties involved.

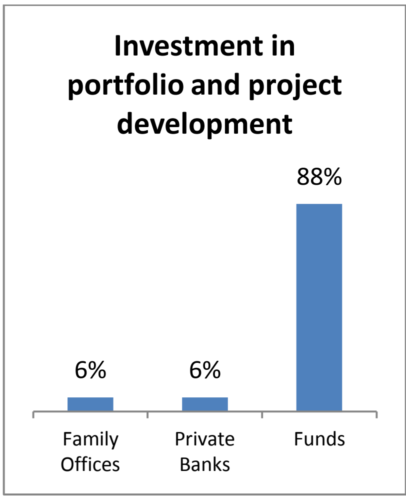
Market analysis for subordinated capital

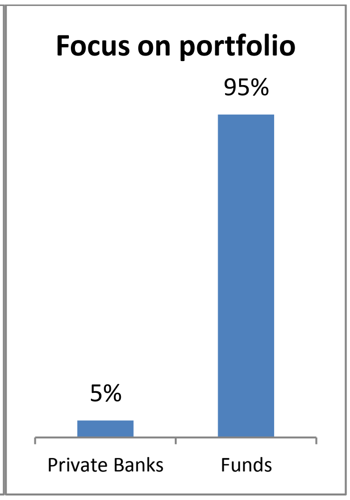
In 2016, 97 providers were active in the market, with further increases expected. The active capital providers consist of both national and international market participants.

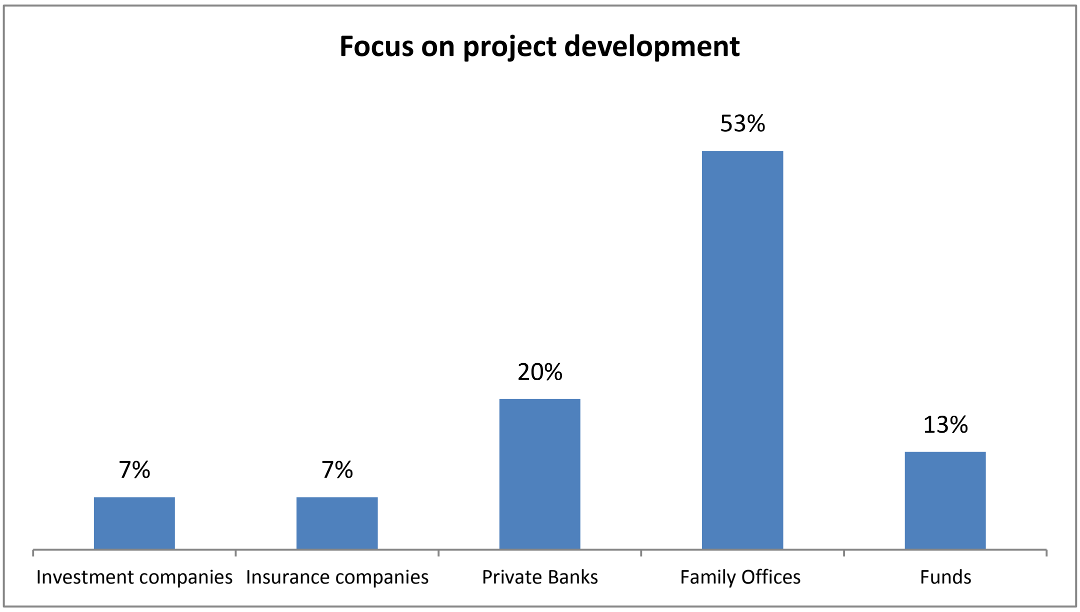


The generally prevailing pressure to invest has led to a shift in the structure of the majority of investments. Contrary to the previous year (9% of capital providers), the current focus of 42% of capital providers is now on both investment sectors, *i.e.* portfolios and project developments. In addition, capital providers invest 18% exclusively in portfolios and 40% exclusively in project developments.

In the project development field, there is a clearly diversified pool of capital providers compared to the subordinated portfolio financing field.







With regard to regional coverage, all providers of subordinated capital are prepared to support project and portfolio financing in the top-7 German cities, although only 7% (PY: 21%) of the providers exclusively focus on this sector. Conversely, the number of investors who consider opportunities throughout Germany has increased to 60% (PY: 47%).

Considering the total transaction volume, 60% of the capital providers have contributed to a market value volume of approximately EUR 7.4 billion in total by providing subordinated capital in the amount of approximately EUR 1.4 billion for portfolio and project development. This corresponds to a 51% increase in subordinated capital over the last 12 months and an increase of approximately 36% in total project volume. In contrast to 2015, a significant trend towards clearly defined target volumes for the capital providers can be identified. This is a clear sign of the even greater professionalisation in this segment.

Future prospects for subordinated capital

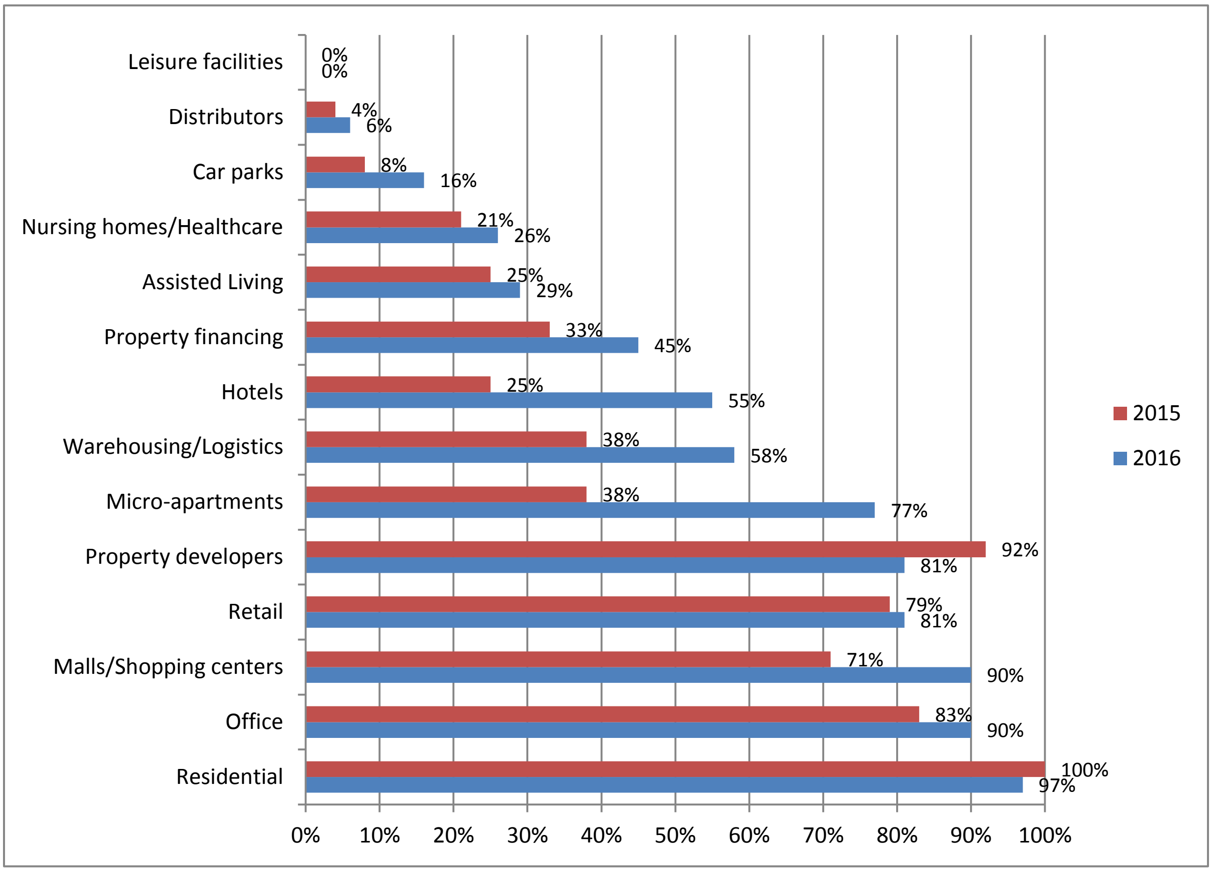
When assessing the future market situation, it is necessary to differentiate between portfolio and project development financing.

Three out of four capital providers for portfolio financing anticipate that demand and market development will continue to be strong and/or even increase further. The current high cash flow, in particular with capital investment companies/funds, will continue and be available in a low interest rate environment to an even greater extent for real estate financing. Only a few market participants expect a slight decline in this market segment due to the rules and regulations that must be adhered to.

The future market development in the field of subordinated project development financing is considered from a similar perspective as it was in 2015. Due to the booming market, the vast majority of capital providers assume that the positive development will continue.

Detailed analysis of project developments:

As is the case for portfolio financing, the asset class of micro-apartments has also become more of a priority for project development. In addition, the asset classes hotels and Warehousing/logistics attracted increased capital last year. Overall, it can be seen that asset classes typically perceived as higher-risk asset classes are increasingly attracting capital.

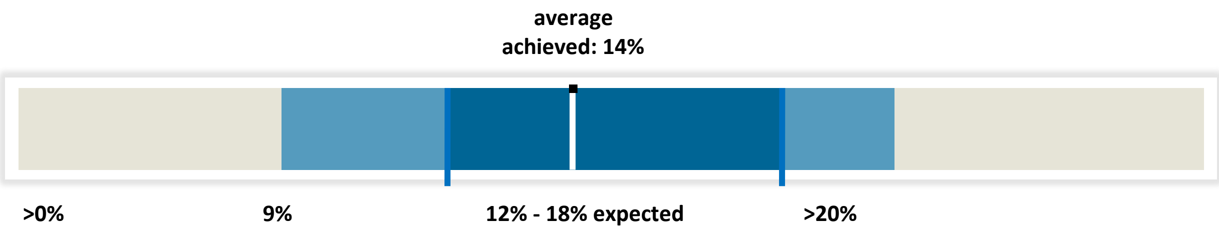


Still in 2015, capital tranches from as little as EUR 0.5 million were offered. Many capital providers have since raised this minimum to closer to EUR 1 million, though exceptions remain. In total, the range on offer is up to well beyond EUR 30 million per tranche. Most providers, however, focus on tranches between EUR 5 and 15 million. Compared to 2015, there is a noticeable inflow of international funds, which tends to be issued in tranches upwards of EUR 15 million. Due to the significant minimum investment for tranches in the project development financing market, international capital providers continue to be of very little relevance.

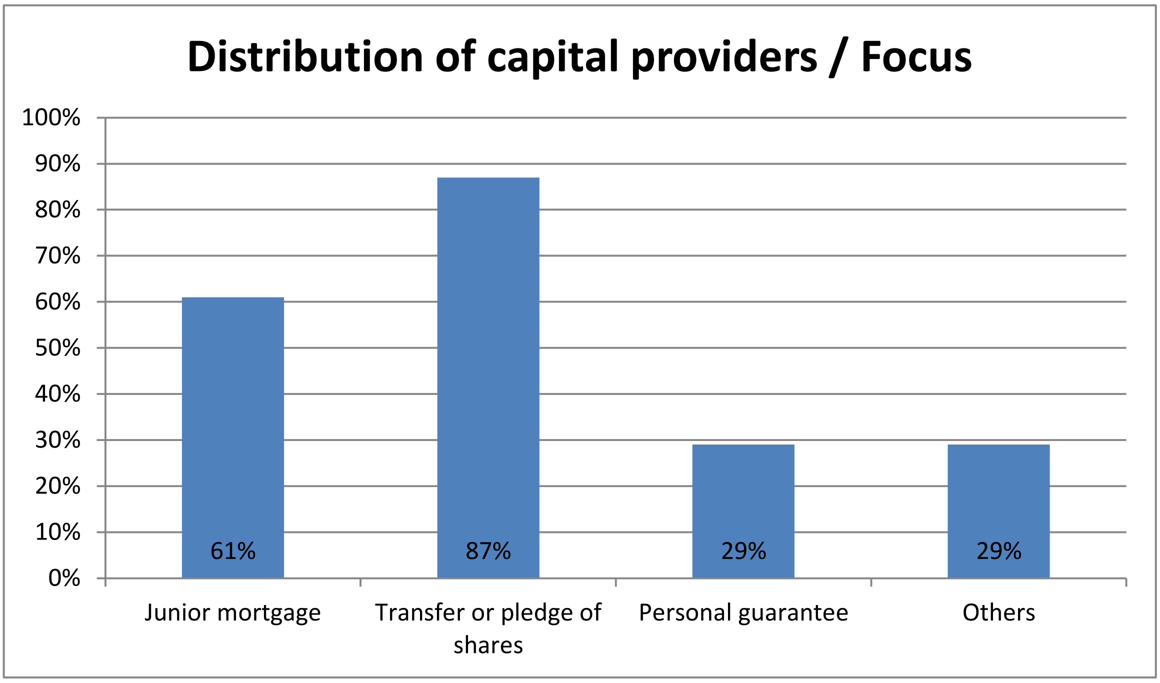
When it comes to project development, up to 90% of the total investment costs are financed by more than 58% of the capital providers. An increasing range of LTCs, up to approximately 98%, are accepted as well. If all the project development parameters are consistent, it is increasingly common that nearly 100% of total investment costs are financed. The financing period for a project development should not be less than 12 months – and, as a rule – not significantly exceed 36 months.

Depending on the risk profile, quite a few capital providers offer even longer terms. However, as the capital required for hedging projects is usually contributed at a much earlier project stage, terms tend to be extended anyhow.

The total return expected by capital providers is stated at between 9% to up to over 20% IRR. On average, the majority of providers anticipate a return of 12% to 18% IRR. However, as in the previous year, the actually achieved return falls short of expectations with 14% IRR p.a. on average, but has nevertheless gone up significantly year-on-year (2015: 12.5%). The particularities of project development and increased risk combinations continue to allow for considerably higher IRR.



For the majority of those who provide capital in a high LTC range, the provision of capital as equity or preferred equity is common practice. In addition to the traditional forms of hedging stated below, the assignment of purchase price claims or, to a certain extent, also full control and/or rights to take over the project company are also common.



Summary

The development of a separate asset class of 'subordinated capital for real estate projects' is gaining momentum. More and more capital from an increasing number of investors meets a comparatively limited number of investment opportunities. The level of diversification has grown by the addition of capital provisions for *e.g.* value-add, repositioning and bridge scenarios. Following the motto 'Capital seeks deal,' the market is now experiencing fierce competition for attractive investment opportunities.

The increasing sophistication of the market in connection with the positive outlook of capital providers will continue to provide a positive stimulus to the financing market and offer a wider variety of financing solutions. More than ever, professional origination and support for the financing structure is desired or required in order to reconcile the needs and requirements of those seeking and those providing capital.

BUSINESS

The acquisitions of HFS Helvetic Financial Services AG, Wollerau/Switzerland ("HFS") (the "HFS Acquisition"), Hannover Leasing GmbH & Co. KG, Pullach/Germany (together with its subsidiaries, the "HL Group") (the "HL Group Acquisition") and Atos Capital GmbH, Hamburg/Germany (together with its subsidiaries, the "ATOS Group") (the "ATOS Group Acquisition", and together with the HFS Acquisition and the HL Group Acquisition, the "Acquisitions") were completed on 5 July 2017, 7 July 2017 and 6 October 2017, respectively, and are therefore included in the figures for the financial year ended 31 December 2017 as from the date of the aforementioned dates of completion of the respective acquisition, onwards.

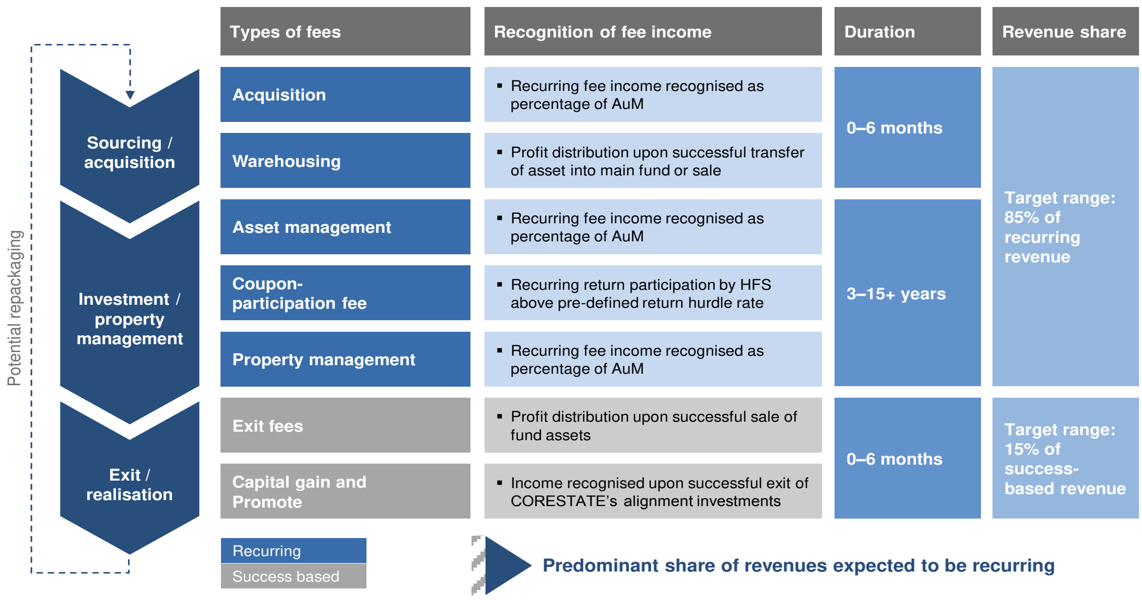
Overview

We believe that we are one of the leading listed investment managers for real estate equity and debt in the German, Austrian and Swiss region of Europe. We are headquartered in Luxembourg with market focus predominantly on Germany covering the entire lifecycle of investments in real estate. In our fully integrated business model we are active as co-investor and manager for our clients applying our experience and expertise to a wide range of real estate investment product offerings. Our business generates revenues from three segments, namely (i) "**Real Estate Investment Management**," (ii) "**Alignment Capital Management**" and (iii) "**Real Estate Operations and Warehousing**." In the Real Estate Investment Management segment our activities encompass the sourcing and acquisition of relevant real estate opportunities and investments, structuring and implementing investment products, performing management services for real estate investments held in separate vehicles established by respective clients together with Corestate and related to our Real Estate Investment Management business (together "**Investment Structures**" and individually "**Investment Structure**"), as well as for assets held for Warehousing purposes (*i.e.* assets which we acquire on our own balance sheet and hold only for a short term (typically 3 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 optimising 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.

To expand and diversify our product range and to improve our access to new sources of capital, on 15 December 2016, we purchased a 94.9% stake (including the subsequent related purchase of a minority shareholding, which was acquired by means of the exercise of a call-option on 21 December 2016) in HL Group. The majority HL Group Acquisition was completed on 7 July 2017 and the minority shareholding acquisition completed on 12 July 2017. We believe HL Group is one of the leading asset managers and providers of asset-based investments in Germany, and offers closed public AIFs (*alternative investment funds*) as well as open-ended and closed-ended special AIFs as a licensed capital management company. Furthermore, with the purchase of HFS on 1 July 2017, we expanded our product offering to include mezzanine real estate financing solutions and, simultaneously, complemented our fund business by adding access to mezzanine debt funds. The HFS Acquisition was completed on 5 July 2017. We believe HFS is one of the leading providers of mezzanine financing (a hybrid of debt and equity financing which gives the lender under certain conditions the right to convert to an equity interest in the borrowing company in case of default) in the German residential and commercial real estate market and also sub-advises numerous funds. Following the Acquisitions, we provide the full range of asset, fund, and property management services and related investment products (managed accounts, closed-ended funds, so called club deals (meaning that a group of investors pools its equity to make a joint investment), real estate special-AIFM, open-ended funds) to our clients, covering all major real estate asset classes, including retail, residential, micro living, office, hotels and aviation assets and all relevant investment products, including real estate mezzanine financing.

To strengthen our expertise in the commercial real estate sector, on 6 October 2017, we acquired ATOS Group, a real estate company specializing in the investment, asset and property management of commercial properties in Germany and Austria. ATOS Group provides the full range of asset and property management services with a strong focus on office and retail assets for both institutional and private/semi-institutional clients. ATOS Group managed a portfolio of around 215 assets in more than 150 cities valued at approximately EUR 1.6 billion as of 31 December 2017.

The services rendered to our clients as well as revenues generated throughout the entire investment lifecycle are set out in the following chart.



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

Generally, we derive our investment product offering from our clients' risk/return profile and market dynamics. As a result our current investment focus is on high street retail investments and micro living, *i.e.* student homes and serviced living in Germany and Spain ("**Micro Living**") as well as selected German residential opportunities. This investment and asset selection focus may change depending upon our clients' demand as well as the real estate markets' dynamics.

Our management team and our investment professionals have built a strong and reliable network including a group of approximately 1,500 agents, covering all regional sub-markets, as well as banks, servicers, insolvency receivers and advisors, allowing us strong deal access across all asset classes.

Since inception and without taking the Acquisitions into account, we raised more than EUR 12 billion equity from a large and broad client network. As at 31 December 2017, the amount of equity committed was EUR 795 million. Our real estate investment management business targets institutional and semi-institutional clients as well as private clients and provides real estate investment products to each group. Our private and semi-institutional clients include family offices and ultra-high net-worth individuals. National and international institutional clients, which we target *inter alia* through our new platforms HL Group and HFS, include pension funds, sovereign wealth funds and insurance companies.

Currently, most of our clients are of Western European origin, whereas a growing minority is domiciled in Asia and the rest of the world. We are increasingly seeking to attract clients for real estate investments, in addition to the circle of our current core European clientele; mainly in Southeast Asia and China (such clients to be serviced through our office in Singapore). This will enable us to access new opportunities to invest in more and larger assets and to launch more investment products. Our attractive track record and focused distribution network with scalable offerings will further improve our access to institutional clients.

Our access to clients is generated through our capital raising teams located in our offices in Zurich, London, Frankfurt/Main and Singapore, which operate under appropriate licenses. In addition, the AIFM authorisation obtained by the Corestate AIFM on 21 January 2015 and the Hannover Leasing AIFM enable us to reach out to a wider pool of clients, such as institutional clients (*e.g.* pension funds, private equity funds, sovereign wealth funds and insurance companies), which may prefer to use AIFM managed structures. We are currently in the process of setting up a further open-ended special AIF with a focus on residential property in Germany. The target volume of such fund (to be named "Corestate Residential Germany Fund II") is at least EUR 300 million. The Hannover Leasing AIFM will act as the investment management company for such fund.

Between 2013 and 2016, our assets under management increased at a compound annual growth rate of 35%. Following the Acquisitions, we increased our assets under management to EUR 21.9 billion as at 31 December 2017 (EUR 2.8 billion as of 31 December 2016).

Between 2013 and 2016, we have implemented transactions with a total transaction volume of 3.6 billion. Our transaction volume for the financial year ended 31 December 2017 amounted to EUR 2.0 billion (including the transaction volume of HL Group, HFS and the ATOS Group prior to the Acquisitions), as compared to EUR 0.7 billion for the financial year ended 31 December 2016.

As of 31 December 2017, our Group employed employees representing 566 full time equivalents (FTEs) (308 full time equivalents (FTEs) as of 31 December 2016). We operated out of 41 offices in 6 countries with direct access to local real estate markets as of 31 December 2017. Our headquarter is located in Luxembourg, where Corestate Capital Fund Management S.à r.l., our Group's Alternative Investment Fund Manager ("**AIFM**"), is based. Capital raising and client relationships are performed by dedicated experts out of our four offices in Zurich, London, Frankfurt/Main and Singapore.

Strengths

We believe that the following strengths have been the primary drivers of our success to date and, coupled with our planned strategy, will continue to distinguish us from our competitors in the future:

Fully integrated real estate investment manager with approximately EUR 22 billion assets under management (as at 31 December 2017) and diversified product offering

We believe that we are one of the leading listed investment managers with a clear focus on real estate equity and debt in the German-speaking region of Europe. Our fully-integrated business model as exemplified by our three business segments Real Estate Investment Management, Alignment Capital

Management and Real Estate Operations and Warehousing enables us to cover entire lifecycle of investments in real estate. We provide the full range of asset, fund, and property management services and related investment products (managed accounts, closed-ended funds (club deals), real estate special-AIFM, open-ended funds), covering all major real estate asset classes and all relevant investment vehicles comprising real estate equity and real estate mezzanine funds. Our diversified product offering covers a broad range of asset classes, including retail, residential, micro living, office, hotels and aviation assets, which enables us to target a broad range of clients, cross-sell our products and address the specific needs of different client types (institutional, semi-institutional and retail). The diversification offers additional business opportunities while mitigating business risks at the same time.

Our assets under management have increased by approximately EUR 18.5 billion through the Acquisitions and thus amounted to approximately EUR 22 billion as at 31 December 2017, comprising predominantly real estate equity products (53%) as well as real estate debt products (21%), and other assets (26%) (consisting of non-real estate assets including media, shipping, life insurance and aviation).

Through the HFS Acquisition, we expanded our product offering to include mezzanine real estate financing, which serves as the foundation for future growth in this growing market, thereby enhancing our fundraising business by offering our investors greater flexibility to allocate capital across different investment vehicles (*i.e.* equity and mezzanine/debt financing) and investment products (managed accounts, closed-ended funds (club deals), real estate special-AIFM, open-ended funds). We believe that the mezzanine fund business is highly complementary to our business and enables us to participate in value creation alongside the entire real estate investment life cycle.

Strong recurring fee income streams providing stability

We believe that our fully integrated business model leads us to be uniquely placed to reap the benefits from a diversified portfolio of recurring revenue generated by our three business segments.

Fee income in our real estate investment management business is generated along the entire life cycle of a real estate investment and includes acquisition related fees, Warehousing fees, asset and property management fees as well as coupon participation fees (*i.e.* upside sharing fees which apply after a certain threshold coupon for a particular investment product has been exceeded) generated by the acquired HFS and ATOS Group businesses. All of these fees are recurring in nature, which provide for predictability of cash flows. In addition, we generate one-time fees arising from the exit from an investment (*i.e.* promote fees and fixed exit fees) (see for further details "*Business—Income Structure*") which adds to a stable and long-term income basis. In 2017, the majority of our revenues (approximately 85%) were recurring in nature.

Unique sourcing capabilities driving organic growth of assets under management

We believe that we have superior deal sourcing capabilities through our expertise and network of contacts of our management team as well as our dedicated sourcing team.

Our management team and our investment professionals have built up a strong and reliable deal sourcing network involving all relevant major market participants, including approximately 1,500 agents, covering all regional sub-markets, as well as advisors, banks, property companies, servicers and insolvency receivers. This extensive network has been built up over the last ten years giving us strong local coverage and deal access across all asset classes. The ATOS Group Acquisition further strengthens our management team's competency through the addition of the founders of the ATOS Group. Udo Stocker has more than 20 years of experience in the property markets specialising in project development and asset management and Dr. Michael Hermes has over 14 years of experience in real estate and management. Furthermore, we benefit from a dedicated sourcing team, comprising over 10 full time equivalents working from our offices in Frankfurt am Main and Munich/Germany with both sector and regional focus which are capable of quickly assessing new investment opportunities based on their deep knowledge of, and experience in, the real estate investment market. Our unique sourcing capabilities provide us with significant competitive advantages over our competitors and enable us to further drive organic growth of our assets under management in the future. Our current pipeline to potential further deals amounts to EUR 6.0 billion (post HL Group Acquisition and HFS Acquisition as of 31 December 2017).

Diversified investor base with increasing target allocation to real estate providing for a sustainable fund raising base

We benefit from a significant client base comprising approximately 500 client contacts, consisting of institutional and semi-institutional (family-offices and ultra-high net worth individuals) clients. Furthermore, through the HL Group Acquisition we gained access to approximately 70,000 retail investors and through the ATOS Group Acquisition, we gained access to additional institutional investors, both of which expanded and complemented our existing client base. Our current client base predominantly consists of institutional clients in the German market and we are actively seeking to increase our institutional client base, particularly by reaching out to more international institutional clients, in particular, among others, pension funds, insurance carriers and sovereign wealth funds. In 2017, 75% of our client base consisted of institutional clients as compared to 68% and 45% in 2016 and 2015, respectively. In particular, through the Acquisitions, we expanded our investor base considerably and improved our access to financing and opportunities for new business, especially with institutional investors, such as medium-size pension funds and insurance carriers. Furthermore, we achieved positive effects from our recently established investment and asset management mandates with one of the most important German pension funds, Bayerische Versorgungskammer. In April 2017, we have successfully realised the sale of a large high street portfolio comprising 90 retail assets in Germany with a value of EUR 687 million to Universal-Investment funds that were set up for Bayerische Versorgungskammer as main investor. This transaction was listed by THOMAS DAILY (TD Top Deals July 10, 2017) as the third largest real estate transaction in the first half-year of 2017 in Germany. Moreover, in June 2017, we have acquired an exclusive mandate with a large institutional fund aiming at building up a residential real estate portfolio.

We believe that our diverse base of clients serves as a sustainable base to raise new client capital in the future as we often recognise a multiplier effect derived from our strong track record and existing stable relationships which facilitates new access to further clients. Our extensive customer base also allows us to benefit from the expected shift in asset allocation towards alternative asset classes and particularly real estate. According to PwC (PwC Report, Alternative asset management 2020) the global volume of real estate assets under management is forecast to increase by 9% between 2013 and 2020.

Capital structure provides attractive potential for refinancing

We have successfully demonstrated our ability to generate strong cash flows and to provide for a sustainable profitability. The continuous growth of revenues with a relatively high share of recurring income (approximately 85%), strong margins and our "capital light" business model, supports our ability for high cash conversion. In the financial year ended 31 December 2017, the ANP increased to 93.3 million as compared to EUR 19.4 million for the financial year ended 31 December 2016, while, in the financial year ended 31 December 2017, the operating cash flows before changes in working capital increased as well to EUR 22.1 million from EUR -4.2 million for the financial year ended 31 December 2017. For a reconciliation of ANP to net profit/(loss) for the period attributable to shareholders of the parent company, please refer to "*Selected Consolidated Financial Information-Other Financial Information*". Our net financial debt as of 31 December 2017 amounted to EUR 519.5 million and our debt had an average maturity of approximately 4 years as of 31 December 2017 (excluding debt related to Warehousing). We have the potential to extend this maturity profile through the issuance of longer-term debt and the refinancing of approximately EUR 200.0 million of our debt. In addition, we have the flexibility to reduce our net debt through disposals such as, for example, short term sales of our properties held for Warehousing purposes in Kronberg and Düsseldorf (Stadttor) which we believe would reduce our net debt by approximatey EUR 159.0 million. On 6 November 2017, S&P assigned us a "BB+" long-term corporate credit rating with stable outlook. We believe we are the only real estate investment manager in Germany that has been assigned a corporate credit rating from an international rating agency. The rating improves our access to capital market financing, in particular, to the bond market and enables us to further diversify our funding and capital structure and extend the average maturity of our debt. We are also committed to achieving an investment grade credit rating in the future.

Strategy

We aim to become the leading listed real estate investment manager and co-investor for real estate equity and debt in the European region. We intend to achieve this by adopting a predominantly organic growth strategy, with bolt-on acquisitions where appropriate to enhance our product offering and investor base and expand our geographic reach. To finance our further growth, we intend to explore both equity and debt financing opportunities subject to our strategic objectives and market circumstances. In parallel, we strongly focus on the successful completion of the integration of the Acquisitions. The key elements of our growth strategy include:

Continuously enhancing and expanding our product offering and client base

In order to continuously achieve sustainable and profitable growth, we intend to further enhance and expand our product offering and client base by pursuing organic growth opportunities.

A major milestone was achieved by the completion of the Acquisitions, which led to the significant increase of assets under management which increased by approximately EUR 18.5 billion and thus amounted to approximately EUR 22 billion as at 31 December 2017. Through these acquisitions, we broadened our product range and achieved greater diversification and thereby considerably expanded and strengthened our asset and investment management platform. We strive to create additional value by leveraging our scalable platform, which enables us to integrate additional assets at limited marginal costs, and deep market knowledge, to fuel further growth through organic growth opportunities. In particular, through the HL Group Acquisition and the HFS Acquisition our pipeline of potential deals increased from EUR 3.2 billion to EUR 6.0 billion (as of 31 December 2017).

We intend to further enhance our product offering by introducing additional mid- and long-term investment products tailored towards our expanding institutional client base, thereby further increasing our fee based revenues. We will particularly focus on investment products which we believe have the potential to be accretive and will provide us with cross-selling opportunities. Among these opportunities, we will focus on investment products that would complement our existing product offering, but will also consider growth opportunities beyond our core real estate offering if the growth prospects and profitability are attractive. In pursuing this strategy, we expect our investment volume to considerably increase in the near-term.

We seek to grow and broaden our existing base of clients and to reach out to more international institutional clients, among pension funds, insurance carriers and sovereign wealth funds, in addition to our current main client base comprising predominantly institutional investors in the German market as well as semi-institutional market participants such as family offices and ultra-high-net-worth individuals. We intend to further pursue this strategy by expanding our product offering with products such as regulated funds that are suitable for institutional clients, selectively fuelled by our Warehousing capabilities.

Furthermore, we plan to expand our Warehousing of properties in order to enable us to respond to existing demand especially of institutional clients and offer attractive investment alternatives to new institutional clients in the future.

Expand scalable business platform through continued consolidation

We strive to further drive the consolidation process within our industry, which is still fragmented, *inter alia*, due to increasing regulatory requirements. We believe that our large asset base, diversified product offering and client base position us well to further drive the consolidation process by selectively making strategic acquisitions to further expand our product offering and operations and to increase our revenues and profit. In pursuing our external growth strategy, we will particularly focus our future acquisition efforts on value enhancing and accretive businesses, which are suitable for alignment with our existing business model and objectives, but will also consider growth opportunities beyond our core business if the growth prospects and profitability are attractive.

Drive integration of the newly acquired businesses of HL Group, HFS and ATOS Group

Our main focus in 2017 was on the successful integration of the newly acquired businesses of HL Group, HFS and ATOS Group into our established platform. To achieve this, we made important additions to our management team. On the Management Board of the Issuer (the "**Management Board**") level, Lars Schnidrig, former Head of Finance and Treasury of Vonovia SE, was appointed Chief Financial Officer of Corestate. He replaced Daniel Schoch who continues to support the business as a senior advisor. Stefan Scherrer, former Chief Operating Officer of the "Swiss and EMEA division" of Credit Suisse Asset Management, was appointed Chief Operating Officer ("**COO**") of Corestate. Thomas Landschreiber, co-founder and Chief Investment Officer of Corestate, joined the Management Board of HFS. In addition, Axel Wieandt, former Chief Executive Officer of Hypo Real Estate Holding, who joined Corestate as advisor for post-merger integration and the repositioning of participations, supports the integration of HL Group. Sebastian Hartrott, former Head of Legal for HL Group, was appointed as Managing Director of HL Group. Gregory Gould, former Goldman Sachs managing director, strengthens the Corestate team as a senior advisor for analysis and strategic development in the capital markets. Furthermore, Audrey Klein, formerly of Cromwell and former Managing Director of Park Hill Estate, a subsidiary of Blackstone Group, has expanded Corestate's capital raising and client relations team and is now in charge of expanding the European and global investor platform with a focus on international institutional investors.

Furthermore, we plan to combine the networks and real estate management services of Corestate, HL Group, HFS and the ATOS Group to create a powerful platform. We also seek to exploit synergies, *e.g.* in the areas of equity raising and asset sourcing. Moreover, we plan to exploit opportunities to convert existing assets into new investment structures, to acquire additional real estate investment products on the basis of a broader and higher quality product offering and network platform and use increasing opportunities to cross-sell real estate investment products to an enlarged client base. Additionally, we believe we will be able to achieve overhead synergies by improving productivity through greater organisational efficiency, in particular, with regard to combined support functions and shared services, in combination with a reduction of personnel. We believe that this will lead to a significant increase in our revenues and efficiency and reduce material, personnel and third party costs.

We have also been able to reap substantial benefits from the restructuring of the HL Group business and expect further benefits to be realised. Our post-acquisition restructuring plan comprises the consolidation of certain functions, in particular in the areas of billing, human resources, finance, tax structuring, communication, fund controlling/reporting, cash management and pooling, property management/facility management and IT, within our Group as well as the implementation of a social plan, involving the reduction in office space, the sale of assets, the settlement of legal claims and the elimination of administrative structures and processes, in particular with respect to a complex reporting system vis-à-vis the shareholders of the HL Group, which are no longer needed. The cost reductions achieved through the efficiency enhancement measures and the restructuring steps undertaken, in particular, with respect to the central functions such as human resources, IT and finance and measures to reduce headcount (HL Group's headcount was reduced from 131 full time equivalents ("**FTE**s") in 2016 to 107 FTEs as of year end 2017 as well as our anticipated increase in revenues in our investment management business through the launch of new products in the core office product category and the successful closing of club deals, including the successful divestment of a EUR 432.0 million development project in Vienna, fund exits (Colosseo) and the launch of new retail fund Denkmal Münster and the planned launch of the new retail fund Leonardo Ulm, have lead to a positive contribution to our operating results in the financial year ended 31 December 2017 of EUR 10.0 million, which represents a return to profitability for HL Group and the highest profit of the HL Group in almost a decade, with further improvements to our results of operations expected in the mid-term.

To a great extent, the integration of the newly acquired businesses of HL Group, HFS and ATOS Group into our established platform is accomplished. For example, implementation of a centralised enterprise resource planning (ERP) and data management program (SAP) was completed in all subsidiaries except ATOS Group where implementation is on going and a key account system was established that helps to bundle Group-wide joint fund equity raising across multiple brands. Beginning in Q2 2018, we aim to accelerate our growth and enable scalability through focused operational alignment, Group-wide standardized core business processes, digital strategies and plug-in capabilities for organic growth.

We estimate that the integration of the businesses of HL Group, HFS and ATOS Group offers significant synergy potential with revenue increases and cost savings. Until 2019, we expect to achieve cost savings of approximately EUR 6.0 million. Initial cost savings results were already achieved in the second half of 2017 through the launch of our first common product - Corestate Residential Fund II - and the acquisition of five development projects for an institutional investor (Project VauVau).

Selected geographical expansion to compliment growth in core markets

We plan to leverage our existing strong footprint in European core markets to increase our international presence. Spreading out from Germany as our main real estate investment market, we selectively operate in other attractive core markets in Europe, such as Austria, the United Kingdom, Switzerland and Spain, sourcing a multi-national deal and client base. Through the HL Group Acquisition, we have most recently expanded our geographical footprint into further core European markets, particularly in the Benelux countries, but also in the United States and Canada and we strive to make use of the aggregated expertise of our combined business platforms to further penetrate these markets. However, there is no focus on fast international growth; we will rather focus on diligent selective international expansion.

Such potential selective geographical expansion will preferably be implemented with reputable local partners either through joint ventures or through M&A activities (*i.e.* by acquisition of suitable industry players who are sufficiently well connected in the relevant markets).

Continue to enhance operational excellence

We constantly strive to enhance our operations across our three business segments by making significant investments into our organisation as well as into our IT platforms and employees. Following the completion of the Acquisitions, in July 2017, we began to implement a new organisation structure aimed at the centralisation of corporate functions (*e.g.* in the areas of billing, human resources, financing, shared services, IT and recruiting) to drive efficiency and consistency of our group-wide operations. We recently enhanced our operational team through the creation of general counsel, head of investor relations and head of human resources roles and hiring accordingly which will serve as a foundation for growth in our operational team. Furthermore, we are currently in the process of implementing a centralised enterprise resource planning (ERP) and data management program (SAP) to integrate finance functions across our Group, and we have introduced new software tools for the group-wide management of assets and funds and target a more homogeneous IT landscape (Project Rise). Moreover, we created a post-merger integration and operation (PMO) platform to facilitate an efficient integration process of the newly acquired businesses of HL Group, HFS and ATOS Group.

We expect to reap substantial process improvements and cost savings from these efforts over the coming years. Moreover, we believe that the implementation of a centralised enterprise resource planning (ERP) and data management program (SAP) will provide us with a competitive advantage over most of our competitors.

Segment Breakdown

The following section contains a description of our three business segments Real Estate Investment Management, Alignment Capital Management and Real Estate Operations and Warehousing.

Real Estate Investment Management Business

Our real estate investment management business targets institutional and semi-institutional clients as well as private clients and provides real estate investment products to each group. Our private and semi-institutional clients include family offices and ultra-high net-worth individuals. National and international institutional clients, which we target *inter alia* through our new platforms HL Group and HFS, include pension funds, sovereign wealth funds and insurance companies.

Since inception and without taking the Acquisitions into account, we raised more than EUR 12 billion equity from a large and broad client network. As at 31 December 2017, the amount of equity committed was EUR 795 million.

Our institutional and semi-institutional investor base comprises approximately 500 client contacts. Furthermore, through the HL Group Acquisition we gained access to approximately 70,000 retail investors, which expanded and complemented our existing client base. In our club deals, the majority of the equity invested has been returning capital from our clients. Our current client base predominantly consists of institutional clients in the German market and we are actively seeking to increase our institutional client base, particularly by reaching out to more international institutional clients, in particular, among others, pension funds, insurance carriers and sovereign wealth funds. In particular, through the Acquisitions, we expanded our investor base considerably and improved our access to financing and opportunities for new business, especially with institutional investors, such as medium-size pension funds and insurance carriers. Furthermore, we achieved positive effects from our recently established investment and asset management mandates with one of the most important German pension funds, Bayerische Versorgungskammer. In April 2017, we have successfully realised the sale of a large high street portfolio comprising 90 retail assets in Germany with a value of EUR 687 million to Universal-Investment funds that were set up for Bayerische Versorgungskammer as main investor. It is intended to further develop the business relationship with Bayerische Versorgungskammer both with respect to student housing assets as well as other real estate asset classes. Moreover, in June 2017, we have acquired an exclusive mandate with a large institutional fund aiming at building up a residential real estate portfolio.

Currently, most of our clients are of Western European origin, whereas a growing minority is domiciled in Asia and the rest of the world. We are increasingly seeking to attract clients for real estate investments, in addition to the circle of our current core European clientele; mainly in Southeast Asia and China (such clients to be serviced through our office in Singapore). This will enable us to access new opportunities to invest in more and larger assets and to launch more investment products. Our attractive track record and focused distribution network with scalable offerings will further improve our access to institutional clients.

Our access to clients is generated through our capital raising teams located in our offices in Zurich, London, Frankfurt/Main and Singapore, which operate under appropriate licenses. In addition, the AIFM authorisation obtained by the Corestate AIFM on 21 January 2015 and the Hannover Leasing AIFM enable us to reach out to a wider pool of clients, such as institutional clients (*e.g.* pension funds, private equity funds, sovereign wealth funds and insurance companies), which may prefer to use AIFM managed structures. We are currently in the process of setting up a further open-ended special AIF with a focus on residential property in Germany. The target volume of such fund (to be named "Corestate Residential Germany Fund II") is at least EUR 300 million. The Hannover Leasing AIFM will act as the investment management company for such fund.

Each client group has a different risk profile, investment criteria and expectations. We believe that our knowledge of and experience in the real estate industry, within the markets in which we operate, and our network of contacts in the industry, enable us to provide a custom made experience for our clients by tailoring the investment structure and identifying and sourcing investment products that meet the unique criteria of our clients.

Our management team and our investment professionals have built a strong and reliable network including a group of approximately 1,500 agents, covering all regional sub-markets, as well as banks, servicers, insolvency receivers and advisors, allowing us strong deal access across all asset classes.

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

In Spain we predominantly focus on Micro Living. Our activities will be carried out together with selected local partners seeking attractive investment opportunities for our clients exclusively in the field of Micro Living. We most recently realised the first project with our own team in Spain that entailed the acquisition of a student home in Madrid with approximately 6,241 sqm for a purchase price of EUR 10.2 million by one of our affiliates, Iberian Propco III, S.L., from the Fundación Francisco de Vitoria (Project Annapurna) (see for further details "*Material Contracts*"). Furthermore, we are currently in the process of sourcing new real estate investment products in Spain and are confident that there is still rising interest for investments in Spain. Furthermore, we are currently developing a student home in Seville/Spain with a net lettable area of approximately 5,449 sqm and a total gross floor area of 8,895 sqm (Project Isabela). In Austria, we have completed the development of a student home in Vienna with an investment volume of approximately EUR 70 million, and have realised the sale of such student home to a fund that was set up for Bayerische Versorgungskammer, a renowned large German institutional investor (Project Turbo VIE) (also see below "*Real Estate Investment Management Business—Cooperation with local partners or installing own local teams*" for further information). We are also developing a property in Vienna as a serviced apartment complex with 124 serviced apartment units and a total net lettable area of approximately 4,000 sqm. (Project Condor). Moreover, in February 2017, we acquired the Royal Liver Building in Liverpool/United Kingdom, a grade A office building located at the world renowned UNESCO World Heritage Waterfront of Liverpool (Project Liver). In Switzerland, we are developing a serviced apartment complex in Zurich with 413 fully furnished serviced apartment units with a net lettable area of approximately 10,000 sqm and a net commercial area of approximately 2,000 sqm (Project Turicum).

Generally, we derive our investment product offering from our clients' risk/return profile and market dynamics. As a result our investment products cover the entire range of the return risk curve from core to opportunistic. Our current investment focus is on high street retail investments and Micro Living in Germany and Spain as well as selected German residential opportunities. This investment and asset selection focus may change depending upon our clients' demand as well as the real estate markets' dynamics.

The underwriting for our investment products is typically three to five years for club deals and a conceptualised range from seven to ten years for prospective structured fund products. Such differences are also reflected by our fee structure and alignment capital engagement.

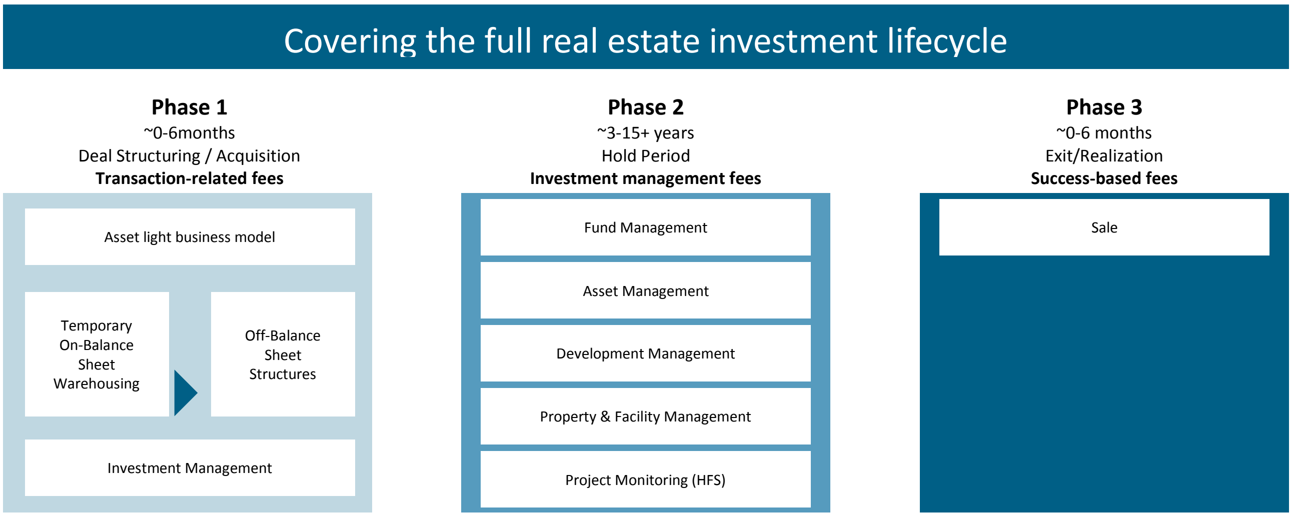
Our real estate investment management activities cover every stage of the lifecycle of a real estate investment. The services we provide throughout the lifecycle of an investment include:

- the origination, structuring and execution of investment products tailored to the needs of our clients and in line with regulatory requirements;

- on-going and day-to-day asset, fund, development, property and facility management and project monitoring over the holding period with the aim of actively enhancing value and optimising the relevant assets; and

- management of the realisation of the value of investment products through multiple eligible exit channels (*e.g.* asset-by-asset sales, portfolio sales, auctions etc.).

Along the real estate investment lifecycle, we generate fee income through various channels such as acquisition-related fees, management fees, and success fees (promotes). Such fee income is typically based on the volume of the underlying assets under management and the Group's management performance.



Phase 1: Sourcing, structuring and execution

As a real estate investment manager, we cover every stage of the lifecycle of a real estate investment. Our outstanding network, both with respect to its asset and equity sides provides us with market intelligence and investment opportunity sourcing. We have a deep understanding of our clients' preferences and offer a tailored product line creation.

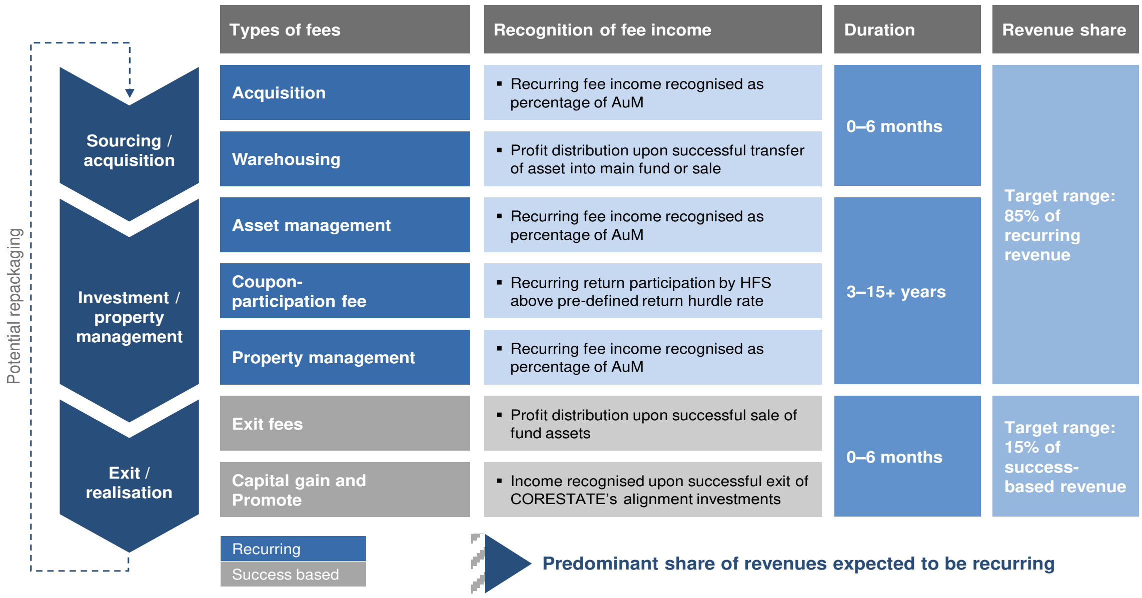
Based on our in-depth understanding of the details and dynamics of the underlying real estate assets and markets and our focus on value creation by way of hands-on management, we initially develop an investment strategy combined with the preparation of a value creation plan. One of the overarching principles in this phase is our deep understanding of and focus on our clients' investment requirements which guides our selection of suitable investment opportunities and corresponding exit strategies and ensures suitable fund and transaction structuring.

Our staggered due diligence process combined with clear investment criteria introduces and secures a deal. Constant feedback is received from our client base. Together with external experts, subject to the approval of the Issuer's management (the "**Management Board**") and/or supervisory board (the "**Supervisory Board**") and in compliance with regulatory requirements, our Investment Committee (as defined below) takes the final decision to execute an investment opportunity.

A deal is executed by negotiating deal terms and structuring an investment in a tax efficient way, implementing the debt financing strategy and ensuring compliance with "Know your costumer/Anti Money Laundering" procedures.

Sourcing, structuring and execution of a deal typically also involves our alternative investment fund management team ensuring full compliance with the requirements of the AIFM Act.

The following chart illustrates our highly structured and monitored investment process:



Through the involvement of the Investment Committee (the "**Investment Committee**") we connect our top management with senior advisors and external experts jointly offering additional experience, expertise and real estate market insights. Given the significant changes to our business structure we have decided to re-design the composition and approach of the Investment Committee: The Investment Committee now comprises the management team (*i.e.* the members of the Issuer's Management Board) and an expert team including Ralph Winter (founder of Corestate) as chairman, Thomas Landschreiber (CIO and co-founder of Corestate) as deputy chairman and Philip La Pierre as Co-CIO plus additional senior external experts covering all deal and market relevant know-how and reflecting the entire business range of the Issuer. Such expert team holds a session intensely discussing the pros and cons of a deal which was qualified before as eligible for final assessment by the Investment Committee. Subsequently, the management team of the Issuer comes to a final decision regarding the execution of a deal or modification of a deal before entering into the execution phase. External experts have no voting right, the decision by Ralph Winter, Thomas Landschreiber and Philip La Pierre is subject to the veto or approval, respectively, by the Management Board or Supervisory Board, respectively, of the Issuer. Standard conflict rules apply to the decision making process within the Investment Committee.

Phase 2: Real estate management services

The real estate management services that we provide during the holding period support the investment strategy deployment from the early sourcing phase through business planning. Such early involvement allows for an efficient implementation of value enhancing measures such as capex investment, rent increases, vacancy reductions and operational cost optimisation programs, all based on our experienced real estate management team's in-depth understanding of each deal and its underlying assets.

Our property management team executes the asset management strategies and provides commercial and technical property management services including service charge accounting and bookkeeping. Our real estate management services also include on-going financial and real estate reporting for clients and banks.

Phase 3: Exit strategies

After creating value and/or enhancing the existing value or, generally, after a certain holding period for the underlying assets, the last stage of the lifecycle of a real estate investment is the sale of the portfolio as a whole or on an asset-by-asset basis. It is part of our real estate management services to continuously observe the market and to seek out and execute exit opportunities as far as they are in line with our clients' investment requirements. Our sales team within our real estate management services team is responsible for monitoring favorable sale and exit opportunities and makes recommendations to top management and the Investment Committee as well as to fund management.

The overall investment process includes a system of defined checkpoints where the top management decides whether a deal should be further pursued or rather aborted. This process safeguards efficient and cost-saving decision-making, which promotes trust of our external network in our reliable and efficient investment processes and hence allows our external network to cooperate more effectively with us in, *e.g.*, sourcing deals. In essence, our highly structured and monitored investment process includes the aforementioned process phases as well as constant feedback from our client base and close interaction between the Issuer's top management, the Investment Committee and the fund management.

Cooperation with local partners or installing own local teams

Even though Germany is and is expected to remain our main real estate investment market, we also selectively operate in other attractive markets in Europe, currently in Austria, the United Kingdom, Switzerland, Spain and the Benelux countries, as well as in the United States, sourcing a multinational deal and client base. We envisage structured growth through efficient resource allocation and ensuring the necessary market expertise is obtained typically by cooperating with local joint venture partners or by setting up own representative offices with experienced local teams that have deep insight and knowledge of the respective market. Cooperation with local partners safeguards the fulfilment of our investment principle that we only invest with the benefit of the pre-requisite in-depth understanding of the markets and assets we are interested in. This cooperation may take the form of a one-off project in relation to a specific venture (*e.g.* selective joint venture project comprising a single development with an experienced local co-investor in Vienna) or an exclusive joint venture in relation to opportunities which exist in the real estate market in a particular country.

Our business strategy in Spain with our local team going forward predominantly focuses on Micro Living. Such activities will be carried out together with selected local partners seeking attractive investment opportunities for our clients exclusively in the field of Micro Living (see for further details "*Material Contracts*"). In 2016, we realised the first project with our own team in Spain that entailed the acquisition of a student home in Madrid with approximately 6,241 sqm for a purchase price of EUR 10.2 million by one of our affiliates, Iberian Propco III, S.L., from the Fundación Francisco de Vitoria (Project Annapurna). Furthermore, we are currently in the process of sourcing new real estate investment products in Spain and are confident that there is still rising interest for investments in Spain. For example, we are currently developing a student home in Seville/Spain with a net lettable area of approximately 5,449 sqm and a total gross floor area of 8,895 sqm (Project Isabela).

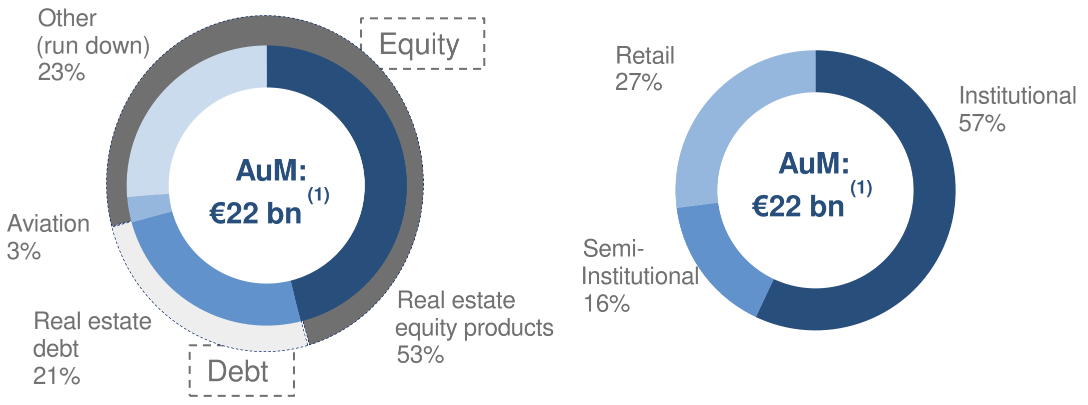
Assets under Management

Between 2013 and 2016, our assets under management increased at a compound annual growth rate of 35%. Following the Acquisitions, we increased our assets under management by approximately EUR

18.5 billion to EUR 21.9 billion as at 31 December 2017 (EUR 2.8 billion as of 31 December 2016), including approximately EUR 1.4 billion third-party property management mandates of our subsidiary Capera. The value (approximately EUR 1.4 billion) of the assets under management in relation to the property management mandates of our subsidiary Capera is derived by assuming a yield of 8.3% (*i.e.* the annual net rental income multiplied by the factor 12).

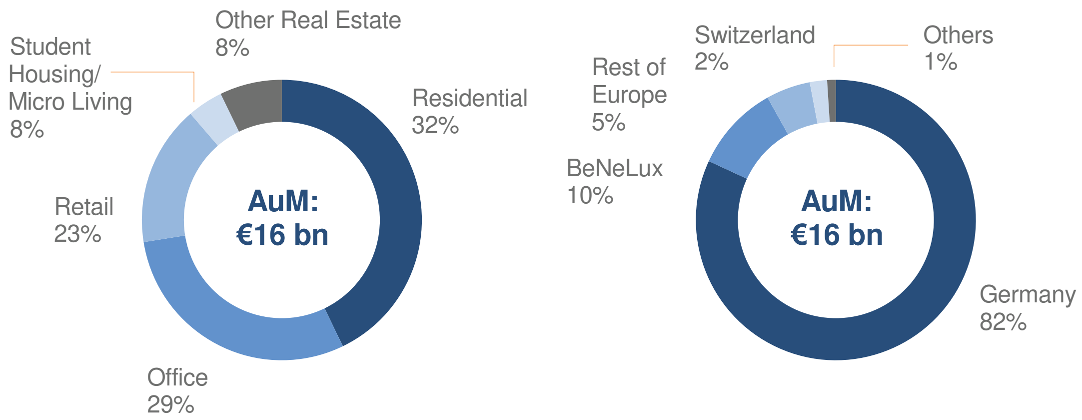
The following diagrams provide key financial information for assets under management in several categories as of 31 December 2017.

AuM break down by asset class(1)



(1) Including third party property management mandates.

Real Estate AuM break down by asset class and country



The following table provides key financial information for assets under management in several categories as of 31 December 2015, 2016 and 2017.

	As of 31 December		
	2015	**2016**	**2017**
(in EUR '000)		**(unaudited)**	
Office	130.0	130.0	4,772.1
Retail	344.6	754.4	3,776.1
Residential	1,378.5	1,428.3	5,174.6
Student Housing/Micro Living	191.0	446.2	1,286.9
Aviation	0.0	0.0	579.0
Other	0.0	0.0	6,386.6
Total	**2,044.0**	**2,758.9**	**21,925.3**

Transaction Track Record

We are an active market participant addressing off-market acquisition and trading opportunities for various asset types.

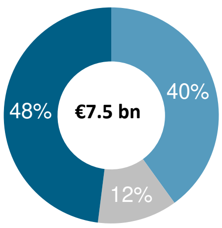
Between 2013 and 2016, we have implemented transactions with a total transaction volume of 3.6 billion. Our transaction volume for the financial year ended 31 December 2017 amounted to EUR 2.0 billion (including the transaction volume of HL Group, HFS and the ATOS Group prior to the Acquisitions), as compared to EUR 0.7 billion for the financial year ended 31 December 2016. As of 31 December 2017, transactions in Germany accounted for 82.8% of our buy side and 100% of our sell side transactions. As of 31 December 2017, transactions in Austria accounted for 14.6% of our buy side transactions. As of 31 December 2017, transactions in the rest of Europe accounted for 2.6% of our buy side transactions. On a geographic basis (including all three business segments), our business in Germany accounted for 97.5%, 87.8% and 93.4% of our revenues for the financial years ended 31 December 2015, 2016 and 2017, respectively. Our business in Austria accounted for 2.5%, 10.3% and 1.9% of our revenues for the financial years ended 31 December 2015, 2016 and 2017, respectively. Our business in Spain accounted for 1.9% and 0.2% of our revenues for the financial year ended 31 December 2016 and 2017, respectively. Our business in the Netherlands, Switzerland, United Kingdom and Luxembourg accounted for 1.9%, 1.4%, 0.8% and 0.3% of our revenues for the financial year ended 31 December 2017, respectively.

We believe that our investment products have yielded very attractive returns for our clients. In addition, we have successfully implemented debt (re-)financings in an aggregate amount of EUR 2.9 billion since 2010.

Our strong transaction track record is illustrated by the following charts:

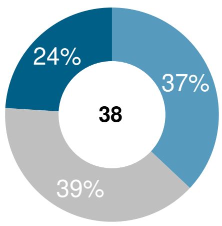
Transaction by asset class

By Volume



Commercial	40%	2.977.438
Micro Living	12%	926.532
Residential	48%	3.603.919
Total		7.507.889

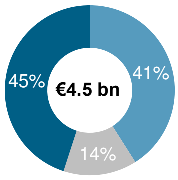
Structure Deal (Acquisition)



Commercial	37%	14
Micro Living	39%	15
Residential	24%	9
Total		38

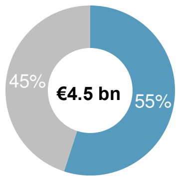
Acquisition track record since inception 2006
Transaction by asset class

By Volume



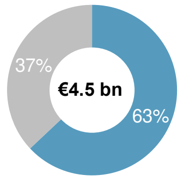
Commercial	41%	1.890.417
Micro Living	14%	619.593
Residential	45%	2.038.461
Total		**4.548.471**

By Type of Acquisition



Portfolio	55%	2.524.060
Asset/Sub-portf	45%	2.024.411
Total		**4.548.471**

By Type of Channel



Local age	63%	2.855.325
Direct	37%	1.693.146
Total		**4.548.471**

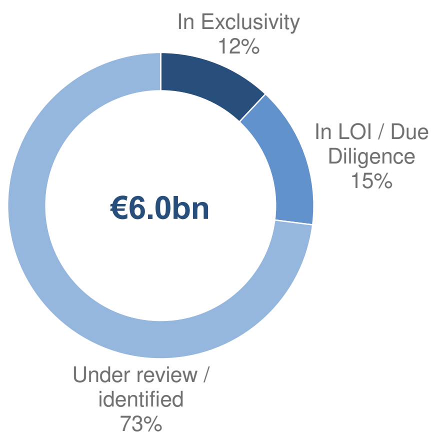
For its clients, on realised investment products, Corestate has generated an average internal rate of return of approximately 18%, and an average cash on cash multiple CoCM of approximately 1.5x, in each case, net of fees payable to Corestate under the investment product documentation during the period from 1 January 2010 to 31 December 2017.

However, it should be noted, that such average return data are not indicative for any of Corestate's existing investment products not yet realised or investment products to be launched in future since the returns ultimately realised from any investment product are, among other things, driven by the diverse yield requirements of the clients investing into the various investment products as well as by the market conditions at the time of the launch and exit of an investment product.

Our Transaction Pipeline

Our current diversified transaction pipeline of approximately EUR 6.0 billion (post HL Group Acquisition and HFS Acquisition as of 31 December 2017) addresses various asset types and feeds both our existing private and semi-institutional client base as well as our targeted institutional clients.

The following diagram provides a high-level overview on such deal pipeline split by the process stage, region, asset type and product related to the relevant transactions:



Alignment Capital Management Business

An integral part of our business model is to co-invest alongside our clients through our alignment capital investments. Accordingly, we make investments with our own funds into the same products that our clients invest in and under the same terms and conditions applicable to all clients of that product, underpinning the alignment of our interests with those of our clients. As of 31 December 2017, we have invested EUR 46 million (equity and loans) through our alignment capital investments. Typically, alignment capital investments range between 5% and 10% (with certain exceptions for particular transactions) of the total equity capital invested into an investment product, depending on our clients' requirements and product structuring.

As a result, in addition to the fee-based income generated through our real estate investment management services, we also participate in the performance of the investment products through dividend payments and we realise capital gains upon successful exit from alignment capital investments. Through our alignment capital management business we "buy into" the risk and rewards of the underlying transaction and assume responsibility far beyond the role of just an investment manager. This substantially builds trust and related long-term relationships with the respective client group. At the same time, such alignment capital investments are a very convincing argument when it comes to the continued acceptance of the attractive fee structures related to such investment products.

Real Estate Operations and Warehousing

Our Real Estate Operations and Warehousing segment functions as a complementary element to our real estate investment and alignment capital management businesses. It involves the concept of acquiring assets with potential for Warehousing purposes which we intend to maintain until suitable opportunities for the assets arise. The rationale behind this "Warehousing" concept is to (i) capitalise on attractive investment opportunities and to identify and secure short term real estate investment opportunities where timing is of the essence as well as (ii) build up sizeable seed portfolios for clients who seek to invest in already existing assets. By acquiring such assets for our own account and balance sheet for a period of typically 3-12 months, we are able to secure asset supply while still setting up and structuring an investment product for our clients. Before assets are bought into Warehousing we need to determine a confirmed client demand. Other required criteria for warehousing assets are positive cash flow contribution and no heavy refurbishment required (*i.e.* only "regular" asset management requirements). Alternatively, we acquire plots and secure respective building rights and provide further project planning (without assuming typical project development risks on our own balance sheet) before converting them into investment products for clients and further developing them for our co-investors and in our function as real estate investment manager (including usual aligned investments). After conversion, our project development entails the planning, coordination, development and the construction of university housing real estate properties and/or serviced apartments or the planning and coordination of the issuance of relevant permissions for already improved land, the demolition or refurbishment of the present buildings, the construction of the new commercial, residential or Micro Living buildings, and their sale and renting. The projects are divided into two phases, the development phase and the operational phase commencing upon the (physical) move in of the first tenant. Upon transfer or conversion into an investment structure or product, we typically realise a margin over the initial purchase price (Warehousing gain/premium). Over the holding period we manage the assets, implement value enhancement measures and receive/consolidate the income from the underlying real estate operations.

In respect of the properties held for Warehousing purposes, we currently hold one asset located in Rostock, consisting of 40,205 sqm of retail space and one asset in Kronberg which consists of 9,480 sqm. The site in Kronberg is built up with a three-story office building comprising approximately 13,000 sqm of lettable space. In addition, we currently hold a major stake in one asset located in Düsseldorf (Stadttor) which consists of 28,700 sqm of office space. Furthermore, through the HL Group Acquisition, we acquired significant stakes of two assets located in Utrecht/Netherlands (comprising lettable office space of approximately 18,000 sqm) and Muenster (comprising lettable office and medical practice space of 5,980 sqm), which we aim to either convert into investment products or sell in the short term.

Our Warehousing concept is exemplified by the following asset acquisitions (held for Warehousing purposes which, after respective value creation, were converted into investment products that realised a Warehousing gain in their conversions). These transitions are a good example for Warehousing of "standing assets." On the other hand, the project development "Across (Frankfurt Eschersheimer Landstraße 7)", a Micro Living development in Frankfurt, is a good example of how we create added value when acquiring a development plot where we furnish building rights and provide further project planning (without assuming typical project development risks on our own balance sheet) before converting such asset into a client investment product):

Standing Assets					**Project Development**	
	Paderborn	Bocholt	Bremerhaven	Wuppertal	Frankfurt Eschersheimer Landstraße 7	Düsseldorf
Initial Acquisition (Closing)	1 August 2015	30 October 2016	19 May 2017	23 August 2017	1 June 2016	28 February 2017
Transfer into Investment Product	HIGH-STREET Premium I	HIGH-STREET VI	HIGH-STREET VII	HIGH-STREET VII	Across	King
Realised Warehousing Gain upon Transfers	EUR 3.7 million	EUR 1.0 million	EUR 2.5 million	EUR 0.75 million	EUR 1.5 million	EUR 1.5 million
Universal all-in acquisition costs prior to conversion in Investment Products	EUR 37.7 million	EUR 27.3 million	EUR 34.6 million	EUR 26.2 million	EUR 12.0 million	EUR 8,4 million

HL Group Acquisition

On 15 December 2016, ISAR Beteiligungsverwaltungs GmbH as buyer and the Issuer as guarantor, and Landesbank Hessen-Thüringen Girozentrale ("**Helaba**") and Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft mbH as sellers entered into a share purchase agreement, with the purpose of acquiring a 94.9% stake in HL Group (see for further details "*Material Contracts*"). The majority HL Group Acquisition was completed on 7 July 2017 and the minority shareholding acquisition completed on 12 July 2017, after the conclusion of the ownership control procedure of the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

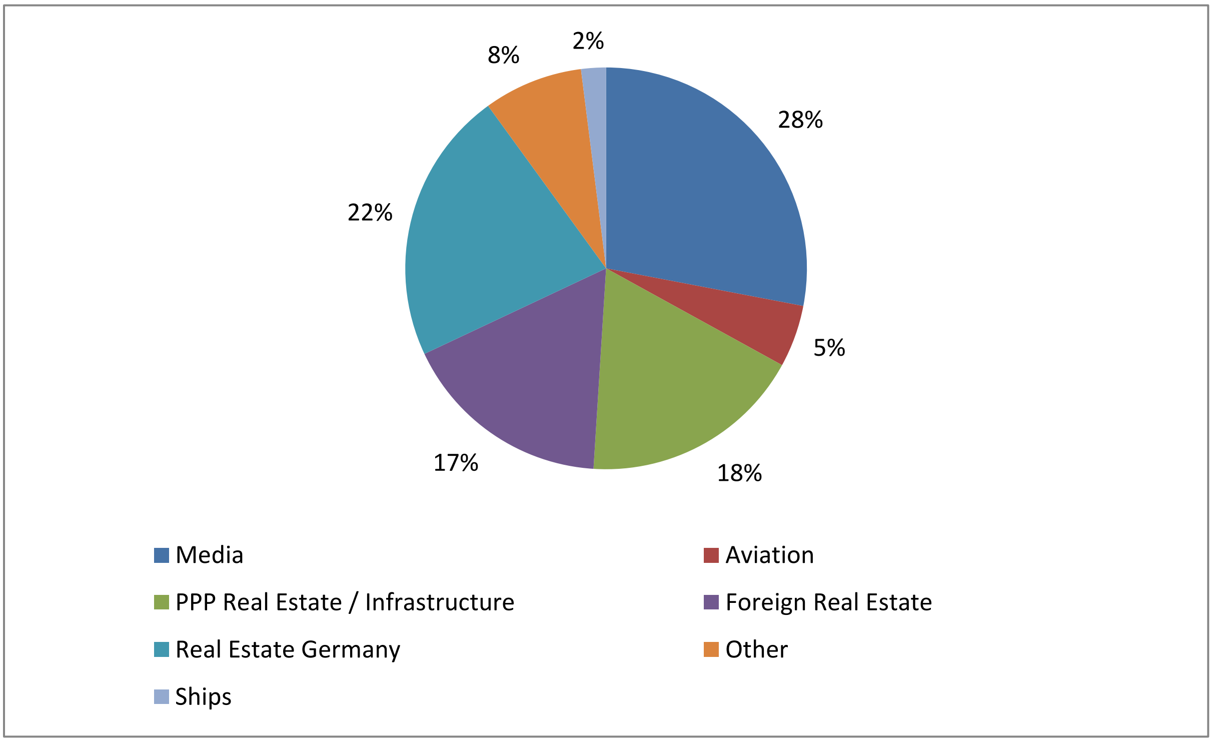
Overview of HL Group's business

We believe HL Group is one of the leading asset managers and providers of asset-based investments in Germany, and offers closed public AIFs as well as open-ended and closed-ended special AIFs as a licensed capital management company. HL Group primarily focuses on the structuring and management of special AIFs in the area of core and core plus real estate in Germany and abroad. The real estate market is typically segmented in four categories (core, core plus, value add and opportunistic) with core and core plus as the high quality real estate assets. Key investments are predominantly in office as well as in high class retail properties in prime locations of the target markets in Western and Central Europe, the United States and Canada. HL Group manages more than 200 closed-end equity funds and public funds and is responsible – to the extent this is not outsourced – for the asset management of these funds. Furthermore, HL Group focuses on the realisation of structural engineering projects in Germany within the framework of public private partnerships (PPP).

Hannover Leasing Investment GmbH, a subsidiary of HL Group, offers to private and institutional investors the opportunity to invest into the aviation market. So far the closed-ended public AIFs (*alternative investment funds*) were structured as single-asset funds which invested in standard aircraft types leased by lessees with strong creditworthiness. The applicable finance structure provides for a large repayment of debt capital during the lease term and provides a rather conservative feature of this fund product. HL Group plans a further retail aviation fund product for 2018.

Aviation portfolio funds are exclusively reserved for institutional investors. Such investors may choose to invest (i) in a loan portfolio of aircraft financing secured by first ranking collateral or (ii) in a portfolio of various aircraft types featuring an additional diversification through the various lessees. Both fund types are structured as reserved AIFs (*alternative investment funds*) and are currently being placed out.

As of 31 December 2017, HL Group's assets under management amounted to 11.6 billion. The assets under management held by HL Group comprise predominantly commercial real estate as well as aviation. Furthermore, media and ships also form part of HL Group's asset base. These asset classes are, however, considered non-strategic assets. Real estate managed by HL Group comprises office and administrative buildings, retail properties and hotels. Aviation consists primarily of civilian airliners of standard types such as aircraft from the Airbus A320 family and modern wide-body aircraft such as the Airbus A380. Target markets of HL Group include Germany as its main market as well as the United States, Western and Central Europe, specifically the Benelux countries, the United Kingdom and Canada. The allocation of assets under management is shown below.



The investor base of HL Group includes institutional investors from the regulated sector, such as insurance carriers and saving banks, as well as family offices, family foundations, pro-bono foundations, asset managers and retail investors.

The HL Group Restructuring

We are currently in the process of restructuring the HL Group and its business operations pursuant to a post-acquisition integration plan. By the time of the HL Acquisition, the business of the HL Group had been generating deficits for several years, including the financial years 2015 and 2016 as well as the first six months ended 30 June 2017. This was mainly due to stranded assets, in particular with respect to investments in the shipping sector, which have been materially adversely affected by the crisis in the shipping industry and the resulting loss in asset value, as well as other deficitary investments, the loss of certain employees in key functions (in particular with respect to sales), increasingly onerous regulatory requirements, in particular as a result of the implementation of the AIFMD, and the strategic decision of HL Group's shareholders to reduce their financial support, in particular with respect to the provision of liquidity which would have been required for the continuation of HL Group's investment activities. Our post-acquisition restructuring plan comprises the consolidation of certain functions, mainly in the field of billing, human resources, finance, tax structuring, communication, fund controlling/reporting, cash management and pooling, property management/facility management, IT and recruiting, within our Group as well as the implementation of a social plan, involving the reduction in office space, the sale of assets, the settlement of legal claims and the elimination of administrative structures and processes, in particular with respect to a complex reporting system vis-à-vis the shareholders of the HL Group, which is no longer required following the HL Acquisition. The cost reductions achieved through the efficiency enhancement measures and the restructuring steps undertaken, in particular, with respect to the central functions such as human resources, IT and finance and measures to reduce headcount (HL Group's headcount was reduced from 131 full time equivalents in 2016 to 107 FTEs as of year end 2017) as well as our anticipated increase in revenues in our investment management business through the launch of new products in the core office product category and the successful closing or club deals, including the successful divestment of a EUR 432.0 million development project in Vienna, fund exits (Colosseo) and the launch of new retail fund Denkmal Münster and the planned launch of the new retail fund Leonardo Ulm, have lead to a positive contribution to our operating results in the financial year ended 31 December 2017 of EUR 10.0 million, which represents a return to profitability for HL Group in the third quarter of 2017 and the highest profit of the HL Group in almost a decade, with further improvements of the results of operations expected in the mid-term.

Effects of the HL Group Acquisition

We believe that HL Group matches our business very well in terms of strategy and geographical footprint, *inter alia*, for the following reasons:

- We expanded our business in one step to result in a considerably stronger asset and investment management platform, providing access to new asset classes, in particular, among others, high quality office assets and aviation.

- The acquisition increased our assets under management by EUR 11.6 billion.

- We expanded our product offering to include products in the area of core and core plus real estate in Germany and abroad, with key investments in office and high class retail properties.

- We expanded our client base with access to new institutional, such as small- and medium-size pension funds and insurance carriers as well as retail investors that fit within the parameters we had previously identified as target investors and serves as a foundation for accelerated growth in the future.

- We widened our geographical reach to prime locations of markets that we partially had identified previously as key future target markets, in particular, in Benelux countries, but also in the United States and Canada.

- We strengthened our income basis with the addition of recurring revenues contributions from contractually secured long-term fund management earnings.

- We have and expect to continue to realise revenue synergies, *e.g.* by cross-selling our investment products to HL Group's large institutional investor base using our combined servicing platform and by converting existing assets into new investment structures and we have achieved and expect to achieve additional cost savings, mainly in the areas of billing, human resources, finance, tax structuring, communication, fund controlling/reporting, cash management and pooling, property management/facility management, IT and recruiting, within our Group as well as the implementation of a social plan, involving the reduction in office space, the sale of assets, the settlement of legal claims and the elimination of administrative structures and processes, in particular with respect to a complex reporting system vis-à-vis the shareholders of the HL Group, which are no longer needed.

The integration of the HL Group business will not have an impact on our business segment structure.

HFS Acquisition

On 1 July 2017, the Issuer entered into share purchase agreement and exchange and purchase agreements with the shareholders of HFS (Norbert Ketterer, Sandra Ketterer, Marcellino Graf zu Hoensbroech and Christoph Meyer) with the purpose of acquiring their shares in HFS (see for further details "*Material Contracts*"). In addition to the payment of the cash component of the purchase price, Corestate's share capital was increased by the issuance of 7,365,256 new shares against contribution in kind from authorised capital as part of the transaction. The purchase price for HFS is in the mid-three digit million range and the HFS Acquisition was completed on 5 July 2017.

Overview of the HFS business

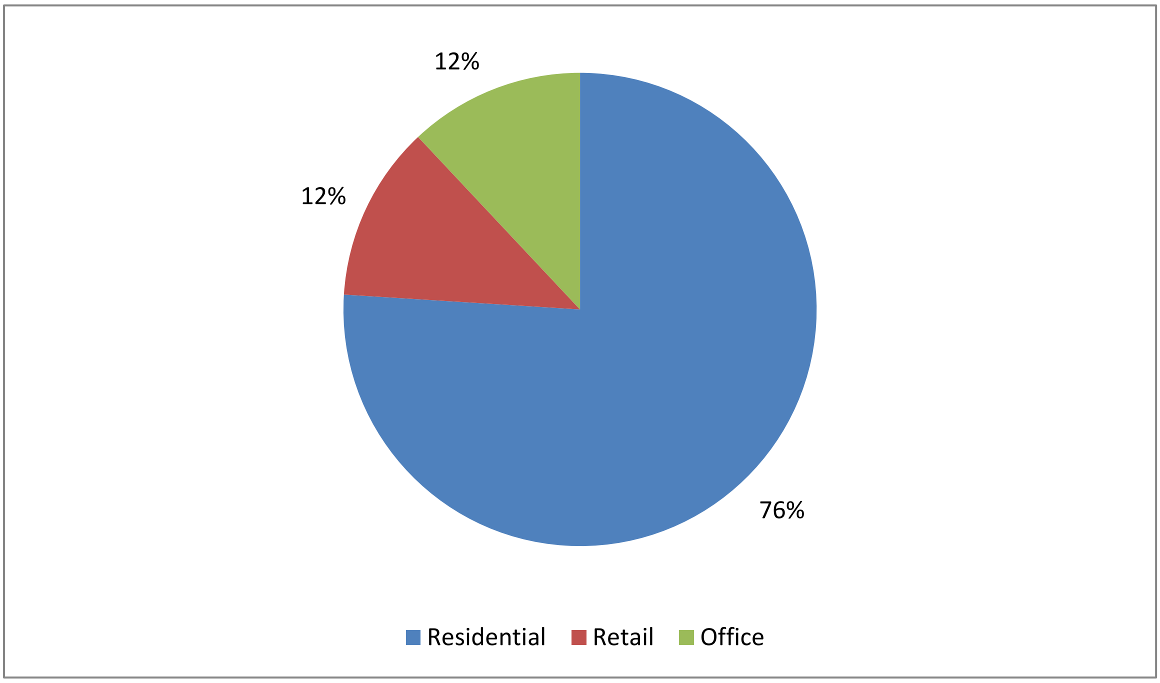
We believe that HFS is one of the leading providers of mezzanine financing in the German residential and commercial real estate market and also sub-advises numerous funds. HFS was one of the first companies to identify the significant potential of mezzanine financing and offers commercial and residential real estate mezzanine financing and advises numerous funds primarily to clients located in Germany, which we believe both on a product and geographical basis complements our business very well.

The main business and source of revenues of HFS is to act as initiator and advisor with regard to special alternative investment funds (*Spezial-AIF*), the focus of which is to invest in residential and commercial real estate in Germany, Austria and Switzerland via debt securities. The fund capital is used to acquire bonds which are issued by the bond issuer, typically a real estate development company, for the early stages of a real estate development, typically as equity-replacing bridge financing until certain milestones (*e.g.* the building permit) have been achieved and the follow-on financing for the entire project has been secured. The debt securities usually have a short maturity (up to 14 months).

The funds typically generate four types of fees. As an initial step, HFS concludes a term sheet financing with the entity which issues the bond and the project company which is responsible for the real estate project. Under the term sheet, HFS receives a handling fee with regard to the capital provided to the bond issuer. The handling fee is to be paid by the bond issuer to HFS. Furthermore, HFS concludes a trust agreement with the bond issuer and the project company. Pursuant to the trust agreement, HFS shall be secured by way of land charges regarding the securities to be provided by the bond issuer. In the internal relationship, HFS holds the land charges for the benefit of the purchasers of the bond, a service for which HFS receives a fixed trustee fee and expenses for the administration, arranging and deletion of land charges. In addition, HFS receives a non-performance related management fee regarding the monthly end value of the fund property (*Sondervermögen*), which is to be paid out monthly. Lastly, HFS receives a performance fee based on the amount by which the annual performance of the fund at the year end (including distributions and tax payments) exceeds a specified hurdle rate on the average bound capital in the calculation period (*i.e.* coupon-participation fee).

The assets under management held by HFS comprise the real estate asset classes of residential, retail and office and amounted to EUR 4.9 billion as of 31 December 2017.

Assets under management by asset class



The investor base of HFS includes more than 50 institutional investors, such as pension funds and insurance carriers.

Effects of the HFS Acquisition

We believe that HFS matches our business very well in terms of strategy and geographical footprint, *inter alia*, for the following reasons:

- We enhanced our capital markets profile and improved our access to capital and new business opportunities.
- We broadened our product offering to include mezzanine real estate financing which serves as the foundation for our growth in this fledgling and growing market and simultaneously, complemented our fund business by adding access to mezzanine debt funds.
- The acquisition increased our assets under management by approximately EUR 4.9 billion.
- We expanded our client base with access to institutional investors in Germany providing potential to cross-sell our investment products.

- We significantly enhanced our sourcing potential as we gained preferred access to assets with the potential to be converted into new investment products.

- We strengthened our income basis with the addition of recurring revenues contributions. Since 2012 recurring fees range from 83% to 93%.

The integration of the HFS business will not have an impact on our business segment structure.

ATOS Group Acquisition

On 28 September 2017, Corestate Capital Holding S.A. as purchaser and Stocker Beteiligungs und Management GmbH and Merkur Real Estate GmbH each as sellers (each a "**ATOS Seller**", together the "**ATOS Sellers**") as well as Mr. Udo Stocker and Mr. Michael Hermes each as guarantor entered into a notarised share purchase and transfer agreement regarding the sale and transfer of all shares held by Stocker Beteiligungs und Management GmbH and Merkur Real Estate GmbH in ATOS Group. The transaction was closed on 6 October 2017. The purchase price (equity value) for all shares in ATOS Group amounts to EUR 24,016,710.00. 50% of the purchase price is payable in cash in two tranches (one amounting to approximately EUR 6.5 million (including EUR 1.0 million escrow amount securing certain potential claims of the purchaser) on the closing date and the remaining tranche amounting to approximately EUR 5.5 million on 15 December 2017) as consideration for the sale and transfer of 50% of the shares in ATOS Group. The remaining 50% of the purchase price has been granted in form of new shares of Corestate Capital Holding S.A. issued by way of a capital increase in kind as consideration for the contribution of the remaining 50% of shares of the ATOS Sellers in ATOS Group.

Overview of the ATOS Group business

ATOS Group is a real estate company specialising in the investment, asset and property management of commercial properties in Germany and Austria. ATOS Group provides the full range of asset and property management services with a strong focus on office and retail assets for both institutional and private/semi-institutional clients. ATOS Group manages a portfolio of around 215 assets in more than 150 cities valued at approximately EUR 1.6 billion as of 31 December 2017.

Effects of the ATOS Group Acquisition

We believe that the ATOS Group matches our business very well in terms of strategy and geographical footprint, *inter alia*, for the following reasons:

- We strengthened our asset management expertise and footprint in the commercial real estate sector.

- The acquisition increased our assets under management by EUR 2.0 billion.

- We strengthened our income basis with the addition of recurring revenues contributions from contractually secured long-term fund management earnings.

- Expansion of ATOS Group's fund business with institutional investors enhances Corestate's growth profile.

The integration of the ATOS Group business will not have an impact on our business segment structure.

Income Structure

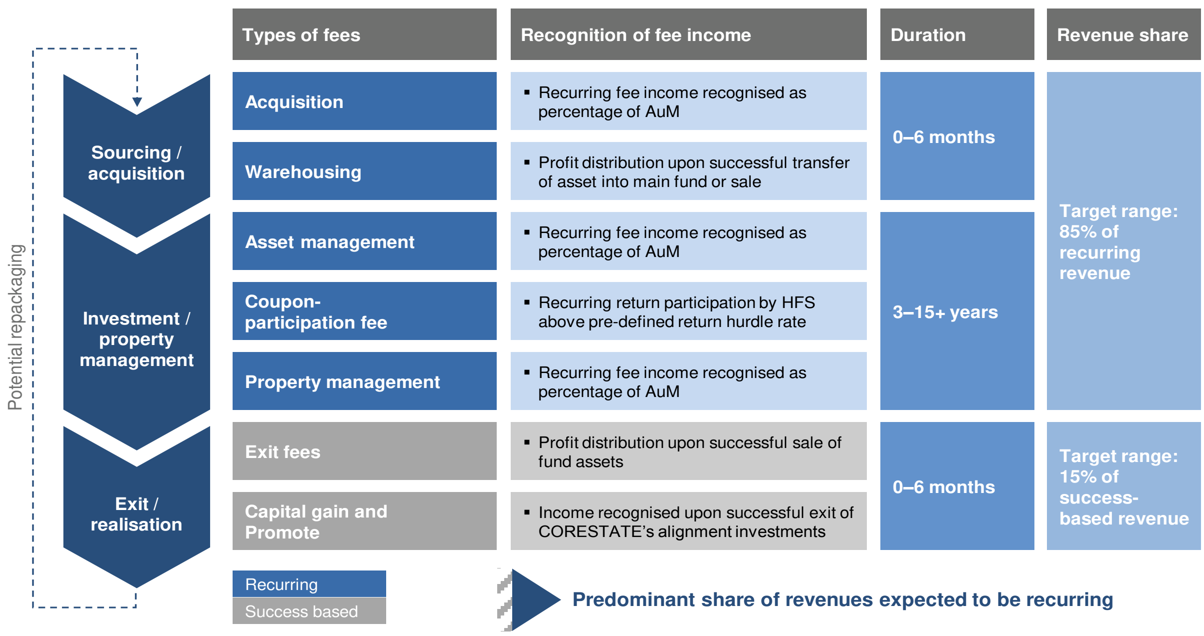
Our income is generated from three main sources:

- fee income from our real estate investment management business;

- returns on our alignment capital investments (both dividends and capital gains); and

- profits generated from transfers and conversions of warehoused assets into real estate investment products (Warehousing gain/premium) and net operating income generated from such real estate operations (income during the Warehousing phase).

The following table gives a non-exhaustive overview of our typical or targeted fees and capital returns associated with our three business segments and underlines the highly diversified income structure we are able to generate throughout the real estate investment lifecycle. Such fees and capital returns depend on the individual investment structure and have historically varied and will vary from the figures indicated in the below table. Historically, we were able to agree such fees with our semi-institutional and private clients. As regards our targeted institutional clients, we may be required to agree to a lower level of fees which, however, would still have a positive effect on our earnings since the absolute amount of fees generated from institutional clients is expected to be based on larger transaction volumes.



The aforementioned table in particular includes the following fees:

Acquisition Related Fees relate to fees earned in relation to the acquisition of real estate assets by our Investment Structures. Acquisition related fees include a one-time-onboarding fee and typical acquisition and structuring fees amounting between 1.0% and 1.5% of the purchase price of the underlying assets of the portfolio. These fees are paid for sourcing and structuring of the transaction, conducting the due diligence, administrating and supervising the step-by step acquisition of the real estate asset or portfolio and are typically received and paid at the conclusion of the transaction documentation.

Warehousing Fees are derived from converting properties into investment products, including onboarding fees.

Sales Fees are payable when the asset is sold and amount typically to 1% of the asset value.

Asset Management Fees are determined based on a range of 0.1% and 0.8% p.a. of the value of the real estate assets of the Investment Structures with semi-institutional / private clients; in Investment Structures for institutional clients our fees are in a range between 0.4% to 0.5% p.a. of the value of the real estate assets of the Investment Structures.

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

Property Management Fees are derived from the provision of property management services for our Investment Structures.

Promotes are fees generally agreed in the underlying documentation of the Investment Structure with the clients. These fees depend on the net projected returns (cash profit for our clients) of the underlying investment. Typically, these fees are between 15% and 20% of the net projected returns of the Investment Structure. Economically these fees are a performance-related component of the Asset Management Fee. The claim for the Promote is only recognised when the relevant transaction documentation resulting in a net project return has been validly entered into, and becomes payable after all client commitments have been fully repaid to the clients. The Promote is basically paid out as a disproportional profit allocation and becomes payable after all client commitments have been fully repaid.

Licenses and Certificates

We have obtained all relevant material business permits, licenses, certificates and approvals for our business operations. Some of Corestate's subsidiaries are regulated by local authorities:

Corestate Capital Fund Management S.à r.l., Luxembourg, has obtained an AIFM license for the asset class Real Estate, granted by the Commission de Surveillance du Secteur de Financier (CSSF). Corestate Capital AG, Switzerland, possesses a Fund Distribution Licence (*Vertriebsträgerlizenz*), granted by the Eidgenössische Finanzmarktaufsicht (FINMA).

Newly acquired Hannover Leasing Investment GmbH, Germany, is also an AIFM licensed by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) for the asset classes Aviation, Renewables, Infrastructure and Real Estate, thus limited to German funds. Hannover Leasing GmbH & Co. KG has a financial institution license according to Section 32 German Banking Act (*Kreditwesengesetz*), granted by BaFin as well.

Newly acquired Hannover Leasing Automotive GmbH, Germany, is a financial institution authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) to provide financial leasing (*Finanzierungsleasing*) according to Section 32 German Banking Act (*Kreditwesengesetz*). Hannover Leasing Automotive GmbH is currently in the process of orderly liquidation, which is anticipated to be completed in 2019.

Properties

All of the offices used by the Group are leased from third parties, with the exception of the HL Headquarters in Pullach/Germany, which comprises office space of approximately 8,500 sqm.

In respect of the properties held for Warehousing purposes, we currently hold one asset located in Rostock, consisting of 40,205 sqm of retail space and one asset located in Kronberg which consists of 9,480 sqm. The site in Kronberg is built up with a three-story office building comprising approximately 13,000 sqm lettable space. In addition, we currently hold a major stake in one asset located in Düsseldorf (Stadttor) which consists of 28,700 sqm of office space. Furthermore, through the HL Group Acquisition, we acquired significant stakes of two assets located in Utrecht/Netherlands (comprising lettable office space of approximately 18,000 sqm) and Muenster (comprising lettable office and medical practice space of 5,980 sqm), which we aim to either convert into investment products or sell in the short term.

Intellectual Property

We own 22 trademarks as of 31 December 2017, most of which contain the designation "CORESTATE." In addition to that HL Group owns 5 trademarks and HFS 1 trademark. Following the Acquisitions, the Group's domain portfolio consists of more than 200 internet domain names. They are used for our corporate website as well as for our subsidiaries and brands, thus safeguarding the value of our brands.

The Group is party to several information technology agreements, such as software license and maintenance agreements.

The business of the Group does not depend on any patents.

Employees

As experience and expertise are fundamental to the real estate business, our success depends on its ability to attract, train, retain and motivate qualified personnel.

As of 31 December 2017, we employed employees representing 566 full time equivalents (FTEs) across 6 countries.

The tables below set out the number of employees by function, geography and also show the development of employee by function as of the dates indicated:

Employees	**31 December**		
	2015	**2016**	**2017**
Asset Management	18	12	48
Investment Management – Acquisition/Sales	11	14	41
Investment Management – Capital Raising	8	6	25
Corporate Functions	24	28	145
Property Management	188	251	307
Total	**249**	**308**	**566**

Employees by country	**31 December**
	2017
Germany	527
Luxembourg	18
Switzerland	15]
UK	0
Spain	1
Austria	5
Total	**566**

Through the HL Acquisition we gained 118 full time equivalents ("**FTE**"), through the HFS Acquisition we gained 31 FTEs and through the ATOS Group Acquisition we gained 59 FTEs as of closing of the respective transaction.

We place great emphasis on the competency of our employees. We value our employees and recognise that the level of knowledge, skills and experience of our staff is a crucial contributing factor to our continued success.

We require all new employees to undergo an induction program to familiarise them with our corporate values and culture, operations and policies. We have regular in-house meetings to facilitate efficient communications and cross-fertilise ideas, and also send our employees for external courses, depending on the requirements of their jobs.

We do not employ a significant number of temporary employees. We have not experienced any strikes or disruptions due to labor disputes, and we consider our relationships with our employees to be good.

Insurance

We have obtained customary building insurance that insures against fire, water main breaks, storm and hail and certain other losses or damages, including loss of rent for a period of 36 months. In addition, we have third-party liability insurance, which provides insurance coverage for personal injury and damage to property. For selected assets we have also obtained insurance coverage against losses or damages from acts of terrorism, including loss of rent for a period of 36 months resulting therefrom. Those insurance policies contain market-standard exclusions and deductibles.

Our management regularly reviews the adequacy of the insurance coverage. We believe that the insurance coverage is in line with market standards in the real estate industry. However, there is no guarantee that the Group will not suffer any losses for which no insurance coverage is available, or that exceed the amount of insurance coverage under existing insurance policies.

Legal Disputes

General

The Group is not and, during the twelve month period preceding the date of this Prospectus, has not been, party to any governmental, legal or arbitration proceeding (including any proceedings pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability.

However, we are party to claims, investigations and other legal proceedings that arise in the ordinary course of our business (including litigation with current or former employees). The Group is involved in numerous contractual relationships with brokers, valuation companies, technical surveyors, tenants, with contractors and subcontractors and other parties. These relationships expose it to a variety of claims. These claims may for instance include claims for broker fees, claims for proper maintenance of premises that have been leased by the Group or for timely delivery of parts or equipment, construction claims or warranty claims.

Pledge and attachment of escrow monies of Investment Structure company; lawsuit against Investment Structure company for release of escrow monies

Corestate Capital Transactions AG ("**CCTAG**"), a subsidiary of Corestate, advised in the ordinary course of business other Corestate subsidiaries with respect to a contemplated sale of an acquisition structure, including a signed sale and purchase agreement and related debt financing to two purchasing entities affiliated to S&K Group (Frankfurt/Main, Germany), MAINTWAIN GmbH, seated in Frankfurt/Main (now: Tristan Projekt GmbH, seated in Aschaffenburg) and AT Real Estate Verwaltungs GmbH, seated in Regensburg, ("**T6 Transaction**"). The sale related to a commercial property portfolio comprising six office buildings let to Deutsche Telekom AG ("**T6 Portfolio**"). Prior to the closing of such T6 Transaction and based on related media reports, we learned that S&K Group's responsible persons, in particular its founders Mr. Schäfer and Mr. Köller, were subject to investigations (*Ermittlungsverfahren*) by the Prosecutor's Office (*Staatsanwaltschaft Frankfurt/Main*).

After such news became public, CCTAG and other Corestate companies that transacted in the ordinary course of business with the S&K Group immediately decided to stop the T6 Transaction and not to request the release of a first portion of the actually due purchase price. Subsequently, the relevant Corestate entity, T6 Holding GmbH & Co KG, withdrew from the sale and purchase agreement and proactively cooperated with the Prosecutor's Office in order to enforce its rights resulting from the aforementioned withdrawal, in particular for damage compensation of EUR 5 million, secured by monies held in escrow by the notary public that recorded the T6 transaction. The Prosecutor's Office *inter alia* procured the pledge and attachment of monies paid into escrow accounts in the context of the T6 Transaction.

On 29 March 2017, the two S&K Group founders Mr. Schäfer and Mr. Köller were sentenced (*verurteilt*) by the district court (*Landgericht*) of Frankfurt am Main for *inter alia* abetting a third party to commit a breach of trust *(Untreue)* under §§ 266, 26 StGB (*German Criminal Code*) against three private investor fund vehicles ("**SHB Fonds**") belonging to S&K Group. The court found Mr. Schäfer and Mr. Köller guilty because, after purchasing the T6 Portfolio from Corestate subsidiaries through their acquisition vehicles Tristan Projekt GmbH and AT Real Estate Verwaltungs GmbH, however, without completing such acquisition of the T6 portfolio, they resold part of the T6 Portfolio to the SHB Fonds by contracts dated 14 February 2013. The court found those contracts to be invalid sham contracts and thus decided that (i) EUR 11 million paid by the SHB Fonds to accounts held in escrow by the notary public for the T6 Transaction and (ii) EUR 1,042,400 paid by the SHB Fonds to Tristan Projekt GmbH were both paid on the basis of invalid contracts. The sentence against Mr. Schäfer is final and binding and Mr. Köller appealed against the sentence.

The written accusation *(Anklageschrift)* states the names of *inter alia* "T6 HoldCo S.à r.l.", "Corestate AG", "Corestate Capital Transactions AG", "Corestate Capital Advisors GmbH" as well as other Corestate related companies. It names Thomas Landschreiber, the Issuer's Chief Investment Officer (CIO), who is responsible for deal sourcing, acquisition structuring, transaction execution and asset disposals and who happened to be the person negotiating the T6 Transaction, as "separately persecutee" (*gesondert Verfolgter*) which means that Thomas Landschreiber was subject to a Prosecutor's Office's separated public accusation (see below). Moreover, the written accusation also mentions allegedly illegal payments (in our opinion misleadingly called "*Schmiergeldzahlung*") of EUR 900,000 from an S&K fund vehicle to CCTAG as recipient in the context of a cost cover agreement between CCTAG and such vehicle in order to cover due diligence costs in relation to the contemplated T6 Transaction. Such cost cover agreement was to cover primarily the costs of CCTAG's external advisers but also services performed by Corestate Capital AG. However, responsible persons of S&K Group were not accused or even sentenced of bribery in this respect and neither was an investigation made in this respect against Thomas Landschreiber.

Through a public accusation dated 21 October 2015, the Frankfurt Prosecutor´s Office accused Mr. Thomas Landschreiber of allegedly aiding and abetting, under Section 27 StGB (– "*Beihilfe*") to Section 266 StGB (breach of trust – "*Untreue*"), the aforementioned S&K founders Mr. Schäfer and Mr. Köller to the above described purported criminal offence against Section 266 StGB. According to the criminal law legal experts instructed by Thomas Landschreiber and a Corestate subsidiary, based on an intense analysis of the public accusation and the comprehensive documentation provided, Thomas Landschreiber had no knowledge of the alleged criminal offence. The public accusation did not name one single document or other evidence supporting the allegation that Thomas Landschreiber had any knowledge of the alleged criminal offence. The court expressed serious doubts that sufficient grounds exist to justify the public accusation and stopped the proceedings by court order dated 15 September 2017 under the proviso that a certain amount shall be paid. Mr Landschreiber paid the amount requested by the court. By ruling of the district court (*Landgericht*) of Frankfurt am Main of 6 March 2018 the public accusation was finally terminated (*endgültig eingestellt*) according to Section 153a German Code of Criminal Procedure (*Strafprozessordnung – StPO*) and Mr. Landschreiber remains not guilty (*unschuldig*) and has no criminal record (*nicht vorbestraft*).

The three SHB Fonds which eventually partly bought the T6 Portfolio (even though this follow-on sale never closed) from Mr. Schäfer and Mr. Köller brought a law suit before the Frankfurt district court against, among others, T6 HoldCo S.à r.l, Corestate Capital Advisors GmbH and Corestate Co-Investment Verwaltungs GmbH (the "**Defendants**"). These entities acted as the sellers within the context of the T6 Transaction whereas the aforementioned acquisition vehicles of Mr. Schäfer and Mr. Köller acted as purchasers. The background of this claim is that the SHB Fonds paid EUR 11 million to the escrow accounts held by the notary public for the T6 Transaction. The payment claims related to both transactions, *i.e.* the sale by T6 HoldCo S.à r.l to the acquisition vehicles of Mr. Schäfer and Mr. Köller and their resale to the SHB Fonds, were both to be fulfilled through such one-time payment. In their statement of claim, the SHB Fonds demand that the Defendants shall instruct the notary public to release EUR 11 million from the escrow accounts to the SHB Fonds. The SHB Fonds attempt to support their claim with the arguments included in the sentences against Mr. Schäfer and Mr. Köller and the public accusation against Thomas Landschreiber, purporting that Mr. Landschreiber aided and abetted Mr. Schäfer and Mr. Köller with their criminal offence in violation of Section 266 StGB. The SHB Fonds allege to have a damage claim against the Defendants to release the EUR 11 million from escrow back to the SHB Fonds based on such alleged criminal offence.

The Defendants responded to the claim explaining, *inter alia*, that the SHB Fonds have no claim against the Defendants for release of the escrow monies because Thomas Landschreiber had no knowledge of the criminal offences of Mr. Schäfer and Mr. Köller against Section 266 StGB and thus did not aid nor abet Mr. Schäfer and Mr. Köller in their alleged criminal offences. The first hearing before the court took place on 26 June 2017. The court said that it will likely hear the witnesses called by both parties as to the question whether Thomas Landschreiber knew about the criminal offences of Mr. Schäfer and Mr. Köller against Section 266 StGB. As the primary witness of both parties is Thomas Landschreiber, we believe that there is a good chance that the Defendants will win this law-suit. Should the Defendants lose the lawsuit, Corestate, through its 17.84% shareholding in T6 HoldCo S.à r.l., and its Co-investors would not benefit from the initially planned T6 Transaction because the SHB Fonds could claim part of or all existing funds held in escrow by the notary public. In addition to their own lawyer fees, Corestate and its Co-Investors would be liable to bear the court fees and reimburse the SHB Fonds lawyer fees on the basis of the German lawyers´ compensation act (*Rechtsanwaltsvergütungsgesetz*) if the Defendants do not prevail in the lawsuit.

Litigation related to Sailing Investment Structure

This litigation relates to an Investment Structure with respect to Project Sailing (please refer to Glossary) and not directly to Corestate. Corestate is only concerned in its role as a co-investor to the Sailing Investment Structure which had been exited in the meantime. In relation to Project Sailing, the notary in charge intended to release an escrow amount of around EUR 250,000 to entities administered by Corestate that purchased the relevant shares and assets comprising the Sailing Investment Structure's portfolio under various sale and purchase agreements (the "**Sailing SPAs**"). This was opposed by the sellers and the notary initiated an administrative appeal proceeding (*Notarbeschwerdeverfahren*) before the regional court of Frankfurt/Main. Even though the court explained that, in principle, the prerequisites for a release of the escrow amount were fulfilled, it had to decline the request because one of the sellers claimed rescission from one of the Sailing SPAs during the administrative appeal proceedings. Such recession claim formally constituted a legal question that the regional court did not feel competent to determine. Therefore, the escrow amount has not yet been released. We prepared a statement of claims against the opposing seller which will be filed shortly. We believe that the rescission was null and void as the respective Sailing SPA does not provide for a rescission right and that the Sailing investors including Corestate will prevail in the lawsuit. However, we cannot predict the outcome any lawsuit or future decision of any court.

Litigation related to Martin Haindl

Corestate Capital Advisors GmbH issued several dismissals (*Kündigungen*) against Martin Haindl, a (former) employee of Corestate Capital Advisors GmbH. Martin Haindl filed unfair dismissal claims and further claims in particular relating to outstanding alleged bonuses for the calendar years 2015 and 2016 and reimbursement of expenses before the labor court Frankfurt/Main. The labor court Frankfurt/Main decided in first instance that the dismissals are invalid. As regards the reimbursement of expenses, the labor court Frankfurt/Main ruled that only approx. EUR 35,000 of the EUR 100,000 claimed by Martin Haindl have to be paid by Corestate Capital Advisors GmbH. Corestate Capital Advisors GmbH and Martin Haindl have appealed these decisions. While the regional labor court (*Landesarbeitsgericht*) of the state Hesse confirmed that the first two dismissals were invalid, the appeal proceedings relating to the other dismissals and the reimbursement of expenses are still pending. Appeal arguments (*Berufungsbegründung*) have been filed by Corestate Capital Advisors GmbH on 2 October 2017. The court hearing before the regional labor court of the state Hesse is scheduled for 5 March 2018. The outcome of the appeal lawsuit is difficult to predict. There are arguments that some of the dismissals were valid as Martin Haindl committed several breaches of his duties, in particular he claimed expenses for which he had already received a credit note, however, labor appeal courts tend to not overrule first instance courts and furthermore German labor courts have taken a more reluctant view recently as regards expense claim dismissals. The court hearing before the labor court Frankfurt/Main regarding the outstanding bonuses is scheduled for 26 February 2018.

If there is a binding decision (*rechtskräftige Entscheidung*) that all dismissals are invalid, Corestate Capital Advisors GmbH has to reinstate Martin Haindl and pay the remuneration as if Martin Haindl had never been dismissed. Such outstanding remuneration (which would be due until the court hearing in March 2018) would amount in a worst case scenario to approximately EUR 786,000 gross. This amount consists of a total fixed salary (from 16 September 2016) of approx. EUR 234,000 gross and bonuses of approx. EUR 552,000 gross. As the bonuses depend on discretion and individual performance criteria, the concrete bonus amount Martin Haindl may be entitled to can only be roughly estimated.

Media funds legal disputes

Before the civil courts, there are numerous pending proceedings by investors in Hannover Leasing media funds against *inter alia* Hannover Leasing GmbH & Co. KG and Hannover-Leasing Treuhand-Vermögensverwaltung GmbH, in relation to the tax assessment of these funds. The total amount in dispute (*Streitwert*) is in the mid double-digit million euro range. Many of these lawsuits were able to be settled successfully. A settlement of all civil lawsuits is not to be expected before a final decision of the tax authorities or the fiscal courts over the tax issues regarding these funds.

Potential prospectus liability Wachtumswerte Europa 3

HL issued the so called "Wachstumswerte Europa 3" closed property fund related to the office complex "An der Drosbach" (Luxembourg). A large number of lawsuits for allegedly faulty statements in the prospectus have been filed against Hannover Leasing GmbH & Co. KG and Hannover-Leasing Treuhand-Vermögensverwaltung GmbH. In total, there are several hundred lawsuits based on alleged prospectus liability claims, some of which are pending before the courts, some of which are still to be expected after conciliatory hearings or third party notice. In part, the HL companies claim a statute of limitations which might be decided in last instance by the German Supreme Court (*Bundesgerichtshof*). Furthermore, procedural applications were submitted for model proceedings under the Capital Market Investors' Model Proceedings Act (*Gesetz über Musterverfahren in kapitalmarktrechtlichen Streitigkeiten* – "***KapMuG***"). The order for reference to the Munich Higher Regional Court (*Oberlandesgericht München*) was published at the end of November 2017. The result is that all on-going legal disputes, for which the findings could be relevant for the outcome of the respective disputes, are suspended until a final decision in the KapMuG proceedings has been passed. On the basis of the amount in dispute (*Streitwert*) as well as the estimated costs, HL has set aside a provision in the low double-digit million range.

Potential prospectus liability "Exupéry 10"

HL KG initiated a closed-end real estate fund ("Substanzwerte Deutschland 7") whose current fund vehicle name is PERCEVAL Verwaltungsgesellschaft mbH & Co. Beteiligungs KG (Pullach i. Isartal, Germany) and which holds 94.9% in a property company (PERCEVAL Objekt Gateway Gardens GmbH & Co. Vermietungs KG (Pullach i. Isartal, Germany)). Such property company owns an office building in Frankfurt/Main called "Exupéry 10." This, initially single-tenant, building was rented out to Imtech Deutschland GmbH & Co. KG. Due to the insolvency of such only tenant, the rental income was and is no longer sufficient to cover the on-going debt service on the level of the property company. The property company was therefore threatened with insolvency in the end of 2016. However, a restructuring agreement for a period of 36 months could be concluded with the financing bank and helped to avoid the threat of insolvency. One of the restructuring measures was the conversion of the property into a multi-tenant property and the re-letting is expected to require up to three years, until 30 June 2019. One condition for the continuance of the restructuring agreement is the achievement of intermediate objectives in particular related to the letting, which must be presented to the bank every six months. If the intermediate objectives are not reached, the financing bank has the right to terminate the restructuring agreement and/or the underlying loan agreement. Since one intermediate objective could not be met as of 30 June 2017, the property company has negotiationed with the financing bank an agreement with more favorable conditions in order to make sure that again all relevant intermediate objectives can be met in the future. However, as long as there is a potential risk that intermediate objectives under the restructuring agreement may not be met there is a general risk of a potential insolvency of the property company which subsequently may trigger, *inter alia*, the risk for potential prospectus liability which, based on the fact that most of the paid in equity has not been repatriated to the retail investors, may be in the low double-digit million range.

Moreover, the 5.1% minority partner in the fund vehicle has the right to defer its cash contribution obligations vis-à-vis the property company. The minority partner is entitled to sell its stake in the property company in the time period from 30 April 2018 until 31 October 2018 to a subsidiary of HL KG resulting in such subsidiary's obligation to pay in the not yet contributed equity in the low single-digit million range to the property company. HL KG issued a comfort letter (*Patronatserklärung*) securing such obligation and could thus be liable for the aforementioned amount in the low single-digit million range, *e.g.* in the potential case of an insolvency of the property company.

Breakdown of trade tax PRUNA

PRUNA Betreiber GmbH ("**PRUNA**"), with business seat in Grünwald, operates the coking plant Duisburg-Schwelgern, which was constructed by CARBONARIA Beteiligungs GmbH & Co. Kokerei Schwelgern KG for ThyssenKrupp Steel AG, on the basis of a long-term equipment leasing agreement and a real estate leasing agreement. PRUNA is held indirectly by HL. In mid-2005, PRUNA's business seat was transferred from Duisburg to Grünwald. For lack of adequate breakdown criteria, a trade tax was imposed at 50% in Duisburg and Grünwald, respectively, until 2008; it has been imposed at 100% in Grünwald since 2009. In the course of a tax audit for the years 2007 to 2011, the tax authorities established a repartition of the trade tax at 70% for Duisburg and 30% for Grünwald starting from 2007. Based on this decision, new tax notices have been issued for the periods 2007-2008 and 2009-2011. If this trade tax repartition were to be implemented, PRUNA would face tax arrear payments in a mid single-digit million range until the planned end of the commitment in 2019. 50% of this risk would affect HL as indirect shareholder. PRUNA is currently engaged in out-of-court opposition proceedings.

Potential prospectus liability "Wachstumswerte USA I"

The closed-end real estate fund "HL-Immobilienfonds Hannover Leasing Developments, L.P.", which invested indirectly in a project development of a shopping centre ("**The Paddocks**") in Mount Juliet (USA), was prematurely dissolved in the end of 2016 and liquidated because the project could not be developed according to the forecast. A single investor raised a claim based on alleged prospectus liability against HL KG, which initiated the fund, claiming an amount in the low five digit euro range. Beginning of July 2017 the competent court decided against HL KG in first instance. HL KG filed an appeal against such decision. In December 2017 three more investors raised claims in an aggregate low six digit euro amount.

RECENT DEVELOPMENTS AND OUTLOOK

Recent Developments

On 21 December 2017, we announced our acquisition of an office complex in Amsterdam, the Netherlands, known as "The Cloud" on behalf of an open-end real estate fund (managed by Amund Real Estate) and the Finnish pension fund Ilmarinen. The purchase price is in the low three-digit million EUR range. The five-story building with a total floor space of close to 23,700 sqm was recently remodelled and updated to the latest standard. The property is fully let including anchor tenants Uber and Amazon.

On 27 December 2017, Flygon Holding LLC transferred all of its shares in the Issuer to Ralph Winter and Ralph Winter now holds 28.03% of the Issuer's outstanding shares.

On 9 January 2018, we announced the completion of the HFS Acquisition. In connection with the completion of the HFS Acquisition, on 29 December 2017, we repaid the outstanding loan amounting to EUR 150.0 million under the loan agreement entered into on 1 July 2017 between Corestate Capital Senior Bondco S.à r.l. as borrower with Thalos Investment Platform S.A. Munsbach (Luxembourg) (acting on behalf of its Compartment Thalos IX) as lender and security agent for the purpose of partially financing the purchase price of the HFS Acquisition.

On 11 January 2018, we announced the acquisition of five project developments from CG Group AG, comprising a total of over 1,700 newly built micro-apartments in Germany with an expected combined asset value of EUR 670.0 million after completion. The five properties were acquired by way of a forward deal for the real estate umbrella fund set up for the Bayerische Versorgungskammer on the Luxembourg based AIF platform of Universal-Investment and are located in Dresden, Dusseldorf, Frankfurt/Offenbach, Cologne and Leipzig.

On 20 February 2018, we announced our intention to distribute a dividend per share of EUR 2.00 for the financial year ended 31 December 2017.

End of February 2018 the existing shareholders Ralph Winter and Marcellino Graf von und zu Hoensbroech have placed around 4 million shares in the market via an accelerated bookbuilding offering. The founder of Corestate Ralph Winter remains the largest shareholder with a shareholding of 17.81%.

Recently we have initiated a new Highstreet VIII transaction involving several co-investors. In addition to an alignment capital investment of approximately EUR 5.5 million, so far CCAG has assumed interest in the relevant investment structure amounting up to approximately EUR 45.9 million which is intended to be placed to additional co-investors on a short term basis.

As of 19 March 2018 CCHSA has been included into the German SDAX index.

Outlook

From time to time we consider opportunities to acquire or invest in other businesses that match our strategy, including other real estate investment managers (both real estate and alternatives), Real Estate Operations and Warehousing as well as debt financing businesses or cooperations, also aiming at increasing our capital sourcing capabilities and deal pipeline. We are currently in early stage discussions regarding the potential acquisition of an alternative investment manager with more than EUR 10.0 billion in assets under management for cash and shares. We currently cannot predict if and when any such transaction may materialise.

Furthermore, as a part of our ordinary course of business, we are currently involved in a variety of non-binding negotiations regarding the potential sale or acquisition of real estate portfolios for our Micro Living and Warehousing activities as well as for existing and future Investment Structures. However, it is difficult to predict to what extent these negotiations are successful and result in the conclusion of a contractual documentation for such transactions.

For 2018 we expect organic net growth of our assets under management of approximately 5%.

Besides providing investment product offerings for its existing client base, the Group intends to intensify its efforts to access institutional investors such as German insurance companies and pension schemes to further increase its business for long-term institutional fund products.

While the Company expects further strong capital inflows to the European real estate market on the back of continued "quantitative easing", as well as further capital inflows to its investment product offerings based on its successful track record of past investments and attractive in-place product offering, further compression in yields as well as an overall lack of supply of appropriate investment opportunities may impose certain restrictions for the Group's development in 2018.

It is currently planned that the Issuer as lender will shortly enter into a loan agreement granting a junior loan of up to EUR 30 million to LUX Structure Services S.à r.l. as borrower bearing interest at a rate of 10% p.a. The purpose of such loan is the financing of the acquisition of direct or indirect interests in certain media funds set up and administered by Hannover Leasing GmbH & Co. KG from retail investors ("***Retail Investors***") as sellers through the borrower's subsidiary Moviestar Zweitmarkt-Management GmbH ("***Moviestar GmbH***" and the "***Moviestar Transaction***"). Therefore, LUX Structure Services S.à r.l. will subsequently forward the junior loan amount to Moviestar GmbH's free reserves (*freie Rücklagen*). As part of the acquisition certain debt will also be assumed from the sellers. The respective media funds are (i) "Shallow Hal" Filmproduktion GmbH & Co. KG (HL 130), (ii) "First Twenty Million" Filmproduktion GmbH & Co. KG (HL 131), (iii) "Dia" Productions GmbH & Co. KG (HL 126), (iv) Kinofilmproduktion „Unfaithful" GmbH & Co. KG (HL 129), (v) Magical Productions GmbH & Co. KG (HL 142), and (vi) „Sam" Productions GmbH & Co. KG (HL 128) (each a "***Film Fund***" and together the "***Film Funds***").

Depending on the quota of sale and purchase agreements concluded between Moviestar GmbH and the Retail Investors LUX Structure Services S.à r.l. will decide to which extent it will make use of the loan provided by the Issuer. In addition Commerzbank AG granted a senior loan of up to EUR 118.4 million to Moviestar. The funds ultimately provided to Moviestar GmbH ensure that Moviestar GmbH is able to acquire certain interests in the Film Funds, assume all associated debt from the Retail Investors and compensate working capital needs as well as all Moviestar Transaction related costs and expenses.

Corestate may either continue to act as a lender under the respective loan agreement or convert its receivables under the respective loan agreement ten business days after the draw down under the junior loan into a preference share in Moviestar GmbH thus becoming a preferred shareholder in Moviestar GmbH.

In addition it is planned that Hannover Leasing GmbH & Co KG as manager and Moviestar GmbH as principal will enter into agreements according to which the manager shall provide certain transaction and management services in relation to the acquisition of the interests in the Film Funds and associated debt and the subsequent onboarding and administering of such interests in those Film Funds and associated debt.

As compensation for such services the manager shall receive (i) an administrative fee, i.e. a lump sum of EUR 300 for each Retail Investor having tendered its direct or indirect interests in a Film Fund to Moviestar GmbH, (ii) a fixed transaction fee of 2% (net of VAT, if any) of all cash consideration paid to the Retail Investors for the relevant interests in the Film Funds as well as the relevant debt assumed from the Retail Investors. Moreover, Hannover Leasing GmbH & Co KG is entitled to (iii) a management fee of 0.6% p.a. (net of VAT, if any) of the sum of debt assumed from the Retail Investors and projected distributions of the relevant Film Funds after completion of the Moviestar Transaction.

The higher the quota of sale and purchase agreements concluded between Moviestar GmbH and the Retail Investors the higher the fee volume to be generated by Hannover Leasing GmbH & Co KG which consequently could receive a significant consideration under the aforementioned agreements entered into between Hannover Leasing GmbH & Co. KG and Moviestar GmbH.

In case Moviestar GmbH accepts the Retail Investors' offer to sell and transfer their direct or indirect, respectively, interests in the Film Funds, Moviestar GmbH would assume their respective position as direct or indirect, respectively, limited partner in the respective Film Funds as well as their position as debtor. Moreover, the contracting Retail Investors declare to withdraw all existing claims vis-à-vis Hannover Leasing and its affiliates, the respective fund vehicles, financing banks and distribution companies.

The documentation provided to the Retail Investors including, *inter alia*, the acquisition offer also explained the derivation (*Herleitung*) of the offered purchase price which also discloses that there is a certain spread between the after tax profit received by the respective Retail Investor when accepting Moviestar GmbH's purchase price for the direct or indirect interest in the respective Film Fund on the one hand and the after tax profit for the direct or indirect interest upon final settlement of the respective Film Fund after expiration of the full holding period on the other hand.

Subject to fees payable to Hannover Leasing GmbH & Co. KG as well as certain transaction, administrative and financing costs Moviestar GmbH may benefit from such spread which could comprise a significant amount depending on the ultimate quota of sale and purchase agreements concluded between Moviestar GmbH and the Retail Investors as well as certain other factors. Depending on such quota and other factors Corestate as lender under the aforementioned loan agreement may therefore decide to exercise its option to acquire the aforementioned preference share in Moviestar GmbH becoming the preferred shareholder with respect to the annual profits (decreased by EUR 50,000 p.a. for the ordinary shareholder) and in case of distributions of reserves or liquidation of Moviestar GmbH (decreased by a portion of EUR 500,000 for the ordinary shareholder).

MATERIAL CONTRACTS

HL Group Acquisition agreement

In December 2016, to affect the HL Group Acquisition, ISAR Beteiligungsverwaltungs GmbH as buyer, the Issuer as guarantor, and Helaba and Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft mbH as sellers entered into a notarised share purchase agreement, as amended on in April 2017 and July 2017 (the "**HL SPA**") in order to transfer a stake in Hannover Leasing GmbH & Co. KG. Pursuant to the HL SPA and a separate share purchase agreement entered into in December 2016 with a minority shareholder of Hannover Leasing GmbH & Co. KG, ISAR Beteiligungsverwaltungs GmbH purchased a 94.9% stake in Hannover Leasing GmbH & Co. KG and a 100% stake in Hannover Leasing Verwaltungsgesellschaft mbH.

The final purchase price for the 94.9% stake amounted to EUR 31.6 million.

The HL Group Acquisition was subject to the conclusion of the mandatory ownership control procedure (*Inhaberkontrollverfahren*) regarding the change of ownership in HL Group pursuant to section 2c of the German Banking Act (*Kreditwesengesetz*) and receipt of BaFin's approval of the change of ownership, which was obtained on 13 June 2017. The majority HL Group Acquisition was completed on 7 July 2017 and the minority shareholding acquisition completed on 12 July 2017.

Pursuant to the HL SPA, Helaba was granted a put option, exercisable five years from completion of the HL SPA, whereby Helaba can require ISAR Beteiligungsverwaltungs GmbH to purchase Helaba's remaining 5.1% stake in HL Group for a purchase price of approximately EUR 1.3 million.

In addition, pursuant to the HL SPA, certain assets and economic risks (*e.g.* related to ship investments, life insurance funds and an aviation fund) were carved-out and retained by Helaba. In addition, certain identified risk of the HL Group (*e.g.* risks related to media funds) were addressed by way of an adjustment of the purchase price, and Helaba agreed to indemnify ISAR Beteiligungsverwaltungs GmbH or the HL Group (as appropriate) for certain other liabilities/losses, including legal fees, relating to such economic risks.

In connection with the completion of the HL SPA, a portion of the operating loans (*Betriebsmittelkreditlinien*) granted by Helaba to HL KG have been repaid, so that the aggregate amount of outstanding operating loans was reduced to EUR 27.5 million upon completion.

Further, the parties to the HL SPA agreed that in the event of a sale of the real estate "Stadttor Düsseldorf" (either via an asset or share deal) to a third party outside the HL Group, Helaba will be entitled to a variable profit sharing payment ranging between EUR 1.5 million to EUR 3.0 million Depending on the execution date of the sale and purchase agreement for such sale.

Pursuant to the HL SPA, ISAR Beteiligungsverwaltungs GmbH agreed *inter alia* not to sell its stake in the HL Group or the business of HL Group to a third party before the expiration of a two year period after the completion of the HL SPA, without the prior approval of Helaba and Hessisch-Thüringische Sparkassen-Beteiligungsgesellschaft mbH.

HFS Acquisition agreements

In July 2017, to affect the HFS Acquisition, the Issuer entered into a share exchange and purchase agreement with Norbert Ketterer, the majority shareholder of HFS, and into share exchange agreements with the HFS shareholders, Christoph Meyer, Marcellino Graf von und zu Hoensbroech and Sandra Ketterer for the purpose of acquiring 100% of the shares in HFS. The HFS Acquisition was completed on 5 July 2017. The purchase price consisted of a cash component of EUR 239.0 million and the HFS Authorised Capital Issuance as well as by debt capital and own funds.

The share exchange and purchase agreement with Norbert Ketterer provided that the cash purchase price for the shares in HFS held by Norbert Ketterer shall be paid in several instalments.

Under the terms of the share exchange and purchase agreement with Norbert Ketterer, the Issuer is prohibited, during a period of five years as from the completion of the share exchange and purchase agreement, *inter alia* from taking certain measures, that are qualified by the competent tax authorities as detrimental to Norbert Ketterer, such as withdrawing harmful dividends (*Substanzdividende*) from HFS or merging CCHSA with HFS. Furthermore, the Issuer agreed, *inter alia*, for as long as Norbert Ketterer holds at least 9.0% of the Issuer's shares, to exercise its voting rights as a shareholder of HFS in order to appoint Norbert Ketterer and a second person of his choice as members of the board (*Verwaltungsrat*) of HFS.

Further, Norbert Ketterer is *inter alia* prohibited, for a period of three years after the completion of the share exchange and purchase agreement, from activities relating to the advice, management or structuring and implementation of real estate funds or other collective investment schemes in the real estate sector in Germany, Luxembourg, Austria and Switzerland or soliciting employees or customers (including investors) of HFS. Exceptions to this non-compete clause include, *e.g.* shareholdings of not more than 15.0% (stock) in listed companies and certain activities in the real estate sector with not more than ten shareholders or investors. If Norbert Ketterer violates the non-compete and/or non-solicitation clause, he is obliged to pay a contractual penalty to CCHSA.

Additionally, in the event Norbert Ketterer transfers any of his shares in the Issuer prior to 31 December 2018, to current or former employees of HFS or Genost Consulting GmbH or their related parties, Norbert Ketterer agreed to restrict such shares by including a market standard lock-up provision in the relevant contractual documentation. However, this transfer restriction does not apply to the new shares issued by way of the HFS Authorised Capital Issuance and received in exchange under the share exchange and purchase agreement.

Under the share exchange agreements with Christoph Meyer, Marcellino Graf von und zu Hoensbroech and Sandra Ketterer, it was agreed that the aforementioned individuals would exchange their respective shares in HFS for shares in CCHSA issued by way of the HFS Authorised Capital Issuance and thus become (minority) shareholders of CCHSA. Under the terms of the share exchange agreements with the aforementioned individuals, the Issuer is prohibited, during a period of five years as from the completion of the share exchange agreements, *inter alia* from taking certain measures, that are qualified by the competent tax authorities as detrimental to Christoph Meyer, Marcellino Graf von und zu Hoensbroech and Sandra Ketterer, respectively, such as withdrawing harmful dividends (*Substanzdividende*) from HFS or merging CCHSA with HFS.

In the context of the HFS Acquisition, we (indirectly) acquired 51.01% of the equity interests in ACRON AG, Zürich/Switzerland which, at the completion of the HFS Acquisition, were held by HFS. In September 2017, we exercised a put option pursuant to which a former owner of HFS is required to purchase the 51.01% equity interests in ACRON AG at a purchase price which is equal to a receivable of said former owner of HFS against the Issuer. On 19 January 2018, the Put Option was closed (*vollzogen*) and the aforementioned 51.01% equity interests in Acron were purchased by the said former owner of HFS.

ATOS Group Acquisition Agreement

On 28 September 2017, Corestate Capital Holding S.A. as purchaser and Stocker Beteiligungs und Management GmbH and Merkur Real Estate GmbH each as sellers (each a "**ATOS Seller**", together the "**ATOS Sellers**") as well as Mr. Udo Stocker and Mr. Michael Hermes each as guarantor entered into a notarised share purchase and transfer agreement (the "**ATOS SPA**") regarding the sale and transfer of all shares held by Stocker Beteiligungs und Management GmbH and Merkur Real Estate GmbH in Atos Capital GmbH (together with its subsidiaries, the "**ATOS Group**"). The transaction was closed on 6 October 2017. The purchase price (equity value) for all shares in ATOS Group amounts to EUR 24,016,710.00. 50% of the purchase price was payable in cash in two tranches (one amounting to approximately EUR 6.5 million (including EUR 1.0 million escrow amount securing certain potential claims of the purchaser) on the closing date and the remaining tranche amounting to approximately EUR 5.5 million on 15 December 2017) as consideration for the sale and transfer of 50% of the shares in ATOS Group. The remaining 50% of the purchase price has been granted in form of new shares of Corestate Capital Holding S.A. issued by way of a capital increase in kind as consideration for the contribution of the remaining 50% of shares of the ATOS Sellers in ATOS Group.

The capital increase was implemented by using the authorised capital of Corestate Capital Holding S.A. Through the capital increase, the share capital of Corestate Capital Holding S.A. was increased from its current amount of EUR 1,574,456.70 by an amount of EUR 18,190.80 to the (new) amount of EUR 1,597,059.50 through the issuance of in total 242,544 dematerialised shares. Each of the ATOS Sellers was granted 121,272 (new) shares. The ATOS Sellers have entered into lock-up agreements with Corestate Capital Holding S.A. (please see below).

The ATOS SPA contains a withdrawal right for the ATOS Sellers in case of non-payment of cash component tranche 2. The ATOS SPA contains customary representations and warranties, *inter alia* for a brokerage litigation and regarding a put option of a minority shareholding held in an Austrian subsidiary of ATOS Group which was triggered by the transaction.

As additional part of the transaction, the ATOS Sellers and Cast Deutschland Beteiligungen GmbH, in which each of the ATOS Sellers holds 50% of the share capital, as sellers and Corestate Capital Holding S.A. as purchaser entered into an agreement regarding the sale and transfer of certain equity profit rights (*Gewinnbezugsrechte*) held by the aforementioned sellers in various companies for a consideration of in total EUR 1.0 million.

Upon closing of the ATOS Group Acquisition, Mr. Stocker and Mr. Hermes have assumed overall responsibility for Corestate group's asset management activities, and entered into corresponding (management) service agreements effective from 1 October 2017 with Corestate Capital Advisors GmbH with an indefinite term, whereas in case of Mr. Stocker, the latter will render its services based on a service agreement (*Geschäftsbesorgungsvertrag*) between Corestate Capital Advisors GmbH and Stocker Beteiligungs und Management GmbH, a wholly owned subsidiary of Mr. Stocker in which Mr. Stocker holds 100% of the shares. Mr. Stocker and Mr. Hermes have been appointed as managing directors of Corestate Capital Advisors GmbH. The aforementioned agreements can be terminated by each party with a notice period of 6 months to the end of calendar month, however, for the first time on 31 December 2020.

The fixed (gross) remuneration amounts to EUR 200,000 per annum in each case. Additionally, in each case a fully discretionary bonus might be granted by Corestate Capital Advisors GmbH depending on the achievement of certain targets, *inter alia* the personal performance relating to the managed real estate assets and the quality of the asset management. The (management) service agreements contain market standard non-compete provisions; in relation to Mr Stocker, the respective service agreement contains a penalty clause in case of violation of the non-compete provision.

Furthermore, the ATOS Sellers and Corestate Capital Holding S.A. entered into a call-option and lock-up agreement upon closing pursuant to which the (new) shares in the Issuer issued to the ATOS Sellers by Corestate Capital Holding S.A. within the capital increase in kind are subject to lock-ups as follows: (i) 40,424 shares of each ATOS Seller are subject to a lock-up of 18 months from the closing date, (ii) 40,424 shares of each ATOS Seller are subject to a lock-up of 27 months from the closing date and (iii) 40,424 shares of each ATOS Seller are subject to a lock-up of 36 months from the closing date. Furthermore, the ATOS Sellers have granted Corestate Capital Holding S.A. call options regarding the newly issued shares in Corestate Capital Holding S.A. in case of certain bad leaver events in relation to the respective ATOS Seller.

Joint Venture and Co-Investment Agreements – General Description

The Issuer as co-investor have entered into 12 currently still active joint venture and co-investment agreements (each a "**JVCIA**") with other co-investors (and one shareholder agreement that contains provisions that are substantially similar those of the JVCIA's with only technical deviations due to the specific transaction structure, which is also included in the definition of JVCIA herein) regarding a variety of projects. These projects in general refer to the acquisition of commercial, residential or student housing real estate portfolios predominantly located in Germany *via* a series of asset deals and/or share deals. Other projects include the acquisition of unimproved land or assets to be refurbished and the planning, coordination, development and the construction of university housing real estate properties or the planning and coordination of the issuance of relevant permissions for already improved land, the demolition or refurbishment of the present buildings, the construction of the new commercial, residential or Micro Living buildings, and their sale and renting.

The parties have in each case agreed in the respective JVCIA on a specified amount of funding to be made available by the co-investors for the implementation of the transactions to respective special purpose vehicles set up for the respective project (each an "**SPV**"). Furthermore, they have agreed on a business plan for each individual project and portfolio. The business plan, *inter alia*, can define key parameters such as target vacancy rates, achievable rental levels, fluctuation rates, development and/or operating costs, repairs and maintenance, capital expenditure, and the overall investment strategy (including a cash flow-based income statement and a sales / exit strategy). In general, the Issuer, has originated the respective transaction, has conducted and/or organised the due diligence, has conducted the negotiations with the bank(s) and has implemented the acquisition structure. The Issuer also provides overall transaction management services and have established and will be implementing the business plan. Depending on the project, the Issuer also planned, coordinated and conducted the issuance of building permissions and organises and manages the further development and construction of the new or refurbished buildings. Following completion of the transaction, the Issuer will, *inter alia*, provide asset management or project development services in relation to the properties, if necessary in conjunction with strategic partners and subcontractors. The Issuer is also responsible for overseeing the administration of the businesses and affairs (including bookkeeping and tax return filing as well as cash management services executed by third parties). Some of the JVCIAs also provide for certain reporting, accounting and/or on-going updating obligations *vis-à-vis* the clients. In some cases, the clients agreed on possible forms for the exit process from the portfolio (asset deal or share deal). In order to coordinate such process and to ensure a successful exit, a respective sale and marketing organisation as well as its supervision will be established with the Issuer having the overall responsibility for such exit process.

In general, the JVCIAs set out all fees to be earned by the Issuer for the respective investment product (for more information about such fees see "*Business– Income Structure*").

Under each JVCIA, certain measures require the written consent of a specified number of clients ("**Threshold**"), *e.g.* any amalgamation, merger, de-merger or hive down of a specified company, provided that such measures would have a dilutive effect on the commitments of the clients, the execution of, and any amendments to, the asset management agreements, or the entering into certain agreements involving a payment or other benefit for the Issuer or their affiliated entities or any of their respective directors, officers, employees and agents. The respective Threshold may vary from 60% to 100% of the overall commitment, whereby CCAG is typically invested with a minority stake of between 5% to 10% of the overall commitment (with certain exceptions for particular transactions).

Some JVCIAs expressly provide that an envisaged disinvestment is in the sole discretion of the Issuer provided that the sales proceeds out of such disposal generate a certain internal rate of return.

All of the JVCIAs shall automatically terminate on the earlier of (i) the full exit (as defined in each JVCIA) or (ii) another specified date agreed upon by the parties to the respective JVCIA.

The JVCIAs also govern the representations given by the Issuer and the procedure for the assertion of a related potential claim and provide for provisions restricting the Issuer's liability.

Investment Agreements – General Description

The Issuer as investor and Corestate AIFM as AIFM have entered into 8 currently still active investment agreements (each "**IA**") with other investors regarding a variety of projects. These projects include the acquisition of unimproved land or assets to be refurbished and the planning, coordination, development and the construction of university housing real estate properties and/or serviced apartments or the planning and coordination of the issuance of relevant permissions for already improved land, the demolition or refurbishment of the present buildings, the construction of the new commercial, residential or Micro Living buildings, and their sale and renting. The projects are divided into two phases, the development phase and the operational phase commencing upon the (physical) move in of the first tenant.

In general, the content of the IAs is similar to the content of the JVCIAs as set forth in detail above so that the general description of the JVCIAs applies accordingly (the Issuer also replacing CCAG), however with the following specifics:

In contrast to the JVCIAs, under the respective IAs certain key responsibilities (such as origination of the transaction, conduct/organisation of due diligence, portfolio, liquidity and risk management of the SPVs, establishment and implementation of the business plan, overseeing the administration of the businesses and affairs, reporting, accounting and/or on-going updating *vis-à-vis* the clients etc.) is allotted to Corestate AIFM which has been appointed by the respective SPVs (being AIFs) on the basis of agreement(s) between the relevant AIF(s) and Corestate-AIFM to act as external alternative investment fund manager of the AIF(s) ("*AIFM-Bestellungsvertrag*", "**AIFM Agreement**").

The business plan, *inter alia*, can outline the development and the estimated development costs, the construction and finalisation strategy for the respective project and property, including a comprehensive calculation for the development phase as well as the investment and asset management strategy for the project, and define key parameters such as target occupancy rates, achievable rental levels, fluctuation rates, operating costs, repairs and maintenance, capital expenditure, and the overall investment strategy (including sale/exit strategy) for the operational phase (including a cash flow-based income statement and a sales / exit strategy).

Following completion of the transaction, the Corestate Group, will, *inter alia*, provide project development and – upon commencement of the operational phase of the respective project – asset management services in relation to the properties, if necessary in conjunction with strategic partners and subcontractors.

In general, the IAs set out all fees to be earned by the Issuer, respectively, for the respective investment product (for more information about such fees see "*Business – Income Structure*"). Further fees, in particular remuneration of Corestate-AIFM, fees of depository, fees of registrar and transfer agent etc. are described in the constitutional documents of the relevant AIF.

Similar to the JVCIAs, under each IA, certain measures require the written consent of the Threshold. In addition, in particular the following measures also require the written consent of the Threshold: any measures agreed between an AIF and Corestate-AIFM pursuant to the AIFM Agreement which are classified as "Material Strategic Decision" ("*Wesentliche Strategische Entscheidung*") and any termination of the AIFM Agreement by a respective AIF.

The IAs also govern the representations given by Corestate AIFM, and the procedure for the assertion of a therewith related potential claim and provide for provisions restricting Corestate AIFM's liability.

Asset Management Agreements – General Description

The Issuer has entered into numerous currently still active asset management agreements (each an "**AMA**"). According to the AMAs, CCAG is appointed as asset manager to provide certain services to the benefit of its respective contractual partner, *inter alia*, asset management services including, but not limited to, the preparation of the annual business plan for the next financial year as well as further administrative, consulting and reporting services. Detailed lists of the services to be provided by the Issuer are generally attached to the AMAs as annexes. For providing these services, the Issuer shall ensure that a team of competent professionals is made available to the benefit of its respective contractual partner. As regards certain project development related transactions the AMAs provide for a condition precedent according to which the respective AMA shall become effective only with effect from the commencement of the operational phase.

The AMAs provide for an asset management fee payable to the Issuer. In general, the asset management fee is equal to a specified percentage of the Gross Asset Value of the respective properties as of 31 December of the preceding year or, as regards project development related transactions, the commencement of the operational phase. However, in certain cases the parties have agreed on a fixed amount or an amount calculated in relation to the contractually agreed monthly net cold rents of certain properties. The asset management fee is generally payable semi-annually (or quarterly) in advance not later than three business days before the beginning of the respective semi-annual (or quarterly) accounting period. In some cases, the AMAs provide for additional payments to be made to the Issuer, *e.g.* a yearly performance-related compensation in the amount of 7.5% of the increase in revenue in comparison to the initial rents, a one-time set-up-fee or a Capex coordination fee for re-positioning measures. Furthermore, in the event of a property sale by means of an asset or a share deal, some AMAs provide for the payment of a fee in the amount of a certain percentage of the purchase price (asset deal) or of the net asset value (share deal) of the sold properties, payable to the Issuer, upon the unconditioned payment of the purchase price. In some cases such fee is payable only if the portfolio is sold on a consecutive asset-by-asset basis.

The term of most of the AMAs commenced on the closing of the respective transaction in the context of which the respective AMA was concluded or signing of the AMA and continues until a specified date and is automatically extended by a specified time period unless otherwise terminated in accordance with the provisions of the respective AMA. However, the term of most of the AMAs shall immediately come to an end in the case of a full exit (*i.e.* in general the sale of the properties or other full exit events, *e.g.* sale of all or, in some cases, the majority of shares in an SPV). The term of some AMAs shall be indefinite. Such AMAs usually provide for rights of ordinary termination. In addition to providing for grounds of termination (such as insolvency of or material default by CCAG), the AMAs also govern the consequences of the termination (*e.g.* early cancellation fee, which in particular applies to AMAs ordinarily terminable).

The AMAs also contain provisions on, *inter alia*, indemnification, liability, insurance obligations and the possibility to delegate the performance of the services to be provided by the Issuer. All AMAs and any non-contractual obligations arising out of or in connection with it are governed by, and interpreted in accordance with, the law of Germany. In cases where the AMA was concluded within the context of a JVCIA and there is a conflict between the AMA and the JVCIA, the provisions in the JVCIA shall prevail.

CCAG has also entered into an asset management consulting agreement ("**AMCA**"). According to the AMCA, CCAG provides consulting services as further specified in the AMCA, including, *inter alia*, consulting and support in connection with the preparation of a business plan and consulting with regard to the implementation of an efficient financing structure. Apart from that, the AMCA contains similar provisions to the AMAs as regards, *inter alia*, consideration or term. For instance, both CCAG and the principal are entitled to terminate the AMCA by means of an ordinary termination, observing a notice period of 3 months, whereby, the principal may for the first time ordinarily terminate the AMCA after expiration of a certain minimum period of time. Furthermore, CCAG is entitled to special termination rights (*Sonderkündigungsrechte*) in certain cases (*e.g.* if the net asset value of the respective SPVs falls down by more than 10% within a quarter of a financial year). Furthermore, for specific termination cases (*e.g.* extraordinary termination by CCAG) the AMCA provide for an early cancellation fee in favour of CCAG.

Project Development Agreements – General Description

The Issuer and – with respect to projects where Corestate-AIFM is appointed as AIFM – Corestate-AIFM have entered into 13 currently still active Project Development Agreements (each a "**PDA**"). According to the PDAs, the Issuer has been appointed as development manager to provide certain development services to the benefit of its respective contractual partner including, but not limited to, the determination and monitoring of project goals, analysis of planning requirements, optimisation of project planning, selection of external service providers such as architects, project coordination, control and monitoring of the services performed by the general contractor, conflict management, reporting *inter alia* on the development of the relevant property and construction of the respective building, construction review (*e.g.* coordination of construction fault management). Detailed lists of the services to be provided by the Issuer are generally attached to the PDAs as an annex.

The PDAs provide that decisions, actions and measures with respect to the project require the consent of the relevant principal and – with respect to projects where Corestate AIFM is appointed as AIFM – of Corestate AIFM if and to the extent they lead to a cost overrun in excess of a certain aggregate amount agreed by the parties.

The PDAs provide for a project development fee payable to the Issuer. In general, the project development fee is fixed to a certain amount agreed by the parties. The project development is, in general, payable on an annual basis in advance for the first and thereafter the second 12 months of the development phase. In case the development phase lasts longer than such period, the respective fee is payable on a monthly basis for each subsequent month of the development phase.

The term of the PDAs commenced at signing of the PDAs and expires upon the issuance of the final acceptance (*Endabnahme*) notice regarding the project by the relevant principal, at the earliest upon 24 months after the signing, whereby final acceptance shall occur, once the construction of the relevant property, including the building, has been completed with minor defects only and the building is ready for occupancy.

The PDAs also contain provisions on, *inter alia*, liability, copyright and the possibility to delegate and/or to assign the performance of the services to be provided by the Issuer, respectively. All PDAs and any non-contractual obligations arising out of or in connection with it are governed by, and interpreted in accordance with, the law of Germany. In cases where there is a conflict between the PDA and the JVCIA/IA, the provisions in the JVCIA/IA shall prevail.

Property Management Agreements – General Description

CAPERA Immobilien Service GmbH with corporate seat in Neu-Isenburg/Germany, an indirect subsidiary of the Issuer in which the Issuer's direct subsidiary, CCAG, currently holds 80%, has entered into several Property Management Agreements (each a "**PMA**"). According to these PMAs, Capera was appointed as property manager of properties as further specified in the PMAs to provide certain services to the benefit of its respective contractual partner, *inter alia*, commercial, technical and infrastructural property management and accounting/bookkeeping. The PMAs also provide for certain reporting and on-going updating obligations *vis-à-vis* the principal. In general, the PMAs contain an extensive service catalogue as annex outlining the service obligations of Capera as the property manager in detail. Almost all PMAs explicitly state that Capera acts on behalf and for the account of its principal and has to render its services with the due care and diligence of a prudent businessman. Capera also assumes the duty to implement safety precautions (*Verkehrssicherungspflicht*) in relation to the respective managed properties.

In general, the PMAs have been concluded for an indefinite time period and the ordinary termination is excluded for a specified time period. The PMAs also provide for extraordinary termination rights (*außerordentliche Kündigungsrechte*) for the benefit of the principal, *e.g.* in case Capera does not meet its fundamental contractual obligations and an appropriate grace period has elapsed. Some of the PMAs provide for special termination rights (*Sonderkündigungsrechte*). The PMAs also govern the consequences in case of a termination. It should be noted that the respective term and termination provisions are generally subject to negotiation with the respective principal and, therefore, vary from time to time.

According to the PMAs, Capera shall receive remuneration for the rendered services. For example, the remuneration for the property management shall generally be calculated on the basis of the amount of the agreed monthly net rent (plus VAT) or Capera shall receive a fixed amount per residential or commercial unit managed. Additional services may be charged extra according to agreed cost rates. Some PMAs provide for a performance bonus or other additional compensation, *e.g.* for brokerage activities in connection with the conclusion of new lease contracts or the extension of existing lease contracts.

Generally, Capera is only entitled to delegate services with the prior written consent of the principal. Furthermore, Capera has to obtain the written consent of the principal for certain measures or actions (*e.g.* engagement of advisors or entering into agreements on behalf of the principal which are not covered by the projected budget, entering into material agreements (such as neighborhood agreements or lease agreements, the net rent of which exceeds a certain hurdle)). The PMAs also contain provisions on, *inter alia*, liability of Capera including a limitation of liability, insurance obligations for Capera, general obligations of the principal, data protection and confidentiality. All PMAs are governed by, and interpreted in accordance with, the law of Germany.

Master Agreement concerning Investment Advice

Following the disposal of five Highstreet portfolios (Highstreet I, Highstreet II, Highstreet IV, Highstreet V and Highstreet Premium I) to Universal-Investment funds of Bayerische Versorgungskammer, Corestate AIFM as investment advisor and Universal-Investment-Luxembourg S.A. ("**Universal**") as AIFM on 24/25 May 2017 entered into a master agreement concerning investment advice (the "**Highstreet Master Agreement**"). Furthermore, following the disposal of four developed student homes in Germany (part of Project Ben) and a developed student home in Vienna (Project Turbo VIE), to a fund of Bayerische Versorgungskammer, Corestate AIFM as investment advisor and Universal as AIFM on 3 July 2017 entered into a further master agreement concerning investment advice, as amended by the supplemental agreement no. 1 dated 15 December 2017 (the "**Residential Master Agreement**"). According to both, the Highstreet Master Agreement and the Residential Master Agreement (the "**Master Agreements**"), Corestate AIFM is appointed by Universal to provide certain investment advisory cervices on behalf of Universal and for the account and to the benefit of several (reserved) alternative investment (sub-funds (the "**Funds**") managed by Universal.

In particular, the following services have been assigned to Corestate AIFM and/or Corestate AIFM shall assist and/or advise Universal with regard to the provision of such services: making recommendations to Universal with respect to real estate investments, implementation of the investment strategy of the Funds, monitoring and remedy of breaches of investment restrictions, organisation and execution of the investment committee meetings as well as the support of the investors in the context of real estate-specific questions in regard to joint assignments, transaction management with regard to sale and purchase of real properties, value determination of the properties, development, implementation, monitoring and control of loans and financing structures, commercial asset management, rental management, insurance management, dunnings, technical asset management, corporate investment management, liquidity planning and liquidity management, accounting and preparation of financial statements, risk management, reporting, equity control, document filing, management of tax facts of the assets, etc. Detailed lists of the services to be provided by Corestate AIFM to the Funds and/or Universal, respectively, are specified in separate service level agreements attached to the Master Agreements as annexes.

The Master Agreements provide for the following fees payable to Corestate AIFM in future under the Master Agreements:

- an annual advisory fee for the on-going real estate advisory services concerning the real estate assets of the respective Fund equalling to a specified percentage of the sum of all net purchase prices (each an "**NPP**") of the real estate investments);

- an acquisition fee for the acquisition of a real property equalling to a specified percentage of (i) – in case of an asset deal – the NPP of the respective real estate asset or (ii) – in case of a share deal – the value of the property as referenced in the respective sale and purchase agreement;

- a disposition fee for the disposition of a real property equalling to a specified percentage of (i) – in case of an asset deal – the sales price of the respective real estate asset or (ii) – in case of a share deal – the value of the property as referenced in the respective sale and purchase agreement;

- a project management fee for the project management and control in case of project developments and (re-)constructions equalling to a specified percentage of the net construction costs if such costs exceed a specific amount;

- an annual performance fee that is calculated for each year (starting 2017 in case of the Residential Master Agreement and January 2019 in case of the Highstreet Master Agreement) as a specified percentage of the excess above the calculated unlevered (*i.e.* debt free) annual return hurdle on cash returns.

The Master Agreements are concluded for an indefinite term and may be terminated by either party with a three month notice to the end of a calendar quarter. In case of a termination of each of the Master Agreement without cause by Universal during the period up to three years from date of the respective mandate closing, Corestate AIFM shall be entitled to a fee compensation for the remaining period between the notice of termination to three years after the start, but at least for a full year, with regard to the agreed base management fee.

The Master Agreements also contain provisions on, *inter alia*, indemnification, liability and the possibility to delegate the performance of the services. The Master Agreements are governed by Luxembourg law.

Acquisition of assets in Madrid and Kronberg

On 20 June 2016, our affiliate Iberian Propco III, S.L., signed a deposit agreement (*contrato de arras*) regarding the purchase of a student home in Madrid from Fundación Francisco de Vitoria for a consideration of EUR 10.2 million. The Transaction has been closed on 1 July 2016 with effect as of 30 June 2016. The property consists of approximately 6,241 sqm and has currently no tenants. The prevalent use is residential.

Our affiliate Crown PropCo GmbH acquired a real estate asset and a leasehold pertaining to an office building for a total consideration of EUR 13.8 million as follows: On 2 May 2016, Crown PropCo GmbH, acquired a real estate asset located in Kronberg (Germany) which consists of 9,480 sqm for a consideration of EUR 4.5 million. The transaction has been closed in September 2016. The site is built up with a three-story office building comprising approximately 13,000 sqm lettable space. The building is subject to a leasehold which has been acquired separately by Crown PropCo GmbH on 11 April 2016 for a purchase price of EUR 9.3 million.

Acquisition of Capera in 2013 (sole provider of property management services in the group)

In July 2013, CCAG acquired a majority stake in property management company CAPERA Immobilien Service GmbH ("**Capera**") and subsequently integrated it into the Corestate-group: on 2 July 2013, CCAG entered into a share purchase and transfer agreement with Ms. Busch (co-founder of Capera) as seller regarding the sale and transfer of 61,333 shares in Capera for a consideration in the amount of EUR 1 which was registered as of 5 July 2013. On 29 July 2013, CCAG entered into an additional share purchase and transfer agreement with Ms. Busch as seller regarding the sale and transfer of further 8,667 shares in Capera for a consideration in the amount of EUR 65,002.50 which was registered as of 22 August 2013. On 26 September 2017 and 10 October 2017, CCAG entered into additional share purchase agreements with Sascha Wilhelm and Michael Schleich regarding the sale and transfer of further 5% of shares in Capera in each case. Both share purchase and transfer agreements were closed shortly after signing. Therefore, CCAG holds 80.0% of the shares in Capera. The registered share capital of Capera amounts to EUR 100,000 in total, divided into 100,000 shares with a par value of EUR 1.00 each.

Loan Agreement SO Holding AG

As of 9 June 2016, our subsidiary Recap Finco I S.à r.l. has entered into a loan agreement with SO Holding AG as lender providing for a EUR 25.0 million revolving loan facility for the financing of the acquisition or development of real estate assets in the European Union, the UK and Switzerland for Warehousing purposes. Our subsidiary Recap Finco II S.à r.l. has meanwhile acceded to this loan agreement as an additional borrower. Neither CCAG nor the Issuer are a party to the loan agreement or have granted a guarantee for the obligations of the borrowers thereunder. Currently, loans in the aggregate amount of EUR 5,733,473 have been drawn under this facility.

The facility has a term of four years and bears interest at a rate of 8% p.a. (for all drawn amounts). A commitment fee of 8% p.a. applies with respect to all undrawn amounts. The loan is secured by share pledges over the borrowers and by a pledge over a reserve account in Luxembourg on which the Issuer will deposit on a monthly basis 1/12 of the annual interest and commitment fee payable under the loan agreement. In addition, SO Holding AG may under certain circumstances request share pledges over subsidiaries of the borrowers (*e.g.* investment vehicles or target companies involved in an acquisition financed under the facility).

Corestate MCIF GmbH & Co. KG

On 9 December 2011 CCAG entered into a Shareholders and Co-Investment Agreement and a Limited Partnership Agreement establishing a private company named "Corestate MCIF GmbH & Co. KG" ("**MCIF**"). MCIF is structured as a German limited partnership (*Kommanditgesellschaft*) whose limited partners' personal liability is limited to the respective capital contributions paid in by the limited partners. MCIF is generally represented by its general partner who does not participate in MCIF's profits and whose liability is unlimited.

On the one hand, MCIF's purpose is to serve as a long-term management participation and incentive scheme / management investment pool whose participants (*i.e.* limited partners except CCAG) are members of the existing or past senior management team of CCAG. The participants in their functions as deal originators and deal managers shall indirectly (*i.e.* via MCIF) invest in specific investment structures which are principally held by CCAG as co-investor and its clients. On the other hand, MCIF's purpose is also to extend the alignment concept of CCAG's Alignment Capital Management segment to CCAG's senior management team.

Generally, the commercial decisions (whether and to which extent) to invest in an investment structure are taken by CCAG. MCIF is obliged to co-invest in such investment structures qualified and determined by CCAG. The overall amount to be invested by MCIF in such investment structures is also determined by CCAG. The invested amount shall typically not fall below EUR 50,000 but must not exceed 50% of the overall funds available to MCIF for investments in such investment structures.

The funds to be used in this regard on an annual basis are being provided to MCIF by CCAG as loans. The amount of such loans is determined based on the individual service or employment contracts of the participants which provide that a certain portion of the annual bonus must be invested into MCIF through CCAG. Such funds received from CCAG are individually tracked for and thus virtually allocated to each participant. For purposes of distribution of proceeds and profits obtained from the alignment investments, CCAG, subject to certain conditions (in particular expiration of certain minimum investment periods), shall assign its claims vis-à-vis MCIF for loan repayment (or profits thereof) as well as claims for further profits to the individual participants in the respective amounts as virtually allocated to the participants.

Corestate MCIF Germany GmbH & Co. KG

On 19 September/12 October 2017, Corestate Capital Advisors GmbH (a wholly owned subsidiary of CCAG and an indirect subsidiary of CCHSA) entered into a shareholders' and co-investment agreement and a limited partnership agreement establishing a private company named "Corestate MCIF Germany GmbH & Co. KG" ("**MCIF Germany**"). MCIF Germany is structured as a German limited partnership (Kommanditgesellschaft) whose limited partners' personal liability is limited to the respective capital contribution paid in by the limited partners. MCIF Germany is generally represented by its general partner who does not participate in MCIF's profits and whose liability is unlimited.

On the one hand, MCIF Germany's purpose is to serve as long term management participation and incentive scheme / management investment tool, whose participants (*i.e.* limited partners except Corestate Capital Advisors GmbH) are members of the existing senior management team of Corestate Capital Advisors GmbH, *i.e.* managing directors of Corestate Capital Advisors GmbH, partly also members of the management of CCHSA at the same time. The participants in their functions as deal originators and deal managers shall indirectly (*i.e.* via MCIF Germany) invest in specific investment structures which are principally held by clients of CCHSA. On the other hand, MCIF Germany's purpose is also to extend the alignment concept of CCAG's alignment capital management segment to the senior management team of Corestate Capital Advisors GmbH. Generally, the commercial decisions (whether and to which extent) to invest in an investment structure are taken by the management of CCHSA on behalf of Corestate Capital Advisors GmbH allocating CCHSA's or CCHSA's affiliated companies' within the meaning of Sections 15 *et seq.* AktG Alignment Investment. MCIF Germany is obliged to co-invest in such investment structures qualified and determined by CCHSA on behalf of Corestate Capital Advisors GmbH. The overall amount to be invested by MCIF Germany in such investment structures is also determined by CCHSA on behalf of Corestate Capital Advisors GmbH.

The funds to be used in this regard on an annual basis are being provided to MCIF Germany by Corestate Capital Advisors GmbH as loans. The amount of such loans is determined based on the individual service or employment contracts of the participants which provide a certain portion of the annual bonus to be invested into MCIF Germany through Corestate Capital Advisors GmbH. Such funds received from Corestate Capital Advisors GmbH are individually tracked for and thus virtually allocated to each participant. For purposes of distribution of proceeds and profits obtained from alignment investments, Corestate Capital Advisors GmbH, subject to certain conditions (in particular expiration of certain minimum investment periods), shall assign its claims vis-à-vis MCIF Germany for loan repayment (or portions thereof) as well as claims for further profits to the individual participants in the respective amounts as virtually allocated to the participants.

CCHSA ensures that alignment investments from participants invested in both, *i.e.* MCIF and MCIF Germany, shall be allocated based on a certain formula taking into account the respective virtual accounts of a participant invested in both structures on a pro rata basis.

Strategic Partnership Agreement with Sistema Capital Partners S.à r.l.

A strategic partnership agreement has been executed on 20 October 2015 and amended on 31 December 2015 by the Issuer and Sistema Capital Partners S.à r.l., a limited liability company (*société à responsabilité limitée*) organised and existing under the laws of Luxembourg ("**SCP**" or the "**Partner**") (the "**Partnership**") as well as SCORE S.à r.l. as JV Vehicle (the "**JVA**"). SCP is ultimately controlled by the joint stock corporation AFK Sistema, which is an investment company belonging to a conglomerate seated in Russia and listed on the Moscow Stock Exchange, which is active in various sectors of economy, including in particular telecommunications and which also operates in the real estate sector of the Russian economy.

The purpose of the Partnership is to set out the terms under which the Partner and us will (i) launch a co-investment program to directly deploy equity investing in real estate projects in Europe and (ii) create a joint venture entity in the form of a Luxembourg law governed private limited liability company (*société à responsabilité limitée*) named SCORE S.à r.l. (the "**JV Vehicle**") to raise and jointly manage third party capital, mainly focused on Russian and other emerging markets' capital (both from high net worth individuals and institutional investors).

Following an initial "test" period which was originally expected to last six months during which a first common investment was implemented, we took a 50% participation in the JV Vehicle for a consideration of EUR 3,619 by entering into a respective unit purchase agreement on 31 December 2015. The first joint transaction where a Sistema affiliate invested among other Co-Investors was the Highstreet IV Investment Structure.

During the second stage, the joint venture partners would build a track record through a series of co-investments in real estate products focusing on the regional German high street retail market, development projects in Spain and special situations in Germany. Each deal will be subject to the common decision of both JV partners. During the second stage, the joint venture partners realised the Highstreet Premium I Investment Structure and the Highstreet Premium II Investment Structure.

Subject to a successful track record and a common agreement with the Partner, the JVA would then involve a "second phase" full fledge discretionary investment manager platform with the objective to reach approximately EUR 3 billion of assets under management within five years.

The JVA provides for a common control of the JV Vehicle by both partners, *i.e.* SCP and us, provided that, for the entire term of the joint partnership (expected to last five years), real estate asset management services of the investments shall entirely be sub-delegated to us and that for all decisions in relation to real estate asset management services, we shall benefit from a casting vote as long as certain minimum investment thresholds are met. The fees charged to the various project companies shall be above our usual fee levels and be partially subject to a split mechanism with SCP. The JVA includes transfer restrictions to ensure the long-term commitment of both partners, provided that in the event of a deadlock an automatic liquidation mechanism is foreseen with a view to maximise value for both partners. For a description of financing agreements see "*Description of Other Indebtedness*."

REGULATORY REGIME

Although Corestate's primary focus is the Real Estate Investment Management, we also act partially as a real estate company with respect to our real estate assets held for Warehousing purposes even though the respective holding periods shall be principally limited to not more than 18 months. Therefore, a number of laws and regulations on the national level and on the level of the Federal States and municipalities may have a direct (regarding our Warehousing assets) and indirect (regarding our alignment capital investments in the various Investment Structures) influence on the business of Corestate. Such laws and regulations relate to both public and private law. This section provides a selected overview of certain provisions.

Civil Law

General Provisions under Civil Law

Generally, in the course of Corestate's business activities in its main market Germany the provisions of German law apply, particularly of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*) as well as special laws that have been enacted.

Restrictions under German Tenancy Law

Corestate's business activities in the Investment Structures are subject to the restrictions set forth in German tenancy law. Corestate's business activities are primarily related to residential and commercial real estate. The business is therefore subject to German tenancy law, which in large parts favours residential tenants. Generally, the restrictions for commercial lease agreements are less strict than the restrictions for private lease agreements. The differences between the restrictions for commercial and residential lease agreements are described below under the respective topics.

The following restrictions, *inter alia,* are noteworthy:

Restrictions as regards the use of General Terms and Conditions (GTC)

It is common business that a landlord uses standard forms or – legally speaking – general terms and conditions (*Allgemeine Geschäftsbedingungen*, "**GTC**") within the meaning of Section 305 seq. BGB for its commercial lease agreements. It should be noted, though, that GTC significantly deviating from the underlying statutory concept of liability are – by way of a partial deviation from the German legal concept of freedom of contract – subject to a fairness and appropriateness test. Under German law this also applies to a certain extent to business-to-business leases.

GTC are defined as terms of contract that are pre-formulated for their use in a variety of separate contracts and that are unilaterally "imposed" by the party using them. Even single provisions which are to be used for a range of contracts can be deemed GTC and, therefore, give rise to judicial review once they are contested by an affected party. In particular, where a contractual clause considerably deviates from the underlying principles of statutory law by way of not being transparent or unduly disadvantaging (*unangemessen benachteiligend*) to the other party, such clause may be rendered invalid by a competent court. As a consequence, the invalid provisions would be substituted by statutory lease law, which in general is less favorable for the landlord.

The interpretation of GTC is subject to case law to a large extent. German courts including the German Federal Court of Justice have issued a number of decisions, by which typical constellations may be identified in which invalidity is likely assumed. Nevertheless, in each single case the determination of what exactly is or is not admissible is subject to the decision of German courts, which exercise content control of GTC. As this actually creates a certain level of uncertainty as to the effectiveness of GTC, it should be ensured that the relevant clauses are legally sound and drafted considering available case law.

Statutory Protection against Termination of Residential Leases and Eviction

Under German statutory law a landlord may only terminate a residential lease if the landlord has a legitimate interest in the termination of the lease. Legitimate interest may especially exist (i) if the tenant has culpably breached the tenant's obligations under the lease agreement in a not immaterial extent, (ii) if the landlord needs the leased premises for residential purposes for himself, for his family members or for members of his household, or (iii) if the continuation of the lease would lead to the landlord's hindrance regarding an appropriate economic use of the property, resulting in material disadvantages for the landlord. As regards the sale of a property, such material disadvantage could arise in case the landlord would only be able to realise a significantly lower price for the property compared to otherwise realisable prices. However, a landlord's purposed rent increase cannot be a legitimate interest in the meaning of the above mentioned.

The landlord may also terminate the residential or commercial lease agreement for cause for a compelling reason. A compelling reason is deemed to exist if the party giving notice, with all circumstances of the individual case taken into account, including without limitation fault of the parties to the lease agreement, and after weighing the interests of the parties, cannot be reasonably expected to continue the lease until the end of the notice period or until the lease ends in another way. According to German statutory law, a compelling reason is deemed to obtain for example if the tenant is not permitted the use of the leased property in conformity with the lease agreement, the tenant violates the rights of the landlord to a substantial degree or the tenant is in default with its rental payments on two successive dates.

In case the landlord terminates the lease, the tenant may be entitled to legally object to the termination. As a result thereof the tenant may be entitled to not vacate the leased object immediately subject to certain conditions, *e.g.* if the termination would mean an unreasonable hardship for the tenant, his family members, or members of his household.

Upon termination of the lease, the tenant is generally obliged to vacate the leased object. However, the protection of German tenancy law still applies for the tenant even after the landlord has effectively terminated the lease. Therefore, a competent court could grant the tenant a transitional period of up to one year, in which he would have to vacate the leased object. Under the classic eviction procedure and subject to certain conditions the landlord has to bear the costs of the removal and safekeeping of all moveable objects from the evicted property by the enforcement officer that has been appointed by the court. The German Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*), in force since 1 May 2013 (the "**Tenancy Law Amendment Act 2013**"), provides a cost-saving option of limiting the eviction procedure to obtain possession of the property for the landlord. The landlord thus has been entitled to remove moveable objects from the property and store them at his own will and expense. Furthermore, the eviction procedure will no longer be delayed only because of a right of possession of a third party, especially a sub-tenant, if the landlord, that was unaware of the possession right of the third party, has only obtained an eviction order as executory title (*Vollstreckungstitel*) against the tenant but not against the third party. The necessary eviction order against the third party can now be obtained by way of an injunction (*einstweiliger Rechtschutz*). Judges are obliged to prioritise actions of eviction.

Pursuant to the German Civil Code (*Bürgerliches Gesetzbuch*), a legal successor, *e.g.* a purchaser, enters into the lease as the new landlord. In case of conversion real estate into condominiums the usually legitimate interests of personal use and reasonable economic use are precluded as legitimate interests for a limited period of three years upon the transfer of title or handover of the leased object to the tenant and the subsequent sale of the condominium. The Tenancy Law Amendment Act 2013 now prohibits – *inter alia* – a method that enabled a bypass solution of the three-year period. This method had been performed under the following scheme. Residential lease units have been purchased through a partnership or multiple purchasers and then have been terminated based on claims of personal use for individual partners or purchasers. Subsequently the lease units have been converted into condominiums and sold again, because the three-year protection of the tenant did not apply in this case. German state governments are authorised to mark areas, in which the supply of rental apartments at reasonable conditions is scarce, as special territories. In these special territories, the German state governments can extend the prohibition to terminate the lease for cause of personal or reasonable economic use up to ten years. However, such a prohibition only applies in case of conversion from lease units to condominiums. North Rhine-Westphalia, Hesse, Bavaria and Berlin have made use of this option. The prohibition on termination in North Rhine-Westphalia was extended to eight years for residential units located in Bonn, Cologne and Dusseldorf as well as to five years for units located in 33 other municipalities, *e.g.* Dortmund, Aachen and Bottrop with ordinance dated 24 January 2012. In Berlin a termination of respective residential units is prohibited for ten years according to an ordinance dated 13 August 2013. The same applies to 145 municipalities located in Bavaria – including Munich – according to an ordinance dated 15 May 2012. The prohibition periods for 9 cities located in Hesse – including Frankfurt and Wiesbaden – have been extended to five years with ordinance amended with effect as of 13 December 2014.

Statutory Limits on Rent Increases

German statutory law limits a landlord's ability to unilaterally increase rents in existing leases. A letting of rooms for living at unconscionably high rents may constitute an administrative offense (*Ordnungswidrigkeit*), if the rent exceeds the locally prevailing comparative rent level in a municipality during the last four years by more than 20% due taking advantage of limited availability of comparable rooms. Furthermore – pursuant to the jurisprudence of the German Federal Court of Justice (*Bundesgerichtshof*) – the letting for an amount exceeding the locally prevailing comparative rent level in a municipality by approximately 50% may even constitute a usury crime according to Section 291 German Criminal Code (*Strafgesetzbuch*).

Rent increases may be subject to rent indexations and stepped rent agreements.

Rent indexation means that the rent shall increase if the consumer price index rises. Under German statutory law, agreements about rent indexations must refer to the consumer price index in Germany (*Verbraucherpreisindex in Deutschland*).

Stepped rent (*Staffelmiete*) requires an agreement of the parties about the time and amount of a rent increase, so that the future rent increase can exactly be determined. In case of residential lease agreements a rent indexation or stepped rent has to be fixed in written form to be legal effective. Furthermore, pursuant to the German Civil Code a stepped rent agreement has to comply with specific requirements, *e.g.* that a rent has to stagnate for the duration of one year. In case of a rent indexation the landlord has to inform the tenant about changes of the rent according to a raising consumer price index in text form. Additionally, the parties of a residential lease agreement have to decide if they agree on a stepped rent or a rent indexation, a combination of both is not possible.

With regard to commercial lease agreements, the landlord under German statutory law is not entitled to unilaterally increase the rent by law. Therefore, commercial lease agreements usually provide for mechanisms to increase or adjust the rent. The effectiveness of a rent indexation in case of commercial lease agreements has to conform with the Act about the prohibition of price clauses by determining money liabilities (*Gesetz über das Verbot der Verwendung von Preisklauseln bei der Bestimmung von Geldschulden*) and is just allowed in specific cases, *e.g.* if a lease agreement has a period of min. 10 years. Therefore, stepped rent agreements are permissible and usual for commercial lease agreements and do not underlie the above mentioned restrictions for residential lease agreements. Even a combination of rent indexations and stepped rent is possible as long as the respective conditions are observed.

With regard to residential lease agreements that are not subject to rent controls, the landlord is entitled to demand the adjustment of the rent up to the locally prevailing comparative rent level if the rent level of the respective leased object has been constant for the preceding 15 months. In general, a rent may not be increased by more than 20% in a three-year period as capping limit. Moreover, according to the German Tenancy Law Amendment Act 2013, the German federal state governments are entitled to reduce the capping limit for individual municipalities to 15% in the same period, if affordable housing is insufficient or scarce in the respective municipalities. So far 11 German federal state governments – Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hesse, North Rhine-Westphalia, Rhineland-Palatinate, Schleswig-Holstein, Saxony and Baden-Württemberg – passed such regulations on capping limits. The provisions of these aforementioned capping limits do not apply to rent increases raised in connection with modernisation measures (see Section "*Landlord's Modernisation and Maintenance Measures*" below). Following a rent increase, tenants may have a special termination right.

The determination of a locally prevailing comparative rent level is based on rents agreed for comparable residential lease units in a comparable municipality during the preceding four years. As regards a potential comparability of residential lease units it has to be determined whether the type, size, furnishings, quality, location as well as energy systems and other characteristics are similar. To determine a comparable, the landlord may – *inter alia* – refer to (i) an official rent index (*Mietspiegel*), (ii) a rent database, (iii) a report of an officially appointed and sworn expert, or (iv) the payable rent for at least three comparable residential units. Rent increases that have been raised in connection with modernisation measures (see Section "*Landlord's Modernisation and Maintenance Measures*" below) do not affect the rent level.

A rent index displays the prevailing reference rent in a relevant municipality. If the rent index is produced in accordance with accepted scientific principles, it is qualified as a so-called qualified rent index (*Qualifizierter Mietspiegel*). A qualified rent index provides for the legal assumption that the rent levels shown in that index actually reflect a reference rent in the respective municipality. Recent case law concerning particularly the Berlin qualified rent index, however, has cast some doubt on whether existing qualified rent indices actually meet the requirement of being calculated using accepted scientific principles and, therefore, whether they will be admitted as presumptive evidence of the locally prevailing comparative rent level. A rent index shall be adjusted to market trends in two-year intervals. A qualified rent index must be adjusted every two years; when this is done, a spot check or the trend of the consumer price index in Germany, as computed by the German Federal Statistical Office (*Statistisches Bundesamt*), may be used as a basis. A new list reflecting the qualified rent index must be generated every four years. A rent database is a collection of rents maintained on an on-going basis that is used to determine the reference rent prevailing in a municipality. This option is only suitable for use if, among other things, (i) the collection of rents draws upon an adequate amount of rent data of existing and new lease agreements which are continuously updated, and which are representative for determining the prevailing rent level for individual properties in the respective locality, and (ii) it is recognised by the municipality or by the landlord and tenant representatives. As a result, rent databases are hardly used in practice.

Moreover, the bill to curb rental increases on tight housing markets and to strengthen the principle of who orders has to pay with respect to the business of rental agents – tenancy law amendment act (*Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz*) (the "**Tenancy Law Amendment Act 2015**") which came into force on 1 June 2015 practically limits residential rent increases and establishes maximum rent levels (so-called *Mietpreisbremse*) for private residential properties. Through 2020, the German federal states may pass decrees which determine regions of tense housing supply for a period of up to five years in which the restrictions apply. In these regions, under new lease contracts, landlords may not charge rents exceeding the higher of (i) 110% of the locally prevailing comparative rent level or (ii) the previous tenant's rent. These restrictions do not apply for the first lease of (i) a new or (ii) fully modernised residential unit. A residential unit is deemed fully modernised if the modernisation costs amount to at least one-third of a fictional comparable newly built residential unit's value. The federal states of Baden-Württemberg, Berlin Brandenburg, Bremen, Hamburg, Hesse, North Rhine-Westphalia, Rhineland-Palatinate, Schleswig-Holstein, Thuringia and Bavaria have already passed ordinances ordering the application of these rent limitations. For Berlin and Hamburg, these rent limitations apply throughout the city with effect as of 1 June 2015 (for Berlin), 1 July 2015 (for Hamburg) and 1 December 2015 (for Bremen) respectively. The rent limitations in North Rhine-Westphalia apply for 22 cities and municipalities – including Cologne, Aachen and Bonn – with effect as of 1 July 2015. The rent limitations in Baden-Württemberg apply for 68 cities and municipalities with effect as of 1 November 2015. The rent limitations in Brandenburg apply for 31 municipalities with effect as of 1 January 2016. The rent limitations in Hesse apply for 16 cities with effect as of 1 December 2015. The rent limitations in Rhineland-Palatinate apply for the cities Mainz, Trier and Landau with effect as of 1 October 2015. The rent limitations in Schleswig-Holstein apply for 12 municipalities with effect as of 1 December 2015. The rent limitations in Thuringia apply for the cities Erfurt and Jena with effect as of 31 March 2016. The rent limitations in Bavaria will apply for 144 cities and municipalities – including Munich, Ingolstadt and Rosenheim – with effect as of 1 August 2015. Lower Saxony will probably pass decrees in the course of the year. However, in case of a violation of the above provisions, the whole lease agreement would not be deemed void. Only the provision re the part of the agreed rent, that exceeds the permitted rent, would be invalid. Therefore the landlord would have to reimburse the tenant for the payment of the exceeding part of the rent upon demand. The above restrictions on rent increases will impair the value of the properties concerned which may have a significant negative impact on a respective portfolio.

Housing agents

Also the Housing Agency Act *(Wohnungsvermittlungsgesetz)* has been reformed with the Tenancy Law Amendment Act 2015. Pursuant to the amended provisions, the one who hires a housing agent is obliged to pay the respective commission (so-called *Bestellerprinzip*). Under previously applicable law, a housing agent could demand a commission from the tenant by concluding another agreement regarding the agency of housing, though the housing agent was initially hired by the landlord. These provisions are applicable throughout Germany without a federal state's prior ordinance.

Tenant's right of revocation

The German legislator has implemented the Consumer Rights Directive 2011/83/EU by amending the German Civil Code (*Bürgerliches Gesetzbuch*). These new provisions entered into force on 13 June 2014 and brought a variety of major changes. In contrast to the previously applicable German rights of revocation, it is now also applicable for residential tenancy law, if an agreement has been concluded between an entrepreneur on the one side and a consumer on the other, although the Directive 2011/83/EU states that the provisions would not fit to agreements for the rental of accommodations. Therefore, these changes are not applicable to commercial lease agreements.

However, pursuant to German statutory law, the tenant is entitled to a right of revocation for off-premises contracts *(Außergeschäftsraumverträge)* and distance contracts *(Fernabsatzgeschäfte).* These provisions do not apply in case the tenant already viewed the residential unit. In general the landlord could avoid a respective right of revocation by (i) not exclusively using distance communication mediums during the conclusion of the agreement and additionally (ii) letting the consumer sign the agreement in the landlord's office.

As a legal consequence of a right of revocation the consumer, *i.e.* the tenant, is entitled to revoke his declaration of intention to conclude the respective agreement within a period of 14 days upon the tenant's duly information about the right of revocation by the entrepreneur, *i.e.* the landlord. If the tenant revokes his declaration, both parties have to return their received services. Based on this the tenant usually would have to hand back the leased object and to provide value replacement, while the landlord would have to return any rent payments. In case of the missing the tenant's duly information by the landlord, the revocation period expires at the latest 12 months and 14 days upon conclusion of the agreement and, furthermore, the tenant would not be obliged to provide value replacement if the tenant made use of an existing right of revocation.

Statutory Restrictions on Selling Residential Real Estate

If rented residential units have been converted into condominiums or such conversion is planned, the tenant has a statutory pre-emptive right under the German Civil Code to purchase the unit on the same terms as a third-party buyer. No such pre-emptive right exists, however, in instances where the unit was already a condominium at the time the lease commenced or where, in the case of a planned conversion, the seller is not contractually obliged to divide the property into residential units.

Landlord's Modernisation and Maintenance Measures

The Tenancy Law Amendment Act 2013 aims to reduce Germany's primary energy demand (*Primärenergiebedarf*) by 80% (from 1990 levels) by 2050, in accordance with the so called "Energy Concept 2050" (*Energiekonzept 2050*). In order to achieve this goal, the Tenancy Law Amendment Act 2013 – only with regard to residential leases – requires the tenant to tolerate maintenance measures (*Erhaltungsmaßnahmen*) and modernisation measures (*Modernisierungsmaßnahmen*). In the latter case, the tenant must receive a written notification from the landlord, which includes information regarding the nature, extent, length and rent increase resulting from the modernisation measure, three months prior to the commencement of the modernisation measure. If the tenant can, however, prove that the modernisation measure constitutes undue hardship for himself, a family member or a member of his household, the tenant is not obliged to tolerate the modernisation measure. Following the announcement of modernisation measures, the tenant is entitled to a special termination right (*Sonderkündigungsrecht*) for a period of two months after the month in which the tenant received written notification. For modernisation measures which sustainably reduce the final energy consumption (energy-related modernisation measures) (*energetische Modernisierung*) the tenant will not be entitled to rent reductions for a period of up to three months. For such energy-related modernisation measures, and for those modernisation measures through which water consumption is sustainably reduced, the utility value (*Gebrauchswert*) of the rented property is sustainably increased or the housing conditions are enhanced permanently, as well as for those measures that are the result of circumstances that the landlord is not responsible for, and which are not maintenance measures, the landlord is entitled to transfer costs to tenants by way of an annual rent increase of, currently, up to 11% of the cost incurred (less the costs that would have been incurred for ordinary maintenance measures) unless the tenant can prove that the rent increase constitutes an undue burden/hardship. The German federal government is currently considering whether to limit such annual rent increases to 8% of the total cost of the modernisation measures and to the period of time necessary to amortise such costs. Furthermore, the German federal government is currently considering whether to limit such rent increases based on the landlord's modernisation measures to a total of EUR 3.00 per sqm for a period of 8 years following the rent increase. Following a rent increase, tenants may be entitled to a special termination right.

Written form requirements, notarisation duty

As a general rule in German tenancy law, rental agreements that provide for a term of more than one year must be concluded in written form. The requirements to comply with the written form have been specified by comprehensive case law.

The judicature on written form requirements was subject to far-reaching changes in recent years. A non-compliance was – *inter alia* – confirmed by court rulings where (i) the beginning of the lease term after hand-over of the leased object is not clear, where (ii) signatories and their power of representation cannot be clearly identified, or where (iii) an amendment, attachment or annex to a lease agreement does not make proper reference to the relevant (original) lease documentation in order to allow a third party to determine the actual scope of the applicable contractual framework.

However, in the event of an infringement of the requirement for the written form, the respective rental agreement is not invalid. Rather, it is deemed to have been concluded for an indefinite period with the consequence that it can be terminated at the earliest at the end of one year after handover of the leased property to the tenant subject to the statutory notice period (*i.e.* six months to the end of the quarter minus three days in the case of rental agreements for commercial premises). Against the background of the case law enacted in recent years on the formal invalidity of rental agreements (please see above), there is a risk that rental agreements that were originally compliant with the written form no longer satisfy the requirements currently applicable and – regardless of the agreed fixed term – can be terminated at short notice. However, violations of the written form requirements can be remedied if the parties to the respective lease agreement enter into an amendment agreement which complies with the written form requirements.

Furthermore, according to Section 311b BGB a lease agreement has to be recorded by a notary if the lease agreement is legally connected to a respective real estate sale and purchase agreement. The consequence of a lacking notarial recording would be that the lease agreement would be void (to be remedied under certain conditions).

Operating costs

German tenancy law allows the landlord to transfer the building's utility costs (*Betriebskosten*) to the tenant by way of contract. According to the German Utility Costs Ordinance (*Betriebskostenverordnung*), which defines the types of costs transferable by contract, utility costs include, for example, the cost of water supply, waste disposal and building insurance. Under the German Utility Costs Ordinance the landlord is generally allowed to transfer the running basic expenses for broadband network access (*laufenden Grundgebühren*) to the tenant. The costs for the initial installation are not considered utility costs but are still transferable to the tenant, in case no broadband network access existed until then, because the upgrade to broadband connection qualifies as a modernisation measure pursuant to German tenancy law.

The German Utility Costs Ordinance directly applies for residential lease agreements, but also in commercial leases often corresponding terms are stipulated or refer to the German Utility Costs Ordinance. In the latter case the transferable utility costs do not differ from that one by residential leases.

In general and pursuant to the German Civil Code the allocation of transferable utility costs occurs in proportion to the floor space. However, the parties might also agree to a respective allocation due to consumption etc.

In case of commercial lease agreements the allocation might also be determined by contract.

The Tenancy Law Amendment Act 2013 allows the landlord to outsource the supply of heating (*Wärmelieferung*) to a commercial contractor (*Heat Contracting*) and to transfer the utility costs associated with this heat contracting to the tenant. This transfer is however subject to the condition that the outsourcing procedure provides for an increase in heating supply efficiency and does not result in increased utility costs for tenants.

Maintenance and repair, cosmetic repairs

Responsibility for maintenance and repair and decorative repair works of let properties may generally be transferred to the tenants under rental agreements. However, wherever the passing over of such responsibility is contained in general terms and conditions of the agreement (or that the lease agreement constitutes general terms and conditions itself), such terms are only valid if the tenant is not otherwise unfairly disadvantaged by them. For example the German Federal Court of Justice ruled in a number of decisions that standard clauses in residential lease agreements are void if they require the tenant to make decorative repairs on a fixed schedule or require the tenant to fully renovate the flat at the end of the lease.

A trend in the case law of the German Federal Court of Justice is recognisable to the effect that restrictions originally developed for residential tenancy law are increasingly being transferred to commercial tenancies. This may result in provisions contained in residential and commercial rental agreements for cosmetic repairs and final decorative repair obligations as well as for maintenance and repair obligations no longer being enforceable against tenants in the future under certain circumstance and the costs of follow-up refurbishment or possibly also on-going maintenance having to be borne by the landlord. The same could apply to measures carried out by tenants if they claim back refurbishment costs paid by them.

Regulations on Energy Saving

As a further point, the legislation on energy saving in buildings – for instance in the Energy Savings Ordinance (*EnEV*) – could change in the future. As of 1 May 2014, each potential buyer or tenant must be presented an energy certificate (*Energieausweis*) disclosing the property's energy efficiency prior to the conclusion of a sale and purchase or new lease agreement pursuant to the EnEV. The energy certificate must be handed over during the first viewing of the property at the latest. Should no inspection of the property take place and the energy certificate not be requested by the other party, the energy certificate must be handed over immediately after the conclusion of the respective sale and purchase or lease agreement. Additionally, in case the landlord or seller advertises the property in commercial media, the energy performance indicator reported in the existing energy certificate for the advertised property must be disclosed. An energy certificate is generally valid for ten years. The EnEV also requires structural retrofitting designed to improve the energy efficiency. Among these obligations are the insulation of top story ceilings, the replacement of certain types of heating systems and the insulation of heat conducting systems and hot-water pipes. Any non-compliance with the regulations of the EnEV is punishable by a fine. It is to be expected that the EnEV and comparable regulations will be modified further and place increasing requirements on energy consumption by buildings, particularly in the case of new buildings and modernisations. This Situation is already taken into account in long term planning, so that significant changes are not expected as a result of any tightening of the legal framework.

The German Renewable Energies Heat Act (*Erneuerbare-Energien-Wärmegesetz*) is aimed at reducing the primary energy demand (*Primärenergiebedarf*) in Germany. The Act requires that part of the heat energy demand in newly constructed buildings must be covered with renewable energies.

Provisions of the German Condominium Act

Under the provisions of the German Condominium Act (*Wohnungseigentumsgesetz*), every owner of a condominium within a particular building (*Hausgrundstück*) is a member of the respective homeowners association (*Wohnungseigentümergemeinschaft*). The association does not deal with any tenancy matters, but is responsible for the general administration of the building, including the introduction of house rules (*Hausordnung*), the execution of maintenance measures for commonly used parts of the building as well as the preparation of a budget (*Wirtschaftsplan*). In many cases, the administration is, due to its complexity, transferred to a third-party service provider by way of contract. The maximum duration of such agreement is limited by law to three years for the first appointment of the administrator (*Verwalter*) and to five years for re-appointments. Certain indispensable rights and duties of an appointed administrator, such as the execution of the owners' resolutions as well as maintenance measures, are set forth in the German Condominium Act.

For homeowners associations there are two possible ways of decision-making. First, owners may agree unanimously upon standing rules (*Gemeinschaftsordnung*), which may include, *inter alia*, regulations on the owners' internal affairs, the house order, the administration of the building and restrictions for the use of the apartments. The standing rules also apply to the owners' legal successors and can be amended, except for certain cases of undue hardship, only upon unanimous consent of all owners. Second, the association's assembly (*Wohnungseigentümerversammlung*) may pass resolutions with a simple majority. An association's assembly must be convened by the administrator at least once a year. The owners may resolve on any matter delegated to them by statute or the association's standing rules. The number of votes that every owner may cast is thereby subject to the applicable standing rules. The standing rules may, *e.g.*, tie the voting power to the value of the condominium owned. Resolutions of the association can be contested by any member at a civil court within a period of one month.

Public Law

Land-use Planning by Municipalities

In Germany, municipalities may determine in the context of land-use planning how the areas in their municipal territory are to be used. For this purpose, the German Building Code (*Baugesetzbuch*) provides for the instruments of the zoning plan (*Flächennutzungsplan*) and the development plan (*Bebauungsplan*). Zoning plans and development plans are to be established where necessary for urban development and order.

Depending on the requirements, municipalities may therefore establish a zoning plan that broadly outlines the nature of the land use for the entire municipal territory based on the intended urban development and likely needs of the municipality. The zoning plan may for example restrict the use of land to special types of use and may earmark land for utility facilities or for precautionary measures against hazardous effects on the environment. The zoning plan neither creates nor affects any individual rights.

On the second level, the municipality may specify in binding form the land use in individual parts of the municipal territory by way of development plans. The development plans must take into account the applicable zoning plans. For example, standards with respect to specific type and dimensions of building use, the areas on which buildings may or may not be erected as well as the size of building plots may be specified in these development plans. A development plan may also designate land as being reserved for public purposes or social housing, as well as traffic areas or as spaces to be kept free of buildings.

Although municipal planning authorities have a considerable amount of discretion (*Ermessensspielraum*) in exercising their planning competence, they are obligated to take into account private interests in their assessment and are required by law to pursue a number of objectives the most important of which include sustainable urban development and the protection of the natural foundations of life.

Where no development plan exists, the question whether a building project is permissible depends on whether the building project should be realised in an already built-up district or on the periphery. In the first case, the permissibility basically depends on the building project's compatibility with the existing buildings in the vicinity and their specific use. Outside built-up districts, projects are only permissible subject to very narrowly-defined requirements which are generally not met by buildings designated for office use.

Building Law Regulations

The building-law regulations of the German Federal States are very extensive and contain numerous provisions, *e.g.* in respect of permissible building products, proper workmanship, stability, parking spaces, heating and ventilation, fire safety, means of evacuation and escape in case of emergency, distance areas, noise abatement and requirements for buildings that are suited to the needs of the disabled.

Protection of Existing Buildings

Owners of buildings which have been constructed and are used in line with a non-appealable building permit in principle enjoy constitutional protection of property with respect to such buildings. This means that the building supervisory authority must, as a rule, tolerate the respective existing building and its use, even where the building permit is unlawful or where, following the granting of the permit, the circumstances in terms of planning law or the legal situation in general have changed.

Nevertheless, as an exception to this general rule, the competent authority may demand alterations to protected existing buildings on grounds of safety or health risks from a property. Although the mere fact that a building does not comply with prevailing regulations does not constitute sufficient grounds for such action, the occurrence of concrete safety or health risks with respect to users of the building or the general public, however, allows the competent authority to demand immediate action from the owner. Relevant risks in this regard include fire risks, risks of collapse and health risks from injurious building materials such as asbestos. To the knowledge of the Issuer's management, there are at the moment no official orders demanding any alterations to existing buildings owned by Corestate or the Investment Structure Corestate is invested in.

The protection of existing buildings does not cover any alterations to such buildings or changes in type of use. In such cases, a new building permit is generally required which must take into account the current circumstances in terms of planning law and current building-law provisions. The conversion of office or retail space into residential space or vice versa generally requires a construction permit.

Monument Protection

In Germany, the protection of historic monuments is provided for in the monument protection laws of the Federal States. Monument protection extends not only to buildings that are monuments, but also to buildings that are part of a so-called monument area or ensemble, without being monuments themselves.

Some buildings owned by Corestate or the Investment Structure Corestate is invested in are listed for monument protection. The owner of a listed building is obligated to preserve the building using reasonable efforts. Partial or total demolition or any change in the appearance of a listed building generally requires the consent of the authority for protection of monuments. In some Federal States, such consent is also required for any change of the building's purpose. In particular, changes to the room layout of a building or space allocation may be prohibited even if the layout or allocation in question does not meet contemporary market requirements.

In some Federal States, the owner of a listed building is in addition required to notify the competent authority of an intended sale of the property. In some Federal States, the municipality has a pre-emption right.

In some Federal States, a building is only deemed a monument if specified in a list of monuments; in other states, an entry in such a list does not have constitutive effect. Apart from the buildings already listed as monuments, several other buildings owned by Corestate or the Investment Structure

Corestate is invested in, are considered eligible for listing as monuments by the relevant authority for protection of monuments, an official listing, however, is still pending. A formal listing of additional buildings is likely to occur in the future.

Buildings may also be subject to restrictions under monument protection laws if located in the vicinity of a monument (the "protection of surrounding areas"). In this case, any alterations to buildings in the vicinity of a monument are, as a rule, subject to authorisation if suited to impair the appearance of the monument.

Charges for Expansion, Provision of Infrastructure and Connection to the Sewer System

Municipalities levy charges for the provision of infrastructure and the first connection to infrastructure facilities, *e.g.* roads. These charges will be levied as one-off payments following completion of the infrastructure facilities and must not be levied repeatedly. In the event of subsequent measures, such as the extension or improvement of infrastructure facilities, municipalities levy expansion charges. Expansion charges may be levied repeatedly, *e.g.* each time after an expansion, improvement or reconstruction is carried out.

In principle, the charges for the expansion and provision of infrastructure are imposed on the property owners whose properties are developed by means of these infrastructure facilities or who benefit from the expansion or improvement of their properties. As a rule, these are the adjacent owners. In deviation from this rule, however, some state laws provide that the municipalities may introduce so-called recurring road charges in their statutes. In this case, the municipal territory is usually divided into sub-districts. Then, it is not only the adjacent owners affected by the infrastructure facility, but all property owners in the respective sub-district who come under the obligation to make contributions; this is intended to evenly distribute the costs among those who enjoy the benefit of being able to use a traffic facility in that particular sub-district. These contributions are generally charged annually. Corresponding provisions apply in the Federal States of Hesse, Rhineland-Palatinate and Thuringia.

On the basis of municipal statutes, municipalities may also levy charges for the connection to the sewer network, *i.e.* charges for connecting buildings and properties to waste water disposal or utility lines and for expanding and modifying such lines.

Public Easements

According to the building codes (*Bauordnungen*) of the German Federal States, with the exception of Bavaria and Brandenburg, owners of properties may be obligated by public easement (*Baulast*) to perform, tolerate or refrain from certain acts relating to their property. Public easements ensure compliance with public-law provisions. For example, public easements ensure adherence to the minimum spacing prescribed by law. They are entered in the register of public easements (*Baulastenverzeichnis*) and are also binding on any legal successors. Public easements only expire if the building supervisory authority issues a written waiver that is to be recorded in the register of public easements, and they may limit the use of properties. Public easements may in particular restrict future changes to the type of use of the property and may thus impair the property value.

Special Urban Construction Law

With the instruments of special urban construction law (*Besonderes Städtebaurecht*) municipalities may counteract deficits or promote certain developments in urban construction. The instruments of special urban construction law include, for example, the designation of redevelopment, conservation or development areas. Properties in areas to which special urban construction law applies may be subject to certain restrictions. In particular the following acts may require the municipality's approval: (i) the construction, alteration and change of use of structural facilities; (ii) the conclusion or extension of agreements on the use or the utilisation of a property for a definite period of more than one year (*e.g.* lease agreements); (iii) the disposal of a property; or (iv) the creation of a right encumbering the property (*e.g.* mortgage). In areas to which special urban construction law applies the municipality may also have a pre-emption right when the property is sold. In addition, the property owners may have to make financial contributions to certain measures. Some of the buildings owned by Corestate or the Investment Structure Corestate is invested in are situated in areas to which special urban construction law applies.

Contamination and Harmful Soil Alterations

Where a property is affected by existing contamination (*Altlasten*) and/or harmful soil alterations (*schädliche Bodenveränderungen*), various measures such as research, safety or remediation measures could become necessary. The competent Soil Conservation Agency (*Bodenschutzbehörde*) may order these measures in accordance with the German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz*). Such an order may be addressed in particular to the perpetrator of the contamination, its legal successor, the current owner of the contaminated property and the party in actual control of the property (*e.g.* a tenant or the beneficiary of a hereditary building right). In addition, the previous owner of the relevant property may be held liable if the title was transferred after 1 March 1999 and the previous owner was aware of or must have been aware of the contamination. The decision which of these parties is to be held liable is made at the discretion of the authority. When making its decision, the authority will generally consider which of the parties is likely to be most effective with the remediation of the existing contamination or harmful soil alteration. The party held liable by the authority may have a claim for indemnification against the other responsible parties. Unless no contractual arrangements provide otherwise, the indemnification obligation and amount depend on the extent to which the threat or damage is attributable to the respective parties. The liability is not based on fault, *i.e.* the competent authority has to prove neither negligence nor intent on the part of the parties held liable.

Further, a property may be affected by unexploded ordnance (*Kampfmittel*), *e.g.* of WW II. The legal framework differs from Federal State to Federal State. Generally speaking, the owner of the property has to take the necessary measures to ensure that constructions works are carried out in a safe manner; where warfare material is found he has to notify the relevant authorities. Dismantling, removal and detonation of discovered WW II bombs will be performed by a bomb disposal team (*Kampfmittelräumdienst*). In principle, costs incurred by such disposals are borne by the Federal Republic of Germany or by the Federal States.

To the knowledge of the management of Corestate, there are currently no official orders regarding material remediation of any existing soil or groundwater contamination. The management of Corestate is not currently aware of any immediate material action that is required in this regard.

Contamination in Buildings

In particular in older buildings, building materials may contain various hazardous substances such as asbestos, polychlorinated biphenyl ("**PCB**"), pentachlorophenol ("**PCP**"), dichlorodiphenyl-trichloroethane ("**DDT**") and lindane.

Where buildings contain asbestos, a remediation may be required under certain circumstances. According to the asbestos regulations (*Asbest-Richtlinien*) of the German Federal States, a remediation obligation depends on the presence of a health threat. In this respect, a distinction must be made between friable asbestos, which is capable of releasing asbestos fibres in the air as it ages or is broken, and non-friable asbestos, from which asbestos fibres are usually not released. The latter only poses a limited risk to health. For this reason, except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos. Friable asbestos, however, entails a higher risk. It is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation and thermal protection. The asbestos regulations of the Federal States set out criteria for assessing the urgency of remediation. Re-assessments of the asbestos contained in a building have to be carried out in regular intervals. Under certain circumstances, removal and replacement of hazardous substances contained in building materials may be required. In the event of a contamination with asbestos, tenants may have a right to rent reduction. Furthermore, Tenants may claim compensation if the defect was already present at the time the lease agreement was concluded. Also, personal injuries may be asserted if the contamination is severe or poses a health risk.

The existence of PCB, DDT, PCP and lindane in buildings may under certain circumstances entitle the tenant to reduce the rent or assert personal injuries. Moreover, remediation measures may be required where PCB, DDT, PCP or lindane concentrations exceed certain thresholds.

Some of the materials used for the construction of some of the buildings owned by Corestate or the Investment Structure Corestate is invested in may contain such hazardous substances, including asbestos. In case of future construction activities or future damage to materials that contain hazardous substances (such as asbestos), special health and safety measures could apply to the removal of such materials. Corestate's management is not aware of any current obligation to remove or replace building materials in existing buildings. However, the replacement and disposal of materials containing hazardous substances could entail significant costs and expenses.

Refrigerants in Air Conditioning Equipment

In the European Union, refrigerants used in air conditioning equipment are subject to numerous regulations. For example, under Regulation (EC) No 1005/2009 the use of certain fluorocarbons for the maintenance or servicing of existing refrigeration and air conditioning equipment has been prohibited since 1 January 2015. For this reason, equipment in which these refrigerants (*e.g.* the widely used refrigerant R22) are used must be retrofitted or replaced as soon as maintenance and servicing work require a refill of the refrigerant. Under Regulation (EC) No 517/2014 on fluorinated greenhouse gases the use of further refrigerants will be prohibited from 1 January 2020 and restrictions such as inspection requirements apply since 1 January 2015. In addition, Regulation (EC) No. 517/2014 on fluorinated greenhouse gases requires a gradual reduction of the quantities of certain fluorinated greenhouse gases that can be placed on the Union market. In the long run, this will lead to a shortage of these gases which may require the air conditioning equipment using these gases (*e.g.* the refrigerant R410a) to be retrofitted or replaced.

Maintaining Waste Water Systems

The German Water Resources Act (*Wasserhaushaltsgesetz*) provides that all waste water systems may only be installed, operated and maintained in keeping with the generally accepted standards of technology. For real estate owners this means, for example, that they have to monitor the condition, functionality, servicing and operation of the waste water system as well as the type and quantity of waste water and the substances contained therein. Tests are performed at intervals that are stipulated in the provisions of the individual German Federal States and may also depend on whether the property in question is located in a water conservation area. Should defects be detected, the property owners must repair the waste water system. The German Water Resources Act authorises the Federal Government to issue a legal ordinance, with the approval of the German Bundesrat, in which the above-mentioned duties in respect of waste water systems are stipulated. However, that ordinance has not been issued. Until the relevant legal ordinance is issued, the Federal States are free to issue their own ordinances as regards these duties.

Legionella Testing

Pursuant to the German Federal Drinking Water Ordinance (*Trinkwasserverordnung,* "**TrinkwV**"), the owners of specified centralised heated drinking water supply facilities for commercial use are required to test the drinking water for legionella by 31 December 2013 at the latest and to repeat the test at least every three years. Further, it has to be ensured by installation of special safety devices that water supply systems used for drinking water are strictly separated from water pipes and parts of water supply systems filled with water not qualified as drinking water under TrinkwV (*e.g.* extinguishing or heating water). The management of Corestate is not currently aware of any infringements.

German Law on Property Purchases

Any property purchase in Germany is principally liable to RETT (*Grunderwerbssteuer,* "**GrESt**"). The payable GrESt currently amounts to 3.5% to 6.5% of the purchase price. The GrESt rate is determined at the level of the Federal States.

Under the RETT Act (*Grunderwerbssteuergesetz – GreEStG*), each acquisition of a share of at least 95% in a company owning real estate in Germany is subject to GrESt. Prior to 6 June 2013, the situation was still different and it was possible to avoid GrESt by way of a share deal, by only acquiring 94.9% of the shares in a company owning real estate and up to 94.9% of the shares in an intermediate company holding the remaining 5.1% of the shares in the company owning real estate. As a result, the acquirer factually held all shares in a company owning real estate without becoming liable to GrESt.

On 30 June 2013, the Act for Implementation of the EU Directive on Mutual Assistance (*Amtshilferichtlinie Umsetzungsgesetz*) came into effect pursuant to which GrESt will also be triggered where an acquisition or transaction results in a company acquiring an economic participation of at least 95% in a company that, either (partially) directly or (partially) indirectly, owns real estate in Germany. The economic participation equals the sum of direct or indirect participations in the equity or assets of the respective company as the effective total assets, taking into account any direct or indirect participations (effective ownership).

Alternative Investment Fund (Act in Luxembourg implementing the alternative investment fund manager directive (2011/61/EU, AIFMD))

Corestate's subsidiary, Corestate Capital Fund Management S. à r. l. ("**CCFM**") was authorised by the CSSF on 21 January 2015 to act as an Alternative Investment Fund Manager ("**AIFM**") within the meaning of the AIFM Act. The AIFM authorisation was granted to CCFM for the management of real estate Alternative Investment Funds ("**AIF**"). Since 1 January 2017, the CSSF has accepted a variety of AIFs being managed by CCFM.

The majority of AIFs are set up in the legal form of a limited partnership under Luxembourg law (*société en commandite simple*, "**SCS**") managed by its general partner (*associé commandité*) which itself takes the legal form of a private limited liability company under Luxembourg law (*société à responsabilité limitée, S.à r.l.*). CCFM also manages a reserved alternative investment fund (*fonds d'investissement alternatif reserve,* "**RAIF**"), which has been set up for institutional investors in Germany.

Currently, the relevant AIF appointed Hauck & Aufhäuser Privatbankiers KGaA, Niederlassung Luxemburg, as its depositary in accordance with the AIFM Act. The appointment of a depositary is mandatory under the AIFM Act. The depositary has to ensure *inter alia* the correct safekeeping of the assets of the AIFs (to the extent these can be kept safe) and in particular in relation to the aforementioned AIFs the correct verification of ownership in relation to assets, which by their nature cannot be safe-kept, such as non-financial instruments etc. The depositary is also required to monitor cash flows and distributions and any other payments to be made by or for the benefit of the respective AIF in accordance with the AIFM Act.

In accordance with its status as AIFM, the Corestate-AIFM is allowed to provide services in relation to real estate AIFs such as (i) the management of investments (*i.e.* portfolio management and risk management), (ii) marketing, and (iii) activities related to the assets of AIFs it manages.

In general, as an authorised AIFM, the Corestate-AIFM benefits from the marketing passport introduced under the AIFM Act. This marketing passport allows the AIFM to market AIFs it manages, (irrespective of whether those AIFs are established in Luxembourg or in another member state of the European Union), to professional investors within the European Union. The marketing passport principles will be extended to the entire EEA as soon as the AIFMD (and all of its relevant implementing measures) has been integrated in the EEA Agreement. However, currently CCFM does not perform any marketing activities due to the nature of the AIFs incorporated as S. à r. l. currently under management.

As an authorised AIFM, the Corestate-AIFM is subject to the transparency rules established by the AIFM Rules. Transparency obligations under the AIFM Rules contain provisions in relation to the annual report, disclosure to investors and reporting to the national financial regulator under Annex IV of the AIFMD-CDR. Notwithstanding the above, the AIFM status does not relieve the Corestate-AIFM from the need to comply with additional national legal and regulatory requirements in relation to the provision of its services to, or the management of, investment funds such as *e.g.* product laws for specialised investment funds under the SIF Act (such as the two aforementioned AIF in the course of being set-up) or any other undertakings for collective investments in the Grand Duchy of Luxembourg. Therefore, the Corestate-AIFM may have to apply for further authorisations and licenses with the CSSF, as the case may be, to extend its current scope of authorised services and activities beyond what is provided for under the AIFM Rules. It should be noted that any other entity within our Group which might wish to provide similar or other services which require the prior authorisation of any other competent regulatory authority would need to apply for its own authorisation at the competent regulatory authority. There might be the risk that a required authorisation will not be granted by the competent regulatory authority.

Swiss Financial Market Supervisory Authority (FINMA)

FINMA is the supervisory authority responsible for financial regulation in Switzerland. It is responsible for, *inter alia*, the supervision of banks, insurance companies, stock exchanges and securities dealers, collective investment schemes as well as asset managers and fund management companies.

On 29 June 2015, CCAG obtained the license by the Swiss Financial Markets Authority FINMA to offer and distribute collective investment schemes within the meaning of the Collective Investment Schemes Act of Switzerland to qualified investors and is subject to the supervision of FINMA. With the granting of the license, CCAG was authorised by FINMA to offer and distribute collective investment schemes *inter alia* to banks, asset managers, certain insurance companies, and to ultra-high net worth individuals subject to their consent to be classified as qualified investors within the meaning of the Collective Investment Schemes Act of Switzerland.

German Banking Act (*Kreditwesengesetz*)

As a result of the HL Group Acquisition, we are subject to the German Banking Act (*Kreditwesengesetz*, "**KWG**"). The HL Group comprises two financial services companies and one fund management company which are regulated as follows:

- The parent company of HL Group is Hannover Leasing GmbH & Co. KG which is incorporated under the laws of Germany and conducts leasing business and administrates property leasing companies. These business activities qualify as licensable financial services according to Section 1 (1a) of the KWG. Therefore, under the KWG, Hannover Leasing

GmbH & Co. KG is a financial services institution. Under the KWG, Hannover Leasing GmbH & Co. KG is subject to supervision by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, “**BaFin**”).

- Through Hannover Leasing Automotive GmbH, a subsidiary of Hannover Leasing GmbH & Co. KG, HL Group provides automobile leasing services. Hannover Leasing Automotive GmbH is a financial services institution incorporated under the laws of Germany and is subject to the supervision of the BaFin in accordance with the KWG. However, the Hannover Leasing Automotive GmbH has stopped acquiring new business and, therefore, its business activities comprises only legacy business of the existing portfolios.

- HL Group offers closed-ended public mutual AIFs (alternative investment funds) as well as open-ended and closed-ended special AIFs. The organisation, the distribution and the management of AIFs established in accordance with the German Capital Investment Code (*Kapitalanlagegesetzbuch*, “**KAGB**”) take place via Hannover Leasing Investment GmbH, a subsidiary of Hannover Leasing GmbH & Co. KG. Hannover Leasing Investment GmbH which is incorporated under the laws of Germany and obtained a license as an external AIF management company in accordance with the KAGB (*externe AIF-Kapitalverwaltungsgesellschaft*) on 14 March 2014. With regard to the scope of the license, the requirement to have a depositary and the possibility to make use of the marketing passport see “*Alternative Investment Fund (Act in Luxembourg implementing the alternative investment fund manager directive (2011/61/EU, AIFMD))*“ above.

INFORMATION ON EXISTING SHAREHOLDERS

Shareholder Structure

The following table sets forth the shareholders that have a notifiable interest in the Issuer's capital and voting rights as of the date of this Prospectus:

Direct Shareholder	**Shareholdings (in %)**
Ralph Winter	17.81
Norbert Ketterer	9.64
Sandra Ketterer	8.93
Other shareholders/Public free float(1)	63.62
Total	**100.0**

(1) Other shareholders/Public free float refers to shareholdings of less than five percent in Corestate Capital Holding S.A and includes shareholdings of the management in the amount of 4.69%.

GENERAL INFORMATION ABOUT THE ISSUER AND ITS PRINCIPAL SHAREHOLDERS

History and Formation of the Issuer

The Issuer was incorporated as a public limited liability company (société anonyme) under Luxembourg law on 21 August 2015. By resolution of the shareholders at an extraordinary general meeting of shareholders as of on 23 September 2015, the share capital was increased by an aggregate amount of EUR 159,846 in order to bring it from its previous amount of EUR 35,000 to a new amount of EUR 194,846, through the creation and issuance of 7,992,300 shares of the Issuer, with a par value of EUR 0.02 each in order to bring the shares of the Issuer from their previous amount of 1,750,000 shares to a new amount of 9,742,300 shares. 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 EUR 29,580,846. The above-mentioned transaction resulted in the Issuer being established as the new holding company of the Group. Our principal operating subsidiary, CCAG is a company incorporated under the laws of Switzerland, with its registered office at Oberneuhofstrasse 3, CH-6340 Baar, Switzerland.

The following table sets out key milestones of the Corestate Group:

Month/Year	**Key Milestones**
June 2006	Foundation of CCAG by Ralph Winter and Thomas Landschreiber
2006 to 2009	Acquisition and management of a German residential and commercial real estate portfolio with a combined value of EUR 1.4 billion for institutional clients
2010	Introduction of new product strategy, *i.e.* club deals from semi-institutional and ultra-high net worth clients with alignment capital from CCAG
May 2010	Launch of first club deal in Germany and raised equity of EUR 34.0 million
October 2012	Launch of our club deal in Austria comprising student housing and raised equity of EUR 5.0 million
October 2012 to April 2013	Launched 4 club deals (Project Energy, Project Squirrel, Project Vitu and Project T6) and raised total equity of EUR 126.7 million
July 2013	Further vertical integration along the real estate chain by the acquisition of Capera to expand property management expertise
August 2013	Capital Increase by Intershop Holding AG of EUR 17.6 million; Intershop Holding AG becomes minority shareholder
2013	Entry into Austrian real estate market by way of landmark EUR 70 million student home development in Vienna
November 2014	Launch of a new investment product – retail assets in Project Highstreet and raised equity of EUR 52.8 million

Month/Year	Key Milestones
December 2014	Further increase of Austrian market presence with regard to a real estate project with a projected volume of EUR 431 million
January 2015	Corestate Capital Fund Management S.à r.l. obtained its AIFM authorisation from the CSSF
February 2015	CCAG entered into an exclusive joint venture with leading local market participants Espacio and OHL to enter the Spanish market; first transaction is a landmark high-rise tower in Madrid (EUR 240 million)
June 2015	CCAG obtained the license by the Swiss Financial Markets Authority FINMA to distribute collective investment schemes
August 2015	Incorporation of the Issuer as new holding company of the Corestate-group
October 2015	Strategic partnership with Sistema Capital Partners for a co-investment program to raise and jointly manage third party capital
June 2016	Ralph Winter buys stake of Intershop Holding AG in Corestate Capital Holding S.A.
September 2016	The Issuer completed a private placement in an aggregated amount of approximately EUR 43 million by way of a cash capital increase subscribed by new investors
October 2016	Listing of the Shares on the unregulated market (*Scale*; previously *Entry Standard*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
February 2017	Increase of share capital by 7.90% through contribution in cash by domestic and international institutional investors outside the United States resulting in gross proceeds of approximately EUR 22.7 million
July 2017	Acquisition of HL Group
July 2017	Acquisition of HFS. Corestate's share capital was increased by the issuance of 7,365,256 new shares against contribution in kind from authorised capital as part of the transaction
October 2017	Acquisition of ATOS Group
November 2017	Uplisting of the Shares from the unregulated market (*Scale*; previously *Entry Standard*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to the regulated market (*regulierter Markt*) (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
November 2017	Standard & Poor's assigns "BB+" long-term corporate credit rating with stable outlook to the Issuer
November 2017	Issuance of EUR 200 million 1.375% senior, unsecured convertible bonds due 2022

GENERAL INFORMATION ON THE ISSUER AND THE GROUP

Formation, Incorporation, entry in the companies register, registered office, name, Financial Year

The Issuer was incorporated as a public limited liability company (*société anonyme*) under Luxembourg law on 21 August 2015. The Issuer is registered in the Companies Register under the number B199780. The Issuer's registered office is 4, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg (tel. +352 2663 7222). The Issuer is the Corestate Groups' holding company. The Issuer and the Corestate Group primarily operates under the commercial name "Corestate."

Pursuant to article 25 of the Articles of Association, the Issuer's accounting year is the calendar year.

Duration of the Issuer and Corporate Purpose

The Issuer was established for an unlimited period of time.

Pursuant to article 4 of the Articles of Association, the purpose of the Issuer 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 Issuer 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 programs. The Issuer may lend funds including the proceeds of any borrowings and/or issues of securities to its subsidiaries, affiliated companies or any other company.

The Issuer 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 Issuer may enter into, execute and deliver and perform any swaps, futures, forwards, derivatives, options, repurchase, stock lending and similar transactions. The Issuer 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 Issuer's purpose shall include any transaction or agreement which is entered into by the Issuer, provided it is not inconsistent with the foregoing matters.

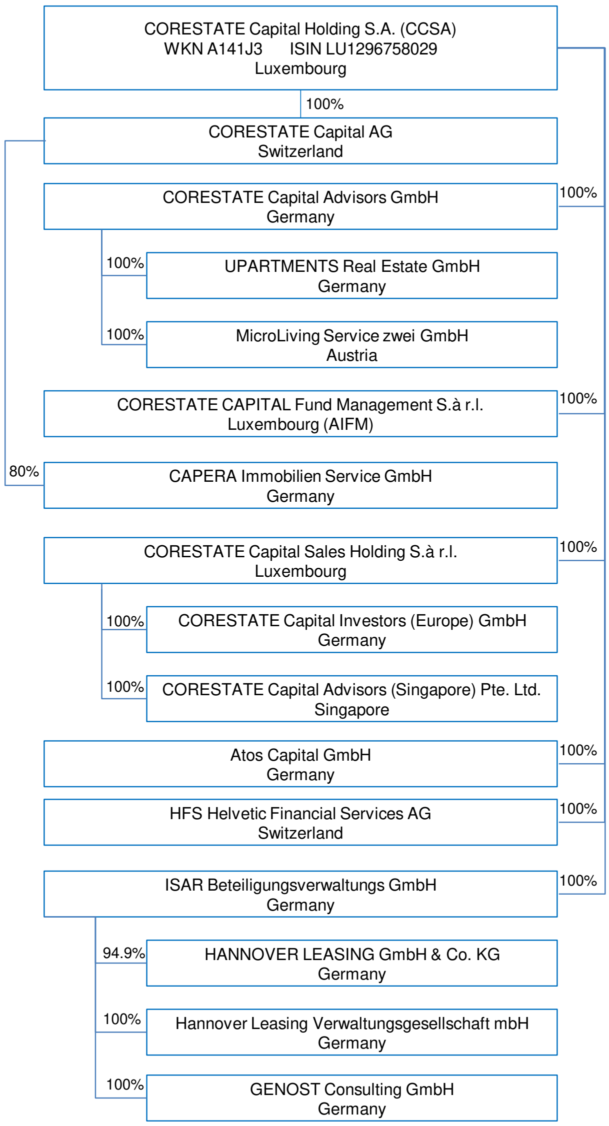
In general, the Issuer may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its purpose.

The Issuer may carry out any commercial, industrial and financial operations, which are directly or indirectly connected with its purpose or which may favour its development.

Group Structure

The Issuer is the holding company of CCAG and of the Corestate Group. The Issuer's business is primarily conducted by the relevant operating subsidiaries. The CCAG's consolidated financial statements include all material subsidiaries whose financial and business policy can be controlled by the Issuer, either directly or indirectly, and the equity interests of the group whose financial and business policy can be influenced by the group to a significant extent. The group of consolidated companies includes 124 subsidiaries as of the date of this Prospectus.

The following diagram sets forth a (simplified) overview of the Issuer's material operating subsidiaries as of the date of this Prospectus. The shareholdings are calculated on the basis of the economic interest in the respective entity. The shareholdings set out below are rounded mathematically.



Significant Subsidiaries

The following table provides an overview of the Issuer's significant subsidiaries as of the date of this Prospectus. The shareholdings reflect the Companies' direct and indirect economic interest in the respective entity. This means that shares held by the respective company itself are not taken into account when computing the percentage of participation. As of the date of this Prospectus, no amount was outstanding under the issued shares for the subsidiaries listed below. The significant subsidiaries' field of business is real estate investment and related services.

Issuer's significant subsidiaries

Name	Seat and Country of incorporation	% equity interest
CORESTATE CAPITAL AG	Zug/Switzerland	100.00%
CAP FinCo S.à r.l.	Luxembourg	100.00%
CORESTATE Capital Advisors (Singapore) Pte. Ltd.	Singapore	100.00%
CORESTATE Capital Advisors GmbH	Frankfurt am Main/Germany	100.00%
CORESTATE Capital Investors (Europe) GmbH	Frankfurt am Main/Germany	100.00%
CORESTATE CAPITAL Fund Management S.à r.l.	Luxembourg	100.00%
Atos Capital GmbH	Hamburg/Germany	100.00%
Hannover Leasing Verwaltungsgesellschaft mbH	Pullach/Germany	100.00%
HFS Helvetic Financial Services AG	Wollerau/Switzerland	100.00%
ISAR Beteiligungsverwaltungs GmbH	Frankfurt am Main/Germany	100.00%
Hannover Leasing GmbH & Co. KG	Pullach/Germany	94.90%
CAPERA Immobilien Service GmbH	Neu-Isenburg/Germany	80.00%

Auditors

Ernst & Young S.A., 35E avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg ("**E&Y Lux**") audited the consolidated financial statements of the Issuer as of and for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and issued an unqualified auditors' report thereon, respectively.

E&Y Lux conducted its audits in accordance with International Standards on Auditing as adopted for Luxembourg by the CSSF. E&Y Lux is a member of the Luxembourg Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises*) qualifying as *cabinet de révision agréé.*

Notifications, Paying Agent, Calculation Agent

Announcements of the Issuer are published on the Issuer's website (www.corestate-capital.com).

The paying agent is BNP Paribas Securities Services S.C.A., Zweigniederlassung Frankfurt.

The calculation agent is Conv-Ex Advisors Limited.

DESCRIPTION OF THE GOVERNING BODIES OF CORESTATE CAPITAL HOLDING S.A.

Overview

The Management Board of the Issuer is made up of three members, appointed by the Supervisory Board.

The business address of each member of the Management Board, Supervisory Board and Senior Management of the Issuer is 4, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg and our telephone number at that address is +352 2637 2222.

Management Board of the Issuer

The Issuer is managed by the Management Board. According to the Articles of Association, the Management Board must be composed of at least two members. The members of the Management Board shall be appointed by the Supervisory Board. The Supervisory Board shall also determine the number of members of the Management Board, their remuneration and the terms of their office. Currently, the Management Board consists of three members.

The members of the Management Board shall be elected for a term of three years. The members of the Management Board shall be eligible for re-appointment. A member of the Management Board may be removed with or without cause and/or replaced, at any time, by a resolution adopted by the Supervisory Board.

The members of the Management Board were appointed by the Supervisory Board for a term set to expire on 31 December 2018 with respect to Thomas Landschreiber, 31 December 2019 with respect to Sascha Wilhelm and 30 June 2020 with respect to Lars Schnidrig, respectively. Sascha Wilhelm will resign as a member of the Management Board by mutual agreement and be replaced by Dr. Michael Bütter with effect latest as of 1 May 2018. Dr. Bütter's term shall expire on 30 April 2022 subject to a respective prolongation of the gerneral term for members of the Management Board by the Issuer's shareholders' meeting for 27 April 2018.

The Management Board is vested with the broadest powers to perform, or to cause to be performed, all acts of disposition and administration in the Issuer's interest. All powers not expressly reserved by the 1915 Companies Act or by the Articles of Association to the general shareholders' meeting or the Supervisory Board fall within the competence of the Management Board.

The Management Board meets as often as the business and interests of the Issuer require.

The Management Board may validly deliberate and make decisions only if at least one half of its members is present or represented. Decisions are made by the majority of the votes of the members present or represented, in case of a tied vote the chairman of the Management Board shall have a casting vote (*Zweitstimmrecht*) subject to the approval by the Issuer's shareholders' meeting. If a member of the Management Board abstains from voting or does not participate to a vote in respect of a proposed resolution, this abstention or non-participation is taken into account in calculating the majority as a vote against the proposed resolution. In circumstances of emergency only, a meeting of the Management Board may be held by conference call, video conference or by similar means of communication in accordance with the Articles of Association. In circumstances of emergency only, a resolution of the Management Board may also be passed in writing, which must be signed by each member of the Management Board.

At least every three months, the Management Board must submit a written report to the Supervisory Board, in which it describes the status of the Issuer'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 Issuer's situation. The Management Board must also submit to the Supervisory Board those documents it shall provide to the auditors in accordance with the 1915 Companies Act.

The following table sets out the name, position and the year of appointment for each member of the Management Board.

Name	Date of birth	Position	Year first appointed
Sascha Wilhelm	30 March 1976	CEO	2015
Lars Schnidrig	15 August 1972	CFO	2017
Thomas Landschreiber	25 June 1968	CIO	2015

The following is a summary of the business experience of the current members of the Management Board.

Sascha Wilhelm (born 1976) is Chief Executive Officer[1] and is responsible for asset management, property management, human resources, operations as well as information technology. He is member of the Investment Committee. Sascha Wilhelm has more than 12 years of real estate industry experience. Sascha Wilhelm has been Chief Operating Officer of CCAG since 2014. He joined the Corestate group as managing director and Head of Asset Management of Corestate Capital Advisors GmbH in 2012. Prior to that, Sascha Wilhelm was the Head of Real Estate Management at Seitz Real Estate Group from 2005 to 2012. Sascha Wilhelm graduated from the University of Augsburg with a Law degree in 2001 followed by the second state exam in 2003. He obtained a Master in Business Administration (International Real Estate Management) from London Southbank University in 2008. Sascha Wilhelm is admitted as lawyer to the German Bar.

Lars Schnidrig (born 1972) is Chief Financial Officer and is responsible for financing, tax and investment structuring, accounting and consolidation, controlling and reporting, and investor relations. He is member of the Investment Committee. Lars Schnidrig joined the Corestate-Group in 2017. Prior, since 2008, he was Managing Director (*Bereichsleiter*) Finance and Treasury of Vonovia SE and Member of the Management Board (CFO/Head of Finance and Treasury of Vonovia Finance B.V., responsible *inter alia* for debt and equity capital markets, fund raising, reporting, cash flow forecast, risk management, rating agencies, mergers and acquisition financing, treasury operations, transformation/restructuring of the finance division and liabilities side to enable the IPO of Vonovia SE, implementation of the listing of Vonovia SE from SDAX into DAX30. From 2003 to 2008, he worked for a predecessor of Deutsche Pfandbriefbank holding in various positions in different countries, in particular credit structuring, origination, syndication, structured finance, securitisation (CMBS), investments in asset backed securities and corporate bonds. His final position at Deutsche Pfandbriefbank was voting member of the credit and investment committee. Lars Schnidrig holds a Master in Economics of the University of Freiburg, a Master in Law (LL.M.) of the University of Münster and a Master in Business Administration (MBA) of the Open University Business School in Great Britain.

[1] Sascha Wilhelm will resign as a member of the Management Board by mutual agreement with effect as of 30 April 2018 and be replaced by Dr. Michael Bütter with effect as of 1 May 2018.

Thomas Landschreiber (born 1968) is Chief Investment Officer. He is Co-Founder of CCAG and member of the Investment Committee as well as Chairman of CCAG's Administration Board. Thomas Landschreiber has direct responsibility for deal sourcing, acquisition structuring, transaction execution and asset disposals. Thomas Landschreiber has more than 25 years of experience in the real estate industry. Prior to founding CCAG, Thomas Landschreiber worked as Vice President in the real estate team of CERBERUS Beteiligungsberatung GmbH in Frankfurt from 2004 to 2006, where he was responsible for due diligence and advised on acquisitions, asset management and asset sales. Prior, Thomas Landschreiber worked for Vivacon AG as distribution manager responsible for purchase and rating of listed real estate, set up and marketing of sales schemes for apartments on heritable building right and subsidised housing co-operative and as Sales Manager for SAB, Bad Homburg, focusing on structuring disposals of commercial portfolios as well as sales coordination and conceptual design of real estate products. From 1988 to 1996 Thomas Landschreiber worked for HVB AG dealing with real estate financing of large portfolios. Thomas Landschreiber is a qualified banker.

Dr. Michael Bütter (born 1970) will replace Sascha Wilhelm as Chief Executive Officer with effect as of 1 May 2018. Dr. Michael Bütter will be responsible for the Group's strategy, organisation and corporate functions, real estate management, equity rasing, client relations, human resources and risk management.

Dr Michael Bütter has more than 18 years of experience in the real estate and private equity industry. He has been a member of the Issuer's senior advisory circle since 2016. Since 2015 and currently Dr. Bütter is a member of the extended management board as well as group general counsel and Senior Vice President HR & Communication of Scout24 AG listed in the S-DAX of the Frankfurt Stock Exchange and managing director of Immobilien Scout GmbH. From 2013-2015, he was a member of the management board (Chief Investment Officer and Chief Legal Officer) of Ferrostaal Group. From 2008 to 2013, he was member of the Executive Board of Deutsche Annington Immobilien SE (Vonovia SE) as well as its Group General Counsel implementing, amongst others, the 6 billion euro CMBS refinancing and the complex IPO of the later DAX company. From 2001 to 2008 he was a partner at Lovells LLP (now Hogan Lovells LLP) heading the real estate and private equity group.

Dr Michael Bütter also serves as a member of the supervisory boards of ASSMANN BERATEN+PLANEN AG (Deputy Chairman, since 2016), ADO Properties S.A. (Head of Audit Committee, since 2015) as well as TLG Immobilien AG (Deputy Chairman, since 2014) and is a Member of the German Management Board of RICS. He studied law and economics in Hamburg and Oxford and is a doctor of law.

The following table lists additional relevant positions with companies and enterprises held by the members of the Management Board as of the date of this Prospectus and during the last five years, excluding positions held with the subsidiaries of the Issuer:

Name	Positions	Position still held? Yes/No
Sascha Wilhelm	• YOUNIQ GmbH – Chairman of the Supervisory Board	No
	• SEITZ REAL ESTATE GROUP – Managing Partner	No
	• WBG GmbH – Member of Advisory Board (*Beirat*)	No
Lars Schnidrig	• Börsenhof A Besitz GmbH – Executive director	No
	• DA DMB Netherlands B.V. – Executive director	No

Name	Positions	Position still held? Yes/No
	• DAIG 9. Objektgesellschaft B.V. – Executive director	No
	• DAIG 10. Objektgesellschaft B.V. – Executive director	No
	• DAIG 11. Objektgesellschaft B.V. – Executive director	No
	• DAIG 14. Objektgesellschaft B.V. – Executive director	No
	• DAIG 15. Objektgesellschaft B.V. – Executive director	No
	• DAIG 16. Objektgesellschaft B.V. – Executive director	No
	• DAIG 17. Objektgesellschaft B.V. – Executive director	No
	• DAIG 18. Objektgesellschaft B.V. – Executive director	No
	• DAIG 19. Objektgesellschaft B.V. – Executive director	No
	• DAIG 20. Objektgesellschaft B.V. – Executive director	No
	• DAIG 21. Objektgesellschaft B.V. – Executive director	No
	• DAIG 22. Objektgesellschaft B.V. – Executive director	No
	• DAIG 23. Objektgesellschaft B.V. – Executive director	No
	• DAIG 24. Objektgesellschaft B.V. – Executive director	No
	• DAIG 25. Objektgesellschaft B.V. – Executive director	No
	• Deutsche Annington Acquisition Holding GmbH – Executive director	No
	• Deutsche Annington DMB Eins GmbH – Executive director	No
	• Deutsche Annington Fünfte Beteiligungsgesellschaft mbH – Executive director	No
	• Deutsche Annington Jupiter NL JV Holdings 1 B.V.- Executive director	No
	• Deutsche Annington Parker GmbH – Executive	No

Name	Positions	Position still held? Yes/No
	director	
	• Frankfurter Siedlungsgesellschaft mbH – Executive director	No
	• FSG Holding GmbH – Executive director	No
	• FSG Immobilien Verwaltungs GmbH – Executive director	No
	• Süddeutsche Wohnen Management Holding GmbH – Executive director	No
	• Verimmo2 GmbH – Executive director	No
	• Vonovia Finance B.V. – Chairman of the Management Board	No
	• Vonovia Immobilienmanagement one GmbH – Executive director	No
	• Vonovia Immobilienmanagement two GmbH – Executive director	No
Thomas Landschreiber	• YOUNIQ GmbH – Member of the Supervisory Board	No
	• WBG GmbH – Member of Advisory Board (*Beirat*)	No
Dr. Michael Bütter	• Scout24 AG – Member of the Extended Management Board as well as Group General Counsel and SVP HR & Communication	Yes
	• Immobilien Scout GmbH – Managing Director	Yes
	• ASSMANN BERATEN+PLANEN AG – Member of the Supervisory Board (Deputy Chairman)	Yes
	• ADO Properties S.A. – Member of the Supervisory Board (Head of Audit Committee)	Yes
	• TLG Immobilien AG – Member of the Supervisory Board (Deputy Chairman)	Yes
	• RICS – Member of the German Management Board	Yes
	• Ferrostaal Group – Chief Investment Officer and Chief Legal Officer	No
	• Deutsche Annington Immobilien SE (Vonovia SE) – Member of the Executive Board and Group General Counsel	No

Management Service Agreements

The management service agreements of the Management Board Members have been entered into for a period until 31 December 2019 (Sascha Wilhelm) [1], 31 December 2018 (Thomas Landschreiber) and 30 June 2020 (Lars Schnidrig), respectively, and will terminate automatically as of the respective date unless they are prolonged by way of mutual agreement. Prior to the respective date, they may be terminated by either party for cause with immediate effect; a termination with due notice is not permitted. None of the management service agreements contains a change-of-control clause. No benefits will be provided by the Issuer to the Management Board Members in case their management service agreements are not prolonged beyond 31 December 2019, 31 December 2018 or 31 December 2020, respectively. The aforementioned summary also applies with certain exemptions for the management service agreements of Dr. Michael Bütter and Philip La Pierre which have been entered into for a period until 30 April 2022 and 30 June 2020, respectively (see also "*Senior Management of the Group*" for more information). The management service agreement of Mr. Michael Büttner contains a change of control clause according to which Michael Bütter is in case of a change of control entitled to terminate the agreement upon three months' written notice and receive a severance payment in the amount of the fixed compensation and target bonus for the remainder of the original term. The management service agreement of Philipp La Pierre provides for a special termination right upon four week's notice if his appointment as member of the Management Board is revoked without good cause or comes to an end for a reason of no fault of Philip La Pierre prior to the end of the ordinary term. In such case Mr. LaPierre is entitled to his fixed remuneration and a pro-rated variable remuneration until the regular termination date.

Compensation and Other Benefits of the Management Board Members

The Management Board Members are entitled to a fixed remuneration and an annual bonus. The amount of the latter is dependent on the achievement of certain targets. Effective as of the end of the financial year within which the initial listing of the shares of the Issuer at a stock exchange, the open market or equivalents thereto, the decisive bonus criteria are (i) the Funds from Operation per Share or another earnings target (pursuant to the business plan of the whole Corestate-Group as annually set out by the Management Board and confirmed by the Supervisory Board), (ii) the development of the share price of the Issuer or, respectively, a share price based performance component (pursuant to the provisions as individually agreed between the Management Board Member and the Supervisory Board) and (iii) the Management Board Member's individual performance as determined at the reasonable discretion of the Supervisory Board. Each bonus criteria shall be weighed with one-third. Prior to this date, only bonus criteria (i) and (iii) shall apply, whereby bonus criterion (i) shall be weighed with two thirds and bonus criterion (iii) with one-third. Payments under bonus criterion (iii) may vary between zero and a certain cap; whereas bonus criteria (i) and (ii) are structured as follows: there is no bonus payment if the respective criterion is only fulfilled by 50% or less, above 50% the respective payment increases straight proportionally (*linear*) up to a cap of 200% for each of (i) and (ii).

The aforementioned structure of the remuneration in principle also applies to Dr. Michael Bütter's remuneration, with certain exemptions. In particular, the targets for the bonus differ. The amount of the bonus is dependent on the achievement of the following targets: development of (i) the share price or market capitalization of the Issuer compared with the share price or market capitalization based on the closing share price on the last trading day of the last business year, (ii) aggregate revenues and gains compared with the annual budget and (iii) adjusted EBITDA compared to the annual budget. Each bonus criterion is weighted with one third and a certain amount is allocated to each criteria. For the financial year 2018, the achievement shall not fall below 100% (*pro rata temporis*).

[1] Sascha Wilhelm will resign as a member of the Management Board by mutual agreement with effect as of 30 April 2018.

Furthermore, Dr. Michael Bütter is eligible for participation in a long-term incentive plan. Under the plan, Dr. Michael Bütter is entitled to shares in the Issuer of a certain value. These shares shall be granted over a period of 48 months in four tranches after 12, 24, 36 and 48 months and are subject to a lock up period of 12 months after the respective granting.

On 30 March 2017, Lars Schnidrig and the Issuer concluded an option agreement pursuant to which Lars Schnidrig shall receive, under certain terms and conditions, within the financial years 2017 and 2018 certain notional options (*synthetische Optionsrechte*) correlating with the Issuer's market share price. The respective notional option vests three years after it has been granted. In case of a permissible exercise the options' value equals the respective number of exercised notional options multiplied by the share market price at the exercise date minus 80% of the share market price at the date when the notional options were granted. The exercise presupposes an effective service agreement and the option agreement provides certain adjustment mechanisms.

One-third of the variable remuneration of Sascha Wilhelm and Thomas Landschreiber will be contributed into the management co-investment funds MCIF and MCIF Germany serving as a long-term management participation and incentive scheme / management investment pool *inter alia* for the members of the Management Board. MCIF invests, as the case may be, in specific Investment Structures alongside with the clients of the Issuer and thereby extends the alignment concept of the Issuer to the members of the Management Board (see also "*Material Contracts*" for more information).

In addition, the Management Board Members are entitled to ancillary benefits that include, among other things, payment of remuneration in case of sickness or death for a certain period, contributions to private health insurance as well as D&O and E&O insurance coverage at usual market terms.

The Management Board Members are subject to a post-contractual non-compete covenant for a period of six months following the effective termination of their management service agreements. During the non-compete period, they shall be entitled to 100% of their most recent fixed remuneration.

The following table provides an overview of the fixed, short and long term remuneration of the current Management Board Members under their management service agreements (assuming that all bonus criteria are on target) on an aggregated basis:

Entitlement	**Scope (in EUR)**
Annual fixed remuneration	1,355,000
Annual target bonus	1,015,000
Total annual target remuneration	2,370,000
Long-term incentive	2,666,667

Furthermore, Thomas Landschreiber was entitled to receive an annual fixed payment in the amount of CHF 366,000 as compensation for the loss of benefits under his previous employment agreement for each full calendar year within which the initial listing of the shares of the Issuer at a stock exchange, the Open Market (*Freiverkehr*) or equivalents thereto did not take place.

Moreover, in the financial year ended 31 December 2017, Lars Schnidrig received a one-time sign-on bonus equalling EUR 262,510.00.

The following table provides an overview of the overall remuneration and benefits of the Management Board Members for the financial year ended 31 December 2017 on an aggregated basis:

Entitlement	Scope (in EUR million)
Overall Remuneration	approximately 10.9*

* Daniel Schoch, whose remuneration is reflected in table above, resigned as a member of the Management Board with effect as of 14 July 2017.

In addition, market standard benefits are granted to (some) of the members of the Management Board, *inter alia* notional social security payments, assumption of private health care and other insurance payments as well as D&O and E&O insurance coverage at usual market terms. Furthermore, the Issuer reimburses all travelling costs and incidental expenses incurred in connection with meetings of the Management Board.

Shareholdings of the Management Board Members

Thomas Landschreiber currently holds 732,238 and Sascha Wilhelm currently holds 5,750 shares in the Issuer, respectively. Apart from this, no member of the Management Board directly or indirectly holds any shares in the Issuer, or options on shares in the Issuer. Sascha Wilhelm and Thomas Landschreiber are entitled to options to acquire shares in the Issuer as part of their long-term incentive plan. Please refer to "*Compensation and Other Benefits of the Management Board Members*" for more information.

Please refer to "*Certain Relationships and Related Party Transactions*" for more information.

Termination Agreement of Daniel Schoch

Daniel Schoch and the Issuer concluded a termination agreement as of 10 June 2017 regarding Mr. Schoch's management functions within the Issuer and his contractual arrangements. According to such termination agreement Mr. Schoch resigned as a member of the Management Board of the Issuer with effect as of 14 July 2017. He received a fixed monthly payment of EUR 33,333.33 until the aforementioned termination date. The Issuer also committed itself to a payment in the amount of EUR 200,000.00 at the time and in case of a further capital increase subject to specific conditions. Moreover, the Issuer is obliged to a compensation amounting to EUR 690,000.00 payable in 24 monthly instalments.

Furthermore, Daniel Schoch is entitled to receive shares of the Issuer according to specific provisions of his management service agreement as well as special payments in connection with the management of co-investment Fund MCIF (see also "*Material Contracts*" for more information).

The termination agreement provided for the conclusion of an advisory agreement; however, such provision was substituted later on through the conclusion of the Advisory Agreement (see also "*Material Contracts*" for more information).

Termination Agreement of Sascha Wilhelm

Sascha Wilhelm and the Issuer concluded a termination agreement as of 6 February 2018 regarding Mr. Wilhelm's management functions within the Issuer and his contractual arrangements. According to such termination agreement Mr. Wilhelm will resign as a member of the Management Board of the Issuer with effect as of 30 April 2018. He will also resign from his further positions as managing director within the Issuer's group. He will receive a fixed monthly payment of EUR 27,083.33 until the aforementioned termination date and a compensation of EUR 1,120,000.00 gross due for payment at the termination date. Furthermore, the Issuer is obliged to a special payment in connection with the Management Co-Investment Fund (MCIF) of the Corestate Group in the total amount of EUR 371,805.80.

Sascha Wilhelm is entitled to receive 35,294 listing shares of the Issuer half of which are blocked by a lock-up agreement until 31 December 2018 and the other half blocked until 31 December 2019. In addition, the parties agreed upon terminating the non-compete obligation set out in the management service agreement.

Supervisory Board of the Issuer

According to the Articles of Association, the Supervisory Board must be composed of at least three members. The members of the Supervisory Board shall be elected for a term not exceeding six years and shall be eligible for re-appointment. The members of the Supervisory Board shall be appointed by the general meeting of shareholders. The general meeting of shareholders shall also determine the number of members of the Supervisory Board, their remuneration and the terms of their office.

A member of the Supervisory Board may be removed with or without cause and/or replaced, at any time, by a resolution adopted by the general meeting of shareholders. Currently, the Supervisory Board consists of three members.

The members of the Supervisory Board were appointed by the general shareholders' meeting for a term that will expire after the annual general meeting that will approve the annual accounts of the accounting year ending on 31 December 2019.

The Supervisory Board shall carry out the permanent supervision of the Management Board, without being authorised to interfere with such management. The Supervisory Board may validly deliberate and make decisions only if at least one half of its members is present or represented. Decisions are made by the majority of the votes of the members present or represented. If a member of the Supervisory Board abstains from voting or does not participate to a vote in respect of a proposed resolution, this abstention or non-participation is taken into account in calculating the majority as a vote against the proposed resolution. In circumstances of emergency only, a meeting of the Supervisory Board may be held by conference call, video conference or by similar means of communication in accordance with the Articles of Association. In circumstances of emergency only, a resolution of the Supervisory Board may also be passed in writing, which must be signed by each member of the Supervisory Board.

The Supervisory Board may require the Management Board to provide information of any kind which it needs to exercise its supervision. The Supervisory Board may undertake or arrange for any investigations necessary for the performance of its duties.

Pursuant to article 15 of the Articles of Association, the following transactions and measures are subject to the prior consent of the Supervisory Board on the terms and conditions further set out in the Articles of Association (provided that no such prior consent shall be required for any alignment capital investment (and any related transaction or measure) that is not in excess of EUR 10,000,000 per single investment or per associated subsequent investments):

(a) the acquisition and disposal of participations in other companies or any consolidation or amalgamation with any other company as well as the acquisition and disposal of businesses or enterprises or parts thereof which has or is expected to have a significant effect on the business of the Group;

(b) the entry into any joint venture, partnership, consortium or other similar arrangement which has or is expected to have a significant effect on the business of the Group;

(c) the entry into, surrender or material variation of any unusual or onerous contract which has or is expected to have a significant effect on the business of the Group or is not in the ordinary course of business;

(d) the giving of any guarantee or indemnity, which has or is expected to have a significant effect on the business of the Group;

(e) the entry or amendment of any credit agreement or other financing transaction which has or is expected to have a significant effect on the business of the Group or is outside of the ordinary course of business (other than an initial public offering);

(f) dealing in a way (including the acquisition or disposal, whether outright or by way of license or otherwise howsoever) with intellectual property other than in the ordinary course of business which has or is expected to have a significant effect on the business of the Group;

(g) any use of the authorised capital pursuant to article 5.5 of these Articles (provided that the issuance of shares in view of an initial public offering shall not require any consent by the Supervisory Board);

(h) the implementation of any stock option plan and of the remuneration package of the Management Board; and

(i) any Related Party Transaction.

For the purpose of this Article 15,

Group means the Issuer and its Subsidiaries;

Related Party Transaction means any transaction or agreement (regardless of its value) between **(1)** (a) a member of the Management Board or the Supervisory Board (or a family member up to the second degree, or a company or entity of any sort in which such member holds a participation in the capital, is a member of any corporate body or exercises in any other form a significant influence) or (b) a shareholder (or a family member up to the second degree, or a company or entity of any sort in which such shareholder holds a participation in the capital, is a member of any corporate body or exercises in any other form a significant influence), and **(2)** the Issuer or any Subsidiary; and

Subsidiary shall have the meaning set out in article 309 (2) of the 1915 Companies Act, as applied in conjunction with article 310 of the 1915 Companies Act.

The following table sets out the name, business address, and the year of appointment for each of the members of the Supervisory Board. The term of the respective mandates of the members of the Supervisory Board will expire after the annual general meeting that will approve the annual accounts of the accounting year ending on 31 December 2017.

Name	Date of birth	Business address	Position	Year first appointed
Micha Blattmann	6 November 1973	4, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg	Chairman	2015
Dr. Urs Felder	4 March 1959	4, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg	Member	2015

Name	Date of birth	Business address	Position	Year first appointed
Ulrich Plett	2 February 1957	4, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg	Member	2015

The following is a summary of the business experience of the current members of the Supervisory Board.

Micha Blattmann (born 1973) is admitted lawyer and is practicing in his law firm BlattmannRechtsanwälte AG. He is also partner at the hedge fund Vicenda Asset Management AG, Zug with focus on alternative and real asset investment strategies as well as the issuance of secured notes and bonds. Micha Blattman previously held various positions within capital markets divisions of international investment banks, including senior advisor of the Strategic Cross Asset Solutions Group of Merrill Lynch Capital Markets and senior advisor of the Equity and Commodity Risk Management Team for institutional clients of UBS AG. He previously worked as lawyer at Bär & Karrer and Andersen Legal. Micha Blattmann holds a licentiate of law of the University of Zurich and a master of laws (LL.M.) of University of California, Los Angeles, School of Law. Micha Blattmann is admitted to the bar of the Higher Court of the Canton of Zug, Switzerland.

Ulrich Plett (born 1957) has over 35 years experience in the audit sector. Ulrich Plett was partner from 1991 to 2015 at Arthur Andersen and Ernst & Young in the Barcelona and Berlin office and headed the assurance department of Ernst & Young, most recently as managing office partner of the Berlin office of Ernst & Young. Prior, he worked in the Barcelona, Hamburg and Chicago offices of Arthur Andersen from 1980 to 1993. Ulrich Plett's experience is primarily focused on publicly listed corporations, family businesses and governmental owned companies. Since July 2015, he has been self employed advisor at UPW7 GmbH Wirtschaftsprüfungsgesellschaft. Ulrich Plett holds a business degree from the universities Muenster and Munich and is tax advisor and certified public accountant.

Dr. Urs Felder (born 1959) is self-employed accounting and tax advisor and founder and chief executive officer at FELUR Swiss Treuhand AG, Zurich since 2008. Prior he was senior partner and Head of the tax department at TREUCO AG, Zurich from 1998 to 2007. From 1992 to 1998 Urs Felder worked in the tax department of UBS AG, Zurich. From 1989 to 1992 Urs Felder worked as accountant and tax advisor, specialised in tax matters. Urs Felder graduated with a law degree from University of Bern. He obtained a Ph.D. (Dr. jur.) from University of Freiburg (Switzerland) and the certificate as Swiss certified tax expert in 1996.

The following table lists additional relevant positions with companies and enterprises held by the members of the Supervisory Board as of the date of this Prospectus and during the last five years, excluding positions held with the subsidiaries of the Issuer.

Name	Positions	Position still held? Yes/No
Micha Blattmann	• BRCH Holding AG (today with new company name: Blattmann Rechtsanwälte AG) – Non Executive Director	Yes
	• Vicenda Group AG – Executive Director	No

Name	Positions	Position still held? Yes/No
	• Vicenda Asset Management AG – Executive Director	Yes
	• Vicenda Advisory GmbH – Non Executive Board	Yes
	• Azteca Holding AG – Non Executive Director	No
	• AZC Capital SACV –Executive Director	No
	• Desarollo Vivienda MK1 S.A.P.I. De C.V. – Executive Director	No
	• FCM Investments AG – Non Executive Director	Yes
	• Limedo Business Ltd, BVI – Non Executive Director	Yes
	• Thalos Investment Platform S.A. – Non-Executive Board	Yes
	• M&G International Investments Switzerland AG – Non Executive Board	Yes
	• Blattmann Rechtsanwälte AG – Executive Board	Yes
	• Blattmann Advokatur & Notariat – Partner	Yes
	• Neo Inc., Marshall Islands – Non Executive Director	Yes
Ulrich Plett	• Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft - Partner	No
	• UPW7 GmbH Wirtschaftsprüfungsgesellschaft - Advisor	Yes
Dr. Urs Felder	• Abetaia AG – Executive director	Yes
	• adpad AG – Executive director	No
	• Argumentum Holding AG – Executive director	No
	• Aurasol Ltd – Executive director	Yes
	• Avelina Holding Ltd. – Executive director	No
	• Azteca Holding AG in Liq. – Executive director	Yes
	• BAMBU AG – Executive director	No
	• Banes AG – Executive director	Yes
	• BVW Holding AG – Independent director	Yes
	• CONCILIUS Schweiz AG – Executive director/Liquidator	No
	• Contrex Bau AG – Executive director	Yes
	• CORESTATE CAPITAL AG - Independent Director	Yes

Name	Positions	Position still held? Yes/No
	• CORESTATE Capital Partners GmbH – Independent Director	Yes
	• CORESTATE Capital Transactions AG – Independent Director	Yes
	• DataOne AG –Executive director	No
	• Decade Investment Corp. – Executive director	No
	• Felder Ruth Consult KmG – Limited Partner	Yes
	• FELUR Swiss Treuhand AG – Executive director	Yes
	• Fincons 01 GmbH – Executive director	Yes
	• Finess Blumengrosshandel AG – Independent director	No
	• Fortuitus AG – Independent director	Yes
	• Fortuitus Investments AG – Executive Director	Yes
	• Free Mind Ltd. – Executive director	Yes
	• Gomenn Chemie AG – Executive director/Liquidator	No
	• GRUBA AG – Executive director/Liquidator	No
	• Headlog GmbH – Executive director	No
	• Herbamedicus GmbH – Independent director	Yes
	• Imconsult GmbH – Executive director	Yes
	• Karambol Advisory AG – Executive director	Yes
	• Kuppi AG – Liquidator	No
	• Langara Consult AG – Executive director	Yes
	• Lek Invest GmbH – Executive director	Yes
	• Marbach Generalunternehmung AG – Executive director	No
	• MAST Biosurgery AG – Independent director	Yes
	• Mayfair Hill Ltd. – Executive director	No
	• Mercigo AG – Executive director	No
	• Minyan Foundation – Executive director	No
	• MS-ONE Holding AG – Independent director	Yes
	• OP-CE Europe AG – Executive director	No
	• Resal AG – Executive director	Yes
	• Rinka AG – Liquidator	No

Name	Positions	Position still held? Yes/No
	• RO-Technologies AG – Independent director	Yes
	• State Street Europe Holdings Switzerland GmbH – Independent director	No
	• State Street International Holdings Switzerland GmbH – Independent director	Yes
	• TALENTspy AG - Independent Director	No
	• Thomas Invest AG – Executive director	Yes
	• Treasure Finance Ltd. – Executive director/Liquidator	No
	• Vertix GmbH – Executive director/Liquidator	No
	• W5 Group GmbH – Executive director	No
	• Warner Bros. International Television Production Switzerland GmbH – Independent director	Yes
	• WBD consulting Ltd – Executive director/Liquidator	No
	• West B Financing AG – Executive director/Liquidator	No
	• YB Immobilien GmbH – Liquidator	No
	• zazil sa – Executive director	Yes

Audit Committee

The audit committee (the "**Audit Committee**") is responsible for the consideration and evaluation of all material questions concerning the auditing and accounting policies of the 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, Dr. Urs Felder and Ulrich Plett as Chairman.

Investment Committee

The Issuer's Articles of Association stipulate that the Supervisory Board may form committees within the Supervisory Board and has formed our Investment Committee.

The Investment Committee is responsible for connecting our top management with senior advisors and external experts in order to jointly offer additional experience, expertise and real estate market insights.

Please refer to "*Real Estate Investment Management Business-Phase 1: Sourcing, structuring and execution*" for more information.

Shareholdings of the Supervisory Board Members

The following members of the Supervisory Board hold shares in the Issuer as at the date of this Prospectus as follows:

- Micha Blattmann: 41,175 shares
- Urs Felder: 31,500 shares
- Ulrich Plett: 4,000 shares

Remuneration of the Supervisory Board Members

Each member of the Supervisory Board shall be entitled to an annual fee in a gross amount of EUR 25,000. The deputy chairman of the Supervisory Board shall be entitled to an annual fee in a gross amount of EUR 37,500 and the chairman of the Supervisory Board shall be entitled to an annual fee in a gross amount of EUR 50,000.

The annual fee shall be payable (after deduction of all applicable taxes) in a single lump sum within 10 days after the end of each financial year.

In addition to the annual fee, each member of the Supervisory Board shall be entitled to EUR 750 for each meeting such member attends in person (physically or via phone). The Supervisory Board Members shall further be reimbursed of all reasonable and properly documented costs incurred as part of their mandate and benefit from a market-standard D&O insurance.

The aggregate compensation paid to the members of the Supervisory Board amounted to EUR 181,000 in the financial year ended 31 December 2017 (2016: EUR 72,000).

Other payments made to the members of the Supervisory Board include compensation for various services rendered by Blattmann Rechtsanwälte AG (EUR 164,000) and Felur Swiss Treuhand AG (CHF 22,795).

The general meeting may resolve upon additional fee arrangements for Supervisory Board members.

It is intended to propose an adjustment of the remuneration of the members of the Supervisory Board to the annual general meeting of the Issuer (to be held on 27 April 2018) as follows:

- an annual fee in a gross amount of EUR 60,000 for the chairman of the Supervisory Board;
- an annual fee in a gross amount of EUR 38,500 for the deputy chairman of the Supervisory Board;
- an annual fee in a gross amount of EUR 40,000 for each other member of the Supervisory Board; and
- an annual fee in a gross amount of EUR 10,000 for 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.

Share Participation Plan and Employee Offering

The Issuer currently does not have a share participation plan in place.

The Founders of the Issuer

The Issuer was incorporated on 21 August 2015 by Ralph Winter, Thomas Landschreiber, Intershop Holding AG, Christine Winter and Silke Hechler (née Otto), who are the founders of the Issuer.

Ralph Winter is self-employed management consultant. Ralph Winter is founder of CCAG and Chairman of the Investment Committee. Ralph Winter has approximately 30 years of experience in the real estate industry, especially in Europe. From 2003 to 2006 Ralph Winter established and led the real estate team of Cerberus Beteiligungsberatung GmbH based in Frankfurt, where he grew investment volume to more than EUR 5 billion in residential and commercial real estate and non-performing loans.

From 1995 to 2000, Ralph Winter was managing partner of SAB GmbH responsible for analysis, selection and design of real estate offers for private real estate investors and raising of equity capital for investments. Ralph Winter was co-founder and manager of KVV Konzeptionsgesellschaft zur Vermittlung von Vermögensanlagen GmbH from 1985 to 1995. Ralph Winter is a member of the executive committee of the Urban Land Institute (ULI) Germany, and a member of the advisory board of the European Business School Real Estate Management Institute (EBS REMI). He is also a member of the advisory board of the International Real Estate Business School (IREBS) Eltville.

Intershop Holding AG, the oldest listed real estate company of Switzerland, seated in Zürich, is a Swiss real estate stock company, listed in the SIX Swiss Exchange, that primarily invests in Swiss commercial real estate with development potential. Intershop Holding AG has longstanding experience with respect to the development and marketing of commercial real estate. Intershop Holding AG has been active in Switzerland, Germany, USA, France and the Czech Republic since its foundation and has been concentrating exclusively on the domestic Suisse real estate market since 1997. Intershop Holding AG acquires, develops, administrates and sells real estate, preferably in urban centers and main traffic arteries in the main business regions of Switzerland, in particular, those in Zurich, Berne and Geneva. The investment real estate portfolio of Intershop Holding AG provides a strong and secure base for earnings due to the optimised mix of use and location of real estate. As at 30 June 2017, the portfolio consisted of some 57 properties with a total leasable area of approximately 590,000 sqm and a market value of approximately CHF 1.4 billion. The market capitalisation of Intershop Holding AG currently amounts to approximately CHF 840 million. Intershop Holding AG sold and transferred its stake in the Issuer to Ralph Winter in June 2016.

Silke Hechler (née Otto) holds a degree in hotel management. She worked *inter alia* for Corestate Capital AG as office manager from 2006 to 2014 and for Cerberus Deutschland Beteiligungsberatung GmbH (Frankfurt am Main) from 2003 to 2006 as office manager. Prior to that, she was assistant to the management of MasterCard Europe (Frankfurt am Main) from 2002 to 2003.

Christine Winter is a pediatrician and lives and is practicing in Switzerland.

Certain Information Regarding the Members of the Management Board, Supervisory Board and Member of the Senior Management

In the last five years, no member of the Management Board, the Supervisory Board or the Senior Management has been convicted of fraudulent offences. In the last five years, no member of the Management Board, the Supervisory Board or the Senior Management, has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager. In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the Management Board, the Supervisory Board in this paragraph or against the Senior Management, nor have sanctions been imposed by the aforementioned authorities. Through a public accusation dated 21 October 2015, the Frankfurt Prosecutor´s Office accused Mr. Thomas Landschreiber of allegedly aiding and abetting, under Section 27 StGB (*Beihilfe*) to Section 266 StGB (breach of trust – *Untreue*), the aforementioned and meanwhile sentenced S&K founders Mr. Schäfer and Mr. Köller to a purported criminal offence against Section 266 StGB in the context of the T6. The competent criminal court expressed serious doubts that sufficient grounds exist to justify the public accusation and stopped the proceedings by the court order of 15 September 2017 under the proviso that a certain amount shall be paid. By ruling of the district court (*Landgericht*) of Frankfurt am Main of 6 March 2018 the public accusation is now finally terminated (*endgültig eingestellt*) according to Section 153a StPO and Mr. Landschreiber remains innocent (*unschuldig*) and has no criminal record (*nicht vorbestraft*).

No court has ever disqualified any of the members of the Management Board, the Supervisory Board or the Senior Management from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

To the extent that Management, Supervisory Board or the Senior Management Members directly or indirectly hold shares in the Issuer, there can be special interests arising from their shareholding, apart from their positions on the governing body. Conflicts of interest may also arise as a result of the fact that Management or Supervisory Board or Senior Management Members simultaneously exercise executive functions in the Group. In other respects, Management or Supervisory Board or Senior Management Members do not have existing conflicts of interests or potential conflicts of interests between any duties to the Issuer and their private interests or other duties.

No member of the Management Board, the Supervisory Board or the Senior Management has entered into a service agreement with a company of the Group that provides for special benefits, such as severance pay, at the end of the business relationship (other than pensions or compensation in the case of an early termination of the service agreement, which is determined on the basis of the remaining term of the agreement and the contractually agreed upon compensation). The members of the Management Board are not bound by restrictive covenants and may therefore engage in competing activities following the end of their office.

There are no family relationships between the members of the Management Board and those of the Supervisory Board, or of the Senior Management either among themselves or in relation to the members of the other body.

Shareholders' Meeting

The provisions of the Luxembourg law dated 24 May 2011 in relation with the exercise of certain shareholder rights in listed companies are applicable to the Issuer to the extent it is listed on a regulated market.

Pursuant to articles 9 and 10 of the Articles of Association, the general shareholders' meetings shall be held at the registered office or any other place in Luxembourg indicated in the convening notice for the general shareholders' meeting. Except as otherwise provided in the Articles of Association or by law, the convening notice shall be published at least 30 days before the date chosen for the general shareholders' meeting in the Luxembourg Official Gazette, in a Luxembourg newspaper, and in such media as may reasonably be relied upon for the effective dissemination of information throughout the European Economic Area in a manner ensuring fast access to it on a non-discriminatory basis.

The Articles of Association provide that the annual general shareholders' meeting is held on the last Friday of the month of April at 10 a.m. Luxembourg time. If such day is not a business day in Luxembourg, the annual general shareholders' meeting shall be held on the following business day, at the same hour.

In respect of those matters for which a quorum of half of the share capital is required in the Articles of Association and by law, the general shareholders' meeting shall not validly deliberate unless at least half of the capital is represented. If this condition is not satisfied, a second general shareholders' meeting may be convened and the time to convene the second general shareholders' meeting is reduced to at least 17 days before the date chosen for the general shareholders' meeting. Such convening notice shall include the agenda and indicate the date and the results of the previous meeting. The second meeting shall validly deliberate regardless of the proportion of the capital represented.

The convening notices must, in addition, be communicated, in the timeframe stated in the preceding paragraphs, to the registered shareholders (if any), as well as to the members of the Management Board, the members of the Supervisory Board and the statutory auditor (*réviseur d'entreprises agrée*). Such communication must be made by mail unless the addressees have individually, expressly and in writing, accepted to receive the convening notice by another means of communication, the performance of this formality not needing to be justified. Except as otherwise provided in the Articles of Association and by law, resolutions shall be adopted by the simple majority of the votes validly cast without counting the abstentions and with no quorum being required. Resolutions to amend the Articles of Association may be adopted by a majority of two thirds of the votes validly cast, without counting the abstentions, if the quorum of half of the share capital is met. If the quorum requirement of half of the share capital of the Issuer is not met at the first general meeting of shareholders, then the shareholders may be re-convened to a second general meeting of shareholders. No quorum is required in respect of such second meeting and the resolutions are adopted by a supermajority of two-thirds of the votes validly cast, without counting the abstentions.

Each share entitles the holder to one vote.

One or more shareholders representing at least 5% of the Issuer's capital can request that (i) items be added to the agenda of the general shareholders' meeting or (ii) draft resolutions be tabled for items included or to be included on the agenda of a general meeting, provided that they establish the ownership of such fraction of the capital at the date of their request. Requests must be notified in writing to the Issuer, at the latest the 22nd day before the general shareholders' meeting, along with an explanation or a draft resolution. In such case, the Issuer must publish a revised agenda, at the latest the 15th day before the general shareholders' meeting.

Each shareholder has the right to ask questions regarding the items on the agenda of the general shareholders' meeting at the general meeting. In addition, the Articles of Association provide that, as soon as the convening notice is published, shareholders have the right to ask questions in writing regarding the items on the agenda. Shareholders wishing to exercise this right must submit their questions to the Issuer at least six days before the general shareholders' meeting, along with a certificate proving that they are shareholders at the Record Date (as defined below).

Pursuant to the law in force, the right of a shareholder to participate in a general meeting and to exercise the voting rights attached to his shares are determined with respect to the shares held by such shareholder the 14th day before the general shareholders' meeting at midnight (00:00h) (Luxembourg time), which is known as the "**Record Date**". At the latest at the Record Date, the shareholder must communicate in writing to the Issuer his intention to take part in the general shareholders' meeting in accordance with the terms of the convening notice. In order to participate in the general shareholders' meeting and to exercise the voting rights attached to their shares, shareholders must first provide the Issuer with the documents evidencing their status as shareholder and the number of shares they hold at the Record Date, in accordance with the terms of the convening notice.

Except as otherwise provided by the law, any shareholder may be represented at a general shareholders' meeting by a proxyholder who does not need to be a shareholder himself. If a shareholder holds shares on more than one securities account, he may appoint a separate proxyholder as regards the shares held in each securities account, in relation to a given general shareholders' meeting.

In the event that a share is held by more than one person, the Issuer has the right to suspend the exercise of all rights attached to that share until one person has been appointed as sole owner in relation to the Issuer.

The Articles of Association provide that the proxies must be notified in writing to the Issuer in the form provided by the Issuer, received six days at least before the general shareholders' meeting, duly completed and signed, along with or, as the case may be, followed by the evidence of shareholder status at the Record Date.

The Articles of Association provide that, if provided for in the relevant convening notice, any shareholder may vote by correspondence in advance of the general shareholders' meeting. The ballot forms in which it is not indicated in which way the votes shall be cast or if the vote is to be withheld are considered void. To be taken into consideration, ballot forms completed and signed as required must be submitted to the Issuer at least six days before the general shareholders' meeting, along with or, as the case may be, followed by the evidence of shareholder status at the Record Date.

The Articles of Association provide that, if provided for in the relevant convening notice, any shareholder may participate in the general shareholders' meeting by conference call, video conference or similar means of communication in accordance with the Articles of Association.

The Management Board has the right to postpone the meeting by four weeks. The Management Board must do so if requested by shareholders representing at least 20% of the Issuer's subscribed capital. Such postponement shall cancel all decisions taken.

The annual general shareholders' meeting shall be held on the last Friday of the month of April at 10 a.m. Luxembourg time. If such day is not a business day in Luxembourg, the meeting shall be held on the next following business day, at the same hour. The annual general shareholders' meeting shall examine, in particular, the reports of the Management Board and the statutory auditor (*réviseur d'entreprises agrée*) and, if thought fit, approve the annual accounts and the consolidated accounts. It shall also determine the allocation of the profit and decide by special vote on the discharge of the members of the Management Board and the Supervisory Board from their liability for the performance of their duties over the previous financial year.

The Management Board and Supervisory Board may convene extraordinary general shareholders' meetings as often as the Issuer's interests so require. An extraordinary general shareholders' meeting must be convened upon the request of one or more shareholders who together represent at least one tenth of the Issuer's share capital. In such event, the requesting shareholders shall indicate in their request the items to be put on the agenda and the Management Board shall convene the general meeting so as to be held within the month of the request addressed to it.

The minutes of the general shareholders' meeting shall be signed by the members of the bureau of the meeting and any shareholders who so requires.

Convening notice, agenda, proposed resolutions, ballot papers, proxy and any document to be submitted to the general meeting shall be available as from the day of convening of the general meeting on the Issuer's website (www.corestate-capital.com*)*. After the general shareholders' meeting, the results of the vote and the minutes shall be published on the Issuer's website.

Senior Management of the Group

The Group has a senior management within the meaning of the prospectus directive, to which Philip La Pierre belongs.

Mr. Philip La Pierre was appointed as co-Chief Investment Officer for the Issuer and member of the Investment Committee as of 1 November 2017. In this function he shall not act as an ordinary member of the Management Board but would report to the Management Board and be entitled to participate in the meetings of the Management Board. As of 1 July 2018, Mr. La Pierre will become an ordinary member of the Management Board and will assume the function as Chief Investment Officer.

Philip La Pierre (born 1972) is Co-CIO of the Issuer and is responsible *inter alia* for the expansion of investor contacts and the management of the institutional business and has approximately 18 years of expertise in the real estate industry.

Prior, he was Head of Investment Management Overseas of Union Investment Real Estate GmbH, responsible *inter alia* for a global investment team in Hamburg, New York and Singapore with commercial responsibility for USA, Canada, Mexico, South America, Japan, South Korea, Australia and Singapore. From 2013 until 2017 Mr La Pierre was Head of Investment Management Europe at Union Investment Real Estate GmbH and headed a pan-European investment team with 25 employees in Hamburg and Paris with commercial responsibility for Europe (exclusive of UK). In this function, Mr La Pierre was *inter alia* responsible for the acquisitions and sales for open and special funds of Union Investment Real Estate GmbH. From 2009 to 2012 Mr La Pierre was Head of Investment and Asset Management Germany of Union Investment Real Estate GmbH and headed the investment and asset management team with 50 employees being responsible for a portfolio of EUR 4.5 billion. From 2006 to 2009 Mr La Pierre held various positions at ING Group in Germany and the Netherlands. In these positions, Mr La Pierre was *inter alia* responsible (i) for acquisitions of pan-European markets across all risk and asset classes, (ii) as head of the transaction team in Germany and Austria and (iii) for the leasing activities of the ING Real Estate portfolio in Germany. Prior, he was assistant vice president, real estate acquisitions and sales Europe at Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft mbH.

Mr La Pierre studied law at the Universities of Heidelberg, Cologne and Freiburg and graduated with the second state bar exam (2. Staatsexamen) of the higher regional court of Düsseldorf. He completed post graduate studies in Real estate economics at the European Business School Berlin.

Philip La Pierre, as of the date of this Prospectus, and during the last five years, did not hold any relevant positions in any companies or enterprises, including any subsidiaries of the Issuer.

Stefan Scherrer (born 1974) is COO and is responsible for the platform integration of acquired entities and realisation of synergy potentials. Prior to joining CCAG, Stefan Scherrer was COO of the "Swiss and EMEA division" of Credit Suisse Asset Management. In that role, he shaped the strategic development of the CS Asset Management Division and was responsible, among other things, for the enhancement of the investment platform, the implementation of regulatory requirements and the integration of new business units. From 2013 to 2017 he was a member of the global management committee of Credit Suisse Asset Management Division. From 2009 to 2014 he was member of the board of directors of Evatec AG. He holds a Bachelor of Science (Systems engineer FH) degree of the University of Applied Science, Buchs, Switzerland.

Shareholdings of the Member of the Senior Management

The members of the Senior Management do not hold any shares in the Issuer as at the date of this Prospectus.

Corporate Governance

The Issuer supports the principles of good Corporate Governance for the purpose of responsible, transparent management and control focused on the long-term growth of company value. This is a prerequisite for cultivating the trust of national and international investors and financial markets, business partners, employees and the general public in the Issuer.

As a Luxembourg *société anonyme* that is traded 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), the Issuer is not required to adhere to the Luxembourg corporate governance regime applicable to companies that are traded in Luxembourg or to the German corporate governance regime applicable to stock corporations organised in Germany.

Nonetheless, the Issuer envisages to follow, on a voluntary basis and to the extent compatible with its business, the German corporate governance rules, in the future.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In addition to the subsidiaries included in the consolidated financial statements, the Group maintains or has maintained certain relationships with related parties as detailed below. Parties are generally considered to be related in accordance with IAS 24 if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Under the revised accounting standard IAS 24 for related party disclosures, related parties include key management personnel, that is, persons having authority and responsibility for planning, directing and controlling, directly or indirectly, the activities of the relevant entity, including any executive or non-executive director, and close members of the key management personnel's families.

During the financial years ended 31 December 2015, 2016 and 2017 and up to the date of this Prospectus, there have been no relevant related party transactions in the aforementioned sense except as described in this section.

In the opinion of the management of the Issuer, all transactions with related entities and persons have been entered into at arm's length terms.

Transactions regarding Project Highstreet I

The following transactions are related to Project Highstreet I. Initially the respective assets had been held for Warehousing purposes and, after respective value creation, had been converted into the Highstreet I investment product. Moreover, the described transactions served to fund the acquisition of such Warehousing assets.

Share purchase agreement in relation to shares in HIGHSTREET FinCo I S.à r.l.

On 7 March 2016, our subsidiary CCAG as seller entered into a share purchase agreement regarding all shares in HIGHSTREET FinCo I S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg with a share capital of EUR 50,000, with Corestate HIGHSTREET TopCo Limited as purchaser. Pursuant to the share purchase agreement, CCAG sold and transferred all 50,000 shares in HIGHSTREET FinCo I S.à r.l. with a par value of EUR 1.00 each to HIGHSTREET TopCo Limited for a purchase price of EUR 50,000 so that HIGHSTREET TopCo Limited holds 100% of the share capital of HIGHSTREET FinCo I S.à r.l.

Transactions relating to Project Highstreet II

The following transactions are related to Project Highstreet II. Initially the respective assets had been held for Warehousing purposes and, after respective value creation, had been converted into the Highstreet II investment product. Moreover, the described transactions served to fund the acquisition of such Warehousing assets initially held for Warehousing purposes.

Loan purchase agreement and set-off agreement between vitB AG (now and hereinafter W5 Group GmbH) and CCAG

Pursuant to a loan purchase agreement dated 28 May 2015 between CCAG and W5 Group GmbH, CCAG assigned to W5 Group GmbH a claim for repayment of a loan in the amount EUR 4.5 million granted by CCAG as shareholder in favour of Highstreet II PropCo I GmbH. The consideration under the loan purchase agreement amounted to EUR 4.5 million.

The consideration under the loan purchase agreement was settled pursuant to a set-off agreement dated 28 May 2015 between CCAG and W5 Group GmbH. The consideration under the loan purchase agreement payable by W5 Group GmbH to CCAG was fully set-off against a claim relating to payment of outstanding dividends in the amount of EUR 4.5 million payable by CCAG to W5 Group GmbH after Ralph Winter – the original creditor of the dividend claim – assigned his claim to receive dividend payments by CCAG to W5 Group GmbH.

The transaction served to finance the acquisition of Warehousing assets and *inter alia* to abbreviate the payment mechanism (*Verkürzung des Zahlungswegs*).

Loan purchase agreement between CCAG, vitB AG (now and hereinafter W5 Group GmbH), Corestate II Highstreet HoldCo S.à r.l. and Highstreet II PropCo I GmbH

On 30 June 2015, CCAG, W5 Group GmbH, Corestate II Highstreet HoldCo S.à r.l. and Highstreet II PropCo I GmbH entered into a loan purchase agreement, pursuant to which CCAG and W5 Group GmbH each assigned the right to receive repayment of shareholder loans amounting to EUR 4.5 million and EUR 4.5 million (in each case including interest accrued) respectively from Highstreet II PropCo I GmbH to Corestate II Highstreet HoldCo S.à r.l. The aggregate consideration for the loan purchase agreement was EUR 9.1 million, of which EUR 4.5 million was paid to CCAG and EUR 4.5 million was paid to W5 Group GmbH.

The transaction served to finance the acquisition of Warehousing assets and *inter alia* to abbreviate the payment mechanism (*Verkürzung des Zahlungswegs*).

Share purchase agreement between CCAG and vitB AG (now and hereinafter W5 Group GmbH) in relation to shares in Soest HoldCo S.à r.l.

On 7 May 2015, CCAG entered into a share purchase agreement with W5 Group GmbH in relation to the sale and transfer of a portion of CCAG's shares in Soest HoldCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, which was a wholly-owned subsidiary of CCAG with a share capital of EUR 0.75 million. Under the share purchase agreement, CCAG sold and transferred 13,650 shares in Soest HoldCo S.à r.l. to W5 Group GmbH for an aggregate purchase price of EUR 13.6 million. The purpose of the transaction was the contemplated entry of W5 Group GmbH in the structure of Project Highstreet II.

Share purchase agreement in relation to shares in HIGHSTREET II PropCo I GmbH

Soest HoldCo S.à r.l. is a subsidiary of CCAG set up in order to acquire retail assets in Soest.

On 30 June 2015 Soest HoldCo S.à r.l. entered into a share purchase agreement with Corestate HIGHSTREET II HoldCo S.à r.l. and Highstreet II AcquiCo Ltd, each a wholly owned subsidiary of CCAG, in relation to the sale and transfer of the entire share capital in HIGHSTREET II PropCo I GmbH. The share capital of HIGHSTREET II PropCo I GmbH was divided into two classes of shares, in which the par value of each share in the first class of shares was EUR 31,500 ("**Highstreet II Class One Shares**") and the par value of each share in the second class of shares was EUR 3,500 ("**Highstreet II Class Two Shares**"). Pursuant to the share purchase agreement, Soest HoldCo S.à r.l. sold and transferred the Highstreet II Class One Shares to Corestate HIGHSTREET II HoldCo S.à r.l. for a purchase price of EUR 2.25 million and the Highstreet II Class Two Shares to Highstreet II AcquiCo Ltd. for a purchase price of EUR 250,000.

Transactions relating to the "Captive" Investment Structure (Highstreet III)

Loan agreement with Ralph Winter and Corestate Captive Propco III S.à r.l.

Under a loan agreement dated 5 June 2015 Ralph Winter as lender granted a EUR 2,450,000 loan to Corestate Captive Propco III S.à r.l. as borrower. The purpose of the loan was to partly finance an advance payment of the purchase price in respect of the purchase of a property located in Paderborn. The agreement stipulates an interest rate of 10% p.a. and a term until 30 September 2015. The loan may be repaid at any time and must be repaid if the borrower obtains sufficient liquidity by itself or through its direct shareholder or indirect shareholder (CAP HoldCo S.à r.l. and CAP Finco S.à r.l. ("**CAP Finco**"), respectively). In case of such repayment the borrower must pay a repayment fee in an amount that, when aggregated with the interest accrued until the repayment, will equal 5% of the loan amount. The loan was settled on 5 August 2015 in connection with a draw down of a tranche of the below loan agreement as of 7 July 2015 (with Intershop Holding AG) in the amount of EUR 6.2 million which was paid out to Cap FinCo S.à r.l. after deduction of EUR 2.45 million thus totalling EUR 3.5 million. As at the date of this Prospectus no amounts are outstanding under this loan.

Loan agreement with Thomas Landschreiber and Corestate Captive Propco III S.à r.l.

Under a loan agreement dated June 2015 Thomas Landschreiber as lender granted a EUR 825,000 loan to Corestate Captive Propco III S.à r.l. as borrower. The purpose of the loan was to partly finance an advance payment of the purchase price in respect of the purchase of a property located in Paderborn. The agreement stipulates an interest rate of 10% p.a. and a term until 30 September 2015. The loan may be repaid at any time and must be repaid if the borrower obtains sufficient liquidity by itself or through its direct shareholder or indirect shareholder (CAP HoldCo S.à r.l. and CAP Finco, respectively). In case of such repayment the borrower must pay a repayment fee that, when aggregated with the interest accrued until the repayment, will equal 5% of the loan amount. The loan was repaid on 1 October 2015. As at the date of this Prospectus, no amounts were outstanding under this loan agreement.

Loan agreement with Corestate MCIF GmbH & Co. KG and Corestate Captive Propco III S.à r.l.

Under a loan agreement dated June 2015 Corestate MCIF GmbH & Co. KG as lender granted a EUR 175,000 loan to Corestate Captive Propco III S.à r.l. as borrower. The purpose of the loan was to partly finance an advance payment of the purchase price in respect of the purchase of a property located in Paderborn. The agreement stipulates an interest rate of 10% p.a. and a term until 30 June 2016. The loan may be repaid at any time and must be repaid if the borrower obtains sufficient liquidity by itself or through its direct shareholder or indirect shareholder (CAP HoldCo S.à r.l. and CAP Finco, respectively). In case of such repayment the borrower must pay a repayment fee that, when aggregated with the interest accrued until the repayment, will equal 5% of the loan amount. The loan was repaid on 8 October 2015. As at the date of this Prospectus, no amounts were outstanding under this loan agreement.

Transactions relating to the "Donald" Investment Structure

Loan purchase and transfer agreements in relation to loan receivables against Miller Development S.à r.l.

On 7 April 2016, Donald HoldCo S.à r.l. as seller entered into a loan purchase and transfer agreement regarding a part of the rights and obligations of the principal amount outstanding and any accrued but unpaid interest under the loan agreement originally entered into by Müller 34 GmbH as lender and Miller Development S.à r.l. as borrower dated 21 August 2015 (as amended by amendment agreement dated 23 March 2016) and subsequently assigned by Müller 34 GmbH to Donald HoldCo S.à r.l.

("**Miller Loan**") in a total amount of EUR 18,875 with Platin 1313 GmbH, a company owned by Thomas Landschreiber, as purchaser. Pursuant to the loan purchase and transfer agreement, Donald HoldCo S.à r.l. sold and transferred its rights and obligations regarding the loan amount of EUR 18,875 to Platin 1313 GmbH for a purchase price of EUR 18,875.

Also on 7 April 2016 and following the conclusion of the loan purchase and transfer agreement referred to above, Donald HoldCo S.à r.l. as seller entered into a loan purchase and transfer agreement regarding the remaining part of the rights and obligations of the principal amount outstanding and any accrued but unpaid interest under the Miller Loan in a total amount of EUR 0.1 million with W5 Group GmbH as purchaser. Pursuant to the loan purchase and transfer agreement, Donald HoldCo S.à r.l. sold and transferred its rights and obligations regarding the loan amount of EUR 0.1 million to W5 Group GmbH for a purchase price of EUR 0.1 million.

Share purchase agreement in relation to shares in Miller Development S.à r.l.

On 7 April 2016, Donald HoldCo S.à r.l. as seller entered into a share purchase agreement regarding all shares of Donald HoldCo S.à r.l. in Miller Development S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg with a share capital of EUR 41,176, with W5 Group GmbH as purchaser. The share capital of Miller Development S.à r.l. was divided into 41,176 shares of which Donald HoldCo S.à r.l. held 35,000 shares. Pursuant to the share purchase agreement, Donald HoldCo S.à r.l. sold and transferred all of its 35,000 shares to W5 Group GmbH for a purchase price of EUR 0.2 million so that W5 Group GmbH holds 100% of the share capital of Miller Development S.à r.l.

Share purchase agreement in relation to shares in Donald HoldCo S.à r.l.

On 7 April 2016, W5 Group GmbH as seller entered into a share purchase agreement regarding all shares of W5 Group GmbH in Donald HoldCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg with a share capital of EUR 25,000, with CCAG as purchaser. The share capital of Donald HoldCo S.à r.l. was divided into two classes of shares, in which the par value of each share in the first class of shares (class A ordinary shares) was EUR 4,687 held by CCAG and the par value of each share in the second class of shares (class B preference shares) was EUR 20,313 held by W5 Group GmbH. Pursuant to the share purchase agreement, W5 Group GmbH sold and transferred all of its 20,313 class B preference shares with a par value of EUR 1.00 each to CCAG for a purchase price of EUR 4.65 million so that CCAG holds 100% of the share capital of Donald HoldCo S.à r.l.

Transactions relating to the "ACROSS (Frankfurt Eschersheimer Landstraße 7)" Investment Structure

ACROSS (EL7) S.à r.l. is a subsidiary of CCAG set up in order to acquire a property and the subsequent re-development of a serviced apartment complex in the city centre of Frankfurt am Main, Germany,

Share purchase agreements in relation to shares in ACROSS (EL7) S.à r.l.

On 29 June 2016, ACROSS HoldCo S.à r.l. as seller entered into two share purchase agreements regarding all shares of ACROSS HoldCo S.à r.l. in ACROSS (EL7) S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg with a share capital of EUR 30,000, with ACROSS TopCo 1 S.à r.l. and ACROSS TopCo 2 S.à r.l. as purchasers. Pursuant to the share purchase agreement with ACROSS TopCo 1 S.à r.l., ACROSS HoldCo S.à r.l. sold and transferred 3,000 shares with a par value of EUR 1.00 each to ACROSS TopCo 1 S.à r.l. for a purchase price of EUR 744,400 so that ACROSS TopCo 1 S.à r.l. holds 10% of the share capital of ACROSS (EL7) S.à r.l. Pursuant to the share purchase agreement with ACROSS TopCo 2 S.à r.l., ACROSS HoldCo S.à r.l. sold and transferred 27,000 shares with a par value of EUR 1.00 each to ACROSS TopCo 2 S.à r.l. for a purchase price of EUR 6.69 million so that ACROSS TopCo 2 S.à r.l. holds 90% of the share capital of ACROSS (EL7) S.à r.l.

Transactions relating to the "Annapurna" Investment Structure

Annapurna AIF S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, was a subsidiary of the Issuer set up as alternative investment fund in relation to the acquisition of a property, the subsequent demolition of the existing building and the development of the property as a student housing real estate property in Madrid (Spain).

Share purchase agreement between the Issuer and W5 Group GmbH in relation to shares held in Annapurna AIF S.à r.l.

On 15 December 2016, the Issuer entered into a share purchase agreement in relation to the sale and transfer of a portion of the Issuer's shares in Annapurna AIF S.à r.l., at this time with a share capital of EUR 12,000, to W5 Group GmbH. Pursuant to the share purchase agreement, the Issuer sold and transferred 125,976 shares in Annapurna AIF S.à r.l. to W5 Group GmbH for a consideration of EUR 1,259.76. The purpose of the transaction was the contemplated entry of W5 Group GmbH in the structure of Project Annapurna.

Transactions relating to the "Turicum" Investment Structure

TURICUM AIF S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, was a subsidiary of the Issuer set up as alternative investment fund in relation to the acquisition of an undeveloped property in Opfikon (Switzerland) and the subsequent development and construction of a serviced apartment complex.

Share purchase agreement between the Issuer and W5 Group GmbH in relation to shares held in TURICUM AIF S.à r.l.

On 20 July 2017, the Issuer entered into a share purchase agreement in relation to the sale and transfer of a portion of the Issuer's shares in TURICUM AIF S.à r.l., at this time with a share capital of CHF 18,500, to W5 Group GmbH. Pursuant to the share purchase agreement, the Issuer sold and transferred 492,572 shares in TURICUM AIF S.à r.l. to W5 Group GmbH for a consideration of CHF 893,407.30. The purpose of the transaction was the contemplated entry of W5 Group GmbH in the structure of Project Turicum.

Share purchase agreement between the Issuer and Urs Felder in relation to shares held in TURICUM AIF S.à r.l.

On 20 July 2017, the Issuer entered into a share purchase agreement in relation to the sale and transfer of a portion of the Issuer's shares in TURICUM AIF S.à r.l., at this time with a share capital of CHF 18,500, to Urs Felder. Pursuant to the share purchase agreement, the Issuer sold and transferred 16,419 shares in TURICUM AIF S.à r.l. to Urs Felder for a consideration of CHF 29,780.25. The purpose of the transaction was the contemplated entry of Urs Felder in the structure of Project Turicum.

Loan agreement between Ralph Winter and CCAG

CCAG entered into a loan agreement with its controlling shareholder, Ralph Winter on 22 October 2010. Pursuant to this agreement, CCAG provided a EUR 0.76 million loan to Ralph Winter for an initial term of five years which was extended until 31 December 2015. The loan is interest-bearing at an interest rate of 2.25% per annum. The loan plus interest was fully repaid to CCAG on 30 June 2016. As at the date of this Prospectus no amounts are outstanding under this loan agreement.

Transactions relating to Project Ben

Share purchase agreement between CCAG and vitB AG (now and hereinafter W5 Group GmbH) in relation to shares in Corestate IREI Holding S.A.

Corestate IREI Holding S.A. a public limited company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg is the ultimate parent company set up for Project Ben. W5 Group GmbH acceded to this project to become a Co-investor on 4 March 2015 and CCAG entered into a share purchase agreement with W5 Group GmbH in relation to the sale and transfer of a portion of CCAG's shares in Corestate IREI Holding S.A. Pursuant to the share purchase agreement, CCAG sold and transferred 5,455,711 ordinary shares, 641,848 class A shares, 641,848 class B shares, 641,848 class C shares, 641,848 class D shares, 641,848 class E shares, 641,848 class F shares, 641,848 class G shares, 641,848 class H shares, and 641,848 class I shares in the share capital of Corestate IREI Holding S.A. to W5 Group GmbH for an aggregate purchase price of EUR 1.0 million.

Loans relating to Project T6

Under a loan agreement dated 6 November 2015 Thomas Landschreiber as lender granted a EUR 1,500,000 loan to CCHSA as borrower. The purpose of the loan was to finance capital needs in connection with a change in the closing mechanics of Project T6. The loan was repaid on 30 June 2016. As at the date of this Prospectus no amounts are outstanding under this loan agreement.

Under a loan agreement dated 6 November 2015 vitB AG (now W5 Group GmbH) as lender granted a EUR 1,700,000 loan to CCHSA as borrower. The purpose of the loan was to finance capital needs in connection with a change in the closing mechanics of Project T6. The loan was repaid on 30 June 2016. As at the date of this Prospectus no amounts are outstanding under this loan agreement.

Financing agreement between Intershop Holding AG, vitB AG (now and hereinafter W5 Group GmbH), CAP Finco S.à r.l. and CCAG

Intershop Holding AG, a shareholder previously holding 28.07% in the Issuer, and W5 Group GmbH. a wholly owned investment company of our shareholder Ralph Winter, entered into a loan agreement with CAP Finco S.à r.l., a wholly-owned subsidiary of the Issuer ("**CAP Finco**"), and CCAG on 7 July 2015 pursuant to which CAP Finco was granted a EUR 47.5 million revolving credit facility (bridge facility) for the purposes of acquiring certain commercial (retail) properties in Germany and in order to provide financing for Project Salud through a subsidiary. The aforementioned loan of Ralph Winter granted to Corestate Captive Propco III S.à r.l. was settled within the draw down of a tranche of the credit facility, whereas the loans granted by Corestate MCIF GmbH & Co. KG and Thomas Landschreiber were repaid.

The loan agreement was amended on 30 September 2015 by, *inter alia*, extending the loan purpose to allow for the drawdown of a loan in the amount of up to EUR 3.5 million to fund a guarantee to be provided in the context of Project Salud.

Pursuant to a termination and security release agreement dated 10 June 2016 the loan has been repaid in full.

Management Consultancy Agreement with vitB AG (now and hereinafter W5 Group GmbH)

CCAG entered into a management consultancy agreement with W5 Group GmbH as advisor on 30 June 2013 as amended and restated on 27 September 2016 and, subsequent to the Company's listing in the Entry Standard (now Scale) segment of Frankfurt Stock Exchange, as assumed by the Company in lieu of CCAG. In the financial years 2015, 2016 and 2017, the amount paid to W5 Group GmbH by CCAG or the Issuer, respectively, was in total EUR 2.3 million (including costs and expenses), whereas the Issuer paid an amount of EUR 925,000 in the period from 4 October 2016 until 31 December 2017.

Under the terms of the Management Consultancy Agreement, W5 Group GmbH provides consultancy services, *inter alia*, regarding strategic development, business plan, executive staffing, advice within the scope of Ralph Winter's function within the senior advisor circle and as observer (without voting right) in the Investment Committee (until the redesign of the latter) and the Supervisory Board of the Issuer as well as capital raising. None of W5 Group GmbH, its employees, nor Ralph Winter assume a position or the responsibility of a body (*Organ*) of the Issuer or the Corestate group.

The annual flat fee for the advisory services provided by W5 Group GmbH amounts to EUR 395,000 (excluding VAT (if applicable) and expenses), payable in four quarterly instalments each of EUR 98,750. Expenses of W5 Group GmbH are to be reimbursed with the expection that the expenses regarding a personal assistant and a secretary are to be reimbursed only up to an indexed amount of EUR 95,000 (if applicable excluding VAT) per annum.

The fixed term of the Management Consultancy Agreement is for five years beginning in November 2017. The Issuer may terminate the Management Consultancy Agreement only for good cause. W5 Group GmbH may terminate the Management Consultancy Agreement with six months prior notice to the end of a month as well as for good cause for which the Issuer is responsible.

Sublease agreement between CCAG and vitB AG (now and hereinafter W5 Group GmbH)

CCAG as sub-sub-lessor and W5 Group GmbH as sub-sub-lessee entered into a sublease agreement dated 8 November 2011 for office space (owner and main landlord: KFZ Immobilien AG). The rent per month amounts to CHF 1,340. The sublease agreement can be terminated by giving 3 months prior notice per the end of every month.

Joint Venture and Co-Investment Agreements

On 8 February 2013, Ralph Winter and CCAG as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project "Squirrel" concerning an acquisition of a residential real estate portfolio in Germany with an aggregate transaction (equity) value of EUR 34 million. Of such total funds to be provided by the clients and CCAG, Ralph Winter contributed approximately 4.1% and CCAG contributed a total amount of EUR 1.9 million. The disposal of the real estate portfolio was completed on 18 December 2015.

On 15 May 2014, Ralph Winter and CCAG as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project "Ben" concerning an acquisition of a German stock corporation. Of the total funds to be provided by the clients and CCAG totalling EUR 21.3 million, Ralph Winter contributed approximately 0.6% and CCAG contributed a total amount of EUR 10.1 million. On 26 September 2014, CCAG transferred a part of its commitment in the amount of EUR 4.0 million to a third party client. On 4 March 2015, vitB AG (now W5 Group GmbH) acceded to the joint venture and co-investment agreement with regard to project "Ben" as new client. For this purpose, CCAG sold and transferred approximately 9.9% of its commitment to W5 Group GmbH. The transaction was completed on 11 October 2016.

On 7 November 2014, vitB AG (now W5 Group GmbH) and CCAG as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “Highstreet” concerning an acquisition of a real estate portfolio comprising retail properties located in Germany with an aggregate transaction value of up to EUR 130.0 million. Of the total funds to be provided by the clients and CCAG totalling EUR 52.8 million, W5 Group GmbH contributed approximately 11.4% and CCAG contributed a total amount of EUR 6.5 million. The joint venture and co-investment agreement was amended by amendment agreements as of 7 March 2016 and 10 March 2016. The disposal of the real estate portfolio was completed on 7 June 2017.

On 26 April 2016, W5 Group GmbH and CCAG as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “Highstreet V” concerning an acquisition of a real estate portfolio comprising retail properties located in Germany with asset value of up to EUR 114.3 million. Of the total funds to be provided by the clients and CCAG totalling EUR 37.5 million, W5 Group GmbH contributed approximately 2.7% and CCAG contributed a total amount of EUR 1.3 million. The disposal of the real estate portfolio was completed on 7 June 2017.

On 11 May 2016, W5 Group GmbH and Thomas Landschreiber as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “Rose” concerning the acquisition of a property in Munich, Germany, and the subsequent development of a serviced apartment complex on the acquired plot. Of the total funds to be provided by the clients totalling EUR 6.1 million, W5 Group GmbH contributed approximately 84.0% and Thomas Landschreiber contributed approximately 10.6%, respectively. The transaction is on-going as of the date of this Prospectus.

On 24 June 2016, W5 Group GmbH and the Issuer as Co-Investors (among others) concluded a joint venture and co-investment agreement with regard to project “ACROSS (Frankfurt Eschersheimer Landstraße 7)” concerning the acquisition of a property and the subsequent re-development of a serviced apartment complex in the city centre of Frankfurt am Main, Germany. Of the total funds to be provided by the clients and CCAG totalling EUR 11.0 million, W5 Group GmbH contributed approximately 28.6% and the Issuer contributed a total amount of EUR 1.1 million. The transaction is on-going as of the date of this Prospectus.

Investment Agreements

On 15 December 2016, W5 Group GmbH and the Issuer as Investors (among others) concluded an investment agreement with regard to project “Annapurna” concerning the acquisition of a property located in Madrid/Spain, the subsequent demolition of the existing building and the development of the property as a student housing real estate property. Of the total funds to be provided by the clients, W5 Group GmbH contributed a total amount of EUR 1.5 million and the Issuer contributed a total amount of EUR 1.7 million. The transaction is on-going as of the date of this Prospectus.

On 23 November 2017, W5 Group GmbH and the Issuer as Investors (among others) concluded an investment agreement with regard to project “Olympic” concerning the acquisition of an existing office complex in Munich (Germany) two six storey construction units connected by a one storey connection unit. Of the total funds to be provided by the clients, W5 Group GmbH contributed a total amount of EUR 2.5 million and the Issuer contributed a total amount of EUR 2,128,350. The transaction is on-going as of the date of this Prospectus.

Project Investments

In December 2014, vitB AG (now W5 Group GmbH) together with CCAG invested in project “Donald” concerning an acquisition of three real properties located in Germany which, as the case may be, shall be used for project development purposes. The aggregate transaction (equity) value amounts to EUR 7 million. The transaction is on-going.

Overview – Transactions with Key Management Personnel

The following table sets out the volume of transactions with Key Management Personnel for the periods indicated:

Transactions with Key Management Personnel

	For the financial year ended 31 December		
(in EUR '000)	**2015**	**2016**	**2017**
Short-term employee benefits	(1,561)	(2,086)	(2,178)
Service Agreement termination benefits	–	–	(932)
Share-based payment benefits	–	–	(3,359)
Compensation payments	–	–	(263)
Executive management committee (EMC) bonus awards contributed to MCIF	(394)	(421)	(449)
Post-employment pension	(142)	–	–
Equity settled share based payment	(6)	(6)	–
Service Agreement termination benefits	–	–	–
Remuneration/ payments to the members of the supervisory board	–	–	–
Remuneration to members of the supervisory board	(115)[1]	(72)	(181)
Payments to member of the supervisory board	(342)[1]	(234)	(242)
Profit Distributions to key management personnel from MCIF	(55)	–	–
Reimbursement from key management personnel	–	–	11

(1) Due to changes in the presentation of transactions with key management personnel, figures as of and for the year ended 31 December 2015 are taken from the consolidated financial statements as of and for the financial year ended 31 December 2016 (including the respective comparative financial information as of and for the financial year ended 31 December 2015).

Transactions with shareholders and shareholders 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 through 31 December of the financial years 2015, 2016 and 2017. Hence, such amounts do not necessarily reconcile with the Issuer's consolidated income statement for the financial year ended 31 December 2016.

Transactions with shareholders and shareholders related entities

	As of and for the financial year ended 31 December		
(in EUR '000)	**2015**	**2016**	**2017**
Fees paid to W5 Group GmbH[1]/ W5 Group LLC under consultancy agreements	(455)	(514)	(584)
Cost reimbursements to W5 Group GmbH[1]/ W5 Group LLC	(364)	(248)	(333)
Transaction Costs W5 Group[1] in connection with the acquisition of HFS	–	–	(5,000)
Transaction Costs W5 Group[1] in connection with the acquisition of ATOS Group	–	–	(11.7)
Transaction Costs W5 Group[1] in connection with the ACRON transaction	–	–	(48)
Transaction Costs Vicenda in connection with the acquisition of HFS	–	–	(1,405)
Transaction Costs Vicenda in connection with the Credit Line	–	–	(400)
Rental Costs to Vicenda	–	–	(13)
Payments made to Thalos in connection with the acquisition of HFS	–	–	(514)
Loan granted by Thalos	–	–	(150,000)
Agio granted by Thalos	–	–	1,500

Repayment Loan to Thalos	–	–	150,000
Interest paid to Thalos	–	–	(12,126)
Rental income from sublease with Azteca Holding	–	–	9
Payments made in connection with the acquisition of Hannover Leasing Group	–	(1,689)	–
Interests expenses from shareholder loans	(2,357)	(2,504)	(742)
Proceeds from loans granted by shareholders	49,589	8,000	(18,918)
Other Liabilities to shareholders	–	–	(39,000)
Repayment of loans granted by shareholders	(21,775)	(35,814)	–
Sale of Shares in Subsidiaries or Associates to shareholders	1,014	(4,982)	–
Repayment of loans granted to shareholders	–	855	–
Interests income on loans granted to shareholders	13	6	–
Dividends (including capital repayments) paid to shareholders	(13,790)	(6,484)	(13,607)
Rental income from sublease with W5 Group GmbH(1)	15	7	–
Reimbursement Project ISAR from W5 Group GmbH(1)	–	–	75
Other Reimbursement from W5 Group GmbH(1)	–	–	4
Payments to Daniel Schoch according to agreement from 07.07.2017	–	–	(78)

(1) Formerly vitB AG.

Transactions with Investment Structures

The Issuer invests typically between 5% and 10% in each of its Investment Structures alongside its clients as alignment capital investment. Since the Issuer provides comprehensive real estate investment management services to, and are acting as asset manager for such Investments Structures, these Investment Structures qualify as an associate under the IFRS regime. The revenues generated with such associates are based on market-standard Joint-Venture and Co-Investments Agreements as well as Asset Management Agreements, and are entered into with and approved by our clients.

The following table sets out the volume of transactions with Investment Structures for the periods indicated.

Transactions with Investment Structures (Associates (Co-Investments))

	As of and for the financial year ended 31 December		
(in EUR '000)	**2015**	**2016**	**2017**
Revenue from Acquisition Related Fees	4,483	9,615	8,499
Revenue from Asset and Property Management	6,744	9,629	8,322
Revenues from Sales Fees	491	–	–
Revenue from Promote Fees realised	12,298	6,699	16,978
Proceeds from Selling Property Holding Companies	2,506	12,244	13,916
Interest income from Associates	172	136	–
Interest expenses from Associates	–	–	–

Balance with Associates (Co-Investments)

(in EUR '000)	As of and for the financial year ended 31 December		
	2015	**2016**	**2017**
Receivables from Associates	11,469[(1)]	8,263	18,874
Receivables from Joint Venture	5,755[(1)]	1,031	–
Loans granted from Associates	–	2,493	–
Liabilites to Associates	99[(1)]	948	2,209
Receivables from Joint Venture	150	–	–
Liabilities to related parties	28,471	–	57,918

(1) Taken from the comparative financial information as of 31 December 2015 contained in the notes to the consolidated financial statements as of and for the financial year ended 31 December 2016.

Advisory Agreement with Daniel Schoch

In July 2017, the Issuer and Daniel Schoch entered into an advisory agreement (the "**Advisory Agreement**"), pursuant to which Daniel Schoch, renders advice to the Issuer in connection with M&A and, upon the request of the Issuer, capital markets transactions. The Advisory Agreement has a fixed term of two years, is governed by German law and contains customary termination provisions. The remuneration of Daniel Schoch contains a fixed and a variable component.

Cancellation agreement with former CFO Daniel Schoch

On 10 June 2017, the Issuer, Corestate Capital AG and Corestate Capital Advisors GmbH on the one hand and Mr. Daniel Schoch (then CFO of the Issuer) on the other hand concluded a cancellation agreement (*Aufhebungsvertrag*) as amended by an amendment agreement of 7 July 2017 (together the "**Cancellation Agreement**"). According to such agreement Mr. Schoch terminated all his functions within Corestate Group, in particular his office as Chief Financial Officer of the Issuer, with legal effect as of 14 July 2017. The Issuer paid his fixed remuneration until end of July 2017 and compensated him for certain fixed and variable remuneration elements under his previous management service agreement which would have ended on 31 December 2019. For purposes of the management co-investment fund (MCIF) Mr. Schoch remained invested with respect to his still pending investments until their respective exits will occur. Furthermore, Mr. Schoch was partially compensated for his claim for Issuer shares under his management service agreement and consequently received a total of 20,500 Issuer shares on 11 July 2017 which are all subject to a lock-up until 31 December 2018 unless there is a takeover or a change of control of the Issuer which would eliminate such lock-up. In addition, Mr. Schoch is obliged not to dispose of his existing Issuer shares, which were issued on 28 September 2016, until 14 July 2018 unless there is a takeover or change of control of the Issuer which would eliminate such lock-up.

Advisory Agreements with Blattmann Advokatur & Notariatand Blattmann Rechtsanwälte AG

vitB AG (now and hereinafter W5 Group GmbH), CCAG and Corestate Capital Transactions AG entered into advisory agreements with Blattmann Advokatur & Notariat, the law firm of which Micha Blattmann is a partner. The advisory agreements with CCAG and Corestate Capital Transactions AG were mutually terminated on 16/19 October 2015 and on 1 September 2016, respectively. However, from time to time Blattmann Rechtsanwälte AG provides certain services to the Group.

Services rendered by FELUR Swiss Treuhand AG

From time to time FELUR Swiss Treuhand AG, a Swiss tax advisory firm wholly owned by Urs Felder, provides certain services to the Group.

Guarantee and Subscription Agreement

On 2 September 2016, Daniel Schoch, Ralph Winter, CCAG, Thomas Landschreiber and the Issuer entered into a guarantee and subscription agreement ("**Guarantee and Subscription Agreement**"). Under this agreement the Issuer has undertaken to issue and Daniel Schoch agreed to subscribe to shares of the Issuer representing 0.625% of the Issuer's share capital (as of 29 September 2016) for a subscription price equal to the accounting par value per share. The shares issued to Daniel Schoch accordingly are subject to a lock-up until 14 July 2018 unless there is a takeover or change of control of the Issuer which would eliminate any lock-up.

Loan agreements between Ralph Winter and the Issuer

Under a loan agreement dated 31 August 2016, Ralph Winter as lender granted a EUR 1.0 million loan to the Issuer as borrower. The purpose of the loan was to (indirectly) finance a part of an advance payment of the purchase price for the acquisition of a commercial property located in Bocholt, Neutor-Center, by an affiliate of the Issuer, Highstreet VI PropCo I. S.à r.l. The loan agreement stipulated an interest rate of 10% p.a. and a term until 15 December 2016. Furthermore, the loan agreement provided for the payment of a repayment fee by the borrower in an amount that, when aggregated with the interest accrued until the repayment, will lead to an interest rate of 5% of the loan amount. As at the date of this Prospectus no amounts are outstanding under this loan.

Under a loan agreement dated 28 July 2016 between Ralph Winter as lender and the Issuer as borrower Ralph Winter has granted a loan to the Issuer for general corporate purposes in an amount of EUR 6 million. The loan had a term of six months and beared interest at a rate of 8% p.a. The loan agreement provided for a repayment of the loan at any time without triggering prepayment costs. No security has been granted to secure the loan. As at the date of this Prospectus no amounts are outstanding under this loan.

Loan agreement between Thomas Landschreiber and the Issuer

Under a loan agreement dated 31 August 2016, Thomas Landschreiber as lender granted a EUR 1.0 million loan to the Issuer as borrower. The purpose of the loan is to (indirectly) finance a part of an advance payment of the purchase price for the acquisition of a commercial property located in Bocholt, Neutor-Center, by an affiliate of the Issuer, Highstreet VI PropCo I. S.à r.l. The loan agreement stipulates an interest rate of 10% p.a. and a term until 15 December 2016. The lender pays the loan amount directly to Highstreet VI PropCo I. S.à r.l. The loan may be repaid at any time and must be repaid if the borrower obtains sufficient liquidity by means of debt or equity or by other business activities to prepay the loan taking into account the capital requirements of the borrower and its affiliated companies within the meaning of Sections 15 AktG *et seq.* In case of such repayment the borrower must pay a repayment fee in an amount that, when aggregated with the interest accrued until the repayment, will lead to an interest rate of 5% of the loan amount. As at the date of this Prospectus no amounts are outstanding under this loan.

Share Purchase and Transfer Agreement between Ralph Winter and Michael Schleich

Ralph Winter as seller and Michael Schleich, former managing director of a subsidiary of the Issuer, as purchaser entered into a share purchase and transfer agreement regarding the sale and transfer of 78,869 shares in the Issuer. The share purchaser and transfer agreement was completed thereby settling certain outstanding claims of Michael Schleich (see "*Information Existing Shareholders*" for more information on the shareholder structure of the Issuer).

Investment Advisory Agreement with W5 Group LLC and the Issuer

The Issuer 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 Issuer. W5 Group LLC receives a retainer fee on a quarterly basis in an amount of USD 25,000 and, to the extent the services provided by W5 Group LLC under the Investment Advisory Agreement result in a direct or indirect investment in the US market, a specific management and performance fee which will be agreed in the future separately between the parties to the Investment Advisory Agreement. The term of the agreement is fixed at 36 months and may be terminated upon a certain prior notice period at any time by any party. As at the date of this Prospectus, no concrete investment project has been initiated based on the services provided by W5 Group LLC under the Investment Advisory Agreement and it is currently unclear to which extent any opportunity might be identified at all. For diversification purposes the Issuer 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.

Termination Agreement between Ralph Winter and Thomas Landschreiber

Ralph Winter and Thomas Landschreiber have entered into a termination agreement on 23 September 2016 terminating the lock-up agreement which was entered into between Ralph Winter and Thomas Landschreiber within the aborted IPO in 2015 dated 14/16 October 2015. The parties to the termination agreement consider that due to the aborted IPO in 2015, the initial lock-up agreement was not effective. However, as a matter of precaution, Ralph Winter and Thomas Landschreiber have terminated such lock-up agreement by means of the termination agreement dated 23 September 2016. The termination agreement provides that the initial lock-up agreement dated 14/16 October 2015 is terminated and that the rights and obligations from such agreement have expired.

Investment in private placement

Mr. Ralph Winter formally invested in the private placement in September 2016 but immediately transferred the issued shares to an escrow agent holding such Shares for third party investors being obliged to only invest in listed shares. According to our understanding the escrow agent transferred the respective issued shares to such third party after listing had occurred.

Termination Agreement between the Issuer, CCAG, Ralph Winter and Thomas Landschreiber

Intershop Holding AG exited from the Shareholders' Agreement and Participation Agreement on 30 June 2016 within the context of the sale and transfer by Intershop Holding AG of its stake in the Issuer to Ralph Winter. Certain rights and obligations remaining from the Shareholders' Agreement and Participation Agreement applicable only to Ralph Winter and Thomas Landschreiber (*e.g.* sales restrictions), were terminated with effect as of completion of the date of the inclusion to trading of the Shares in the Open Market (*Freiverkehr*) (*i.e.* on 4 October 2016) of the Frankfurt Stock Exchange by means of the termination agreement entered into by the Issuer, CCAG, Ralph Winter and Thomas Landschreiber on 27 September 2016.

Contemplated intermediary purchase of a bond

In context of the proposed student housing transaction with a fund vehicle established by Bayerische Versorgungskammer as purchaser ("**BVK Vehicle**"), a vehicle held by the Issuer may consider to facilitate the redemption of a bond amounting to approximately EUR 9 million by purchasing such bond, however, such purchase being fully financed and secured by the BVK Vehicle. Subsequently, the bond shall be sold back to the issuer based on the same conditions like the aforementioned sale and purchase so that the contemplated measure shall have no economic or accounting effects. The contemplated measure presupposes the consummation of the transaction. It is still uncertain whether the described measure is finally favoured by the parties to the transaction (including the aforementioned vehicle held by the Issuer) or whether alternative facilitating measures are favoured.

Set-off Agreement between the Issuer and W5 Group AG

On 7 December 2016, the Issuer and W5 Group AG agreed to set-off certain outstanding payments.

In 2014 and 2015, the Issuer provided its employee, Mr. Martin Haindl, as an external advisor to W5 Group AG to act on project Mayakoba upon payment of EUR 50,000.00. As of the date of this agreement, the fee for these advisory services was outstanding.

In turn, W5 Group AG was entitled to a refund in the same amount against the Issuer in connection with investments of W5 Group AG in certain investment transactions managed by the Issuer. The right of W5 Group AG to claim this refund was set forth contractually.

Since both outstanding payables were due in the same amount, the parties agreed to offset them with the result that all existing mutual claims resulting from the above mentioned matters ceased to exist.

Transactions relating to the acquisition of HFS

Advisory Agreement with W5 Group GmbH

On 17 March 2017, the Issuer and W5 Group GmbH entered into an advisory agreement governed by Luxembourg law and pursuant to which the Issuer, with the support of the Issuer's Management Board members Daniel Schoch, Sascha Wilhelm and Thomas Landschreiber as advisors, consulted W5 Group GmbH on the acquisition of HFS. The agreement had a fixed term from 17 March 2017 until 30 June 2017. The parties agreed upon a fixed monthly fee in the amount of EUR 50,000.00 plus VAT as well as reimbursement of travel expenses. Liability of the Issuer is limited to intent and gross negligence. However, liability is capped at EUR 2.0 million.

Transfer and Transition Agreement with W5 Group GmbH

During the still running agreement of 17 March 2017, the Issuer and W5 Group GmbH agreed to take over all the rights regarding the acquisition of HFS from the W5 Group GmbH.

For that reason on 18 May 2017, the Issuer and W5 Group GmbH entered into a transfer and transition agreement governed by German law and agreed to transfer all services performed so far by W5 Group GmbH in connection with the planned acquisition of HFS to the Issuer, including (but not limited to) the due diligence reports, audit and research reports and other working results provided by external advisors appointed by W5 Group GmbH as well as by W5 Group GmbH itself. The parties also agreed to transfer, as far as legally permissible, all existing advisory agreements concerning the acquisition of HFS, which were entered into with external advisors and/or third parties, to the Issuer with debt-discharging effect. The parties also agreed to use best efforts to transfer any liability and reliance of third parties in connection with due diligence reports or other work results. Moreover, the parties agreed to treat each other internally as if the respective agreements had already been transferred.

In turn, the Issuer committed itself to compensate all advisory fees and costs paid so far by W5 Group GmbH or any of its subsidiaries as well as to pay all outstanding amounts in connection with the acquisition of HFS. Moreover, the Issuer agreed on an arranger's fee of 1% of the transaction volume (approximately EUR 5.0 million) to be paid to the W5 Group GmbH in case of a successful acquisition of 100% of HFS' share capital.

Structuring Agreement with Thalos Investment Platform S.A.

On 13 June 2017, the Issuer and Thalos Investment Platform S.A, Munsbach (Luxembourg), entered into a Luxembourg law governed structuring agreement, pursuant to which Thalos Investment Platform S.A. is mandated to structure a note issuance and place this note for raising a loan amount to be borrowed to the Issuer (or another borrowing entity of the Corestate Group) to finance the acquisition of HFS. The loan amount shall be raised by Thalos Investment Platform S.A. by way of issuance of the note secured by all outstanding shares of HFS and a guarantee of the Issuer. Thalos Investment Platform S.A. committed itself to place the note with institutional investors on a best effort basis. Under this agreement, Thalos Investment Platform S.A. is authorised to mandate Vicenda Asset Management AG with the structuring and placement of the note. The parties agreed on a structuring and maintenance fee depending on the notional amount with a certain minimum amount for the first year of the issuance and a minimum pro rata amount of the minimum amount for any period thereafter. In addition, the Issuer has to bear external fees (*e.g.* lawyer, tax counsel, listing, rating etc.).

Moreover, Thalos Investment Platform S.A was entitled to a placement fee depending on the notional amount of notes placed by Thalos Investment Platform S.A and/or Vicenda Asset Management AG. The determination of the final allocation of subscriptions shall be in the sole discretion of the Issuer subject to a certain floor of the actually placed notes. The parties also agreed on a break-up fee.

Advisory Agreement with W5 Group GmbH for M&A projects

In August 2017, the Issuer and W5 Group GmbH entered into an advisory agreement, governed by German law, pursuant to which W5 Group GmbH rendered advice to the Issuer in connection with (potential) acquisitions of ACRON AG, Zurich (Switzerland) and ATOS Capital GmbH, Hamburg (Germany). The parties agreed upon a daily rate of remuneration amounting to EUR 3,500 plus VAT and reimbursement of expenses. The agreement had a fixed term from 01 August 2017 until 31 October 2017. As the acquisition of ACRON AG was not consummated, W5 Group GmbH was obliged to refund 20% of the advisory fee for the incomplete acquisition.

Share Purchase and Transfer Agreement with Sascha Wilhelm

On 26 September 2017, CCAG as purchaser and Sascha Wilhelm as Seller entered into a share purchase and transfer agreement regarding the sale and transfer of 5,000 shares held by Sascha Wilhelm in Capera. The purchase price amounted to EUR 225,000. The closing of the transaction took place on 28 September 2017 and the registration of CCAG as shareholder of Capera in the commercial register took place on 28 September 2017.

DESCRIPTION OF OTHER INDEBTEDNESS

The following financing agreements are of major importance for Corestate's business so that Corestate depends or, respectively, depended on the existence of these agreements.

Convertible Bonds Corestate Capital Holding S.A.

On 28 November 2017, the Issuer issued EUR 200 million in aggregate principal amount of its 1.375% Convertible Bonds due 2022 (the "**Convertible Bonds**") in a private placement to institutional investors. The Convertible Bonds pay a coupon of 1.375% per annum and will mature on 28 November 2022. The Convertible Bonds constitute unsubordinated and unsecured obligations of the Issuer, ranking *pari passu* among themselves and *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, unless such obligations are preferred by applicable law. The Convertible Bonds are included in trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Pursuant to the terms and conditions of the Convertible Bonds, the Issuer has granted each holder the right to convert the Convertible Bonds into ordinary shares in dematerialised form of the Issuer (the "**Shares**") at an initial conversion price of EUR 61.9580 per Share. The conversion price is subject to adjustment as provided in the terms and conditions of the Convertible Bonds. Subject to certain excluded periods, the conversion right can be exercised by a holder of the Convertible Bonds at any time from 8 January 2018 until the 35th business day prior to the maturity date of the Convertible Bonds, or in the event of an early redemption, until the 10th business day prior to the date fixed for redemption.

The terms and conditions of the Convertible Bonds include a negative pledge in relation to the Issuer and its subsidiaries in respect of capital markets indebtedness, subject to certain limitations and exceptions set forth in the terms and conditions of the Convertible Bonds. Noteholders have the right to terminate the Convertible Bonds upon the occurrence of certain events of default set forth in the terms and conditions of the Convertible Bonds, including a cross-default if the Issuer or any material subsidiary of the Issuer fails to fulfil any present or future payment obligation when due with respect to financial indebtedness, subject to a threshold of EUR 25 million. Upon the occurrence of an acquisition of control or a transferring merger where the shares of the acquiring entity are not listed on a regulated market of the European Economic Area, each holder of the Convertible Bonds may require the Issuer to redeem the Convertible Bonds at par plus accrued interest.

The Issuer may redeem the Convertible Bonds at par plus accrued interest beginning 19 December 2020 if the price of the Shares 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 may also redeem the Convertible Bonds at par plus accrued interest if at any time the aggregate principal amount of Convertible Bonds outstanding and held by persons other than the Issuer and its subsidiaries falls to or below 15% of the aggregate principal amount of the Convertible Bonds originally issued.

Revolving Credit Facility Agreement Corestate Capital Holding S.A.

On 30 June 2017, the Issuer as borrower and Corestate Capital AG (Switzerland) 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 BIL and with BIL as facility agent (the "**Revolving Credit Facility Agreement**"). The maximum aggregate amount available under the revolving credit facility is EUR 40.0 million. The revolving credit facility is split into two tranches: tranche A with a maximum aggregate amount available of EUR 34.0 million ("**Tranche A**") and tranche B with a maximum aggregate amount available of EUR 6.0 million

("**Tranche B**"). Tranche A is available for drawings until and including the date falling one month prior to the termination date of the revolving credit facility. Tranche B is available for drawings until and including (i) 31 December 2017 or (ii) if security has been granted over 100% of the shares in CORESTATE Capital Fund Management S.à r.l. and such security has been authorised by the *Commission de Surveillance du Secture Financier* in each case prior to 31 December 2017, the date falling one month prior to the termination date of the revolving credit facility. Unutilised commitments will be automatically cancelled at the end of the relevant availability period. The revolving credit facility terminates on 30 June 2020.

The revolving credit facility is available for cash drawings in Euro and may be used for the refinancing of existing financial liabilities and for general corporate purposes. Any loan made available under the revolving credit facility shall be repaid (subject to rollover) on the last day of the interest period of the relevant loan and all amounts outstanding under the revolving facility agreement must be repaid on the termination date. As of the date of this Prospectus EUR 15.0 million was drawn under Tranche A of the revolving credit facility and EUR 19.0 million was drawn under Tranche B.

The revolving credit facility bears interest at a rate of the relevant EURIBOR plus 3.60% per annum. Customary fees are payable in connection with the revolving credit facility agreement, including a commitment fee, agency fees and security agency fees.

The revolving credit facility agreement contains certain information undertakings (including the provision of financial information and other information regarding our financial condition), financial covenants and restrictive covenants which are customary for a facility of this nature taken out by a borrower operating in our business sector, including restrictions on financial indebtedness, disposals, acquisitions, payments to shareholders and reorganisation measures as well as a negative pledge (*i.e.* restrictions on the granting and subsistence of security), in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants which require us to ensure that (i) our leverage ratio (*i.e.* the ratio of interest bearing debt (less any such debt which is without recourse to the Issuer) to EBITDA) (on a consolidated basis) is less than 2 to 1 and (ii) the ratio of our interest bearing debt (less any such debt which is without recourse to the Issuer) to total equity (on a consolidated basis) (the "**Gearing Ratio**") is less than 60%, provided that any repayment of debt made or capital measures conducted after the date of any relevant testing period but prior to the due date for delivery of the relevant compliance certificate may be taken into account for calculating compliance with the Gearing Ratio.

The financial covenants will be at all times tested as of 31 December and 30 June in each financial year of the Issuer with the first testing date being 31 December 2017.

The revolving credit facility agreement, subject to certain exemptions, generally permits payments to direct or indirect shareholders of the Issuer only if (i) no default under the revolving credit facility agreement has occurred and is continuing or would result from the payment, (ii) following the payment, the Gearing Ratio remains below 60%, (iii) any amounts due under the revolving credit facility agreement (or any related finance document) have been paid and (iv) the maximum dividend payout ratio for a fiscal year does not exceed 70% of our consolidated net income.

The revolving credit facility is secured by pledges over (i) 100% of the shares in CORESTATE Capital AG (Switzerland), (ii) 100% of the shares in MicroLiving Service GmbH (Germany), (iii) CAPERA Immobilien Service GmbH (Germany), (iv) CORESTATE Capital Advisors GmbH (Germany), (v) CORESTATE Capital Sales Holding S.à r.l. (Luxembourg) and (vi) CORESTATE Capital Funds Management S.à r.l.

Upon the occurrence of a defined change of control event, each lender shall have the right to demand prepayment of its participation in the revolving credit facility and cancellation of its commitments by not less than 45 days' notice. Prepayments must also be made upon the occurrence of illegality. No amounts so prepaid may be re-borrowed.

The total commitments may be cancelled and the utilisations and all other amounts outstanding under the revolving credit facility may (in whole or in part) be accelerated (*i.e.*, declared immediately due and payable or payable on demand) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the revolving credit facility agreement or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above, (ii) information undertakings or (iii) general undertakings), misrepresentation, cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of EUR 500,000 or more and other events of default customary for this type of financing transaction. Further, the occurrence of any event which is reasonably likely to have a material adverse effect on (i) the business, assets or financial condition of the group (taken as a whole), (ii) the ability of an obligor to perform its payment obligations under the finance documents or (iii) the validity or enforceability of any security (or the ranking and effectiveness of such security) granted for the finance documents also constitutes an event of default under the revolving credit facility agreement entitling the lenders (or the agent for the lenders) to accelerate.

Corporate Bond HFS Helvetic Financial Services AG

The corporate bond of HFS Helvetic Financial Services AG (International Securities Identification Number (ISIN): DE000A186WC7, German Identification Number (*Wertpapierkennnummer*; WKN): A18 6WC) was issued in accordance with the terms and conditions on 4 October 2016 with an aggregate principal amount of up to EUR 100 million, divided into up to 100,000 bearer bonds in the principal amount of EUR 1,000 each, ranking pari passu among themselves and governed by German law.

The bonds have a fixed coupon of 3.5% *per annum*, the interest payment date being 15 December of each year (the first interest payment date being 15 December 2017). The term of the bonds ends on 4 October 2021. As of 31 December 2017, the aggregate principal amount outstanding under the bond was approximately EUR 30.5 million. The funds raised under the bonds may only be used for investment purposes within HFS AG, with investments being limited to real estate funds and own real-estate holdings. Pursuant to the terms and conditions HFS is also required during the term of the bonds to maintain an equity ratio of at least 35% (and at least EUR 30 million). In addition, the bonds provide for the right of their holders to terminate the bonds in certain circumstances and to demand immediate redemption of the bonds at the principal amount. Redemption may be demanded in the event of a delay in payment of more than 30 days, a breach of other obligations under the terms and conditions of the bonds (in particular the requirement to maintain the above-mentioned equity ratio), cessation of payments, insolvency or liquidation as well as the discontinuation of operations by HFS. HFS is entitled at any time, under certain conditions, to use any of its affiliates within the meaning of section 15 of the German Stock Corporation Act (*Aktiengesetz*; AktG) in its stead as the principal debtor of all obligations under and in connection with the bonds. The issuing and paying agent is Quirin Privatbank AG, Berlin.

Lombard loan agreement HFS Helvetic Financial Services AG

On 20 November 2015, HFS Helvetic Financial Services AG entered into a EUR 10.0 million lombard loan with Notenstein La Roche Privatbank AG. The lombard loan was granted solely for the purpose of purchasing shares in STRATOS Immobilienanleihenfonds I. The shares are held in a securities account at Notenstein La Roche Privatbank AG and are pledged in favour of Notenstein La Roche Privatbank AG. The lombard loan is secured with a pledge of various securities (*Vermögenswerte*) as well as a surety undertaken by Norbert Ketterer. The lombard loan may be terminated at any time. The interest rate is EUR-LIBOR (at least 0.00%) plus a margin of at least 3%. The lombard loan is fully utilised.

Loan agreement Corestate Capital Junior BondCo S.à r.l.

On 1 July 2017, Corestate Capital Junior BondCo S.à r.l. as borrower entered into a EUR 18.9 million (Luxembourg law governed) loan agreement with Mr. Norbert Ketterer as lender. The purpose of the facility was to partially finance the purchase price for the HFS Acquisition. The loan was disbursed by way of conversion of the relevant part of the purchase price. The facility is unsecured.

The facility matures on 7 January 2019. After a period of six months following the disbursement of the loan, an early repayment in whole or in part, together with accrued interest, is permitted. Repaid amounts may not be re-borrowed.

Two interest periods apply to the facility. The first interest period starts on the disbursement date and ends on the date 12 months after the disbursement date (excluded) and the second period starts on the last day of the preceding interest period and ends on 6 January 2019. The interest rate for the first interest period is the higher of 8% *p.a.* and a rate resulting in a total interest payment on the early repayment amount of 5.75% flat. The interest rate for the second period is 9% *p.a.* Interest is payable on the last day of the relevant interest period, or, as applicable, upon an early repayment in relation to such early repayment amount. If it becomes unlawful for the lender to grant or maintain the loan due to change in law, the facility will be repaid with interest of 8% *p.a.* for the first interest period and 9% *p.a.* for the second interest period.

The facility may be accelerated if an event of default occurs. Events of default include non-payment of any amount due and payable under the loan agreement after a five banking days grace period; illegality on part of the borrower; any order of, or decision by the borrower for, dissolution of its business or HFS Helvetic Financial Services AG or the Company or in relation to any entity which is controlled by the borrower or HFS Helvetic Financial Services AG or which controls the borrower; the Company ceases to have control of the borrower or HFS Helvetic Financial Services AG or the borrower loses its capacity to act; the borrower or HFS Helvetic Financial Services AG or the Company admits to be or are unable to pay its indebtedness as it falls due (provided it is higher than 5.0% of the facility); insolvency proceedings are opened against the borrower, HFS Helvetic Financial Services AG or the Company; the authority or ability of the borrower or HFS Helvetic Financial Services AG or the Company to conduct its business is substantially or wholly removed or limited by attachment, arrest, expropriation or nationalisation of it or its assets; or the borrower fails to perform or violates any other material provision of the loan agreement (other than repayment of the loan) and such failure is not remedied within a 15 banking days grace period.

HL Group Financing Arrangements

Hannover Leasing and its subsidiaries have entered into a number of working capital facilities and financing arrangements relating to real estate and other assets. Some of these financing arrangements are secured by land charges and share pledges and benefit from assignments of rental receivables and dividend claims. As of 31 December 2017, indebtedness in an aggregate amount of EUR 209.4 million was outstanding under these working capital facilities and financing arrangements.

Loans from Shareholders

From time to time, certain of our shareholders or their related parties have provided loans to us or our subsidiaries, primarily as temporary financing for acquisitions. See "*Certain Relationships and Related-Party Transactions*". As of 31 December 2017, a subordinated loan from Norbert Ketterer to our subsidiary Corestate Capital Junior Bond Co S.à r.l. in the amount of EUR 18.9 million was outstanding.

TERMS AND CONDITIONS OF THE NOTES

Terms and Conditions of the Notes
(the "**Terms and Conditions**")

§ 1 Definitions

In these Terms and Conditions the following terms will have the following meaning:

"**Acquired Warehouse Financial Indebtedness**" has the meaning set out in § 8(c)(xii).

An "**Acquisition of Control**" will be deemed to have occurred if, after the date of issue of the Notes, any person or partnership or persons ("**Relevant Person(s)**") and/or any person or persons acting on behalf of any such Relevant Person(s) (irrespective of whether the management board (*Vorstand*) or the supervisory board (*Aufsichtsrat*) of the Issuer has given its consent thereto), acquire

(i) Control of the Issuer (unless the acquirer is a credit institution, financial service provider or agent that acquires the relevant Shares only temporarily in a transitory function in connection with the implementation of a capital measure or corporate action); or

(ii) in one or a series of related transactions, all or substantially all of the assets of the Issuer and its Subsidiaries taken as a whole (other than by way of merger, consolidation or other business combination transaction or an acquisition by a Subsidiary of the Issuer).

"**Acquisition of Control Record Date**" means the Business Day fixed by the Issuer in accordance with § 5(e)(i) which will be not less than 40 nor more than 60 days after the notice of the Acquisition of Control.

"**Additional Amounts**" has the meaning set out in § 7 (*Taxes*).

"**Affiliate**" means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**", when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Agents**" has the meaning set out in § 15(a).

"**Asset Sale**" means:

(a) the sale, lease, conveyance or other disposition of any assets by the Issuer or any of its Subsidiaries; *provided that* the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Subsidiaries taken as a whole will be governed by the provisions of the Terms and Conditions described under § 10 (*Merger, Consolidation or Sale of Assets*); and

(b) the issuance of Equity Interests by any Subsidiary or the sale by the Issuer or any of its Subsidiaries of Equity Interests in any Subsidiary of the Issuer (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(i) the lease or sublease of any real estate asset in the ordinary course of business;

(ii) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than the greater of (A) EUR 30,000,000 and (B) 2.5 per cent. of Total Assets;

(iii) a transfer of assets or Equity Interests between or among the Issuer and any Subsidiary;

(iv) an issuance of Equity Interests by a Subsidiary to the Issuer or to another Subsidiary;

(v) the sale, lease or other transfer of accounts receivable, inventory or other assets (other than real property) in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets or assets that are no longer useful in the conduct of the business of the Issuer and its Subsidiaries;

(vi) licenses and sublicenses by the Issuer or any of its Subsidiaries in the ordinary course of business;

(vii) dispositions of investments in joint ventures or similar entities to the extent required by, or made pursuant to customary buy/sell arrangements between, the parties to such joint venture set forth in joint venture arrangements and similar binding arrangements;

(viii) the granting of Security Interests not prohibited by § 9 (*Negative Pledge*);

(ix) the sale or other disposition of cash and Cash Equivalents;

(x) a Restricted Payment that does not violate § 12 (*Restricted Payments*), or any transaction specifically excluded from the definition of "Restricted Payments", or, solely for purposes of § 11(b) and (c), asset sales, the proceeds of which are used to make such Restricted Payment or such payment specifically excluded from the definition of "Restricted Payments";

(xi) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(xii) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind, and the unwinding of any Hedging Obligations; and

(xiii) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Subsidiary to such Person) related to such assets.

"**Asset Sale Offer**" has the meaning set out in § 11(c).

"**Benchmark Yield**" has the meaning set out in § 5(b).

"**Business Day**" means each day (other than a Saturday or Sunday) on which (a)(i) the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) and (ii) the Clearing System settle payments, and (b) commercial banks and foreign exchange markets in

Frankfurt am Main are open for business.

"**Calculation Agent**" has the meaning set out in § 15(a).

"**Capital Lease Obligation**" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS as in effect on the Issue Date, and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"**Capital Stock**" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any preference shares, but excluding any debt securities convertible into such equity.

"**Cash Equivalents**" means:

(a) securities or other direct obligations, issued or directly and fully guaranteed or insured by the United States of America, Canadian, Japanese, Australian, Swiss, Norwegian or United Kingdom governments, the European Union or any member state of the European Union (other than Cyprus, Greece, Portugal or Spain) or, in each case, any agency or instrumentality thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(b) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (i) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another recognized rating organization) or (ii) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of EUR 250,000,000;

(c) repurchase obligations for underlying securities of the types described in clauses (a) and (b) entered into with any bank meeting the qualifications specified in clause (b) above;

(d) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a recognized rating organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(e) indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another recognized rating organization) with maturities of 12 months or less from the date of acquisition;

(f) bills of exchange issued in the United States, Canada, the European Union or any member state of the European Union (other than Cyprus, Greece, Portugal or Spain), Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(g) interests in any investment company, money market, enhanced high yield fund or other investment funds which invests 90 per cent. or more of its assets in instruments of the type specified in clauses (a) through (g) above.

"**Clearing System**" means Clearstream Banking AG, Frankfurt am Main ("**Clearstream Frankfurt**") and any successor in such capacity.

"**Consolidated EBITDA**" for any period means consolidated net profit (loss) of the Group for such period:

(a) **plus** (to the extent deducted in calculating consolidated earnings for such period) any net expenses for paid or accrued interest, commission, fees, discounts and other finance payments incurred or payable by any member of the Group;

(b) **plus** (to the extent deducted in calculating consolidated earnings for such period) net expenses for income taxes, current and deferred;

(c) **excluding** the amount of any earnings of any member of the Group which is attributable to the minority interest of any shareholder of or, as the case may be, partner in such member of the Group who is not a member of the Group;

(d) **plus** (to the extent deducted in calculating consolidated earnings for such period) depreciation, amortization and other non-cash charges and expenses (including, without limitation, write-downs and impairment of property, plant, equipment, intangibles, goodwill and other long-lived assets and the impact of purchase accounting on the Issuer and its Subsidiaries for such period);

(e) **plus** (to the extent deducted in calculating consolidated earnings for such period) any fair value adjustments of investment properties;

(f) **eliminating** impairment charges of at equity investments;

(g) **eliminating** any unrealized exchange gains and losses from the marking to market of derivatives or primary financial instruments;

(h) **plus** (to the extent deducted in calculating consolidated earnings for such period) restructuring expenses according to IAS 37 and termination expenses according to IAS 19;

(i) **plus** (to the extent deducted in calculating consolidated earnings for such period) extraordinary, exceptional, unusual or non-recurring expenses, losses or charges, including, without limitation, expenses or charges related to the issuance of Capital Stock or indebtedness, any amendment, refinancing or early extinguishment of indebtedness, any acquisition, investment, disposition, recapitalization or listing (in each case whether or not successful), any reorganization, restructuring, redundancy or severance, or any expenses or charges of the types for which adjustments or add-backs were made in calculating "Adjusted EBITDA" for any of the years ended December 31, 2017, 2016 or 2015, included in the Prospectus of the Issuer, dated on or about March 26, 2018, relating to the offering of the Notes (in each case determined in good faith by the Issuer); and

(j) **eliminating** extraordinary and non-recurring income.

Consolidated EBITDA shall be calculated in accordance with IFRS (except to the extent expressly provided otherwise by these Terms and Conditions) by reference to the Consolidated Financial Statements of the Issuer for the relevant period, consistent with the accounting principles applying to the financial statements of the Issuer by reference to which such calculations are made and without deducting or crediting any item more than once in any calculation.

"**Consolidated Financial Statements**" means, with respect to any Person, the consolidated financial statements and notes to those financial statements and the group management report of that Person and its subsidiaries prepared in accordance with IFRS as well as interim consolidated financial statements and quarterly statements (as of the relevant date).

"**Consolidated Net Financial Indebtedness**" means the net financial indebtedness of the Issuer and any of its Subsidiaries, on a consolidated basis determined in accordance with IFRS, as "long-term financial liabilities to banks", "short-term financial liabilities to banks", "other long-term financial liabilities" and "other short-term financial liabilities", less "cash and cash equivalents" (each as reflected on the balance sheet of the Consolidated Financial Statements of the Issuer), but excluding any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, or any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice.

"**Consolidated Net Income**" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; provided that:

(a) the net income (loss) of any Person that is not a Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Subsidiary which is a Subsidiary of the Person;

(b) solely for the purpose of determining the amount available for Restricted Payments, any net income (loss) of any Subsidiary will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to this Terms and Conditions or (iii) contractual restrictions in effect on the Issue Date with respect to the Subsidiary and other restrictions with respect to such Subsidiary that, taken as a whole, are not materially less favorable to the Noteholders of the Notes than such restrictions in effect on the Issue Date, except that the Issuer's equity in the net income of any such Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Subsidiary during such period to the Issuer or another Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Subsidiary, to the limitation contained in this clause);

(c) any net gain (or loss) realised upon the sale or other disposition of any asset or disposed operations of the Issuer or any Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer) will be excluded;

(d) any one-time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;

(e) the cumulative effect of a change in accounting principles will be excluded;

(f) any extraordinary, exceptional or non-recurring gains or losses or any charges in respect of any restructuring, redundancy or severance (in each case as determined in good faith by the Issuer) will be excluded;

(g) any unrealised gains or losses in respect of Hedging Obligations or any ineffectiveness recognised in earnings related to qualifying hedge transactions or the fair value or changes therein recognised in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(h) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

(i) any goodwill or other intangible asset impairment charges will be excluded;

(j) all deferred financing costs written off and premium paid in connection with any early extinguishment of Financial Indebtedness and any net gain or loss from any write-off or forgiveness of Financial Indebtedness will be excluded; and

(k) all fair value adjustments on investment properties will be excluded.

"**Consolidated Net Interest**" for any period means:

(a) consolidated interest and similar expenses (including amortization of original issue discount) of the Group incurred on Financial Indebtedness (including, for the avoidance of doubt (and without double counting), the interest expense on Financial Indebtedness of another Person to the extent such interest is actually paid by a member of the Group under any guarantee or indemnity) (calculated on a consolidated basis), whether payable in cash or capitalised;

(b) **plus** the consolidated imputed interest from finance lease obligations of the Group in respect of that period;

(c) **excluding** (i) accretion or accrual of discounted liabilities other than Financial Indebtedness, (ii) any expense resulting from the discounting of any Financial Indebtedness in connection with purchase accounting in connection with any acquisition to the extent otherwise included in interest expense under IFRS, (iii) penalties and interest related to taxes, (iv) amortization or write-off of deferred financing fees, debt issuance costs, terminated hedging obligations and other commissions, financing fees and expenses, (iv) any expensing of bridge, commitment or other financing fees and (v) any payments on any agreement that is classified as an "operating lease" under IFRS as in effect on the Issue

Date; and

(d) **minus** consolidated interest and similar income of the Group for such period.

Consolidated Net Interest shall be calculated in accordance with IFRS (except to the extent expressly provided otherwise by these Terms and Conditions) by reference to the Consolidated Financial Statements of the Issuer for the relevant period, consistent with the accounting principles applying to the financial statements of the Issuer by reference to which such calculations are made and without deducting or crediting any item more than once in any calculation.

"**Consolidated Net Leverage Ratio**" means, as of any date of determination, the ratio of (a) Consolidated Net Financial Indebtedness as of such date to (b) Consolidated EBITDA for the Relevant Period, in each case calculated with such pro forma and other adjustments as are consistent with the pro forma provisions set forth in the definition of "Interest Coverage Ratio".

"**Control**" means direct or indirect, legal and/or beneficial, ownership of Shares by a person acting alone or as part of a concert (within the meaning of the Luxembourg Takeover Law), carrying an aggregate $33^1/_3$ per cent. or more of the voting rights for the Issuer (or instead a higher percentage that will, in future after a change in law, trigger an obligation to make a mandatory takeover offer).

"**Credit Facility**" means one or more debt facilities, instruments or arrangements incurred (including revolving credit facilities, commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under one or more credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "**Credit Facilities**" shall include any agreement or instrument (a) changing the maturity of any indebtedness incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Issuer as additional borrowers, issuers or guarantors thereunder, (c) increasing the amount of indebtedness incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

"**Custodian**" means any bank or other financial institution with which the Noteholder maintains a securities account in respect of any Notes and having an account maintained with the Clearing System and includes Clearstream Frankfurt.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last day of such period) (the "**Interest Calculation Period**"):

(a) if the Interest Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Interest Calculation Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year; and

(b) if the Interest Calculation Period is longer than one Determination Period, the sum of:

  (i) the number of days in such Interest Calculation Period falling in the Determination Period in which the Interest Calculation Period begins divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Periods normally ending in any year; and

  (ii) the number of days in such Interest Calculation Period falling in the next Determination Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Periods normally ending in any year.

"**Designated Non-Cash Consideration**" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-Cash Consideration" pursuant to an Officers' Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

"**Determination Date**" means each 15 April and 15 October.

"**Determination Period**" means each period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Equity Offering**" means a sale for cash after the Issue Date of Capital Stock of the Issuer.

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time for the determination thereof, the amount of euro obtained by converting such foreign currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable foreign currency as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date that is two Business Days prior to such determination.

"**Event of Default**" has the meaning set out in § 14(a).

"**Excess Proceeds**" has the meaning set out in § 11(c).

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Issuer's chief executive officer, chief financial officer or a responsible accounting or financial officer of the Issuer.

"**FATCA Withholding**" has the meaning set out in § 7 (*Taxes*).

"**Financial Indebtedness**" means, with respect to any Person, (without duplication) any indebtedness for or in respect of:

(a) the principal of indebtedness of such Person for money borrowed;

(b) the principal of obligations of such Person evidenced by bonds, notes, commercial papers or any similar instrument;

(c) reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence), but only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Financial Indebtedness;

(d) representing Capital Lease Obligations;

(e) representing the balance deferred and unpaid of the purchase price of any property or services (except trade payables or similar obligations, including accrued expenses owed, to a trade creditor) due more than one year after such property is acquired or such services are completed;

(f) representing any Hedging Obligations in respect of interest rate or currency hedging; and

(g) the amount of any liability of such Person in respect of any guarantee or indemnity given by that Person for any Financial Indebtedness of another Person described in paragraphs (a) to (g) above,

in each such case only if and to the extent the relevant amount or obligation is recorded as "indebtedness" on a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with IFRS; provided that in no event shall any of the following constitute Financial Indebtedness:

(i) obligations under any cash management facilities, other than to the extent a net obligation for borrowed money is owed to any third party (other than the Issuer or a Subsidiary) thereunder;

(ii) any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, or any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice;

(iii) in connection with the purchase by the Issuer or any Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;

(iv) deposits collected from tenants in connection with lease agreements; and

(v) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes.

"**Global Note**" has the meaning set out in § 2(b).

A "**Gross-up Event**" will occur if, as a result of any change in, or amendment or clarification to, the laws, regulations or other rules of the Issuer's country of domicile for tax purposes, any of its political subdivisions or any authority or any other agency of or in such country having power to tax (including in case any such change, amendment or clarification has retroactive effect), or as a result of any change in, or amendment or clarification to, the interpretation or application, or as a result of any interpretation or application made for the first time, of any such laws, regulations or other rules by any legislative body, court or authority (including the enactment of any legislation and the publication of any decision of any court or authority), which change or amendment or clarification becomes effective on or after the date of issue of the Notes, the Issuer has or will become obliged to pay Additional Amounts pursuant to § 7 (*Taxes*) on the Notes, and that obligation cannot be avoided by the Issuer taking such measures it (acting in good faith) deems reasonable and appropriate.

"**Group**" means the Issuer and all of its direct or indirect Subsidiaries that are presently or in the future consolidated by it.

"**Hedging Obligations**" means, with respect to any specified Person, the obligations of such Person under:

(a) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, or commodity prices.

"**HL Group Acquisition**" means the acquisition by the Group of Hannover Leasing GmbH & Co. KG and its subsidiaries (the "**HL Group**") on July 5, 2017 (the "**HL Acquisition Date**").

"**IFRS**" means the International Financial Reporting Standards as published by the International Accounting Standards Board, as in effect from time to time.

"**incur**" means, with respect to any Financial Indebtedness or other obligation of any Person, to create, assume, guarantee or otherwise become liable in respect of such Financial Indebtedness or other obligation, and "**incurrence**" and "**incurred**" have the meanings correlative to the foregoing.

"**Initial Security Interest**" has the meaning set out in § 9.

"**Interest Coverage Ratio**" means, as of any date of determination, the ratio of (a) the aggregate amount of Consolidated EBITDA in the Relevant Period to (b) the aggregate amount of Consolidated Net Interest in the Relevant Period.

(a) In the event that the Issuer or any of its Subsidiaries incurs, repays, repurchases, redeems, reprices, exchanges or otherwise discharges any Financial Indebtedness (other than ordinary working capital borrowings) subsequent to the commencement of the Relevant Period and on or prior to the date on which the event for which the calculation of the Interest Coverage Ratio is made (the "**Calculation Date**"), then the Interest Coverage Ratio will be calculated giving pro forma effect (as determined in good faith by an officer of the Issuer responsible for accounting or financial reporting), to such incurrence, repayment, repurchase, redemption, repricing, exchange or other discharge of Financial Indebtedness and the use of the proceeds therefrom, as if the same had occurred at the beginning of the Relevant Period; provided, however, that the pro forma calculation of Consolidated Net Interest shall not give effect to (x) any Financial Indebtedness incurred on the Calculation Date pursuant to one or more of the clauses under § 8(c) (other than for the purposes of the calculation of the Interest Coverage Ratio under clause (xi) thereunder) or (y) the discharge on the Calculation Date of any Financial Indebtedness to the extent that such discharge results from the proceeds of Financial Indebtedness incurred pursuant to one or more of the clauses under § 8(c).

(b) In addition, for purposes of calculating the Interest Coverage Ratio:

(i) acquisitions or investments that have been made by the Issuer or any of its Subsidiaries, including through mergers or consolidations, or by any Person or any of its subsidiaries acquired by the Issuer or any of its Subsidiaries, including increases in ownership of Subsidiaries, during the Relevant Period or subsequent to such Relevant Period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect (as determined in good faith by an officer of the Issuer responsible for accounting or financial reporting), as if they had occurred on the first day of the Relevant Period;

(ii) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(iii) the Consolidated Net Interest attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Consolidated Net Interest will not be obligations of the Issuer or any of its Subsidiaries following the Calculation Date;

(iv) any Person that is a Subsidiary of the Issuer on the Calculation Date will be deemed to have been a Subsidiary of the Issuer at all times during the Relevant Period;

(v) any Person that is not a Subsidiary of the Issuer on the Calculation Date will be deemed not to have been a Subsidiary of the Issuer at any time during such Relevant Period; and

(vi) if any Financial Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Financial Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such

Financial Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Financial Indebtedness).

(c) Notwithstanding the foregoing, with respect to any Relevant Period beginning prior to the HL Acquisition Date, the preceding two paragraphs (a) and (b) shall not apply to the HL Group Acquisition (and no pro forma effect shall be given thereunder to the HL Group Acquisition or to the incurrence of Financial Indebtedness of HL Group existing at the time of the HL Group Acquisition); provided that for purposes of calculating the Interest Coverage Ratio for any such Relevant Period *pro forma* effect shall be given to the HL Group Acquisition as follows:

(i) for the purpose of calculating Consolidated EBITDA, the actual amount of EBITDA of the HL Group for the period (the "**Actual HL Period**") from the HL Acquisition Date until the last day of such Relevant Period shall be annualized (for the purpose of calculating the EBITDA of the HL Group, the definition "Consolidated EBITDA" shall apply *mutatis mutandis*); and

(ii) for the purpose of calculating Consolidated Net Interest, the actual amount of net interest of the HL Group for the Actual HL Period shall be annualized (for the purpose of calculating the net interest of the HL Group, the definition of "Consolidated Net Interest" shall apply *mutatis mutandis*),

provided, for the avoidance of doubt, that for purposes of calculating annualized net interest of the HL Group, interest expenses on Financial Indebtedness of the HL Group shall only be included, if and to the extent such Financial Indebtedness remains outstanding on the relevant Calculation Date.

(d) For the purpose of calculating pro forma effects hereunder, pro forma effect may be given to anticipated acquisitions where the Financial Indebtedness to be incurred is to finance such acquisitions, in whole or in part, which have not yet occurred, but which have become subject to a definitive purchase agreement or contract.

"**Interest Payment Date**" means 15 April and 15 October in each year, commencing on 15 October 2018 (long first interest period).

"**Investment Grade Rating**", with respect to the Notes shall mean that the Notes shall have (x) if the Notes have only one rating, one of the following, and (y) if the Notes have more than one rating, at least two of the following: (a) a rating of "BBB-" or higher from Standard & Poor's; (b) a rating of "Baa3" or higher from Moody's; and (c) a rating of "BBB-" or higher from Fitch.

"**Investment Grade Status Commencement Date**" has the meaning set out in § 8(d).

"**Investment Grade Status End Date**" has the meaning set out in § 8(d).

"**Issue Date**" means 29 March 2018.

"**Issuer**" means Corestate Capital Holding S.A.

"**Make-Whole Redemption Amount**" has the meaning set out in § 5(b).

"**Management Advances**" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers or employees of the Issuer or any Subsidiary: (a) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business; (b) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or (c) not exceeding EUR 2,000,000 in the aggregate outstanding at any time.

"**Market Capitalization**" means an amount equal to (a) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer on the date of declaration of the relevant dividend multiplied by (b) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**Material Subsidiary**" means any Subsidiary of the Issuer (a) that has total assets as shown in the latest audited non-consolidated annual accounts (or, if such Subsidiary itself prepares consolidated annual accounts, whose consolidated total assets as shown in the latest audited consolidated annual accounts) of such Subsidiary and used for the purpose of preparing the latest audited consolidated annual accounts of the Issuer, of at least 5 per cent. of the total assets as shown in the latest audited consolidated annual accounts of the Issuer and its consolidated subsidiaries or (b) that contributes 5 per cent. or more of the annual revenue of the Group on a consolidated basis (measured on the basis of the aforementioned annual accounts).

"**Maturity Date**" means 15 April 2023.

"**Net Proceeds**" means the aggregate cash proceeds received by the Issuer or any of its Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or cash equivalents substantially concurrently received in any Asset Sale), net of (a) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, (b) taxes paid or payable as a result of the Asset Sale, (c) all distributions and other payments required to be made to minority interest holders (other than the Issuer or any of its Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Sale, and (d) any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"**Noteholder**" means the holder of a proportional co-ownership interest or similar right in the Global Note.

"**Noteholders' Representative**" has the meaning set out in § 19(e).

"**Notes**" and "**Note**" has the meaning set out in § 2(a).

"**Notes Offer**" has the meaning set out in § 11(b)(i).

"**Notice of Early Redemption**" has the meaning set out in § 5(b).

"**Obligations**" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Financial Indebtedness.

"**Officers' Certificate**" means a certificate signed by an officer of the Issuer.

"**Paying Agents**" has the meaning set out in § 15(a).

"**Permitted Business**" means (a) any businesses in activities engaged in by the Issuer or any of its Subsidiaries on the Issue Date or (b) any businesses that are related, complementary, incidental, ancillary or similar to the foregoing or are reasonable extensions or developments of any thereof in the European Union, the United Kingdom, Switzerland, Norway, Canada or any state of the United States.

"**Permitted Debt**" has the meaning set out in § 8(c).

"**Permitted Refinancing Indebtedness**" means any Financial Indebtedness that refinances any Financial Indebtedness in compliance with these Terms and Conditions, provided, however, that:

(a) such Permitted Refinancing Indebtedness has a stated maturity that is either (i) no earlier than the stated maturity of the Financial Indebtedness being refinanced or (ii) after the final maturity date of the Notes;

(b) such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Permitted Refinancing Indebtedness is incurred that is equal to or greater than the Weighted Average Life to Maturity of the Financial Indebtedness being refinanced;

(c) such Permitted Refinancing Indebtedness has an aggregate principal amount (or if issued with an original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding or committed (plus all accrued interest on the Financial Indebtedness being refinanced and fees and expenses, including any premiums incurred in connection with such refinancing) under the Financial Indebtedness being refinanced; and

(d) if the Financial Indebtedness being refinanced is expressly subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the holders of the Notes as those contained in the documentation governing the Financial Indebtedness being refinanced,

provided that if such refinancing in full or in part of the Financial Indebtedness is initially funded from sources other than Permitted Refinancing Indebtedness, the Permitted Refinancing Indebtedness is raised within 12 months of such refinancing and is identified in good faith by the Issuer as being a replacement of such Financial Indebtedness.

"**Permitted Security Interests**" means:

(a) Security Interests in favor of the Issuer or any Subsidiary;

(b) Security Interests on property (including Capital Stock) of a Person existing at the time such Person becomes a Subsidiary (or at the time the Issuer or any of its Subsidiaries acquires such property) or is merged with or into or consolidated with the Issuer or any Subsidiary; provided that (i) such Security Interests were not incurred in contemplation of such Person becoming a Subsidiary or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Subsidiary or is merged with or into or consolidated with the Issuer or any Subsidiary or that are otherwise acquired and (ii) such Security Interests are securing Financial Indebtedness permitted pursuant to § 8 (*Limitations on the Incurrence of Financial Indebtedness*);

(c) Security Interests to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers' compensation obligations, leases (including, without limitation, statutory and common law landlord's liens), performance bonds, surety and appeal bonds or other obligations of a like nature incurred in the ordinary course of business (including Security Interests to secure letters of credit issued to assure payment of such obligations);

(d) Security Interests existing on the Issue Date;

(e) Security Interests for taxes, assessments or governmental charges or claims that (i) are not yet due and payable or (ii) are being contested in good faith by appropriate proceedings;

(f) Security Interests imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Security Interests, in each case, incurred in the ordinary course of business;

(g) Security Interests created for the benefit of (or to secure) the Notes;

(h) Security Interests to secure any Permitted Refinancing Indebtedness permitted to be incurred under these Terms and Conditions; provided, however, that the new Security Interest is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Security Interest arose, could secure the original Security Interest (plus improvements and accessions to such property or proceeds or distributions thereof);

(i) Security Interests on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(j) bankers' Security Interests, rights of setoff or similar rights and remedies as to deposit accounts, Security Interests arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(k) Security Interests on cash and Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Financial Indebtedness;

(l) Security Interests on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(m) Security Interests arising solely by virtue of banks' standard business terms and conditions;

(n) leases (including operating leases), licenses, subleases and sublicenses of assets in the ordinary course of business;

(o) Security Interests arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(p) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Subsidiary has easement rights or on any real property leased by the Issuer or any Subsidiary and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(q) Security Interests on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(r) Security Interests securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(s) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer or any Subsidiary's business or operations as Security Interests only for Financial Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(t) Security Interests over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any disposal by the Issuer or a Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15 per cent. of the net proceeds of such disposal;

(u) limited recourse Security Interests in respect of the ownership interests in, or assets owned by, any joint ventures which are not Subsidiaries securing obligations of such joint ventures;

(v) Security Interests created on any asset of the Issuer or a Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Subsidiary securing any loan to finance the acquisition of such assets;

(w) Security Interests on escrowed proceeds for the benefit of the related holders of debt securities or other Financial Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Financial Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Financial Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(x) Security Interests pursuant to (i) Section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*); (ii) Section 7d of the German Social Law Act No. 4 (*Sozialgesetzbuch IV*); or (iii) Section 1136 (alone or in conjunction with Section 1192(1)) of the German Civil Code (*Bürgerliches Gesetzbuch*);

(y) Security Interests created or subsisting by virtue of hereditary building rights (*Erbbaurechte*);

(z) Security Interest securing Acquired Warehouse Financial Indebtedness or Warehouse Acquisition Additional Financial Indebtedness;

(aa) Security Interests securing Financial Indebtedness of the Issuer and its Subsidiaries that does not exceed EUR 10,000,000 at any one time outstanding;

(bb) Security Interests on property or assets of a Subsidiary of the Issuer securing Financial Indebtedness of any Subsidiary of the Issuer;

(cc) Security Interests securing Financial Indebtedness permitted by § 8(c)(iv), covering only the assets acquired, improved, constructed or leased with the proceeds of such Financial Indebtedness, and any improvements or accessions to such assets; and (dd) Security Interests securing Hedging Obligations permitted to be incurred under § 8 (*Limitations on the Incurrence of Financial Indebtedness*).

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government (or any agency or political subdivision thereof) or any other entity.

"**Present Value**" has the meaning set out in § 5(b).

"**Principal Amount**" has the meaning set out in § 2(a).

"**Principal Paying Agent**" has the meaning set out in § 15(a).

"**Qualified Majority**" has the meaning set out in § 9(b).

"**Redemption Calculation Date**" has the meaning set out in § 5(b).

"**Redemption Date**" means the date fixed for redemption in the Issuer's notice in accordance with § 5(b) or § 5(c), which must be a Business Day.

"**Relevant Period**" means, as of any date of determination, the most recent four consecutive fiscal quarters ending prior to such date of determination for which internal Consolidated Financial Statements of the Issuer are available.

"**Restricted Payments**" means any of the following:

(a) to declare or pay any dividend on or make any distribution (whether made in cash, securities or other property, but excluding dividends or distributions made in the form of Equity Interests of the Issuer) with respect to any of the Capital Stock of the Issuer or any of its Subsidiaries (including, without limitation, any payment in connection with any merger, consolidation, amalgamation or other combination involving the Issuer or any Subsidiary of the Issuer) (other than to the Issuer or any wholly owned Subsidiary of the Issuer);

(b) to purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger, consolidation, amalgamation or other combination), directly or indirectly, any shares of the Issuer's Capital Stock or any Capital Stock of any direct or indirect parent company of the Issuer held by Persons other than the Issuer or a Subsidiary of the Issuer or any options, warrants or other rights to acquire such shares of Capital Stock; or

(c) to make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled principal payment, sinking fund payment or stated maturity, any Subordinated Debt (other than intercompany Financial Indebtedness between the Issuer and any of its Subsidiaries or among Subsidiaries of the Issuer).

If any Restricted Payment described above is not made in cash, the amount of the proposed Restricted Payment will be the fair market value of the asset to be transferred as at the date of transfer.

"**SchVG**" has the meaning set out in § 19(a).

"**Security Interest**" means a mortgage, land charge, charge, pledge, lien, assignment or transfer of title for security purposes, retention of title arrangement or other *in rem* security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Shares**" means the dematerialised ordinary share of the Issuer.

"**Subordinated Debt**" means Financial Indebtedness of the Issuer that is subordinated in right of payment to the Notes.

"**Subsidiary**" means any Person that must be consolidated with the Issuer for the purposes of preparing Consolidated Financial Statements of the Issuer.

"**Taxes**" has the meaning set out in § 7 (*Taxes*).

"**Terms and Conditions**" means these terms and conditions of the Notes.

"**Total Assets**" means, as of any date of determination, the total assets of the Issuer and its Subsidiaries on a consolidated basis in accordance with IFRS as shown on the most recent available consolidated balance sheet of the Issuer preceding such date.

"**United States**" means the United States of America (including the states thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

"**Warehouse Acquisition Additional Financial Indebtedness**" has the meaning set out in § 8(c)(xii).

"**Warehouse Asset Acquisition**" means any acquisition of Warehouse Assets, including by way of the acquisition, directly or indirectly, of Capital Stock of any Person owning Warehouse Assets.

"**Warehouse Asset**" means any asset used or useful for a Permitted Business (including Capital Stock or other securities of any Person primarily engaged in a Permitted Business); *provided* such asset is acquired by the Issuer or any of its Subsidiaries with a view (at the time of such acquisition) to disposing of it within 15 months of acquisition.

"**Weighted Average Life to Maturity**" means, when applied to any Financial Indebtedness, at any date, the quotient obtained by dividing: (a) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Financial Indebtedness, multiplied by the amount of such payment by (b) the sum of all such payments.

§ 2 Form and Denomination

(a) The issue by the Issuer of Notes in the aggregate principal amount of

EUR 300,000,000

(in words: Euro three-hundred million)

is divided into notes in bearer form with a principal amount of EUR 100,000 (the "**Principal Amount**") each (the "**Notes**" and each a "**Note**").

(b) The Notes are represented by a global Note (the "**Global Note**") without interest coupons. The Global Note will be signed manually by one or more authorised signatories of the Issuer and will be authenticated by or on behalf of the Principal Paying Agent.

Definitive Notes and interest coupons will not be issued. The Noteholders will have no right to require the issue of definitive Notes or interest coupons.

The Global Note will be deposited with the Clearing System until the Issuer has satisfied and discharged all its obligations under the Notes. Copies of the Global Note are available for each Noteholder at the Principal Paying Agent.

(c) The Noteholders will receive proportional co-ownership interests or similar rights in the Global Note, which are transferable in accordance with applicable law and the rules and regulations of the Clearing System.

(d) Pursuant to the book-entry registration agreement between the Issuer and Clearstream Frankfurt, the Issuer has appointed Clearstream Frankfurt as its book-entry registrar in respect of the Notes and Clearstream Franfurt has agreed to maintain a register showing the aggregate number of the Notes represented by the Global Note under the name of Clearstream Frankfurt, and Clearstream Frankfurt has agreed, as agent of the Issuer, to maintain records of the Notes credited to the accounts of the accountholders of Clearstream Frankfurt for the benefit of the holders of the co-ownership interests in the Notes represented by the Global Note, and the Issuer and Clearstream Frankfurt have agreed, for the benefit of the holders of co-ownership interests in the Notes, that the actual number of Notes from time to time will be evidenced by the records of Clearstream Frankfurt.

§ 3 Status of the Notes

The Notes constitute unsubordinated and unsecured obligations of the Issuer ranking *pari passu* among themselves and, in the event of the dissolution, liquidation or insolvency of the Issuer or any proceeding to avoid insolvency of the Issuer, *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations which may be preferred by applicable law.

§ 4 Interest

(a) The Notes will bear interest on their Principal Amount at a rate of 3.50 per cent. per annum from and including 29 March 2018. Interest is payable semi-annually in arrear on each Interest Payment Date, commencing on 15 October 2018 (long first interest period).

(b) If a Note is redeemed, such Note will cease to bear interest from the end of the day immediately preceding the due date for redemption.

(c) If the Issuer fails to redeem the Notes when due, interest will continue to accrue on the Principal Amount beyond the end of the day immediately preceding the due date for redemption until the end of the day immediately preceding the actual date of redemption of the Notes. In this case, the applicable rate of interest will correspond to the statutory default rate of interest established by German law.

(d) Where interest is to be calculated in respect of any period of time, the interest will be calculated on the basis of the Day Count Fraction.

§ 5 Maturity, Redemption and Purchase

(a) To the extent that the Notes have not previously been redeemed or repurchased and cancelled they will be redeemed at their Principal Amount plus accrued interest on the

Maturity Date.

(b) The Issuer may, at any time, on giving not less than 30 nor more than 60 days' prior notice to the Noteholders in accordance with § 16 (*Notices*), redeem all, but not some only, of the outstanding Notes with effect from the Redemption Date.

Where such notice is given, the Issuer will redeem the Notes on the Redemption Date at their Make-Whole Redemption Amount plus accrued interest to but excluding the Redemption Date.

The notice of early redemption (the "**Notice of Early Redemption**") is irrevocable and must state the Redemption Date and the Make-Whole Redemption Amount calculated by the Calculation Agent.

The "**Make-Whole Redemption Amount**" per Note shall be the higher of:

(i) the Principal Amount; or

(ii) the Present Value.

The "**Present Value**" will be the sum, rounded to 2 decimal places with EUR 0.005 being rounded upwards, of

(i) the Principal Amount to be redeemed which would otherwise become due on the Maturity Date discounted from the Maturity Date to the Redemption Date on the basis of the Benchmark Yield plus 0.50 per cent.; and

(ii) each remaining interest payment which would otherwise become due on each Interest Payment Date falling after the Redemption Date to and including the Maturity Date (excluding any interest accrued to but excluding the Redemption Date), each discounted from its scheduled Interest Payment Date to the Redemption Date on the basis of the Benchmark Yield plus 0.50 per cent.

The Calculation Agent will calculate the Present Value by applying the Day Count Fraction set out in subparagraph (d) of § 4 (*Interest*).

The "**Benchmark Yield**" means the yield determined by the Calculation Agent at or around noon (Frankfurt time) on the Redemption Calculation Date of the "Bundesobligation 0% due 14 April 2023" of the Federal Republic of Germany (ISIN DE0001141778). If such yield is not available at that time on such date the Benchmark Yield shall be the yield of a substitute benchmark security chosen by the Calculation Agent in its reasonable discretion, which has a maturity comparable to the remaining term of the Note to the Maturity Date, that would be used at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Maturity Date.

"**Redemption Calculation Date**" means the tenth day prior to the day on which the Notice of Early Redemption is deemed to have become effective pursuant to § 16 (*Notices*), or in case such tenth day is not a Business Day, the immediately preceding Business Day.

(c) The Issuer may, on giving not less than 30 nor more than 60 days' prior notice to the Noteholders in accordance with § 16 (*Notices*), redeem all, but not some only, of the outstanding Notes with effect from the Redemption Date if at any time:

(i) a Gross-up Event occurs; or

(ii) the aggregate principal amount of the Notes outstanding and held by persons other than the Issuer and its Subsidiaries is equal to or less than 15 per cent. of the aggregate principal amount of the Notes originally issued (including any Notes additionally issued in accordance with § 17 (*Issue of Additional Notes*)).

Where such notice is given, the Issuer will redeem the Notes on the Redemption Date at their Principal Amount plus accrued interest to but excluding the Redemption Date.

The notice of early redemption is irrevocable and must state the Redemption Date and the facts which establish the right of the Issuer to redeem the Notes.

In the event of the occurrence of a Gross-up Event, no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be for the first time obliged to pay the Additional Amounts pursuant to § 7 (*Taxes*).

(d) Acquisition of Control.

(i) If an Acquisition of Control occurs, the Issuer will, without undue delay after becoming aware thereof, fix the Acquisition of Control Record Date and give notice in accordance with § 16 (*Notices*) of the Acquisition of Control and the Acquisition of Control Record Date.

(ii) If the Issuer gives notice in accordance with § 5(e)(i) of an Acquisition of Control, each Noteholder may at its option on giving not less than 10 days' notice prior to the Acquisition of Control Record Date declare all or some only of its Notes not previously redeemed due by giving notice in accordance with § 5(e)(iii), which notice will take effect on the Acquisition of Control Record Date.

(iii) Any notice declaring Notes due in accordance with this § 5(d) will be made by means of a declaration in text form in the German or English language to the Principal Paying Agent in accordance with the then applicable rules and procedures of the Clearing System together with evidence which may be in the form of a certificate of the Noteholder's Custodian certifying that such Noteholder, at the time of such notice, is the holder of the relevant Notes or in any other appropriate manner. The notice shall be irrevocable.

If a Noteholder gives notice in accordance with this § 5(d)(iii), the Issuer must redeem the Note(s) for which the put right is being exercised on the Acquisition of Control Record Date at 101 per cent. of their Principal Amount plus accrued interest to but excluding the Acquisition of Control Record Date.

(e) The Issuer and any of its affiliates may at any time purchase Notes, in the open market or otherwise.

Any Notes purchased by the Issuer or any of its affiliates may be cancelled or held and resold.

§ 6 Payments

(a) All payments on the Notes will be made in Euro to the Principal Paying Agent for transfer to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System outside the United States. Payments on the Notes made to the Clearing System or to its order will discharge the liability of the Issuer under the Notes to the extent of the sums so paid.

(b) If the due date for payment of any amount in respect of the Notes is not a Business Day, then the Noteholder will not be entitled to payment until the next day which is a Business Day. In such case, the Noteholders will not be entitled to further interest or to any other compensation on account of such delay.

§ 7 Taxes

All payments of principal and interest in respect of the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Issuer's country of domicile for tax purposes or any political subdivision or any authority or any agency of or in the Issuer's country of domicile for tax purposes that has power to tax, unless the Issuer is compelled by law to make such withholding or deduction. If the Issuer is required to make such withholding or deduction, the Issuer will pay such additional amounts (the "**Additional Amounts**") to the Noteholders as the Noteholders would have received if no such withholding or deduction had been required, except that no such Additional Amounts will be payable for any such Taxes in respect of any Note:

(a) which are payable by any person acting as custodian bank or collecting agent on behalf of a Noteholder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or

(b) which are payable by reason of the Noteholder having, or having had, some personal or business connection with the Issuer's country of domicile for tax purposes and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Issuer's country of domicile for tax purposes; or

(c) which are deducted or withheld pursuant to (i) any European Union directive or regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Issuer's country of domicile for tax purposes or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such directive, regulation, treaty or understanding; or

(d) which are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with § 16 (*Notices*), whichever occurs later.

In any event, the Issuer is authorised to withhold or deduct from payments on the Notes any withholding or deduction of any amounts required by the rules of U.S. Internal Revenue Code of 1986 Sections 1471 through 1474 (or any amended or successor provisions or any associated regulations or other official guidance), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA Withholding**"), and will have no obligation to indemnify any investor or pay additional amounts in relation to any FATCA Withholding deducted or withheld by the Issuer, the relevant Paying Agent or any other party.

§ 8 Limitations on the Incurrence of Financial Indebtedness

(a) Limitation

The Issuer undertakes that, subject to the exceptions set out below under § 8(b) and (c), the Issuer will not, and will procure that none of its Subsidiaries will, after the Issue Date, incur any Financial Indebtedness.

(b) Ratio Debt

The provisions of § 8(a) will not limit the incurrence of Financial Indebtedness by the Issuer or its Subsidiaries if, on the date of the incurrence of such Financial Indebtedness:

(i) after giving effect to the incurrence of such Financial Indebtedness and the application of the net proceeds therefrom, on a pro forma basis, the Consolidated Net Leverage Ratio does not exceed 3.50 to 1.00; and

(ii) after giving effect to the incurrence of such Financial Indebtedness and the application of the net proceeds therefrom, on a pro forma basis, the Interest Coverage Ratio is at least 2.00 to 1.00;

provided that the Financial Indebtedness that may be incurred by Subsidiaries of the Issuer pursuant to this §8(b) at any time outstanding does not exceed the greater of (x) EUR 25,000,000 and (y) 2.0 per cent. of Total Assets.

(c) Permitted Debt

The provisions of § 8(a) will not limit the incurrence of Financial Indebtedness by the Issuer or its Subsidiaries of (and the Issuer and its Subsidiaries will at all times be permitted to incur) the following Financial Indebtedness ("**Permitted Debt**"):

(i) the incurrence by the Issuer or any Subsidiary of Financial Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this § 8(c)(i) not to exceed the greater of (A) EUR 60,000,000 and (B) 4.0 per cent. of Total Assets, plus in the case of any refinancing of any Financial Indebtedness permitted under this § 8(c)(i) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(ii) Financial Indebtedness outstanding on the Issue Date (other than Financial Indebtedness described in § 8(c)(iii)) after giving effect to the use of proceeds of the Notes;

(iii) the incurrence by the Issuer of Financial Indebtedness represented by the Notes;

(iv) the incurrence by the Issuer or any Subsidiary of Financial Indebtedness representing

Capital Lease Obligations, mortgage financings, purchase money obligations or other financings incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Issuer or any of its Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred or issued to renew, refund, refinance, replace, defease or discharge any Financial Indebtedness incurred pursuant to this § 8(c)(iv), not to exceed the greater of (A) EUR 30,000,000 and (B) 2.5 per cent. of Total Assets at any time outstanding;

(v) the incurrence by the Issuer or any Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Financial Indebtedness (other than intercompany Financial Indebtedness) incurred under § 8(b) or § 8(c)(ii) and (iii) or § 8(c)(v) or (xi);

(vi) the incurrence by the Issuer or any Subsidiary of intercompany Financial Indebtedness between or among the Issuer or any Subsidiary; provided that:

(A) if the Issuer is the obligor on such Financial Indebtedness, such Financial Indebtedness must be unsecured and ((I) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Subsidiaries and (II) only to the extent legally permitted (the Issuer and its Subsidiaries having completed all procedures required in the reasonable judgment of directors of officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Financial Indebtedness)) expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer; and

(B) any subsequent issuance or transfer of Equity Interests that results in any such Financial Indebtedness being held by a Person other than the Issuer or a Subsidiary and any sale or other transfer of any such Financial Indebtedness to a Person that is not either the Issuer or a Subsidiary, will be deemed, in each case, to constitute an incurrence of such Financial Indebtedness by the Issuer or such Subsidiary, as the case may be, that was not permitted by this § 8(c)(vi);

(vii) the incurrence by the Issuer or any Subsidiary of Hedging Obligations for bona fide hedging purposes of the Issuer and its Subsidiaries not for speculative purposes (as determined in good faith by the Issuer or such Subsidiary, as the case may be);

(viii) the incurrence by the Issuer or any of its Subsidiaries of Financial Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(ix) the incurrence by the Issuer or any of its Subsidiaries of Financial Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Financial Indebtedness is covered within 30 Business Days;

(x) Financial Indebtedness represented by guarantees of any Management Advances;

(xi) (A) Financial Indebtedness of any Person outstanding on the date on which such Person becomes a Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Subsidiary or (B) Financial Indebtedness incurred by the Issuer to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Subsidiary or was otherwise acquired by the Issuer or a Subsidiary; provided, however, with respect to this § 8 (c)(xi), that, at the time of the acquisition or other transaction pursuant to which such Financial Indebtedness was incurred or deemed to be incurred, (I) the Issuer would have been able to incur at least EUR 1.00 of additional Financial Indebtedness pursuant to paragraph (b) above after giving effect to the incurrence of such Financial Indebtedness pursuant to this §8(c)(xi) calculated on a pro forma basis or (II) the Interest Coverage Ratio would not be less and the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction on a pro forma basis;

(xii) Financial Indebtedness of any Person (A) outstanding on the date on which such Person becomes a Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Subsidiary in connection with a Warehouse Asset Acquisition (the "**Acquired Warehouse Financial Indebtedness**") or (B) incurred to provide all or any portion of the funds used to consummate a Warehouse Asset Acquisition (the "**Warehouse Acquisition Additional Financial Indebtedness**") and, in each case, Permitted Refinancing Indebtedness in respect thereof, *provided that*:

    (I) any Financial Indebtedness incurred under this § 8(c)(xii) shall no longer be permitted under this § 8(c)(xii) if it remains outstanding longer than 15 months from the date on which the related Warehouse Asset Acquisition is consummated; and

    (II) the aggregate principal amount of Financial Indebtedness incurred pursuant to this § 8(c)(xii) at any time outstanding does not exceed the greater of (x) EUR 150,000,000 and (y) 100 per cent. of Consolidated EBITDA for the Relevant Period;

(xiii) Financial Indebtedness arising from agreements of the Issuer or a Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary, provided that the maximum liability of the Issuer and its Subsidiaries in respect of all such Financial Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Subsidiaries in connection with such disposition;

(xiv) Financial Indebtedness of the Issuer and its Subsidiaries in respect of (A) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers' compensation obligations; provided, however, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 Business Days following such drawing; (B) any customary cash management, cash pooling or netting or setting off arrangements with Affiliates; and (C) customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(xv) the guarantee by the Issuer or any Subsidiary of Financial Indebtedness of the Issuer or any Subsidiary to the extent that the guaranteed Financial Indebtedness was permitted to be incurred under another provision of this § 8;

(xvi) Financial Indebtedness in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Financial Indebtedness incurred pursuant to this § 8(c)(xvi) and then outstanding, will not exceed 100 per cent. of the net cash proceeds received by the Issuer from the issuance or sale (other than to a Subsidiary) of its Capital Stock or otherwise contributed to the equity of the Issuer, in each case, subsequent to the Issue Date; provided, however, that (A) any such net cash proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under § 12(b)(ii) or § 12(c)(iv) to the extent the Issuer and its Subsidiaries incur Financial Indebtedness in reliance thereon and (B) any net cash proceeds that are so received or contributed shall be excluded for purposes of incurring Financial Indebtedness pursuant to this § 8(c)(xvi) to the extent the Issuer or any of its Subsidiaries makes a Restricted Payment using such net cash proceeds under paragraph § 12(b)(ii)(B) in reliance thereon; and

(xvii) the incurrence by the Issuer or any Subsidiary of Financial Indebtedness in an aggregate principal amount at any time outstanding, including all Financial Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Financial Indebtedness incurred pursuant to this § 8(c)(xvii), not to exceed the greater of (A) EUR 30,000,000 and (B) 2.5 per cent. of Total Assets.

For purposes of determining compliance with this § 8, in the event that an item of Financial Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in § 8(c)(i) through (xvii), or is entitled to be incurred pursuant to § 8(b), the Issuer, in its sole discretion, will be permitted to classify such item of Financial Indebtedness on the date of its incurrence and only be required to include the amount and type of such Financial Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Financial Indebtedness in more than one of the types of Financial Indebtedness described in § 8(b) and this § 8(c), from time to time to reclassify all or a portion of such item of Financial Indebtedness, in any manner that complies with this § 8. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Financial Indebtedness in the form of additional Financial Indebtedness, will not be deemed to be an incurrence of Financial Indebtedness for the purposes of this § 8. For purposes of determining compliance with this § 8, with respect to Financial Indebtedness incurred under a Credit Facility, re-borrowings of amounts previously repaid pursuant to "cash sweep" or "clean down" provisions or any similar provisions under a Credit Facility that provide that Financial Indebtedness is deemed to be repaid periodically shall only be deemed for the purposes of this § 8 to have been incurred on the date such Financial Indebtedness was first incurred and not on the date of any subsequent re-borrowing thereof.

For purposes of determining compliance with, and the outstanding principal amount of any particular Financial Indebtedness incurred pursuant to, this § 8, in the case of any Permitted Refinancing Indebtedness, when measuring the outstanding amount of such Financial Indebtedness, such amount shall not include any amounts necessary to pay accrued and unpaid interest and any fees and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses incurred in connection with such refinancing. Notwithstanding anything in this § 8 to the contrary, in the case of any Financial Indebtedness incurred to refinance Financial Indebtedness initially incurred in reliance on a clause of this § 8(c) measured by reference to a percentage of Total Assets at the time of incurrence, if such refinancing would cause the percentage of Total Assets restriction to be exceeded if calculated based on the percentage of Total Assets on the date of such refinancing, such percentage of Total Assets restriction shall not be deemed to be exceeded so long as the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of such Financial Indebtedness being refinanced, and giving effect to the manner of measurement described in the immediately preceding sentence.

For purposes of determining compliance with any restriction on the incurrence of Financial Indebtedness in euro where Financial Indebtedness is denominated in a different currency, the amount of such Financial Indebtedness will be the Euro Equivalent determined on the date of such determination; provided that if any such Financial Indebtedness denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Financial Indebtedness, the amount of such Financial Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Indebtedness incurred in the same currency as the Financial Indebtedness being refinanced will be the Euro Equivalent of the Financial Indebtedness refinanced determined on the date such Financial Indebtedness being refinanced was initially incurred, except to the extent that such Euro Equivalent was determined based on a Currency Agreement (with respect to euro), in which case the amount of such Permitted Refinancing Indebtedness will be adjusted to take into account the effect of such agreement. Notwithstanding any other provision of this § 8, for purposes of determining compliance with this § 8, increases in Financial Indebtedness solely due to fluctuations in the exchange rates of currencies or currency values will not be deemed to exceed the maximum amount that the Issuer or a Subsidiary may incur under this § 8.

The amount of any Financial Indebtedness outstanding as of any date will be:

(i) in the case of any Financial Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(ii) the principal amount of the Financial Indebtedness, in the case of any other Financial Indebtedness;

(iii) in respect of Financial Indebtedness of another Person secured by a Security Interest on the assets of the specified Person, the lesser of:

(A) the Fair Market Value of such assets at the date of determination; and

(B) the amount of the Financial Indebtedness of the other Person.

The Issuer will not incur any Financial Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Financial Indebtedness of the Issuer unless such Financial Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms; provided, however, that no Financial Indebtedness will be deemed to be contractually subordinated in right of payment to any other Financial Indebtedness of the Issuer solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of not being guaranteed by another Person or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Financial Indebtedness.

(d) Suspension of Limitations upon Achievement of Investment Grade Status

If on any date following the Issue Date the Notes have achieved an Investment Grade Rating and no Event of Default has occurred and is continuing, then beginning on that day (the "**Investment Grade Status Commencement Date**") and continuing until such time, if any, at which the Notes cease to have an Investment Grade Rating (the "**Investment Grade Status End Date**"), if any, the restrictions and limitations to incur Financial Indebtedness pursuant to § 8(a) shall be suspended (and the Issuer and its Subsidiaries shall have no obligation with respect thereto). Such restrictions and undertakings will again apply according to its terms from the Investment Grade Status End Date, if any; provided that any Financial Indebtedness incurred during the time between an Investment Grade Status Commencement Date and the related Investment Grade Status End Date will, as of the Investment Grade Status End Date, be classified as having been incurred pursuant to § 8(c)(ii).

§ 9 Negative Pledge

The Issuer will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Security Interest of any kind securing Financial Indebtedness (such Security Interest, the "**Initial Security Interest**") upon any of their property or assets, now owned or hereafter acquired, except (a) Permitted Security Interests or (b) Security Interests on property or assets that are not Permitted Security Interests if the Notes are secured equally and rateably with such Financial Indebtedness for so long as such Financial Indebtedness is so secured. The terms of any such Security Interest created for the benefit of the Noteholders pursuant to clause (b) of the preceding sentence shall provide that such Security Interest shall be automatically and unconditionally released and discharged (and where not automatically released and discharged, the Person having granted such security will be entitled to seek such Security

Interest's unconditional release and discharge) and shall authorize and instruct the security agent, trustee or similar agent holding such Security Interest for the benefit of the Noteholders to take all actions necessary or desirable to effect and evidence such release and discharge, upon any one or more of the following circumstances:

(i) the release and discharge of the Initial Security Interest to which it relates;

(ii) the sale, disposition or transfer of the assets which are subject to such Security Interest (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction), the Issuer or a Subsidiary of the Issuer, if such sale, disposition or transfer does not violate § 11 (*Sale of Assets*);

(iii) the sale, disposition or transfer of Capital Stock of the Subsidiary of the Issuer that has granted such Security Interest (or Capital Stock of a parent of the relevant Subsidiary of the Issuer (other than the Issuer)) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Subsidiary of the Issuer, if (i) after giving effect to such sale, disposition or transfer, such Person is no longer a Subsidiary of the Issuer; and (ii) the sale, disposition or transfer does not violate § 11 (*Sale of Assets*); and

(iv) full and final repayment of the Notes.

§ 10 Merger, Consolidation or Sale of Assets

(a) Restriction

The Issuer will not, directly or indirectly: (x) consolidate or merge with or into another Person (whether or not one of the Group or the Issuer (as applicable) is the surviving corporation), or (y) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Subsidiaries, taken as a whole in one or more related transactions, to another Person, unless:

(i) either: (A) the Issuer is the surviving corporation; or (B) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any member state of the European Union, the United Kingdom, Switzerland, Norway, Canada or any state of the United States;

(ii) the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Issuer under the Notes (whether by operation of law or by contract);

(iii) immediately after such transaction, no Event of Default has occurred and is continuing; and

(iv) (A) the Person (as applicable) formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto, and any related financing transactions as if the same had occurred at the beginning of the Relevant Period, be permitted to incur at least EUR 1.00 of additional Financial Indebtedness pursuant to the Interest Coverage Ratio test in § 8(b)(ii) or (B) the Interest Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction.

(b) Applicability of Restriction

This "Merger, Consolidation or Sale of Assets" covenant will not apply to (i) any consolidation or merger of any Subsidiary of the Issuer into the Issuer, or (ii) any consolidation or merger among Subsidiaries, or (iii) any sale, assignment, transfer, conveyance, lease or other disposition of assets among the Issuer and its Subsidiaries. § 10(a)(iii) and (iv) shall not apply to any merger or consolidation of the Issuer with or into an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction.

(c) Suspension of Limitations upon Achievement of Investment Grade Status

From the Investment Grade Status Commencement Date, if any, until the Investment Grade Status End Date, if any, the requirement to comply with § 10(a) shall be suspended (and the Issuer and its Subsidiaries shall have no obligation with respect thereto). Such requirement to comply with § 10(a) will again apply according to its terms from the Investment Grade Status End Date, if any.

§ 11 Sale of Assets

(a) Restriction

The Issuer will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(i) the Issuer (or the Subsidiary, as the case may be) receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at the time of the Asset Sale at least equal to the Fair Market Value (determined at the time of contracting such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(ii) at least 75 per cent. of the consideration received in the Asset Sale by the Issuer or such Subsidiary is in the form of cash and Cash Equivalents.

For purposes of this provision, each of the following will be deemed to be cash:

(A) the assumption by the transferee of Financial Indebtedness or other liabilities, contingent or otherwise, of the Issuer or any of its Subsidiaries and the release of the Issuer or such Subsidiary from all liability on such Financial Indebtedness or other liability in connection with such Asset Sale;

(B) any securities, notes or other obligations received by the Issuer or any such Subsidiary from such transferee that are converted by the Issuer or such Subsidiary into cash or Cash Equivalents within 180 days following closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(C) any Capital Stock or assets of the kind referred to in § 11(b)(iii) or (v);

(D) Financial Indebtedness of any Subsidiary that is no longer a Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each Subsidiary are released from any guarantee of such Financial Indebtedness in connection with such Asset Sale;

(E) consideration consisting of Financial Indebtedness of the Issuer or any Subsidiary received from Persons who are not the Issuer or any Subsidiary that is cancelled; and

(F) any Designated Non-Cash Consideration received by the Issuer or any of its Subsidiaries in such Asset Sales having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this § 11(a)(F) that is at that time outstanding, not to exceed the greater of EUR 30,000,000 and 2.5 per cent. of Total Assets, measured at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

(b) Application of Net Proceeds

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Subsidiary, as the case may be) may only apply such Net Proceeds (at the option of the Issuer or such Subsidiary):

(i) to repay, repurchase, prepay or redeem (A) Financial Indebtedness of (1) the Issuer that is secured by a Security Interest or (2) any Subsidiary of the Issuer; (B) the Notes pursuant to an offer to all holders of Notes at a purchase price equal to at least 100 per cent. of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase (a "**Notes Offer**") or pursuant to § 12 (*Restricted Payments*); or (C) *pari passu* Financial Indebtedness of the Issuer so long as the Issuer makes a Notes Offer on a pro rata basis;

(ii) in the case of a sale of Warehouse Assets, to repay, repurchase, prepay or redeem any Acquired Warehouse Financial Indebtedness or any Warehouse Acquisition Additional Financial Indebtedness;

(iii) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Subsidiary;

(iv) to make a capital expenditure;

(v) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used in a Permitted Business or to make any other investment in any Permitted Business (including by acquiring Capital Stock of a Permitted Business);

(vi) to enter into a binding commitment to apply the Net Proceeds pursuant to

§ 11(b)(iii), (iv) or (v); *provided that* such commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (A) the date on which such acquisition or expenditure is consummated, and (B) the 180th day following the expiration of the aforementioned 365-day period,

or any combination of the foregoing.

(c) Excess Proceeds

Any Net Proceeds from Asset Sales that are not applied or invested as provided in § 11(b) will constitute "**Excess Proceeds**". When the aggregate amount of Excess Proceeds exceeds EUR 30,000,000, within 10 Business Days thereof, or at any earlier time at the Issuer's election, the Issuer will make an offer (an "**Asset Sale Offer**") to all holders of Notes, and may, to the extent the Issuer so elects, make an offer to holders of other Financial Indebtedness that is *pari passu* with the Notes to purchase, prepay or redeem with the proceeds of sales of assets the maximum principal amount of Notes and such other *pari passu* Financial Indebtedness (plus all accrued interest on the Financial Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal (solely in the case of the Notes) to 100 per cent. of the principal amount and (solely in the case of any other *pari passu* Financial Indebtedness) no greater than 100 per cent. of the principal amount, in each case, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and its Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Terms and Conditions.

(d) Suspension of Limitations upon Achievement of Investment Grade Status

From the Investment Grade Status Commencement Date, if any, until the Investment Grade Status End Date, if any, the restriction pursuant to this § 11 shall be suspended (and the Issuer and its Subsidiaries shall have no obligation with respect thereto). Such requirement and restriction will again apply according to its terms from the Investment Grade Status End Date, if any.

§ 12 Restricted Payments

(a) Limitation

The Issuer undertakes that it will not, and will procure that none of its Subsidiaries will, directly or indirectly, make any Restricted Payment.

(b) Exceptions – Build-up Basket

Notwithstanding § 12(a), the Issuer or any of its Subsidiaries may make a Restricted Payment if:

(i) no Event of Default has occurred and is continuing at the time of the Restricted Payment;

(ii) the Issuer would, at the time of such Restricted Payment and giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable Relevant Period, have been permitted to incur at least EUR 1.00 of additional Financial Indebtedness pursuant to the Interest Coverage Ratio test in § 8(b)(ii); and

(iii) at the time of, and after giving pro forma effect to, such proposed Restricted Payment, the aggregate amount of all Restricted Payments declared or made after the Issue Date (including Restricted Payments made pursuant to § 12(c)(i) and (ii), but excluding all other Restricted Payments permitted by § 12(c), does not exceed the sum of:

(A) 50 per cent. of the Consolidated Net Income of the Group on a cumulative basis during the period beginning on 1 January 2018 and ending on the last day of the Issuer's last fiscal quarter ending prior to the date of such proposed Restricted Payment for which internal Consolidated Financial Statements of the Issuer are available (or, if such Consolidated Net Income for such period is a deficit, less 100 per cent. of such deficit);

(B) 100 per cent. of the aggregate net cash proceeds and the Fair Market Value of marketable securities or other property received by the Issuer since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Issuer or from the issue or sale of convertible or exchangeable debt securities of the Issuer, in each case that have been converted into or exchanged for Equity Interests of the Issuer (other than Equity Interests sold to a Subsidiary of the Issuer).

(c) Exceptions – Permitted Payments

The restriction in § 12(a) will not prohibit:

(i) Restricted Payments, *provided that* the total aggregate amount of all Restricted Payments made under this § 12(c)(i) does not exceed the greater of (A) EUR 30,000,000 and (B) 2.5 per cent. of Total Assets;

(ii) Restricted Payments if, at the time of, and after giving pro forma effect to, such proposed Restricted Payments, the Consolidated Net Leverage Ratio does not exceed the ratio of 3.00 to 1.00;

(iii) the payment of any dividend within 60 days after the date of its declaration if, at such date of its declaration, such payment would have complied with the provisions of these Terms and Conditions;

(iv) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer or from the substantially concurrent contribution of common equity capital to the Issuer;

(v) the repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Debt (x) made by exchange for, or with the net cash proceeds from an incurrence of, Permitted Refinancing Indebtedness or (y) following the occurrence of an Acquisition of Control (or other similar event described therein as an "acquisition of control," a "change of control" or any similar term) or an Asset

Sale (or other similar event described therein as an "asset disposition" or "asset sale") to the extent required by the agreements governing such Subordinated Debt at a purchase price not greater than 101 per cent. of the principal amount of such Subordinated Debt, but only if (and to the extent required) the Issuer shall have complied with the terms described under § 12(d) (Acquisition of Control) or § 11 (Sale of Assets), as the case may be, and, if required, redeemed or purchased all Notes with respect to which Noteholders have exercised their put right pursuant to § 12(d)(ii) or tendered pursuant to an Asset Sale Offer, as the case may be, all the Notes required thereby, prior to repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Debt;

(vi) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Subsidiary held by any current or former officer, director, employee or consultant of the Issuer or any of its Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement, provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed EUR 2,000,000 in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year, and provided, further, that such amount in any calendar year, may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Issuer or a Subsidiary received by the Issuer or a Subsidiary during such calendar year;

(vii) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(viii) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (A) the exercise of options or warrants or (B) the conversion or exchange of Capital Stock of any such Person;

(ix) advances or loans to (A) any future, present or former officer, director, employee or consultant of the Issuer or a Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Issuer, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (B) any management equity plan, employee benefit trust or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Issuer, provided that the total aggregate amount of Restricted Payments made under this § 12(c)(ix) does not exceed EUR 2,000,000 in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year;

(x) the payment of any dividend (or, in the case of any partnership or limited liability Issuer, any similar distribution) by a Subsidiary to the holders of its Equity Interests (other than the Issuer or any Subsidiary) then entitled to participate in such dividends on a pro rata basis or otherwise in compliance with the terms of the instruments governing such Equity Interests;

(xi) the payment of dividends on the Capital Stock of the Issuer in the calendar year ending 31 December 2018 in an aggregate amount not exceeding EUR 50,000,000; and

(xii) payments pursuant to any tax sharing agreement among the Issuer or any Subsidiary and any other Person with which the Issuer or any Subsidiary files or filed a consolidated tax return or with which the Issuer or any Subsidiary is or was part of a consolidated group for tax purposes, provided, however, that such payments shall not exceed the amount of tax that the Issuer or such Subsidiaries would owe on a stand-alone basis without taking into account such other Person.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Subsidiary, as the case may be, pursuant to the Restricted Payment.

For the purpose of determining compliance with this § 12, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Restricted Payments described in § 12(c)(i) to (xii) and/or is permitted pursuant to § 12(b), the Issuer will be entitled to classify such Restricted Payment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment (or portion thereof) in any manner that complies with this § 12.

(d) Suspension of Limitations upon Achievement of Investment Grade Status

From the Investment Grade Status Commencement Date, if any, until the Investment Grade Status End Date, if any, the restriction pursuant to this § 12 shall be suspended (and the Issuer and its Subsidiaries shall have no obligation with respect thereto). Such requirement and restriction will again apply according to its terms from the Investment Grade Status End Date, if any, provided that, where such covenant applies again following an Investment Grade Status End Date, this § 12 will be interpreted as if it has been in effect since the Issue Date and prior to the Investment Grade Status Commencement Date (but not during the period from the Investment Grade Status Commencement Date until the Investment Grade Status End Date). Accordingly, Restricted Payments made during the period from the Investment Grade Status Commencement Date until the Investment Grade Status End Date will not reduce the amount available to be made as Restricted Payments under this § 12.

§ 13 Reports

For so long as any Notes are outstanding, the Issuer shall post on its website:

(a) within 120 days after the end of each of the Issuer's fiscal years, annual reports containing the audited Consolidated Financial Statements in accordance with IFRS as adopted by the European Union and as in effect from time to time, the management report in accordance with Article 68 of the Luxembourg law of 19

December 2002 on the register of commerce and companies, and the accounting and annual accounts of undertakings, as amended from time to time; and

(b) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Issuer, unaudited condensed consolidated quarterly financial statements in accordance with IFRS as adopted by the European Union and as in effect from time to time or a quarterly statement in accordance with the requirements of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

In respect of each of the reports under § 13(a) and (b), the financial statements or related management report should set forth the consolidated adjusted EBITDA and the consolidated net interest expenses of the Issuer for the period to which such report relates and the Issuer's consolidated net financial indebtedness as of the end of such period.

No later than 30 days after becoming aware of the occurrence of an Event of Default that is continuing, the Issuer shall notify the Noteholders thereof in accordance with § 16.

§ 14 Termination Rights of the Noteholders in Case of an Event of Default

(a) Each Noteholder will be entitled to declare all or some only of its Notes due and demand immediate redemption of such Notes at the Principal Amount plus accrued interest to but excluding the date of redemption as provided hereinafter, if any of the following events (each an "**Event of Default**") occurs:

(i) the Issuer fails to pay principal (at maturity, upon redemption or otherwise) when due in respect of the Notes;

(ii) the Issuer fails to pay interest, any Additional Amount or any other amount in respect of the Notes (other than principal (at maturity, upon redemption or otherwise)) within 30 days from the relevant due date; or

(iii) the Issuer fails to duly perform any other obligation arising from the Notes, and such default, except where such default is incapable of remedy, continues unremedied for more than 60 days after the Issuer (through the Principal Paying Agent) has received notice thereof from a Noteholder; or

(iv) (A) any present or future indebtedness of the Issuer or any Material Subsidiary for or in respect of monies borrowed or raised is declared to be, or otherwise becomes, due and payable prior to its stated maturity as a result of any actual or potential default (however described); or

(B) any such indebtedness of the Issuer or any Material Subsidiary is not paid when due or within any applicable grace period, as the case may be; or

(C) any security granted by the Issuer or any Material Subsidiary for any such indebtedness is declared enforceable upon the occurrence of an event entitling to enforcement; or

(D) the Issuer or any Material Subsidiary fails to pay when due or within any applicable grace period, as the case may be, any amount payable by it under any present or future guarantee or indemnity for any monies borrowed or raised,

unless, in each case, the aggregate amount of all such indebtedness is less than EUR 25,000,000 (or its equivalent in any other currency or currencies); or

(v) the Issuer or any Material Subsidiary suspends its payments or announces its inability to meet its financial obligations; or

(vi) a competent court opens insolvency proceedings against the Issuer or any Material Subsidiary which is not dismissed or stayed within 60 days after the commencement thereof, or the Issuer or any Material Subsidiary institutes such a proceeding; or

(vii) the Issuer ceases all or substantially all of its business operations; or

(viii) the Issuer is wound up, unless this is effected in connection with a merger or another form of amalgamation with another company or in connection with a restructuring, and the other or the new company assumes all obligations of the Issuer arising under the Notes; or

(ix) any law, governmental order, decree or enactment will gain recognition in the Federal Republic of Germany whereby the Issuer is legally prevented from performing its obligations under the Notes and this situation is not cured within 90 days.

The right to declare Notes due will terminate if the situation giving rise to it has been cured before such right is exercised.

(b) Any notice declaring Notes due in accordance with § 14(a) will be made by means of a declaration in text form in the German or English language to the Principal Paying Agent in accordance with the then applicable rules and procedures of the Clearing System together with evidence which may be in the form of a certificate of the Noteholder's Custodian certifying that such Noteholder, at the time of such notice, is the holder of the relevant Notes or in any other appropriate manner. The notice shall be irrevocable.

(c) In the events specified in § 14(a)(iii) and (iv), any notice declaring Notes due shall, unless, at the time such notice is received, any of the events specified in § 14(a)(i) and (v) to (ix) entitling Noteholders to declare their Notes due has occurred, become effective only when the Principal Paying Agent has received such default notices from the Noteholders representing at least 10 per cent. of the aggregate principal amount of the Notes then outstanding.

(d) Termination notices received by the Principal Paying Agent after 4:00 p.m. (Frankfurt time) shall only become effective on the immediately succeeding Business Day.

§ 15 Paying Agents and Calculation Agent

(a) BNP Paribas Securities Services S.C.A., Zweigniederlassung Frankfurt am Main will be the principal paying agent (the "**Principal Paying Agent**", and together with any additional paying agent appointed by the Issuer in accordance with § 15(b), the "**Paying Agents**").

The address of the specified offices of the Principal Paying Agent is:

BNP Paribas Securities Services S.C.A.
Zweigniederlassung Frankfurt
Europa-Allee 12
60327 Frankfurt am Main
Federal Republic of Germany

Conv-Ex Advisors Limited will be the calculation agent (the "**Calculation Agent**", and together with the Principal Paying Agent and any Paying Agent, the "**Agents**").

The address of the specified offices of the Calculation Agent is:

Conv-Ex Advisors Limited
30 Crown Place
London EC2A 4EB
United Kingdom

Each Agent shall be exempt from the restrictions set forth in Section 181 of the German Civil Code (*Bürgerliches Gesetzbuch*) and similar restrictions of other applicable laws.

In no event will the specified office of any Agent be within the United States.

(b) The Issuer will procure that there will at all times be a principal paying agent and a calculation agent. The Issuer is entitled to appoint other banks of international standing as Paying Agents or another calculation agent. Furthermore, the Issuer is entitled to terminate the appointment of any Agent. In the event of such termination or such Agent being unable or unwilling to continue to act as Agent in the relevant capacity, the Issuer will appoint another bank of international standing as paying agent or another calculation agent. Such appointment or termination will be published without undue delay in accordance with § 16 (*Notices*), or, should this not be possible, be published in another appropriate manner.

(c) All determinations, calculations and adjustments made by any Agent will be made in conjunction with the Issuer and will, in the absence of manifest error, be conclusive in all respects and binding upon the Issuer and all Noteholders.

(d) Each Agent may engage the advice or services of any lawyers or other experts whose advice or services it deems necessary, and may rely upon any advice so obtained. No Agent will incur any liability as against the Issuer or the Noteholders in respect of any action taken or not taken, or suffered to be taken or not taken, in accordance with such advice in good faith.

(e) Each Agent acting in such capacity acts only as agent of, and upon request from, the Issuer. There is no agency or fiduciary relationship between any Agent and the Noteholders, and no Agent shall incur any liability as against the Noteholders or any other Agent.

§ 16 Notices

(a) All notices regarding the Notes will, subject to § 19(f), be published (so long as the Notes are listed on the regulated market of the Luxembourg Stock Exchange) on the website of the Luxembourg Stock Exchange on www.bourse.lu. Any notice so published will become effective for all purposes on the third day following the date of the first such publication.

(b) If the publication of notices pursuant to subparagraph (a) of this § 16 (*Notices*) is no longer required by the rules and regulations of the Luxembourg Stock Exchange, the Issuer may, in lieu of publication in the media set forth in subparagraph (a) of this § 16, deliver all notices concerning the Notes to the Clearing System for communication by the Clearing System to the Noteholders. Any notice so delivered will become effective for all purposes on the seventh day following the date of delivery.

§ 17 Issue of Additional Notes

The Issuer reserves the right from time to time, without the consent of the Noteholders, to issue additional Notes with identical terms (if applicable, save for, *inter alia*, the issue date, the interest commencement date and the first interest payment date), so that the same will be consolidated, form a single issue with and increase the aggregate principal amount of these Notes. The term "Notes" will, in the event of such increase, also comprise such additionally issued Notes.

§ 18 Presentation Period, Prescription

The period for presentation of the Notes pursuant to Section 801(1) sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*) is reduced to 10 years. The period of limitation for claims under the Notes presented during the period for presentation will be two years calculated from the expiration of the relevant presentation period.

§ 19 Amendments to the Terms and Conditions by resolution of the Noteholders; Noteholders' Representative

(a) The Issuer may agree with the Noteholders on amendments to the Terms and Conditions or on other matters by virtue of a majority resolution of the Noteholders pursuant to Section 5 et seqq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* – "**SchVG**"), as amended from time to time. In particular, the Noteholders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under Section 5(3) SchVG by resolutions passed by such majority of the votes of the Noteholders as stated under § 19(b). A duly passed majority resolution shall be binding equally upon all Noteholders.

(b) Except as provided by the following sentence, and provided that the quorum requirements are being met, the Noteholders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of Section 5(3) numbers 1 through 9 SchVG, or relating to material other matters may only be passed by a majority of at least 75 per cent.

of the voting rights participating in the vote (a "**Qualified Majority**").

(c) The Noteholders can pass resolutions (i) in a meeting (*Gläubigerversammlung*) in accordance with Section 9 and Sections 5 et seqq. SchVG, or (ii) by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with Section 18 and Sections 5 et seqq. SchVG.

(i) Attendance at the Noteholders' meeting and exercise of voting rights is subject to the Noteholders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the meeting. As part of the registration, Noteholders must provide evidence of their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 20(d)(i)(A) and (B) in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

(ii) In the case of a vote without a meeting, Noteholders must, when casting their vote, provide evidence of their eligibility to participate in the vote without a meeting by means of a special confirmation of the Custodian in accordance with § 20(d)(i)(A) and (B) in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such vote has been cast until and including the day the voting period ends.

(d) If it is ascertained that no quorum exists for the meeting pursuant to § 19(c)(i) or the vote without a meeting pursuant to § 19(c)(ii), in the case of a meeting, the chairman (*Vorsitzender*) may convene a second meeting in accordance with Section 15(3) sentence 2 SchVG, or, in the case of a vote without a meeting, the scrutineer (*Abstimmungsleiter*) may convene a second meeting within the meaning of Section 15(3) sentence 3 SchVG. Attendance at the second meeting and exercise of voting rights are subject to the Noteholders' registration. The provisions set out in § 19(c)(i) shall apply *mutatis mutandis* to Noteholders' registration for a second meeting.

(e) The Noteholders may, by majority resolution, provide for the appointment or dismissal of a holders' representative (the "**Noteholders' Representative**"), the duties and responsibilities and the powers of such Noteholders' Representative, the transfer of the rights of the Noteholders to the Noteholders' Representative and a limitation of liability of the Noteholders' Representative. Appointment of a Noteholders' Representative may only be passed by a Qualified Majority if such Noteholders' Representative is to be authorised to consent, in accordance with § 19(b), to a material change in the substance of the Terms and Conditions or other material matters.

(f) Any notices concerning this § 19 shall be made exclusively pursuant to the provisions of the SchVG.

§ 20 Final Clauses

(a) The form and content of the Notes and the rights of the Noteholders and the obligations of the Issuer will in all respects be governed by the laws of the Federal Republic of Germany. Articles 86 to 94-8 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, regarding the representation of Noteholders and meetings of Noteholders, do not apply to the Notes. To the fullest extent permitted by applicable law, no Noteholder may initiate any proceedings under Article 98 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended.

(b) The place of performance is Frankfurt am Main, Federal Republic of Germany.

(c) To the extent legally permitted, the courts of Frankfurt am Main, Federal Republic of Germany will have jurisdiction for any action or other legal proceedings arising out of or in connection with the Notes. This is subject to any exclusive court of venue for specific legal proceedings in connection with the SchVG.

(d) Any Noteholder may, in any proceedings against the Issuer or to which the Noteholder and the Issuer are parties, protect and enforce, in its own name, its rights arising under its Notes on the basis of:

   (i) a certificate issued by its Custodian:

      (A) stating the full name and address of the Noteholder;

      (B) specifying the aggregate principal amount of Notes credited on the date of such statement to such Noteholder's securities account maintained with such Custodian; and

      (C) confirming that the Custodian has given a notice to the Clearing System and the Principal Paying Agent containing the information specified in § 20(d)(i)(A) and (B) and bearing acknowledgements of the Clearing System and the relevant account holder in the Clearing System; as well as

   (ii) a copy of the Global Note, certified as being a true copy by a duly authorised officer of the Clearing System or the Principal Paying Agent.

TAXATION

The following is a general discussion of certain tax consequences under the tax laws of the Grand Duchy of Luxembourg and Germany, and of the acquisition and ownership of Notes and certain aspects of the proposed financial transactions tax. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This general discussion is based on the laws of the Grand Duchy of Luxembourg and Germany, currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES UNDER THE TAX LAWS APPLICABLE IN THE GRAND DUCHY OF LUXEMBOURG AND GERMANY, AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS OR WHICH TAX LAWS MAY BE APPLICABLE FOR OTHER REASONS.

The Issuer does not assume any responsibility for the withholding of taxes at source.

Taxation in the Grand Duchy of Luxembourg

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi) as well as personal income tax (impôt sur le revenu) generally. Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income taxes, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Taxation of the Noteholders of the Notes

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Relibi Law**"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payment of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 %.

Income Taxation

(i) Non-resident holders of Notes

A non-resident holder of Notes, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realised by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, of the Notes.

(ii) Resident holders of Notes

Noteholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

Luxembourg resident corporate holder of Notes:

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate holder of Notes that is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 23 July 2016 on reserved alternative investment funds and which does not fall under the special tax regime set out in article 48 thereof is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Notes.

Luxembourg resident individual holder of Notes:

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Notes has opted for the application of a 20% tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State). A gain realised by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

An individual holder of Notes acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

Net Wealth Taxation

A corporate holder of Notes, whether it is a resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which/whom such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the holder of Notes is governed by the law of 11 May 2007 on family estate management companies, as amended, by the law of 17 December 2010 on undertakings for collective investment, as amended, by the law of 13 February 2007 on specialised investment funds, as amended, by the law of 23 July 2016 on reserved alternative investment funds, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended[1].

An individual holder of Notes, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Other Taxes

In principle, neither the issuance nor the transfer, repurchase or redemption of Notes will give rise to any Luxembourg registration tax or similar taxes.

However, a fixed or *ad valorem* registration duty may be due upon the registration of the Notes in Luxembourg in the case where the notes are physically attached to a public deed or to any other document subject to mandatory registration, as well as in the case of a registration of the Notes on a voluntary basis.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

1 Please however note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

Taxation in Germany

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

The following section only provides some general information on the possible tax treatment.

The law as currently in effect provides for a reduced tax rate for certain investment income. There is an on-going discussion in Germany whether the reduced tax rate should be increased or abolished altogether so that investment income would be taxed at regular rates. It is still unclear, whether, how and when the current discussion may result in any legislative change.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

German Tax Residents

This section "German Tax Residents" refers to persons who are tax residents of Germany (*i.e.* persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Withholding tax on on-going payments and capital gains

On-going payments received by a non-business Noteholder will be subject to German withholding tax if the Notes are kept or administered in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a "**Disbursing Agent**" (*auszahlende Stelle*)). The tax rate is 25 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon, the total withholding being 26.375 per cent.). For individual Noteholders who are subject to church tax an electronic information system for church withholding tax purposes applies in relation to investment income, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

The same treatment applies to capital gains (*i.e.* the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by a non-business Noteholder provided the Notes have been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition. If similar Notes kept or administered in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains.

Where Notes are acquired and/or sold or redeemed in a currency other than Euro, the sales/redemption price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively with the result that any currency gains or losses are part of the capital gains.

If interest coupons or interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposal are subject to withholding tax. The same applies to proceeds from the payment of interest coupons or interest claims if the Notes have been disposed of separately.

To the extent the Notes have not been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375 per cent. (including solidarity surcharge, plus church tax, if applicable) on 30 per cent. of the disposal proceeds (plus interest accrued on the Notes ("**Accrued Interest**", *Stückzinsen*), if any), unless the current Disbursing Agent has been notified of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution from another Member State of the European Union or the European Economic Area or from certain other countries (e.g. Switzerland or Andorra).

Pursuant to administrative guidance losses incurred by a noteholder from bad debt (*Forderungsausfall*) or a waiver of a receivable (*Forderungsverzicht*) are generally not tax-deductible. The same rules should apply if the Notes expire worthless or if the proceeds from the sale of Notes do not exceed the usual transaction costs.

In computing any German tax to be withheld, the Disbursing Agent generally deducts from the basis of the withholding tax negative investment income realised by a non-business Noteholder of the Notes via the Disbursing Agent (e.g. losses from the sale of other securities with the exception of shares). The Disbursing Agent also deducts Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security by a non-business Noteholder via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent credits foreign withholding taxes levied on investment income in a given year regarding securities held by a non-business Noteholder in the custodial account with the Disbursing Agent.

Non-business Noteholders are entitled to an annual allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) for all investment income received in a given year. Upon the non-business Noteholder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the Noteholder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporation while on-going payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). The same may apply where the Notes form part of a trade or business, subject to further requirements being met.

Taxation of current income and capital gains

The personal income tax liability of a non-business Noteholder deriving income from capital investments under the Notes is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or if no Disbursing Agent is involved in the payment process, the non-business Noteholder must report his or her income and capital gains derived from the Notes on his or her tax return and then will also be taxed at a rate of 25 per cent. (plus solidarity surcharge and church tax thereon, where applicable). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30 per cent. of the disposal proceeds (rather than from the actual gain), a non-business Noteholder may and in case the actual gain is higher than 30 per cent. of the disposal proceeds must also apply for an assessment on the basis of his or her actual acquisition costs. Further, a non-business Noteholder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemised basis is not permitted.

Losses incurred with respect to the Notes can only be offset against investment income of the non-business Noteholder realised in the same or the following years. Any losses realised upon the disposal of shares in stock corporations received in exchange for the Notes can only be offset against capital gains deriving from the disposal of shares.

Where Notes form part of a trade or business the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. The respective Noteholder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the Noteholder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the Noteholder. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax. Where according to an applicable accounting standard Securities include an embedded derivative the Noteholder may have to account for a receivable and a derivative. The deduction of losses from derivatives may be ring-fenced as discussed below.

Non-German Tax Residents

Interest and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above in the subsection "*German Tax Residents*" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and capital gains. However, where the income is subject to German taxation as set forth in the preceding paragraph and the Notes are kept or administered in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Notes will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

The Proposed Financial Transactions Tax

The European Commission and certain EU Member States (including Germany) are currently intending to introduce a financial transactions tax ("**FTT**") (presumably on secondary market transactions involving at least one financial intermediary). It is currently uncertain when the proposed

FTT will be enacted by the participating EU Member States and when the FTT will enter into force with regard to dealings with the Notes.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Subscription

Subject to the terms and conditions of the subscription agreement (the "**Subscription Agreement**") between the Issuer and the Managers to be signed on or around 19 March 2018 the Issuer shall agree to issue and deliver to the Managers and the Managers shall agree, subject to certain customary closing conditions, to purchase such Notes which have been subscribed by, and allotted to, investors in the course of the Offering, and to sell and transfer such Notes to the respective investors. Proceeds to the Issuer will be net of commissions and expenses of the Managers. The Issuer shall agree to reimburse the Managers for certain expenses incurred in connection with the Offering. In addition, the Issuer shall agree to indemnify the Managers against certain losses in connection with the Offering. The Managers shall be entitled, under certain circumstances, to terminate the Subscription Agreement with the Issuer. These circumstances include any breach of the representations and warranties of the Issuer contained in the Subscription Agreement, a failure to satisfy any of the conditions precedent contained in the subscription agreement or the occurrence of any material adverse change in conditions on the capital markets. If the Subscription Agreement is terminated, the Offering will not take place or – if the offering has already begun at this point – it will be cancelled. Any allotments already made to investors will be invalidated and investors will have no claim for delivery of the Notes. In this case the Managers will not be obliged to deliver Notes to investors.

Transfer and Selling Restrictions

Prohibition of Sales to EEA Retail Investors

Each Manager has represented, warranted andagreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

Each Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer, and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

France

This Prospectus has not been prepared in the context of a public offering in France within the meaning of Article L.41 1-1 of the *Code Monetaire et Financier* and therefore has not been approved by, registered or filed with the (French Financial Market Authority (*Autorité des Marchés Financiers*)).

Each Manager has represented, warranted and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (i) providers of the investment service of portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their own account (other than individuals) all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier.*

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, each of the Managers has represented that it has not offered or sold, and has agreed that it will not offer or sell, any of the Notes constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act ("**Regulation S**"). Accordingly, each of the Managers has represented, warranted and agreed that neither it, its affiliates nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has represented that it has not entered and has agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

In addition, until the expiration of 40 days after the commencement of the offering of the Notes, any offer or sales of the Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Manager has represented, warranted and agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

No action has been or will be taken in any jurisdiction by the Issuer or the Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession or distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

Each Manager has represented, warranted and agreed that it will, to the best of its knowledge and belief, comply with all the relevant laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any other offering material.

GENERAL INFORMATION

Responsibility Statement

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, it has taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to the Managers that this Prospectus contains all information with regard to the Issuer, the Corestate Group and the Notes which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, the Corestate Group and the rights attaching to the Notes which is material in the context of the issue and offering of the Notes; that the information contained herein wmartith respect to the Issuer, the Corestate Group and the Notes is accurate and complete in all material respects and is not misleading; that any opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts with respect to the Issuer, the Corestate Group or the Notes, the omission of which would make this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading; and that the Issuer has made all reasonable enquiries to ascertain all facts material for the purposes aforesaid.

The Issuer accepts responsibility for accurately summarising the information from external sources, and as far as we are aware and able to ascertain no facts have been omitted which would render this information inaccurate or misleading, the Issuer accepts no further responsibility in respect of such information.

Documents Available for Inspection

For the period during which this Prospectus is valid, the following documents will be available for inspection during regular business hours at the Issuer's offices at 4, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg, and, except for the CBRE Report such documents are also available on the Issuer's website (www.corestate-capital.com):

- the Issuer's articles of association (the "**Articles of Association**");
- the Issuer's audited consolidated financial statements prepared in accordance with IFRS as of and for the financial year ended 31 December 2017;
- the Issuer's audited consolidated financial statements prepared in accordance with IFRS as of and for the financial year ended 31 December 2016;
- the Issuer's audited consolidated financial statements prepared in accordance with IFRS as of and for the financial year ended 31 December 2015;
- the CBRE Report ("Real Estate Market Overview Germany-Austria-Spain") prepared by CBRE Research Germany as of October 2017.

The Issuer's future consolidated annual financial statements will be available on the Issuer's website, at the Issuer's offices at 4, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg, and from the paying agent BNP Paribas Securities Services S.C.A., Zweigniederlassung Frankfurt, designated in this Prospectus (see "*General Information on the Issuer and the Group—Notifications, Paying Agent*"). In accordance with Luxembourg law dated 19 December 2002 on the trade and companies register, as amended, the annual financial reports will also be filed with the Companies

Register and an extract will be published in the *Recueil Électronique des Sociétés et Associations* (RESA).

Interests of Natural and Legal Persons Involved in the Issue

From time to time, the Managers and their affiliates have performed, and may in the future perform, investment banking and advisory services for the Issuer for which they have received, or will receive, customary fees and expenses.

In particular, the Managers have entered into a contractual relationship with the Issuer in connection with the issue of the Notes. In addition, in the ordinary course of their business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivate securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Managers and their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer, as applicable, consistent with their customary risk management policies. Typically, the Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, potentially including the Notes. Any such short positions could adversely affect future trading prices of the Notes.

The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

Authorization and Issue Date

The creation and issue of the Notes have been authorized by a resolution of the management board of the Issuer dated 19 March 2018, with the consent of the supervisory board dated 12 March 2018. The Issue Date of the Notes is expected to be 29 March 2018.

Minimum Offered Amount, Delivery of Notes

The Notes will be offered with a denomination of EUR 100,000.

Delivery and payment of the Notes will be made on the Issue Date, which is expected to be 29 March 2018. The Notes so purchased will be delivered via book-entries through Clearstream Frankfurt against payment of the issue price therefor.

Costs and Expenses Relating to the Purchase of Notes

The Issuer will not charge any costs, expenses or taxes directly to any investor in connection with the Notes. Investors must, however, inform themselves about any costs, expenses or taxes in connection with the Notes which are generally applicable in their respective country of residence, including any charges their own depository banks charge them for purchasing or holding securities.

Listing and Admission to Trading of the Notes

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market, which is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU. Admission of the Notes to trading on the on the Luxembourg Stock Exchange's Regulated Market is expected to occur on or around 22 March 2018.

Expenses related to the Listing and Admission to Trading of the Notes

The total expenses related to the listing and admission to trading of the Notes are expected to amount to approximately EUR 4,700.

Clearance and Settlement

The Notes have been accepted for clearance through Clearstream Banking AG, Frankfurt am Main ("**Clearstream Frankfurt**"). The Notes have been assigned the following securities codes: ISIN DE000A19YDA9, Common Code 180056378, WKN A19YDA.

Rating of the Issuer and the Notes

On issue, the Notes are expected to be rated BB+ by S&P. At the date of this Prospectus, the Issuer has a "BB+" long-term corporate credit rating with stable outlook assigned by S&P[1]. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. At the date of this Prospectus, S&P is established in the European Union, registered under the Regulation (EC) no. 1060/2009 of the European Parliament and of the Council dated 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**") and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu) in accordance with the CRA Regulation.

Indication of Yield

The yield of the Notes is 3.750 per cent. And has been calculated in accordance with the ICMA (*International Capital Markets Association*) Method.

Material adverse change statement

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements for the financial year ended 31 December 2017.

Significant change statement

There has been no significant change in the financial or trading position of the Issuer since the date of its last published audited financial statements for the financial year ended 31 December 2017.

Governmental, legal and arbitration proceedings statement

Other than as described in section "*Business—Legal Disputes*" the Issuer has not been involved in any governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Issuer is aware, during the last 12 months, which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or the Group.

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[1] S&P is established in the European Community and is registered under the CRA Regulation.

The European Securities and Markets Authority publishes on its website (www.esma.europa.eu/page/list-registered-and-certified-CRAs) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

Sources of Market Data

This Prospectus contains a number of references to data, statistical information and studies prepared by third parties, particularly on such topics as commercial and office real estate, the real estate industry in general and related subjects. The Company has accurately reproduced such information and, as far as the Company is aware and is able to ascertain from information published by such third party, no facts have been omitted, the omission of which would render the reproduced information inaccurate or misleading. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. Consequently, information derived from different third-party sources incorporated in this Prospectus may to a certain extent be inconsistent. This Prospectus also contains estimates made by the Company that are based on published market data or numbers published in publicly available sources. Notwithstanding the responsibility the Issuer has assumed for the content of this Prospectus as described above (see the section "*General Information – Responsibility Statement*"), the Company has not independently verified the figures, market data or other information on which third parties based their studies, nor have they explored the reasons of any possible divergences between data obtained from different sources. Accordingly, no representation or warranty as to the accuracy of any such information from third-party sources included in this Prospectus is made and investors should not rely on the accuracy of any such information. Moreover, prospective investors should bear in mind that the Issuer's estimates are not always based on such third-party market studies.

The following sources were used in preparation for the market description of Germany, Austria and Spain and the global aviation market as well as the sections on mezzanine financing and competition in this Prospectus:

Germany

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

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

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

We commissioned CBRE GmbH, Bockenheimer Landstr. 24, 60323 Frankfurt am Main, to produce the real estate market overview regarding the German, Austrian and Spanish real estate markets (the

"**CBRE Report**"), the preparation of which was finalised in October 2017 and which we also cite in this Prospectus. Estimates regarding and developments of the markets in which we operate are based on the CBRE Report. We did not verify or modify any of the third-party statistics or other statistics provided by CBRE Research. We believe that we are a major participant in the markets in which we operate and, as a result, are able to present a fair view of the development of these markets.

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

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise in this Prospectus (and except as otherwise defined in the sections "*Terms and Conditions of the Notes*" and "*Description of Other Indebtedness*" for purposes of those sections only), references to:

We, us, our, the Group and the Corestate Group

Corestate Capital Holding S.A. together with its consolidated subsidiaries. With regard to the period before 23 September 2015 and before effectiveness of the capital increase by contribution in kind, references to the "Corestate Group" refer to Corestate Capital AG together with its consolidated subsidiaries unless it is referred to as Corestate Capital Holding S.A.

Adjusted EBITDA

Adjusted EBITDA is defined as EBITDA, adjusted for certain one-off items (*e.g*. costs for capital measures, corporate M&A related cost, management stock options).

Adjusted Net Profit or ANP

Adjusted Net Profit or ANP is calculated based on the net profit/(loss) for the period attributable to shareholders of the parent company by adjusting certain one-off items net of (deferred) tax effects (*i.e*. severance costs, certain one-time investment costs (*i.e*. investments institutional product business), costs for capital raising measures (*i.e*. costs for the aborted IPO in 2015), corporate M&A related cost, share grant expenses (*i.e*. costs for management stock options) and costs for credit facilities provided by shareholders (*i.e*. interest burden bridge facility)).

AIF

Alternative investment fund under the AIFM Act.

AIFM

Manager of an Alternative Investment Fund under the AIFM Act.

AIFM Act

The Luxembourg act of 12 July 2013 on alternative investment fund managers, as amended, transposing the AIFMD into Luxembourg Law with effect as of 22 July 2013.

AIFMD-CDR

Commission Delegated Regulation 231/2013 of 19 December 2012 supplementing the AIFMD with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.

AIFMD

Directive 2011/61/EU of the European Parliament and the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and regulations (EC) No 1060/2009 and (EU) No 1095/2010.

AIFM Rules

AIFMD, the AIFMD-CDR, the AIFM Act as well as any implementing measures of the AIFMD or the AIFM Act.

Alignment Capital Management

It is an integral part of our business model to co-invest alongside our clients through our alignment capital investments. Accordingly, we make investments with our own funds into the same products that our clients invest in and under the same terms and conditions applicable to all investors underpinning the alignment of our interest with the one of our clients. As of 31 December 2017, we have invested EUR 46 million (equity and loans) through our alignment capital investments. Typically, alignment capital investments range between 5% and 10% (with certain exceptions for particular transactions) of the total equity capital invested into an investment product and depending on our clients' requirements and product structuring.

As a result, in addition to the fee-based income generated through our real estate investment management services, we also participate in the performance of the investment products through dividend payments and we realise capital gains upon successful exit from alignment capital investments.

Articles of Association

The Articles of Association of the Issuer.

Asset Management

Value-driven management and/or optimisation of real estate investments through letting management, refurbishment, repositioning and tenant management.

Assets Under Management, AuM

Assets under management are determined based on the projected development costs for project developments for which building phase has not yet been launched, the construction costs for project developments for which the building phase has been launched but has not yet been completed, the real estate valuation for project developments for which the building phase has been completed, and the real estate valuation for standing assets. Assets under management only take into account those transactions which are secured by binding contracts.

BaFin

Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority).

BGB

Bürgerliches Gesetzbuch (German Civil Code).

BEPS

Base Erosion and Profit Shifting.

Cash Flow

Indicator that shows the net inflow and outflow of cash from operatings activities, investing activities and financing activities during a given period.

Capital Gain

Profit that results from the disposal of capital assets (*e.g.* Alignment Capital Investments) where the amount realised on the disposal exceeds the purchase price or the initial Alignment Capital Investment amount, respectively.

CCCTB

Common Consolidated Corporate Tax Base.

Consumer Price Index

A consumer price index measures the changes in the price level of consumer goods and services purchased by private households. The consumer price index referred to in this Prospectus refers to the consumer price index published by the German Federal Statistical Office (*Statistisches Bundesamt*).

Coverage

Information provided on a listed public company in the form of studies and research reports by banks and financial analysts.

Co-Investor(s)

A client or several clients in our Investment Structures.

CSSF

Commission de Surveillance du Secteur Financier, the Luxembourg financial supervisory authority.

DCF

Discounted Cash Flow.

DDT

Dichlorodiphenyltrichloroethane, an organochlorine insecticide often used in agriculture. A frequent source of exposure for DDT is food, including meat, fish and dairy products. DDT can be absorbed through eating, breathing or by coming into contact with products contaminated with the insecticide.

Destatis

Federal Statistical Office Germany (*Statistisches Bundesamt Deutschland*).

DR

Is a third party asset management agreement (*i.e.* not involving any Investment Structures) entered into by Thomas Ellrich acting as insolvency administrator of the real estate assets held by DR Real Estate AG, DR Commercial 1 AG and DR Wohnen 1 GmbH & Co. KG and CCAG as asset manager regarding the provision of certain asset management services by CCAG relating to the abovementioned companies' portfolio of real estate assets.

Due diligence

Due diligence is the careful analysis, assessment and valuation with respect to, *inter alia*, financial, legal, tax, or environmental risks.

EBIT

Earnings before Interest and Taxes.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EBT

Earnings before Taxes.

ECB

European Central Bank.

EEA

European Economic Area.

EnEV

Energieeinsparverordnung (German Ordinance on Energy Saving).

Entry Standard (now Scale)

A sub-segment of the non-regulated market (Open Market – *Freiverkehr*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

EURIBOR

Euro Interbank Offered Rate. A reference rate determined on a daily basis reflecting the average interest rates at which banks offer to lend unsecured funds to other banks in the euro money market.

EU Short Selling Regulation

EU Short Selling Regulation means the Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps.

EUR, Euro, €

EUR, Euro, € means the European single currency in certain member states of the European Union, including Germany.

Euro Area

Community of countries using the Euro as the common national currency, e.g., Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

Eurostat

The statistical office of the European Union, based in Luxembourg. It publishes official, harmonised statistics on the European Union and the euro area, offering a comparable, reliable and objective portrayal of Europe's society and economy.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

FINMA

Swiss Financial Market Supervisory Authority. FINMA is the supervisory authority responsible for financial regulation in Switzerland.

FTE

Full time equivalent.

GDP

Gross domestic product. The gross domestic product reflects the market value of all end products and services produced or rendered within a specific period of time in a country (or region, city, etc.).

General Meeting

Means the general meeting of shareholders, either for ordinary or extraordinary matters. The general meeting shall meet at least once a year for an annual general shareholders' meeting. This meeting elects the Supervisory Board and the balance sheet auditor. It passes resolutions on the appropriation of the reported annual profit, on measures for raising capital, on changes to the articles of association and other fundamental issues; it is the only body which can approve the decisions made by the Supervisory Board and the Management Board.

German CFC rules

German Controlled Foreign Companies Rules.

GmbH

Gesellschaft mit beschränkter Haftung (German limited liability company).

GrESt

Grunderwerbsteuer (German real estate transfer tax).

Gross Financial Debt

Gross financial debt represents long-term financial liabilities to banks, other long-term financial liabilities, short-term financial liabilities to banks and other short-term financial liabilities (each as shown in the Audited Consolidated Financial Statements).

HFS Authorised Capital Issuance

On 4 July 2017, the Management Board of the Issuer authorised the issuance of an aggregate of seven million three hundred sixty-five thousand two hundred fifty-six (7,365,256) new Shares without par value to (i) Norbert Ketterer, (ii) Christoph Meyer, (iii) Marcellino Graf zu Hoensbroech and (iv) Sandra Ketterer, for an aggregate subscription price of three hundred thirty-one million four hundred thirty-six thousand five hundred twenty Euro (EUR 331,436,520) (of which five hundred fifty-two thousand three hundred ninety-four Euro and twenty-five cent (EUR 552,394.25) were allocated to the share capital account and three hundred thirty million eight hundred eighty-four thousand one hundred twenty-five Euro and eighty cent (EUR 330,884,125.80) were allocated to the share premium account), in order to bring the share capital of the Issuer from an amount of one million twenty thousand five hundred twenty-five Euro (EUR 1,020,525), up to a new amount of one million five hundred seventy-two thousand nine hundred nineteen Euro and twenty-five cent (EUR 1,572,919.25), represented by twenty million nine hundred seventy-two thousand two hundred fifty-five (20,972,255) Shares without par value.

Highstreet Investment Structures

Portfolios of retail assets which are located in attractive locations in inner cities in Germany. Largest tenants in terms of rent are leading brands. Examples of the Highstreet Investment Structures are Project Highstreet I, II, III, IV, V, VI, VII and VIII as well as Project Highstreet Premium I and Project Highstreet Premium II (each as defined below).

IAS

International Accounting Standard(s).

IFRS

International Financial Reporting Standards as adopted by the European Union.

Investment Structures or individually Investment Structure

Shall mean vehicles established by respective clients together with Corestate and related to its Real Estate Investment Management business, namely currently:

Project 4711/13 means the acquisition of a property located in Cologne (Germany) and the subsequent re-development of the property as a serviced and student apartment complex with 120 serviced and 137 student housing apartment units and a net lettable area of approximately 6,074 sqm.

Project Across (Frankfurt Eschersheimer Landstraße 7) means the acquisition of a property located in Frankfurt am Main (Germany) and the subsequent re-development of the property as a serviced apartment complex with 94 serviced apartment units and a net lettable area of approximately 2,709 sqm.

Project Annapurna means the acquisition of a property located in Madrid (Spain), the subsequent demolition of the existing building and the development of the property as a student housing real estate property with 252-serviced apartment units with a net lettable area of approximately 4,100 sqm.

Project Ben means the acquisition of a German stock corporation (*Aktiengesellschaft*) with corporate seat in Frankfurt am Main, Germany, registered in the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Frankfurt am Main, whose main assets comprise a real estate portfolio located in Potsdam, Bayreuth, Frankfurt and Mainz, Germany, with a total of 1,247 student housing units.

Project Berry means the acquisition of a residential real estate portfolio comprising more than 235,000 sqm of net lettable area, spread over 81 assets located in Berlin and Brandenburg in Germany.

Project Condor means the acquisition of a property in Vienna (Austria) and the development of the property as a serviced apartment complex with 131 serviced apartment units and a total net lettable area of approximately 4,000 sqm.

Project Danube means the development of (i) a residential tower with an approximate height of 150 meters and two related low-rise buildings in Vienna as well as (iii) three residential towers with an approximate height of 100 meters each and a commercial low-rise building in Vienna.

Project Donald means the acquisition of three properties located in Berlin, Germany and the subsequent development and construction of a student housing real estate property with approximately 163 apartment units comprising approximately 3,600 sqm of net lettable area for students and young professionals.

Project Energy means the acquisition of a residential real estate portfolio comprising more than 136,000 sqm of net lettable area, spread over 2,300 assets located in Helmstedt and Schöningen in Germany.

Project Harbour means the acquisition of two land plots in Hamburg/Germany and the subsequent development of the property as a serviced apartment complex with 96 serviced apartment units with a net lettable area of approximately 2,605 sqm.

Project Highstreet I means the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in smaller and medium sized cities in Germany (*e.g.* Hanau, Singen, Plauen, Kamp-Linfort) with an aggregate asset value of up to EUR 130,000,000.

Project Highstreet II means the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in smaller and medium sized cities in Germany (*i.e.* Bietigheim-Bissingen, Soest, Hagen, Bottrop, Heidenheim, Suhl, etc.) with an aggregate asset value of up to EUR 95,000,000.

Project Highstreet III means the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in several cities in Germany (*e.g.* Bremerhaven and Paderborn) with an aggregate asset value of up to approximately EUR 103,000,000.

Project Highstreet IV means the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in smaller and medium sized cities in Germany (*e.g.* Bad Homburg v.d. Höhe, Merseburg, Schwerin, Bremen, Gelsenkirchen etc.) with an aggregate asset value which is expected to be up to EUR 110,000,000.

Project Highstreet V means the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in smaller and medium sized cities in Germany (*e.g.* Aschaffenburg, Bad Oeynhausen, Delmenhorst, Georgsmarienhütte, Göttingen, Hagen, Herne, Lemgo, Limburg, Ludwigsburg, Neumünster, Oldenburg, Schwandorf, Straubing, Waltrop etc.) with an aggregate asset value of up to EUR 114.3 million.

Project Highstreet VI means the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in smaller and medium sized cities in Germany (such as Bocholt, Lüneburg and Wuppertal etc.) with an targeted aggregate gross asset value of up to EUR 124,948,113.

Project Highstreet VII is the acquisition of a real estate portfolio comprising retail properties such as department stores, warehouses and shopping centres located in mid-sized cities throughout Germany (such as Dresden, Essen, Kaiserslautern and Wuppertal etc.) with a targeted aggregate gross asset value of up to EUR 210,308,000 (the "**Highstreet VII Portfolio**"). The already acquired and partially to be acquired properties of the Highstreet VII Portfolio comprising 90,000 sqm are very diversified with regard to location, building type and tenants. Anchor tenants include fashion retailers C&A and Snipes as well as drugstore chain Müller and supermarket chain REWE etc.

Project Highstreet VIII is the acquisition of a real estate portfolio comprising shopping centres or large commercial buildings located in mid-sized cities throughout Germany (such as Garbsen, Nordhorn, Rostock, Schwenningen and Sindelfingen) with a targeted aggregate gross asset value of up to EUR 245,611,000 (the "**Highstreet VIII Portfolio**"). The properties of the Highstreet VIII Portfolio to be acquired are being let *inter alia* to renowned German retailers such as Adler, expert, H&M, Müller, Woolworth etc., renowned food discounters such as Edeka etc., and the renowned cinema operator Cinemaxx.

Project Highstreet Premium I means the acquisition of a real estate portfolio such as department stores, warehouses and shopping centres comprising four retail properties located in smaller and medium sized cities in Germany (*i.e.* in Bremerhaven, Halle an der Saale, Hamburg and Paderborn) with an aggregate asset value of approximately EUR 115,700,000.

Project Highstreet Premium II means the acquisition of a real estate portfolio comprising (initially) two retail properties located in the German cities Flensburg and Lübeck with a targeted gross asset value of approximately EUR 95,600,000.

Project Isabela means the acquisition of a property located in Seville (Spain), the subsequent demolition of the existing building and the development of the property as a student housing real estate property with 413 apartment units with a net lettable area (apartments, common spaces and terraces) of approximately 6,387 sqm.

Project King means the acquisition of an existing office complex in Düsseldorf/Germany and the subsequent re-development and conversion of the property into a serviced apartment complex with 67 serviced apartment units with a net lettable area of approximately 1,807 sqm and additional 9 serviced apartment units with an additional net lettable area of approximately 193 sqm depending on the option to be realised.

Project Liver means the acquisition of a property in Liverpool/United Kingdom, a grade A office building located at the world renowned UNESCO World Heritage Waterfront of Liverpool.

Project Olympic means the acquisition of an existing office complex in Munich (Germany) two six storey construction units connected by a one storey connection unit. Whereas the connection unit with a net lettable area of approx. 1,797 sqm is let on a long-term basis for the operation of a training centre, the other buildings are already used and will (following the on-going rebuilding of one building) be used as a boarding house comprise approx. 260 serviced apartment units with a net lettable area of approx. 6,489 sqm.

Project Phoenix/Bonny means the acquisition of a residential housing portfolio.

Project Sailing means the acquisition of residential housing portfolios comprising 2,073 flats with 125,428 sqm of net lettable area and 8,698 sqm of commercial space located in the Rhein-Rhur area of Germany.

Project Spartacus means the acquisition of a residential and commercial real estate portfolio comprising 542,000 sqm of net lettable area with 7,721 residential units, 490 commercial units and 2,622 other units (including parking spaces) in Germany.

Project Squirrel/Maroon means the acquisition of a residential real estate portfolio comprising more than 160,495 sqm of net lettable area, spread over 96 assets well diversified across Germany.

Project T6 means the acquisition or sale, respectively, of a commercial real estate portfolio comprising six assets in Bonn, Freiburg, Regensburg, Ansbach, Flensburg and Berlin-Stahnsdorf (Germany).

Project TrIIIple means the acquisition of a property including a turnkey residential tower for young living and serviced apartments including an underground parking located in Vienna (Austria) with a gross lettable area above ground of approximately 35,386 sqm via a so called forward deal, *i.e.* the acquisition will be completed once the construction of the tower is completed and further pre-requisites fulfilled.

Project Turbo FRA means the acquisition of a student housing real estate property under construction with 260 student apartment units comprising 7,021 sqm of net lettable area, located in Frankfurt-Riedberg (Germany).

Project Turbo VIE means the development and the construction of a university housing real estate property with 583 apartment units for students and young professionals on an improved land comprising 6,495 sqm of cadastral area, located in Vienna (Austria).

Project Turicum means the acquisition of an undeveloped property in Opfikon (Switzerland) and the subsequent development and construction of a serviced apartment complex with 413 furnished serviced apartment units with a net lettable area of approximately 12,110 sqm as well as approximately 120 parking lots in an underground parking.

Project Vitu means the acquisition of a residential real estate portfolio comprising more than 303,430 sqm of net lettable area, spread over 86 assets, comprising approximately 5,900 units, in North Rhine Westphalia (Germany).

IPO

The initial public offering of CORESTATE Capital Holding S.A.'s shares.

IRR

Internal rate of return.

Issuer

Corestate Capital Holding S.A., with its seat in 4, rue Jean Monnet, L2180 Luxembourg, Grand Duchy of Luxembourg, registered in the companies register under no. B199780.

Joint Venture

Legally independent entity formed between two or more parties to undertake economic activity together. It is jointly controlled by the parties under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each party's consent.

Management Board

Management board of the Issuer.

Market Abuse Regulation (MAR)

Regulation (EU) No 569/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (repealing Directive 2003/6/EC on insider dealing and market manipulation).

Market Value or MV

Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion (PS 3.2 of the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors).

Micro Living

Student homes and serviced living in Germany and Spain.

Net Financial Debt

Net financial debt is defined as gross financial debt less cash at end of period (including cash and cash equivalents and restricted cash).

Open Market (Freiverkehr)

The Open Market (Freiverkehr) is a non-regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The Open Market (*Freiverkehr*) is subject to the terms and conditions of Deutsche Börse AG for the Open Market (*Freiverkehr*) at the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Prospectus

This Prospectus.

PCB

Polychlorinated biphenyls. This chemical compound was used in hundreds of industrial and commercial systems including electrical, hydraulic and heat transfer systems, as well as in paint. PCB is known to cause cancer and negatively affects the immune, reproductive, nerve and endocrine systems.

PCP

Pentachlorophenol. This chlorinated organic compound is used as insecticide, wood preservative and disinfectant. The substance is extremely toxic to humans in the event of acute (short-term) exposure by swallowing or inhalation and may cause neurological effects, affect the blood and the liver and cause eye irritation. Chronic (long-term) exposure by inhalation affects the respiratory tract, blood, kidneys, liver, immune system, eyes, nose and skin.

Prime Standard

The Prime Standard is a sub-segment of the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with additional post-admission obligations. The Prime Standard is subject to the exchange rules of Deutsche Börse AG for the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Project Salud

The development of a skyscraper in Madrid (Spain) together with the former joint venture partners Espacio and OHL with a total investment volume of EUR 240 million. The city council of Madrid granted a surface right for a period of 75 years on the ground, air and subsurface of a plot owned by the municipality located at Madrid, Paseo de la Castellana 259E in order to build and develop the skyscraper.

Promote/Promote Fee

Remuneration for the success of the structures upon the sale of underlying investments and generally agreed in the underlying documentation of the Investment Structure with the clients. These fees depend on the net projected returns (cash profit for our clients) of the underlying investment. Typically these fees are between 15% and 20% of the net projected returns of the Investment Structure. Economically these fees are a performance-related component of the Asset Management Fee. The claim for the Promote is only recognised when the relevant transaction documentation resulting in a net project return has been validly entered into, and becomes payable after all client commitments have been fully repaid to the clients. The Promote is basically being paid out as a disproportional profit allocation and becomes payable after all client commitments have been fully repaid.

Property Management

Property management is the management of real estate assets including the processes, systems and manpower required to manage the life cycle of a building.

Prospectus Directive

Directive 2003/71/EC.

Real Estate Investment Management

Our real estate investment management business targets semi-institutional and private clients as well as institutional clients and provides real estate investment products to both groups in the form of club deals and structured fund products. Our private and semi-institutional clients include family offices and ultra-high net-worth individuals. National and international institutional clients targeted in the future include sovereign wealth funds, pension funds and insurance companies.

Our real estate investment management activities cover every stage of the lifecycle of a real estate investment. The services provided by us throughout the lifecycle of an investment include:

- the origination, structuring and execution of investment products tailored to the needs of our clients and in line with regulatory requirements;
- on-going and day-to-day asset, fund and property management over the holding period with the aim of actively value-enhancing and optimising the relevant assets; as well as
- management of the realisation of the investment products through multiple eligible exit channels (*e.g.* asset-by-asset sales, portfolio sales, auctions etc.).

Real Estate Operations and Warehousing

Real Estate Operations and Warehousing means acquiring assets for our own account and on our own balance sheet for a period of typically 6 to 12 months in order to realise short-term market opportunities and secure seed assets for investment products, in particular for institutional clients.

Rental Yield

Key performance indicator which determines the contracted rent in relation to the market value of the property at a specified point in time.

RETT

Real Estate Transfer Tax.

Risk Factors

The Risk Factors as set out in this Prospectus. Such Risk Factors are related to the business of the Issuer as real estate investment manager and as such limited to this business unless explicitly stated otherwise.

S&K Group

S&K Holding GmbH, including MAINTWAIN GmbH, seated in Frankfurt am Main (now: Tristan Projekt GmbH, seated in Aschaffenburg) and AT Real Estate Verwaltungs GmbH, seated in Regensburg, both entities related to S&K group and affiliated companies.

Securities Act

U.S. Securities Act of 1933, as amended.

Share

The term share describes both the membership rights (holding in the stock corporation) and the security which embodies these rights. The holder of a share is a shareholder in the assets of the stock corporation.

Share capital

The capital stipulated in a stock corporation's articles of association. The articles of association also specify the number of shares into which the share capital is divided. The Issuer issues shares in the amount of its share capital.

Sqm

Square meters.

Supervisory Board

The Supervisory Board is one of the three executive bodies of a stock corporation: general meeting, Management Board and Supervisory Board. The Supervisory Board appoints the Management Board and provides supervision and advice regarding the management of the Issuer's business.

Vacancy

Vacancy refers to the sum of all lettable space that is not let at the end of a reporting period.

Vacancy rate

The ratio of vacancy to the total lettable area on the respective date.

vitB AG

An investment company seated in Zug, Switzerland, wholly owned by Ralph Winter, which is now named W5 Group GmbH.

INFORMATION INCORPORATED BY REFERENCE

The pages specified below of the following documents which have been published at the Issuer's website at www.corestate-capital.com are incorporated by reference into this Prospectus. All documents being incorporated by reference into this Prospectus have been filed with the Luxembourg Financial Sector Supervisory Authority (*Commission de Surveillance du Secteur Financier*) ("**CSSF**"). The page numbers set out below refer to the page numbers of the respective pdf documents of the financial statements published on the Issuer's website and filed with the CSSF. Any information not incorporated by reference into this Prospectus but contained in one of the documents mentioned as source documents in the cross-reference list below is either not relevant for the investor or covered in another part of this Prospectus.

- the English language annual report 2017 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Issuer as of and for the fiscal year ended 31 December 2017), available via the following link:

  https://ir.corestate-capital.com/download/companies/corestate/Annual%20Reports/LU1296758029-JA-2017-EQ-E-00.pdf

- the English language annual report 2016 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Issuer as of and for the fiscal year ended 31 December 2016, available via the following link:

  https://ir.corestate-capital.com/download/companies/corestate/Annual%20Reports/LU1296758029-JA-2016-EQ-E-02.pdf

- the English language annual report 2015 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Issuer as of and for the fiscal year ended 31 December 2015, available via the following link:

  https://ir.corestate-capital.com/download/companies/corestate/Annual%20Reports/CORESTATE_Capital_AG_Consolidated_Accounts_2015.pdf

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Copies of documents incorporated by reference in this Prospectus may be obtained without charge from the office of the Issuer and the website of www.corestate-capital.com as well as on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Auditor's Reports have been issued in accordance with International Standards on Auditing as adopted for Luxembourg by the Luxembourg Financial Sector Supervisory Authority (*Commission de Surveillance du Secteur Financier*) and relate (i) to the complete annual reports 2017, 2016 and 2015, respectively, of the Issuer comprising the consolidated balance sheets, the consolidated statements of income and accumulated earnings, consolidated cash flow statements, consolidated statements of changes in equity and notes as of and for the fiscal years ended 31 December 2017, 2016 and 2015. Any statement contained in this Prospectus or in a document that is incorporated by reference herein will be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document that is also incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

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