Prospectus dated February 13, 2018

Prospectus

for the admission to trading

on the regulated market (*regulierter Markt*)
of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard)

of

7,000,000 newly issued bearer shares from a capital increase against contributions in cash to be resolved by the Company's shareholders' meeting on or about February 13, 2018

and

29,988,336 existing bearer shares

– each such share with a nominal value of €1.00 –

of

Instone Real Estate Group B.V.
(the "**Company**", which at the date of this prospectus (the "**Prospectus**") is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid* (B.V.)) named Instone Real Estate Group B.V. and will be converted into a public company with limited liability (*naamloze vennootschap* (N.V.)), incorporated under the laws of the Netherlands, on February 13, 2018, shortly after determination of the placement price and prior to listing and settlement,

Amsterdam, the Netherlands

International Securities Identification Number (ISIN): NL0012757355
German Securities Code (*Wertpapierkennnummer* (*WKN*)): A2JCTW
Ticker Symbol: INS
This Prospectus constitutes a prospectus for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council, and amendments thereto (including those resulting from Directive 2010/73/EU) (the "**Prospectus Directive**") and has been prepared in accordance with Section 5:9 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder. The Prospectus has been approved by and filed with the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*).

Joint Global Coordinators and Joint Bookrunners

Credit Suisse **Deutsche Bank**

Joint Bookrunners

BNP PARIBAS **Morgan Stanley** **UniCredit Bank AG**

TABLE OF CONTENTS

I. SUMMARY OF THE PROSPECTUS

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

A – Introduction and Warnings

A.1 Warnings.	This summary should be read as an introduction to this prospectus (the "**Prospectus**"). An investor should base any decision to invest in the securities described herein on the review of the Prospectus as a whole. If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus, or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the ordinary bearer shares with a nominal value of €1.00 per share of Instone Real Estate Group N.V. (which, as of the date of this Prospectus, is still a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid* (*B.V.*)) incorporated under the laws of the Netherlands and with the legal name "Instone Real Estate Group B.V.") (the "**Company**" and, together with its consolidated subsidiaries, "**Instone**"). The Company assumes responsibility for the content of this summary.
A.2 Information regarding the subsequent use of the prospectus.	Not applicable. Consent by the Company regarding the use of this Prospectus for a subsequent resale or placement of shares has not been granted.

B – Issuer

B.1 Legal and commercial name of the issuer.	At the date of this Prospectus, the Company is still a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid* (*B.V.*)) incorporated under the laws of the Netherlands. Its legal name is "Instone Real Estate Group B.V." and its commercial name is "Instone Real Estate". The Company's legal form will be converted into a public company with limited liability (*naamloze vennootschap* (*N.V.*)) incorporated under the laws of the Netherlands, shortly after the determination of the placement price of the Placement Shares (as defined in B.7) and before payment for, and delivery of, the Placement Shares (as defined in B.7), effected by a notarial deed of conversion and amendment of its articles of association (the "**Articles of Association**") and in accordance with a resolution of the Company's general shareholders' meeting (the "**General Meeting**") to be adopted at or prior to such time (the "**N.V. Conversion**", and upon its effectiveness, the "**Effectiveness of the N.V. Conversion**"). Upon Effectiveness of the N.V. Conversion, the legal name of the Company will become "Instone Real Estate Group N.V." and its commercial name will remain unchanged. The Company plans to propose to its General Meeting to resolve upon the conversion of the Company into a German stock corporation (*Aktiengesellschaft*), governed by the laws of the Federal Republic of Germany and having its registered seat in Essen, Germany (the "**AG Conversion**"). The resolution to convert the

		Company into a German stock corporation is expected to be proposed as joint proposal of the Company's management board and the Company's supervisory board and will as such require a simple majority (50%) of the votes cast. The Existing Shareholders (as defined in B.6) have committed (i) to vote in favor of such conversion and (ii) not to dispose of their shareholdings until the end of the lock-up period (August 15, 2018). The Existing Shareholders (as defined in B.6) will continue to hold at least 36.7% of the Company's share capital (assuming a placement of all Placement Shares (as defined in B.7) and full exercise of the Greenshoe Option (as defined in B.7)) following the settlement of the Private Placement (as defined in B.6). The Company will only initiate the consummation of the AG Conversion after assuring that the AG Conversion will not trigger any materially adverse taxes in any jurisdiction. In particular, the AG Conversion will only be consummated following receipt of favorable binding tax rulings by the competent German tax authorities confirming that the AG Conversion can be consummated without triggering substantial German corporate income, German trade tax, German withholding tax or German real estate transfer tax on the level of the Company or its consolidated subsidiaries and would not be treated as an actual or deemed liquidation from a German tax perspective (the "**Favorable Binding Tax Rulings**"), provided the assumptions contained therein regarding Dutch legal and tax matters are sufficiently confirmed by Dutch legal advisors or Dutch binding tax rulings. Following receipt of the Favorable Binding Tax Rulings and subsequent registration of the AG Conversion in the commercial register of the local court (*Amtsgericht*) of Essen, Germany (the "**Effectiveness of the AG Conversion**"), the legal name of the Company will become "Instone Real Estate Group AG" and its commercial name will remain unchanged. The Company expects the AG Conversion to be effected in the course of 2018, provided that the aforementioned requirements are satisfied.
B.2	**Domicile, legal form and legislation under which the issuer operates and its country of incorporation.**	The Company is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under the laws of the Netherlands. The Company has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands, its place of effective management and registered business address at Baumstraße 25, 45128 Essen, Germany, and it is registered with the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under number 60490861. Upon the Effectiveness of the N.V. Conversion, the Company's legal form will be converted into a public company with limited liability (*naamloze vennootschap* (N.V.)), incorporated under the laws of the Netherlands, while its registration number of the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*), its corporate seat (*statutaire zetel*), its place of effective management and its registered business address will not be affected by this conversion. Upon Effectiveness of the AG Conversion, the Company will be a German stock corporation (*Aktiengesellschaft*), governed by the laws of Germany, having its registered seat and business address at Baumstraße 25, 45128 Essen, Germany.
B.3	**Operations and principal business activities of the issuer and principal markets in which the issuer competes.**	Instone is a leading nationwide residential real estate developer in Germany as measured in terms of square meters ("**sqm**") of secured development projects not yet under construction (*Source: bulwiengesa*). Instone develops modern, urban, multifamily residential properties and redevelops listed buildings for residential use. As of September 30, 2017, Instone's project portfolio comprised 48 development projects with an aggregate expected sales volume for fully developed projects of approximately €3.4 billion. As of that date, approximately 93% of Instone's portfolio (by expected sales volume for fully developed projects) was located in Germany's key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg)) and 7% in other prospering medium-sized cities. Instone's key purchaser groups are owner-occupiers, retail buy-to-let investors and institutional investors. As of September 30, 2017, Instone had entered into purchase contracts with regard to 24% of the residential units projected to be constructed in total and with regard to 75% of the

residential units that are in the pre-construction or construction development phase (in each case measured by expected sales volume). As of the same date, Instone had agreed on the sale of two-thirds of its residential units planned to be completed by 2020 (measured by expected sales volume).

Instone believes that the German residential real estate market is highly attractive. Germany is Europe's largest and most stable economy. In 2016, Germany had the highest gross domestic product (GDP) in Europe (€3.1 trillion) as well as one of the highest GDP per capita (€38.1 thousand) (*Source: Destatis, German Federal Statistical Office*). Sound structural growth in the German residential property market is expected to continue due to a combination of several factors, including modest population growth (*Source: Institut der deutschen Wirtschaft Köln* (IW)), an increasing number of households (*Source: Destatis*, *German Federal Statistical Office*) and the current structural undersupply of residential properties (*Source: bulwiengesa*). From 2012 until 2030, the population is expected to grow by 10.3% in Berlin, by 14.2% in Frankfurt am Main and by 4% in Munich (*Source: bulwiengesa*, *Potential Analysis*). In addition, Instone's business benefits from favorable German regulatory framework for project developments. The German Real Estate and Commercial Contractor Regulation (*Makler- und Bauträgerverordnung* ("**MaBV**")) enables Instone to contractually agree on significant fixed down payments based on construction milestones for residential units sold to owner-occupiers and retail buy-to-let investors which substantially reduces its development risk.

Instone is one of only a few pure play residential real estate developers in Germany with operations spanning the entire development value chain other than actual construction. Instone operates through a fully integrated nationwide platform covering the acquisition of land, land development, concept design, construction management, as well as marketing and sales. Headquartered in Essen, Instone also operates through seven branches in Berlin, Cologne, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart. Each branch has its own local teams for acquisition, planning, construction management and marketing and sales activities, while strategic decisions are coordinated and managed together with Instone's headquarters. Instone has strong risk-management processes in place and applies sophisticated reporting and planning tools to mitigate development risks. Due to these measures, for projects completed in the period between January 2015 and September 30, 2017, Instone Development (as defined below) successfully delivered 100% of a total of 25 projects on time and realized on average 1% more floor space than initially projected. During the same period, Instone Development's (as defined below) actual project construction costs were on average 0.5% lower than initially anticipated.

Instone has a successful acquisition track record. Since 2015, Instone has acquired land plots and properties for residential development with an aggregate expected sales volume for fully developed projects of €2,847 million at the time of acquisition. Instone also has a successful development track record. Since 1991, Instone (including its predecessors) has developed residential units comprising more than one million sqm of residential space. In 2015, Instone successfully delivered 1,112 residential units, in 2016 1,204 units, in the first nine months of 2017 270 units and in the last quarter of 2017 190 units, respectively. For 2018, Instone expects to deliver approximately 700 residential units, in 2019 approximately 1,450, and in 2020 approximately 1,300, respectively. Instone achieved a weighted average Historical Gross Project Margin (as defined in B.7 below) of 23.6% over all projects completed between January 1, 2015 and September 30, 2017. Instone believes that its success is attributable to its regional focus, its nationwide regional presence, and the know-how and strong network of its experts located across Germany.

Instone's core business originates from HOCHTIEF Solutions AG's real estate development division. In 2013, HOCHTIEF Solutions AG contributed its development division into a separate entity, formart GmbH & Co. KG. In 2014, formart GmbH & Co. KG, which has since been renamed and converted into Instone Real Estate Development GmbH ("**Instone Development**"), was acquired by the

Company. Instone Development has been fully consolidated in the Company's consolidated financial statements since October 1, 2014. In 2015, the Company acquired the former GRK-Holding GmbH, which has since been renamed Instone Real Estate Leipzig GmbH ("**Instone Leipzig**"), a real estate developer specialized in the redevelopment of listed buildings for residential use. Instone Leipzig has been fully consolidated in the Company's consolidated financial statements since December 2015. In June 2017, the Company's legal name was changed to Instone Real Estate Group B.V. and Instone Real Estate became Instone's commercial name. As a result of the acquisition of Instone Development and Instone Leipzig, the Company's financial statements include substantial effects from the resulting PPA Effects (as defined in B.7).

As of September 30, 2017, Instone owned a portfolio of 48 projects comprising 8,042 residential units with an aggregate expected sales volume for fully developed projects of approximately €3.4 billion. Instone divides its project portfolio into three categories based on the development phase. Projects in the "pre-sale" category comprise projects for which land plots or properties have been acquired or secured by Instone but for which it has not yet commenced its marketing and sales activities. In the "pre-sale" category, Instone performs its land development and concept design activities to enable it to initiate its sales activities. Once Instone starts its marketing and sales activities, projects are assigned to the "pre-construction" phase. Projects in respect of which building measures are being carried out are categorized as being "under construction". As of September 30, 2017, 68% of its project portfolio was in the "pre-sale" category, 7% was in the "pre-construction" category and 25% was "under construction" based on expected sales volume. Out of the expected 8,042 residential units to be built, 1,994 units have already been sold.

The strong backlog of current projects reflects the high level of investment activity in 2015 and 2016, in which land plots and properties were acquired with an aggregate expected sales volume for fully developed projects of €1,476 million (including €550 million attributable to the acquisition of Instone Leipzig) and €995 million, respectively. This high level of investment activity followed a less active acquisition phase in 2013 and 2014, while Instone Development was still under the control of HOCHTIEF Solutions AG, in which land plots or properties were acquired with an aggregate expected sales volume for fully developed projects of €229 million. As of December 31, 2017, Instone had identified 71 additional acquisition opportunities with an aggregate potential sales volume for fully developed projects of more than €13.0 billion.

As a project developer, Instone's results are significantly affected by the method used to account for its customer contracts. Historically, Instone Development's standard customer contracts provided for a right of its customers to request that fundamental changes be made to the project during the course of construction in accordance with a policy of HOCHTIEF Solutions AG. In the new form of contract, which Instone Development introduced on August 1, 2015, this right was eliminated. For projects marketed by Instone Development under the prior form of contact, revenue and costs were recognized throughout the construction phase based on status of completion and sales progress using the percentage of completion method. For projects marketed under the new form of contract, production costs are capitalized in inventories and revenues and profits are not recognized until residential units that have been sold are actually delivered following completion. Because revenues and profits under this method are not recognized until the delivery of completed units, earnings generally remain negative until the end of the project development process. Certain types of Instone Development's project developments (*e.g.*, micro apartments, completed apartments that had not been sold) were sold using contracts that already required application of the completed contract method prior to this contract modification. This was also true for the sale of land plots, which is accounted for under the completed contract method. Instone Leipzig's customer contracts have always required application of the completed contract method.

Consequently, the Company's results in the periods under review include projects accounted for under the percentage of completion method and projects accounted for under the completed contract method. While revenue and earnings from contracts accounted for using the percentage of completion declined over time until the final unit subject to the old form of contract was delivered in the second quarter of 2017, projects marketed using the new form of contract and accounted for under the completed contract method did not begin to contribute to revenues and earnings until 2017 as the first units from such projects began to be delivered following completion.

In 2015, 2016 and the first nine months of 2017 Instone's revenue was €358.7 million, €203.6 million and €123.8 million and its EBIT was negative €7.6 million, €0.8 million and €3.9 million, respectively. Instone's EBIT was impacted by PPA Effects and One-Off Items (as defined in B.7). Adjusted for PPA Effects and One-Off Items, Instone's Adjusted EBIT (as defined in B.7) was €17.7 million in 2015, €48.4 million in 2016 and €15.8 million in the first nine months of 2017. Earnings in the strong 2016 financial year were held back by the impact of the change in customer contract on revenue recognition, while weaker performance in the first nine months of 2017 reflects the delayed effect of the lower level of acquisitions in 2013 and 2014, the use of the new contract form for almost all projects under development in the period and a higher number of units delivered at the end of the year. These effects will positively impact revenue and Adjusted EBIT in the fourth quarter of 2017. Because revenues and earnings in respect of the large volume of ongoing projects in its strong project portfolio are only recognized upon delivery of units following project completion, Instone expects significant revenue and Adjusted EBIT contribution from projects currently under development in the years to come.

Business Strengths

The Company believes that the following competitive strengths have been the primary drivers of Instone's success in the past and will continue to set it apart from its competitors in the future:

- Exposure to Europe's largest and most stable economy with attractive housing sector fundamentals.
- Market-leading nationwide platform focused on key metropolitan regions and prospering medium-sized cities in Germany with scalability potential.
- Attractive project portfolio geared towards most attractive German growth cities setting foundation for strong and predictable, structural growth.
- Favorable regulatory regime and strong risk management and sophisticated reporting tools mitigate development risk.
- Capital efficient business model with attractive project margins.
- Industry-wide highly experienced management team with a proven track record of value generation.

Strategy

Instone's strategy is to create additional value for its project portfolio and to keep and further strengthen the Company's competitive position in the German residential real estate development market. To achieve this, the Company will leverage its strong platform and deep market knowledge and expand its competitive position in the German residential development sector. Also, Instone aims to fuel further growth through the realization of growth opportunities, among others in Germany's key metropolitan regions, for which Instone expects further growth potential. Instone intends to achieve this as follows:

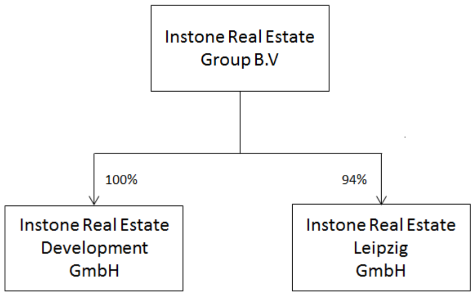
- Maintain and expand its competitive position in the German residential development sector with a continued focus on Germany's key metropolitan regions.
- Focus on land plots or properties without zoning or planning permission for

residential development purposes at the time of acquisition.

- Increase aggregate expected sales volume by (re)investing excess funds as well as net proceeds from the private placement to further fuel growth.

B.4a	**Most significant recent trends affecting the issuer and the industries in which it operates.**	Instone's business activities are influenced by numerous demographic, economic and political factors. Instone is most significantly affected by developments in, and related to, the residential real estate sector in Germany, particularly in the key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg)), where approximately 93% of Instone's portfolio (by expected sales volume for fully developed projects) was located as of September 30, 2017. Instone's key purchaser groups are owner-occupiers, retail buy-to-let investors and institutional investors. Given Instone's focus on residential real estate developments, it is affected, in general, by developments in macro-economic indicators, such as economic growth, employment, population growth, purchasing power and interest rates. More specifically, Instone is closely affected by trends land value, property value, demand for residential units and property development costs in the geographical regions where Instone operates. House and apartment prices in Germany have risen since the beginning of 2009, which means that 2018 is the tenth year in the current real-estate cycle. Even though the cycle has already reached an impressive length, it is still characterized by housing shortages and relatively inelastic supply. Markets in metropolitan areas are particularly tight; there, prices have risen approximately 80% between 2009 and 2017. The number of newly completed residential units is rising as well and is expected to reach 305,000 for the first time ever in 2017, up from almost 280,000 in 2016. Experts further expect it to increase to 335,000 in 2018. However, assuming that at least 350,000 new residential units would be necessary (government estimate), the gap between supply and demand should continue to widen. The tight market situation has pushed house prices up even more strongly in 2017 than in the preceding years. According to bulwiengesa (which covers 126 cities), house prices rose around 6.5% and apartment prices more than 10% on average. As in the preceding years, the strongest price increases were registered in metropolitan areas and large cities. However, many smaller cities also experienced significant prices rises, and in none of the 126 cities did prices decline. Experts expect price and rent growth to remain strong in 2018. The supply shortage on the housing market and the excellent labor market will likely remain the dominant price drivers. Besides the economic developments described above, Instone experiences a general trend toward a reduction in household sizes which is underlined by the general growth in the number of one-person households. Furthermore, Instone experiences a trend toward flexible housing and floor plan design that work for a person's current family situation, but that can also be easily adapted to accommodate different family dynamics in the future. Less and less apartments are inhabited by traditional families; changing living structures reflect the diversity of today's lifestyles. Whether a shared flat, single, small family or single parent, whether home work or residential office – adaptable concepts require a high degree of neutrality of individual rooms. Flexible housing and floor plan design starts with a basic layout that allows for functional expansion in the future. For example, flexible floor plans may offer rooms that can be alternatively used as a guest or study room or as a living area for an older child or grandparent.
B.5	**The group and the issuer's position within the group.**	The Company is the holding company of Instone. Instone's business is conducted by Instone and its various subsidiaries. The Company's consolidated financial statements include all companies whose financial and business policy can be controlled by the Company, either directly or indirectly, and whose financial and business policy can be influenced by the Company to a significant extent. As of the date of this Prospectus, Instone comprises 32 companies (including minority shareholdings). In the Company's consolidated financial statements for the financial year ended December 31, 2016, 21 companies were consolidated.

The following chart provides an overview of the Company and its material subsidiaries:



B.6 Name of persons who, directly or indirectly, have a notifiable interest in the issuer's capital or voting rights.

The following table sets forth the shareholding of the existing shareholders, (i) Coöperatieve Formart Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*) ("**Coöperatieve Formart**"), Coöperatieve Activum SG Fund III Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*) ("**Coöperatieve Activum III**") and Coöperatieve Activum SG Fund V Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*) ("**Coöperatieve Activum V**", and, together with Coöperatieve Formart and Coöperatieve Activum III, the "**Existing Shareholders**") immediately prior to and their expected shareholding, together with the expected shareholding of the public float, upon completion of the private placement of up to 23,400,000 bearer shares of the Company, each such share having a nominal value of €1.00 and with full dividend rights from January 1, 2017 (the "**Private Placement**"):

	Actual (direct) Ownership		
	Immediately prior to the Private Placement	**Upon completion of the Private Placement (assuming a placement of all Placement Shares and no exercise of the Greenshoe Option)**	**Upon completion of the Private Placement (assuming a placement of all Placement Shares and full exercise of the Greenshoe Option)**
		(in %)	
Coöperatieve Activum III	59.6	26.8	21.9
Coöperatieve Formart	33.3	15.0	12.2
Coöperatieve Activum V	7.1	3.2	2.6
Public float	–	55.0	63.3

Different voting rights of major shareholders of the issuer.

Each share in the Company carries one vote at the Company's General Meeting. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights except pursuant to a limited number of statutory provisions.

Direct or indirect control.

The Company is a controlled undertaking of Coöperatieve Formart, Coöperatieve Activum III, and Coöperatieve Activum V, due to their joint ownership of 100% of the voting rights in the Company, the parallel control structure, and as a result of their power to jointly govern the financial and operating policies of the Company through their power to appoint the Company's directors. The Existing Shareholders, in turn, are ultimately indirectly controlled by Saul Abram Goldstein. Saul Abram Goldstein is the sole shareholder of Activum SG Capital Management Limited. Activum SG Capital Management Limited is the sole shareholder of Activum SG III GP Limited, and Activum SG V GP Limited. Activum SG III GP Limited is the sole shareholder of Activum SG formart GP L.P. Limited. Activum SG formart GP L.P. Limited is the general partner of Activum SG Fund III LP, the sole member of Coöperatieve Activum III. In addition, Activum SG III GP Limited is the general partner of Activum SG formart Co-Invest LP, the sole member of Coöperatieve Formart. Activum SG Capital Management Limited is also the sole shareholder of

Activum SG V GP Limited. Activum SG V GP Limited is in turn the general partner of Activum SG Fund V L.P. and of Activum SG Feeder Fund V L.P. Activum SG Fund V L.P. is the sole member of Coöperatieve Activum V and Activum SG Feeder Fund V L.P. is a feeder fund pooling beneficial interests of non-controlling beneficial owners in Coöperatieve Activum V.

B.7 Selected historical key financial information.

The financial information contained in the following tables is taken or derived from the audited consolidated financial statements of the Company as of and for the financial years ended December 31, 2016, December 31, 2015 and December 31, 2014 and the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2017. The Company's financial year 2014 began with its formation on April 16, 2014 and ended December 31, 2014. Additional financial information is taken or derived from Instone's accounting records or internal reporting system. The audited consolidated financial statements were prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS on interim financial reporting (IAS 34).

Deloitte Accountants B.V. ("**Deloitte**") has audited and issued an unqualified independent auditor's report with respect to the Company's consolidated financial statements as of and for the financial Years ended December 31, 2016, December 31, 2015 and December 31, 2014. The aforementioned audited consolidated financial statements of the Company and the respective independent auditor's report thereon, and the Company's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017 are included in this Prospectus.

Where financial information in the following tables are labelled "audited", this means that they have been taken from the audited financial statements mentioned above and does not indicate that the individual amount is audited. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the audited financial statements mentioned above, but has been taken either from the Company's unaudited condensed interim consolidated financial statements mentioned above or the Company's internal reporting system, or has been calculated based on figures from the aforementioned sources.

All of the financial information presented in the tables below are shown in millions of Euro (in € million), except as otherwise stated. Certain financial information (including percentages) in the following tables have been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or sub totals or differences or if numbers are put in relation) in the following tables may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in this Prospectus. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. 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 ("0.0") signifies that the relevant figure is available but has been rounded to zero.

Selected Consolidated Financial Information

Consolidated Statement of Profit or Loss

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)		
Revenue	123.8	164.9	203.6	358.7	64.4
Change in inventories	30.4	86.0	158.9	(23.1)	(7.8)
Other operating income	4.2	1.8	8.3	8.6	31.5
Cost of materials	(109.5)	(207.9)	(293.7)	(284.3)	(51.0)
Staff costs	(19.2)	(24.1)	(35.2)	(26.9)	(6.4)

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)			(audited) (in € million)	
Other operating expenses	(26.5)	(31.4)	(42.4)	(38.5)	(19.0)
Income from associated affiliates	0.5	1.4	1.3	(1.4)	1.6
Other net income from investments[(1)]	0.6	0.3	0.3	(0.1)	–
Earnings before interest, tax, depreciation and amortization (EBITDA)	**4.2**	**(9.0)**	**1.3**	**(7.1)**	**13.4**
Depreciation and amortization	(0.3)	(0.3)	(0.4)	(0.5)	(0.1)
Earnings before interest and tax (EBIT)	**3.9**	**(9.3)**	**0.8**	**(7.6)**	**13.3**
Finance income	0.8	–	0.1	0.9	0.2
Finance costs	(15.7)	(18.8)	(25.0)	(21.8)	(5.4)
Write-down of long-term securities	–	–	0.1	(0.1)	–
Finance result[(2)]	**(14.9)**	**(18.8)**	**(24.8)**	**(21.0)**	**(5.2)**
Earnings before tax (EBT)	**(11.0)**	**(28.1)**	**(24.0)**	**(28.6)**	**8.1**
Income taxes	(2.0)	2.5	1.8	6.2	2.7
Earnings after tax (EAT)	**(13.0)**	**(25.7)**	**(22.2)**	**(22.4)**	**10.8**
Attributable to:					
Shareholders of the Group	(13.2)	(24.8)	(22.4)	(22.4)	10.8
Non-controlling interests	0.1	(0.8)	0.2	–	0.0
	(13.0)	(25.7)	(22.2)	(22.4)	10.8

(1) In the financial statements as of and for the year ended December 31, 2015, referred to as “Other income from investments”.
(2) In the financial statements as of and for the years ended December 31, 2015 and 2014, referred to as “Financial result”.

Consolidated Statement of Financial Position

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited)	(audited)		
	(in € million)	(in € million)		
ASSETS				
Non-current assets				
Intangible assets	0.0	0.0	0.0	–
Property, plant and equipment	1.6	1.5	1.6	1.3
Equity-method investments	0.4	1.4	0.1	9.5
Other financial assets	0.6	0.7	0.9	0.4
Financial receivables	0.7	0.7	–	–
Total non-current assets	**3.2**	**4.3**	**2.6**	**11.2**
Current assets				
Inventories	572.6	542.7	415.5	233.0
Financial receivables	2.4	0.2	0.2	2.1
Trade receivables	11.4	19.6	110.2	115.4
Other receivables and other assets	8.3	5.6	16.6	5.2
Current income tax assets	0.2	0.3	0.3	1.1
Cash and cash equivalents	110.7	112.5	35.9	25.1
Total current assets	**705.6**	**680.9**	**578.7**	**382.0**
Total assets	**708.9**	**685.2**	**581.3**	**393.2**
EQUITY AND LIABILITIES				
Equity				
Share capital	0.0	0.0	0.0	0.0
Capital reserve	37.4	37.4	37.4	21.0
Retained earnings / loss carryforwards	(48.7)	(35.5)	(13.1)	11.1
Accumulated other comprehensive income	(1.3)	(1.3)	(0.1)	(0.2)
Equity attributable to shareholders	**(12.5)**	**0.7**	**24.2**	**31.9**
Non-controlling interests	1.5	2.0	11.5	0.0
Total equity	**(11.0)**	**(2.7)**	**35.7**	**32.0**
Non-current liabilities				
Provisions for pensions and similar obligations	4.5	4.1	2.4	2.1
Other provisions	12.8	12.4	4.5	3.0
Financial liabilities	338.8	300.9	299.0	214.2
Other liabilities	–	–	0.3	–
Deferred tax liabilities	16.5	23.4	36.3	11.2
Total non-current liabilities	**372.6**	**340.9**	**342.5**	**230.6**
Current liabilities				
Other provisions	33.3	25.6	20.2	16.8
Financial liabilities	58.0	81.6	65.6	32.2
Trade payables	248.5	215.2	99.0	79.2
Other liabilities	6.2	13.1	16.2	2.4
Income tax liabilities	1.4	6.2	2.0	–
Total current liabilities	**347.3**	**341.7**	**203.0**	**130.6**
Total equity and liabilities	**708.9**	**685.2**	**581.3**	**393.2**

Selected Information from the Consolidated Statement of Cash Flows

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)			(audited) (in € million)	
Net cash flow from operating activities	(5.1)	39.3	87.7	(15.9)	(11.4)
Cash flow from investing activities	(21.9)	(18.2)	(21.8)	(51.2)	(120.7)
Cash flow from financing activities	25.0	16.4	8.5	78.4	157.2
Increase (decrease) in cash and cash equivalents	(1.9)	37.6	74.3	11.2	25.1
Net foreign exchange differences and changes in group structure	–	–	2.3	(0.4)	–
Cash and cash equivalents at the end of period	110.7	73.5	112.5	35.9	25.1

Alternative Performance Measures

The Company believes that the key performance indicators described in this section constitute significant indicators for measuring the operating and financial performance of Instone's business and are useful to potential investors when comparing the Company's performance with that of its competitors in the real estate development sector (all alternative performance measures referred to hereinafter as "**Alternative Performance Measures**"):

- Operating performance (hereinafter "**Operating Performance**") is defined as the sum of revenue and change in inventories as stated in the consolidated statement of profit or loss. Change in inventories is measured by the value of the entries into inventories as a result of (i) acquisitions, (ii) capitalized development costs and (iii) project-related interest expenses (excluding commission fees) less the value of withdrawals during the accounting period as a result of disposals. Operating Performance is a common measure in the real estate development industry as it measures not only revenues realized from development activities but also measures acquisition costs for land plots acquired for future developments and capitalized development activities. Accordingly, Operating Performance, as the sum of revenues and change in inventories is less affected by the method of accounting applied and provides a more consistent measure of Instone's development activities over time. Under each method of accounting, Operating Performance includes the price paid for the acquisition of land plots, which is recorded in change of inventories. Under the percentage of completion method, Operating Performance reflects the contract revenue for units sold, including the Anticipated Gross Project Margin (as defined below), that can be attributed in any given period to the proportion of work completed in such period and also includes, within changes in inventories, costs capitalized in the periods under review associated with ongoing construction that, based on units sold and construction progress cannot yet be recognized in revenue. Under the completed contract method, revenues and margins are not recognized during the construction phase, but construction costs, finance cost and staff cost are capitalized and included in change in inventories as work progresses, while revenues, including profits, are recognized only upon delivery of the residential units. Accordingly, as the sum of revenue and change in inventories, Operating Performance provides a broadly consistent measure of the Company's performance over time, notwithstanding the fact that they include projects accounted for under both the percentage of completion method and the completed contract method. Differences remain, however, as Operating Performance for projects accounted for under the completed contract method does not include any portion of the Anticipated Gross Project Margin for units sold and also does not reflect operating expenses that cannot be capitalized, such as certain sales costs, which are, however, reflected in revenue under the percentage of completion method for units sold. Anticipated Gross Project Margin ("**Anticipated Gross Project Margin**") is defined as the quotient of (i) total estimated project income minus total estimated project costs for fully developed projects and (ii) total estimated project income on the basis of the current estimated market price for such project. Total estimated project costs include a 1.5% construction cost inflation assumption and sales commission but do not include financing, personnel, corporate expense or PPA Effects (as defined below). Instone uses the Anticipated Gross Project Margin to determine whether to pursue with acquisitions of land plots for new project developments. As described above, the Anticipated Gross Project Margin was used to determine the relevant proportion of work completed to be allocated to contract revenue for units sold under the percentage of completion method.

- Adjusted Operating Performance (hereinafter "**Adjusted Operating Performance**") is defined as Operating Performance adjusted for inventories-related PPA Effects (as defined below). PPA Effects are defined as the effects on the consolidated financial statements resulting from the acquisition of Instone Development in 2014 and Instone Leipzig in 2015, that required the Company to allocate the purchase prices to the assets and liabilities that were acquired based on estimated fair values and resulted in a step up in the value of the acquired assets, an increase in liabilities and income tax liabilities and thereby impacted change in inventories, Operating Performance, other income and EBIT in the periods of the acquisition and in subsequent periods ("**PPA Effects**"). At the time of delivery of such assets (when fully developed) to Instone's customers, such additional values result in the recognition of correspondingly higher costs in the consolidated statement of profit or loss and reduce Operating Performance in such periods. The adjustments applied on Operating Performance therefore reverse such higher costs resulting from the amortization of the value step ups. As PPA Effects relating to "other income" do not affect revenues or change in inventories, Operating Performance is only adjusted for inventories-related PPA Effects. Instone believes the resulting Adjusted Operating Performance to be a valuable performance indicator as it shows Operating Performance as it would have been without PPA Effects that are not indicative of Instone's underlying ordinary course of business Operating Performance.
- Adjusted EBIT is defined as EBIT adjusted by all of the PPA Effects and One-Off Items (hereinafter "**Adjusted EBIT**"). EBIT is a line item in the Company's consolidated statement of profit or loss and comprises earnings before interest and tax ("**EBIT**"). One-off items are defined as items which, in management's view, are unusual or incurred on a non-recurring basis in particular due to acquisition events, disposals or structural changes within Instone ("**One-Off Items**").
- EBITDA is a line item in the Company's consolidated statement of profit or loss and defined as earnings before interest, taxes, depreciation and amortization ("**EBITDA**"). EBITDA is used to measure EBIT excluding non-operating expenses and certain non-cash expenses.
- Net working capital (hereinafter "**Net Working Capital**") is defined as inventories plus trade receivables minus trade payables. Net Working Capital takes into account inventories, trade receivables and other receivables as well as liabilities and does not take into account cash and other available liquid resources. It serves to measure the short-term liquidity of Instone's business and its ability to utilize assets in an efficient manner.
- Total financial liabilities ("**Total Financial Liabilities**") consist of total non-current financial liabilities and total current financial liabilities. The Company uses Total Financial Liabilities to measure its aggregate financial liabilities.
- Historical Gross Project Margin ("**Historical Gross Project Margin**") is defined as quotient of (i) total historical project income minus total historical project costs and (ii) total historical project income. Total historical project costs include sales commission but do not include financing, personnel, corporate expense or PPA Effects. Instone uses Historical Gross Project Margin to measure the profitability of its completed projects to monitor and report on actual historical project margins.

The Alternative Performance Measures are not recognized as measures under IFRS and should not be considered as substitutes for figures on earnings before tax, net earnings, cash flow from operating activities or other consolidated statement of financial position or cash flow data, as determined in accordance with IFRS, or as measures of profitability or liquidity. The Alternative Performance Measures do not necessarily indicate whether cash flow will be sufficient or available for Instone's cash requirements, nor whether any such measure is indicative of its historical operating results. The Alternative Performance Measures are not meant to be indicative of future results. Because not all companies calculate these measures and figures in the same way, Instone's presentation of the Alternative Performance Measures is not necessarily comparable with similarly titled measures used by other companies. Although certain of this data has been extracted or derived from the Company's consolidated financial statements contained in this Prospectus, this data has not been audited or reviewed by Deloitte, except as otherwise indicated.

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)		(unaudited, unless otherwise indicated) (in € million)		
Revenue	123.8	164.9	203.6	358.7	64.4
Change in inventories	30.4	86.0	158.9	(23.1)	(7.8)
Operating Performance	**154.2**	**250.9**	**362.5**	**335.6**	**56.7**
Reversal of inventories-related PPA Effects(1)	***16.8***	***22.2***	***50.0***	***13.7***	***3.3***
PPA Effects re Instone Development	*3.9*	*8.3*	*11.9*	*13.7*	*3.3*
PPA Effects re Instone Leipzig	*12.9*	*13.9*	*38.1*	-	-
Adjusted Operating Performance	**171.0**	**273.1**	**412.5**	**349.3**	**60.0**
EBIT	**3.9**	**(9.3)**	**0.8**(2)	**(7.6)**(2)	**13.3**(2)
Reversal of PPA Effects(3)	***16.8***	***22.2***	***49.1***	***10.6***	***(20.5)***
PPA Effects re Instone Development	*3.9*	*8.3*	*11.1*	*10.8*	*(20.5)*
PPA Effects re Instone Leipzig	*12.9*	*13.9*	*38.1*	*(0.2)*	-
One-Off Items	***(4.9)***	***4.8***	***(1.5)***	***14.7***	***13.2***
Expenses with respect to the acquisition of companies(4)	–	*0.0*	*0.3*	*4.2*	*4.4*
Expenses with respect to the restructuring of Instone(5)	–	–	–	*6.8*	*3.3*
Liabilities under purchase agreements(6)	–	–	–	*3.9*	*2.1*
Long term incentive(7)	–	*6.5*	*8.9*	*2.3*	*0.0*
Gain from carve-out disposals(8)	*(4.9)*	–	*(6.5)*	*(4.1)*	-
Gain from reimbursements(9)	–	*(0.7)*	*(3.2)*	-	-
Gains from provisions under acquisition agreements(10)	–	*(2.1)*	*(2.1)*	-	-
Litigation losses(11)	–	–	–	*1.0*	-
Other(12)	*0.0*	*1.1*	*1.1*	*0.6*	*3.3*
Adjusted EBIT	**15.8**	**17.7**	**48.4**	**17.7**	**6.0**

(1) Reversal of inventories-related PPA Effects relates to a reversal of such PPA Effects only that resulted in a change in inventories due to the recorded step up in the value of the assets acquired as part of the acquisitions of Instone Development and Instone Leipzig.

(2) Audited.

(3) Reversal of PPA Effects relates to the reversal of all PPA Effects.

(4) Expenses with respect to the acquisition of companies refers to expenses incurred relating to external advisors commissioned by Instone in connection with Instone Development and Instone Leipzig.

(5) Expenses with respect to the restructuring of Instone refers to expenses incurred in connection with the internal restructuring of Instone Development with a particular focus on its core business, the closure of certain branches as well as the reduction of business activities in foreign countries.

(6) Liabilities under purchase agreements refers to expenses incurred for the recognition of certain provisions for claims to be made for certain projects agreed upon under the sale and purchase agreement entered into by the Company and HOCHTIEF Solutions AG relating to the acquisition of Instone Development.

(7) Long-term incentive refers to expenses incurred for the recognition of provisions for the long-term incentive plans for the benefit of certain employees reflecting a participation in the added value created for the Existing Shareholders.

(8) Gain from carve-out disposals refers to gain from the disposal of non-core assets of Instone Leipzig the proceeds of which are, however, attributable to the seller pursuant to the earn-out rules under the sale and purchase agreement relating to Instone Leipzig and included as gain in the reversal of PPA Effects.

(9) Gain from reimbursements refers to gain relating to a reimbursement paid by the City of Wiesbaden to Instone's subsidiary "Projekt Wiesbaden Wilhelmstraße GmbH & Co. KG" relating to planning costs for a public building as well as a reimbursement with respect to the settlement of legal disputes in Luxembourg paid by HOCHTIEF Solutions AG.

(10) Gains from provisions under acquisition agreements refers to settlement payments by HOCHTIEF Solutions AG to the Company in connection with the disposal of Office Park Hamm in Luxembourg.

(11) Litigation losses refers to losses incurred in connection with the settlement of the proceeding relating to Cour de Justice, Luxemburg between HOCHTIEF Solutions AG and the Grand Duchy of Luxembourg for which HOCHTIEF Solutions AG remained liable under the sale and purchase agreement relating to the acquisition of Instone Development.

(12) Other includes management compensation to related parties incurred in connection with the acquisition of Instone Development and Instone Leipzig as non-recurring items.

The following table shows the elements of Net Working Capital as of the dates indicated:

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)	(audited, unless otherwise indicated) (in € million)		
Inventories	**572.6**	**542.7**	**415.5**	**233.0**
thereof:				
Capitalization of land plots	*258.0*	*220.8*(1)	*60.2*(1)	*69.6*(1)
Work in progress inventories	*309.2*	*316.8*(1)	*345.4*(1)	*163.4*(1)
Finished goods	*5.4*	*5.1*	*9.9*	-
Trade receivables	**11.4**	**19.6**	**110.2**	**115.4**
Thereof				
Amounts due from customers for contract work (PoC)	*0.0*	*13.6*	*242.5*	*216.0*
Progress payments received(2)	–	*(10.3)*	*(151.1)*	*(122.9)*
Other trade receivables	*11.4*	*15.7*	*18.2*	*20.8*
Trade receivables from non-consolidated subsidiaries	–	*0.5*	*0.6*	*1.6*
Trade payables	**(248.5)**	**(215.2)**	**(99.0)**	**(79.2)**
Thereof				
Amounts due from customers for contract work (PoC)	–	–	*10.8*	*58.7*
Progress payments received(2)	–	–	*(11.3)*	(64.6)
Trade payables	*(41.4)*	*(53.6)*	*(55.5)*	(62.6)
Progress payments received(3)	*(207.1)*	*(161.5)*	*(43.0)*	*(10.7)*
Payables from non-consolidated subsidiaries	–	*(0.0)*	*(0.0)*	*(0.1)*
Net Working Capital	**335.5**	**347.1**(1)	**426.7**(1)	**269.2**(1)

(1) Unaudited.
(2) Relates to customer contracts accounted for under the percentage of completion method.
(3) Relates to customer contracts accounted for under the completed contract method.

Significant changes to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.

The following material changes in Instone's financial condition and operating results occurred in the nine-month period ended September 30, 2017, and in the financial years ended December 31, 2014, 2015 and 2016.

Nine-Month Period Ended September 30, 2016 and September 30, 2017

Operating Performance decreased by €96.7 million, or 38.5%, from €250.9 million in the nine-month period ended September 30, 2016 to €154.2 million in the nine-month period ended September 30, 2017. Adjusted for PPA Effects, Adjusted Operating Performance decreased by €102.1 million, or 37.4%, from €273.1 million to €171.0 million. This decline was primarily due to the delayed effect on projects under development of the less active acquisition phase in the financial years 2013 and 2014 while Instone Development was still under the control of HOCHTIEF Solutions AG. It also reflects substantially lower revenues from projects accounted for using the percentage of completion method as the new form of contract was used for almost all projects under development in the period. Change in inventories also had a negative impact on Operating Performance due to a lower level of land acquisitions in the first nine months of 2017.

EBIT increased by €13.2 million, or 141.9%, from negative €9.3 million in the nine-month period ended September 30, 2016 to €3.9 million in the nine-month period ended September 30, 2017. Adjusted for PPA Effects and One-Off Items, Adjusted EBIT decreased by €1.9 million, or 10.7%, from €17.7 million in the nine-month period ended September 30, 2016 to €15.8 million in the nine-month period ended September 30, 2017. This decrease was primarily due to the delayed effect on projects under development of the less active acquisition phase in the financial years 2013 and 2014 while Instone Development was still under the control of HOCHTIEF

Solutions AG. It also reflects substantially lower profit from projects accounted for using the percentage of completion method, as the new form of contract was used for almost all projects under development in the period, and a higher number of units delivered to customers in the last quarter of 2017. The higher number of deliveries in the last quarter of 2017 was primarily due to the higher investment activity following Instone's acquisition of Instone Development. These effects will positively impact revenue and Adjusted EBIT in the fourth quarter of 2017.

Financial Years Ended December 31, 2015 and December 31, 2016

Operating Performance increased by €26.9 million, or 8.0%, from €335.6 million in the financial year ended December 31, 2015 to €362.5 million in the financial year ended December 31, 2016. Adjusted for PPA Effects, Adjusted Operating Performance increased by €63.2 million, or 18.1%, from €349.3 million in the financial year ended December 31, 2015 to €412.5 million in the financial year ended December 31, 2016. This was primarily due to the significant increase in change in inventories in the financial year 2016 in connection with the capitalization of land acquisition cost which was partially offset by the decline in revenues from contracts accounted for using the percentage of completion method as they were completed over time. A further positive impact on Adjusted Operating Performance in 2016 resulted from the consolidation of Instone Leipzig for the full financial year.

EBIT improved by €8.4 million from negative €7.6 million in the financial year ended December 31, 2015 to €0.8 million in the financial year ended December 31, 2016. Adjusted for PPA Effects and One-Off Items, Adjusted EBIT increased by €30.7 million, or 173.4%, from €17.7 million in the financial year ended December 31, 2015 to €48.4 million in the financial year ended December 31, 2016. This increase was primarily due to the higher level of development activities in the financial year ended December 31, 2016, notwithstanding the delayed recognition of revenue and earnings due to the increasing number ongoing development projects accounted for under the completed the contract method. A further positive impact on EBIT in 2016 resulted from the consolidation of Instone Leipzig for the full financial year.

Financial Years Ended December 31, 2014 and December 31, 2015

Operating Performance increased by €278.9 million, or 491.9%, from €56.7 million in the financial year ended December 31, 2014 to €335.6 million in the financial year ended December 31, 2015. Adjusted for PPA Effects, Adjusted Operating Performance increased by €289.3 million from €60.0 million in the financial year ended December 31, 2014 compared to €349.3 million in the financial year ended December 31, 2015 accordingly. This was primarily due to the short financial year in 2014 and the consolidation of Instone Development only for the last quarter of 2014, while in the financial year ended December 31, 2015, Instone Development was consolidated for the full financial year. As a result of the short financial year and the difference in the scope of consolidation, the financial year 2014 is only partially comparable to the financial year 2015.

EBIT decreased by €20.9 million, or 157.1%, from €13.3 million in the financial year ended December 31, 2014 to negative €7.6 million in the financial year ended December 31, 2015. Adjusted for PPA Effects and One-Off Items, Adjusted EBIT increased by €11.7 million, or 195.0%, from €6.0 million in the financial year ended December 31, 2014 to €17.7 million in the financial year ended December 31, 2015. This increase was primarily due to the short financial year in 2014 and the consolidation of Instone Development only for the last quarter of 2014, while in the financial year ended December 31, 2015, Instone Development was consolidated for the full financial year.

Recent Developments

On December 28, 2017, shareholder loans extended to the Company were partially converted in an amount of €48.0 million and contributed into the Company's share premium. On February 13, 2018, shortly after determination of the placement price for the Placement Shares (as defined in B.7) and prior to listing and settlement, the Existing Shareholders will resolve to convert €41,930.00 of the Company's share premium into share capital of the Company (the "**Pre–Conversion Share Capital Increase**"). Following this Pre–Conversion Share Capital Increase, the Company's share capital will amount to €50,316.00. On the same day, upon Effectiveness of the N.V. Conversion, the General Meeting will resolve to convert €29,938,020.00 of the Company's share premium into share capital of the Company (the "**Post–Conversion Share Capital Increase**"). Following the Post–Conversion Share Capital Increase and prior to the placement capital increase, the Company's share capital will amount to €29,988,336.00.

On December 29, 2017, Coöperatieve Activum V sold and transferred 295 shares in the Company to Coöperatieve Formart increasing Coöperatieve Formart's shareholding in the Company to 33.3%. As of the date of this Prospectus, Coöperatieve Activum V holds 7.1% of the shares in the Company.

In the last quarter of 2017, Instone delivered 190 residential units with an aggregate sales volume for fully developed projects of €75.6 million. As of September 30, 2017, Instone's project portfolio comprised 48 development projects with an aggregate expected sales volume for fully developed projects of approximately €3.4 billion. Since that date and until the date of this Prospectus, Instone's Management Board has approved 3 additional projects with an aggregate expected sales volume for fully developed projects of approximately €128.0 million including the following:

- "Project Teemanufaktur" in Halle (for which Instone already completed the acquisition of land plots) with an aggregate expected sales volume when fully developed of approximately €25.0 million;
- "Project Kosmos" (Siemens Areal) in Frankfurt with an aggregate expected sales volume when fully developed of approximately €33.0 million; and
- "Project Schorndorf" with an aggregate expected sales volume when fully developed of approximately €69.8 million.

As of December 31, 2017, Instone had identified 71 acquisition opportunities with an aggregate potential sales volume for fully developed projects of more than €13.0 billion. In the medium term, Instone aims to annually acquire land plots or properties with an aggregate expected sales volume for fully developed projects of €900 million to €1.0 billion.

On February 2, 2018, in anticipation of the expected admission to trading of the Company's shares on the regulated market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard), the Company and the Existing Shareholders, together with Credit Suisse Securities (Europe) Limited, London, United Kingdom ("**Credit Suisse**"), Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany ("**Deutsche Bank**", together with Credit Suisse, the "**Joint Global Coordinators**"), BNP Paribas ("**BNP Paribas**"), Morgan Stanley & Co. International plc ("**Morgan Stanley**") or UniCredit Bank AG ("**UniCredit**", together with BNP Paribas, Morgan Stanley and the Joint Global Coordinators, the "**Joint Bookrunners**" or the "**Underwriters**"), initiated a Private Placement for 7,000,000 newly issued bearer shares of the Company from a capital increase against contributions in cash to be resolved by the Company's General Meeting on or about February 13, 2018 (the "**New Shares**") and up to 13,350,000 existing bearer shares of the Company from the holdings of the Existing Shareholders (the "**Existing Shares**" and, together with the New Shares, the "**Base Shares**").

Investors may, in addition to the Base Shares, be allocated up to 3,050,000 existing bearer shares of the Company ("**Over-Allotment Shares**" and, together with the Base

Shares, the “**Placement Shares**”) as part of the allocation of the Base Shares (“**Over-Allotment**”). For the purpose of a potential Over-Allotment, Credit Suisse, or its affiliates, acting as the stabilization manager (the “**Stabilization Manager**”), for the account of the Underwriters, will be provided with up to 3,050,000 existing bearer shares of the Company from the holdings of the Existing Shareholders in the form of a securities loan. The total number of Over-Allotment Shares will not exceed 15% of all Base Shares. In addition, the Existing Shareholders have granted the Underwriters an option to acquire the Over-Allotment Shares at the placement price, less agreed commissions (the “**Greenshoe Option**”). The Greenshoe Option may only be exercised during the stabilization period (the period that begins with the date the Company’s shares commence trading and ends no later than 30 calendar days thereafter) and will terminate 30 calendar days after the commencement of trading of the Company’s shares, which is expected to take place on February 15, 2018.

On February 1, 2018, the Company and the Existing Shareholders, together with the Joint Bookrunners, set the price range at €21.50 to €25.50 per share (the “**Price Range**”).

The placement price and the final number of shares to be placed in the Private Placement are expected to be determined based on the order book prepared during the bookbuilding process (expected to take place in the period from February 2, 2018 and February 13, 2018) on or about February 13, 2018.

The Company intends to list its shares to gain access to the capital markets providing for the ability to obtain equity and debt capital markets financing. The Company currently intends to use a portion of the net proceeds from the Private Placement attributable to the Company of about €55.5 million to repay all amounts outstanding under all shareholder loans as of February 19, 2018, and the remaining net proceeds of about €100.3 million (assuming that the New Shares are finally placed at the mid-point of the Price Range) to fund its acquisition and development activities to create additional value and stable returns from its development business.

Except for the developments mentioned above, between September 30, 2017 and the date of this Prospectus, there have been no significant changes in Instone’s financial or trading position.

B.8	**Selected key pro forma financial information.**	Not applicable. The Company has not prepared pro forma financial information.
B.9	**Profit forecast or estimate.**	Not applicable. The Company has not prepared a profit forecast or profit estimate.
B.10	**Qualifications in the audit report on the historical financial information.**	Not applicable. The independent auditor’s reports on the audited historical financial statements included in this Prospectus have been issued without qualification.
B.11	**Insufficiency of the issuer’s working capital.**	Not applicable. The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least 12 months from the date of publication of this Prospectus.

C – Securities

C.1	**Type and class of the securities being offered and admitted to trading.**	Ordinary bearer shares, each such share having a nominal value of €1.00 and with full dividend rights from January 1, 2017.

	Security identification number.	International Securities Identification Number (ISIN): NL0012757355 German Securities Code (*Wertpapierkennnummer, WKN*): A2JCTW Ticker Symbol: INS
C.2	**Currency of the securities issue.**	Euro.
C.3	**Number of shares issued and fully paid and par value per share.**	As of the date of this Prospectus, the share capital of the Company amounts to €8,386.00 and is divided into 8,386 shares, each such share having a nominal value of €1.00. The Company's shares are in registered form (*op naam*). Upon Effectiveness of the N.V. Conversion, the Company's shares will be converted into bearer form (*aandelen aan toonder*). The share capital has been fully paid up.
C.4	**Rights attached to the securities.**	Each share in the Company carries one vote at the Company's General Meeting. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights except pursuant to a limited number of statutory provisions.
C.5	**Restrictions on the free transferability of the securities.**	As of the date of the Prospectus, the Company's shares are in registered form (*op naam*). Upon Effectiveness of the N.V. Conversion, the Company's shares will be converted into bearer form (*aandelen aan toonder*). Except for the restrictions set forth herein and in E.5, there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares upon Effectiveness of the N.V. Conversion. However, the Private Placement to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the Netherlands, and the transfer of Placement Shares into jurisdictions other than the Netherlands may be subject to specific regulations or restrictions.
C.6	**Application for admission to trading on a regulated market and identity of all the regulated markets where the securities are to be traded.**	The Company applied for the admission of its shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) on February 9, 2018. The listing approval (admission decision) for the Company's shares is expected to be granted on February 14, 2018. Trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on February 15, 2018.
C.7	**Dividend policy.**	The Company currently intends, subject to the full repayment of the shareholder loans from a portion of the net proceeds from the Private Placement, to retain all available funds and any future earnings to support operations and to finance the growth and development of its business and currently does not intend to pay any dividends for the financial years 2017 through 2019. In the medium term, at the earliest in 2021 for the financial year 2020, the Company plans to distribute dividends amounting to 20% to 30% of its net income, unless it then decides to rather continue investing such distributable funds into further growth. Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, its results of operations, financial condition, contractual restrictions and capital requirements. The Company's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities.

D – Risks

An investment in the Company's shares is subject to a number of risks. Prospective investors should carefully consider the following risks together with all the other information contained in this prospectus prior to making any investment decision regarding the Company's shares. The following risks, alone or together with additional risks and uncertainties not currently known to the Company, or that the Company might currently deem immaterial, could have a material adverse effect on the business, assets, financial condition, cash flows and results of operations of Instone. The market price of the Company's shares could decline if any of these risks were to materialize, in which case investors could lose some or all of their investment.

The order in which the risks are presented is not an indication of the likelihood of the risks actually materializing, or the significance or degree of the risks or the scope of any potential harm to the business, assets, financial condition, cash flows or results of operations of Instone. The risks mentioned herein may materialize individually or cumulatively.

D.1	**Key risks that are specific to the issuer or its industry.**	**Market and Business Key Risks** • Instone is dependent on the German residential property market, the conditions of which may deteriorate due to macroeconomic or other factors. • Instone may achieve lower sales volumes and revenues for its projects than estimated, in particular if the general housing price level deteriorates. • Instone's project portfolio is concentrated in terms of geography and project type, which may increase the risk of loss. • Instone is exposed to significant competition. which may intensify in the future. • Instone may not be able to realize development projects on profitable terms or as scheduled. • Instone's growth and profitability depends on its ability to identify attractive land plots or listed redevelopment properties and acquire them on attractive terms. • Instone's business may be adversely affected if it fails to obtain, or if there are any material delays in obtaining, required zoning or land-use plans and building permits and approvals for its residential development or redevelopment projects or if these are subsequently withdrawn or challenged. • Instone may not be able to maintain or obtain sufficient financing on acceptable terms, or at all. • Instone Development may cease to be able to obtain surety facility agreements at all or on economically viable terms. • The Private Placement and listing may result in a change of control in the Company which may trigger termination and acceleration rights under certain financing agreements. • Instone is dependent on third-party suppliers and contractors to develop and construct its properties. • Instone is exposed to the risk of construction defects and of defective construction materials. • The construction of new residential properties involves health, safety and environmental risks. • Demand for Instone's properties depends on purchaser preferences for types of accommodations or locations of property and perceptions as to the attractiveness or quality of its project developments.

- Damage to Instone's reputation, the reputation of the residential real estate development sector as a whole or inadequate purchaser satisfaction may result in decreased demand for Instone's development properties.
- Constraints on the availability and higher costs of mortgage funding may adversely affect Instone's sales.
- Non-compliance with certain building requirements with respect to Instone's redevelopment of listed buildings may adversely affect its business.
- Changes in German tax legislation allowing for special depreciation of redevelopment investments in listed buildings may adversely affect Instone's business.
- Instone may incur a variety of costs to engage in future growth or expansion, and the anticipated benefits may never be realized.
- Instone may lose key personnel or may be unable to recruit qualified personnel for key positions.
- Instone is dependent on the undisrupted operation and security of its infrastructure and information technology (IT) that is a key component of its risk management system.
- The integration of Instone Leipzig into Instone may not be successful or not proceed as planned and may result in higher costs than expected.
- Instone could incur substantial losses from damage not covered by, or exceeding the coverage limits of, its insurance policies.
- Land plots and real estate properties can be illiquid assets and could significantly impede Instone's ability to respond to adverse changes in the real estate or financial markets.
- The valuation report and financial information contained in this Prospectus may incorrectly assess the value of Instone's properties.

Regulatory, Legal and Tax Key Risks

- Changes to applicable law and/or regulations in the residential real estate sector may adversely affect the sustainable success of Instone's business model.
- Non-compliance with MaBV or the German Trade Regulation (*Gewerbeordnung* (GewO)) could result in administrative fines (*Bußgelder*) or a revocation of Instone's license entitling it to receive staggered down-payments from private purchasers upon the achievement of certain development milestones.
- Standard terms and conditions used in Instone's agreements with purchasers, architects, and construction companies may be invalid.
- Instone's compliance systems may not have been, or may not be, sufficient to adequately prevent or detect legal, financial and operational risks.
- If the Company fails to maintain an effective system of internal controls, it may not be able to accurately determine its financial results and may be required to restate its financial statements, as a result of which the Company's shareholders could lose confidence in the Company's financial results.
- Instone may be adversely affected by changes to the general tax environment in Germany and the Netherlands as such changes might result in an increase of Instone's tax burden.
- Instone might become taxable in a jurisdiction other than Germany because of its current dual tax resident status.

- Instone might have to withhold German and Dutch withholding tax on dividends.
- Instone has undergone, and is expected to undergo, significant reorganizations, including the planned conversion of the Company into a German stock corporation (*Aktiengesellschaft*), which may result in an additional tax burden.

D.3	**Key risks specific to the securities.**	**Key Risks related to the Private Placement and Listing and the Placement Shares** • There is no existing market for the Company's shares and the development of an active trading market may be limited. • The market price and trading volume of the Company's shares could fluctuate considerably, which could result in substantial losses. • Following the Private Placement and listing, the Existing Shareholders will retain a significant interest in the Company, and their interests may conflict with those of the other shareholders. • Future capital measures could lead to a substantial dilution of shareholders' interests in the Company and their voting rights and may adversely affect the market price of the shares. • Future sales by the Existing Shareholders could depress the price of the Company's shares. • The Company's ability to pay dividends depends on a variety of factors. Dividends paid in the past are not necessarily indicative of future payments and the Company's dividend policy may change. • The Company is a Dutch private limited liability company (*B.V.)* and will be converted into a Dutch public limited liability company (*N.V.*), the shareholder rights of which may differ from rights of shareholders in a corporation organized in another jurisdiction. • The Company plans to propose to its General Meeting to convert the Company into a German stock corporation (*Aktiengesellschaft*) the shareholder rights of which may differ from rights of shareholders in a corporation organized in another jurisdiction.

E – Offer

E.1	**Total net proceeds.**	Not applicable. There will be no public offering. The Company will, however, receive the proceeds from the Private Placement resulting from the sale of the New Shares. The Company will not receive any proceeds from the sale of the Existing Shares or of the Over-Allotment Shares from the holdings of the Existing Shareholders. Assuming that the New Shares are placed at the low end, mid-point and high end of the Price Range, the Company estimates that gross proceeds to the Company would amount to approximately €150.5 million, €164.5 million, and €178.5 million, respectively, and net proceeds of approximately €142.2 million, €155.8 million, and €169.4 million, respectively. Assuming placement of all Existing Shares and of all Over-Allotment Shares and assuming full exercise of the Greenshoe Option totaling 16,400,000 shares, the Company estimates that at the low end, mid-point and high end of the Price Range, gross proceeds to the Existing Shareholders would amount to approximately €352.6 million, €385.4 million and €418.2 million, respectively, and net proceeds would amount to approximately €334.8 million, €366.7 million and €398.5 million, respectively.
	Estimate of the total expenses of the issue/offer.	Not applicable. The costs of the Company related to the Private Placement and the listing of the Placement Shares are expected to total approximately €10.9 million (excluding underwriting and placement commissions payable to the Underwriters), of

		which 65.6% will be borne by the Existing Shareholders, which means that the Company will ultimately bear 34.4% thereof.
	Estimated expenses charged to the investor.	Not applicable. Investors will not be charged expenses by the Company, the Existing Shareholders or the Underwriters. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.
E.2a	**Reasons for the offering.**	Not applicable. There will be no public offering. The Company intends to list its shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to gain access to the capital markets. The Existing Shareholders intend to pursue the Private Placement to receive the net proceeds from the Private Placement attributable to the Existing Shareholders.
	Use of Proceeds, estimated net amount of the proceeds.	The Company currently intends to use a portion of the net proceeds from the Private Placement attributable to the Company of about €55.5 million to fully repay the outstanding amounts under all shareholder loans and the remaining net proceeds of about €100.3 million (assuming that the New Shares are finally placed at the mid-point of the Price Range) to fund its acquisition and development activities to create additional value and stable returns from its development business.
E.3	**Terms and conditions of the offer.**	Not applicable. There will be no public offering. Please refer to B.7 for information on the terms and conditions of the Private Placement.
E.4	**Interests material to the issue/offer including conflicting interests.**	In connection with the admission to trading of the Company's shares and the Private Placement, the Underwriters have formed a contractual relationship with the Company and the Existing Shareholders. The Underwriters are acting for the Company and the Existing Shareholders in connection with the structuring and execution of the Private Placement. In addition, Deutsche Bank has been mandated to act as designated sponsor for the Company's shares and as paying agent. The listing is a condition precedent to the consummation of the Private Placement. Therefore, the Underwriters have a financial interest in the listing as they will only receive the commission agreed upon in the Underwriting Agreement following the successful completion of the Private Placement and thus the completion of the listing. Some of the Underwriters or their affiliates have, and may from time to time in the future continue to have, business relations with Instone and the Existing Shareholders, including lending activities, or may perform services for Instone or the Existing Shareholders in the ordinary course of business. The Existing Shareholders have an interest in the listing as this is a condition precedent to the Private Placement and will receive the proceeds from the sale of up to 13,350,000 Existing Shares and of up to 3,050,000 Over-Allotment Shares (if any) sold in the Private Placement (after deduction of fees and commissions). Other than the interests described above, there are no material interests, in particular no material conflicts of interest, with respect to the Private Placement or the listing of the Company's shares.

E.5	**Name of the person or entity offering to sell the security.**	Not applicable. There will be no public offering. The Placement Shares are being offered for sale in Private Placements by the Joint Bookrunners.
	Lock-up agreement: the parties involved and indication of the period of the lock-up.	In the underwriting agreement relating to the Private Placement as entered into between the Company, the Existing Shareholders and the Underwriters on February 2, 2018 (the "**Underwriting Agreement**"), the Company agreed with each Underwriter that, during the period commencing on February 2, 2018 and ending six months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 15, 2018), to the extent legally permissible, without the prior written consent of the Underwriters, which may not be unreasonably withheld, the Company will not: (a) announce or effect an increase of the Company's share capital out of authorized capital or contingent capital, if any; (b) propose to the General Meeting an increase of the issued share capital; (c) announce, effect or propose the issuance of securities with conversion or option rights on shares of the Company; (d) offer, pledge, allot, issue (unless required by applicable law), sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares in its capital or any securities convertible into or exercisable or exchangeable for shares in its capital or enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares in its capital; or (e) enter into a transaction or perform any action economically similar to those described in (a) through (d) above. The foregoing will not apply to (i) conversion of up to €30 million of the Company's share premium into the Company's share capital prior to the listing of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), (ii) increase of the Company's share capital in connection with the Private Placement, (iii) proposals to the General Meeting to create authorized capital, contingent capital, an authorization to issue securities convertible into or exercisable or exchangeable for shares in the Company's share capital (such authorizations not to be exercised throughout the lock-up period), (iv) issuance or sale of any shares or other securities to employees and members of executive bodies of the Company or its subsidiaries under customary management or employee stock option plans or (v) any corporate actions undertaken by the Company for the purpose of converting the Company into a German stock corporation (*Aktiengesellschaft*). In addition, for the period commencing on February 2, 2018 and ending six months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 15, 2018), the Existing Shareholders have agreed that they will not, without the prior written consent of the Underwriters, which may not be unreasonably withheld: • offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares or any other securities of the Company convertible into or exercisable or exchangeable for shares of the Company;

- make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company;
- propose any increase in the share capital of the Company, vote in favor of such a proposed increase or otherwise support any proposal for the issuance of any securities convertible into shares of the Company, or with option rights for shares of the Company; or
- enter into a transaction or perform any action economically similar to those described in each of the cases above, in particular enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise.

The foregoing shall not apply to (i) the creation of an authorized capital, contingent capital, or the authorization to issue securities convertible into or exercisable or exchangeable for shares in the Company's share capital (such authorizations not to be exercised throughout the lock-up period), (ii) any measure required to increase the Company's share capital prior to the listing of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and to adopt and implement the N.V. Conversion, (iii) any measure required to adopt and implement the AG Conversion (without effecting an increase in the share capital of the Company), (iv) transfer of shares under the securities loan granted by the Existing Shareholders to the Stabilization Manager in connection with the Over-Allotment, (v) sale and transfer of shares to members of the Company's management board or to managing directors of Instone group entities in connection with the restructuring of the management compensation programs, and (vi) transfers to affiliates of the respective Existing Shareholder, provided, however, that in case of (v) and (vi) such transferee(s) agree(s) towards the Joint Global Coordinators to be bound by the same or longer lock-up undertakings.

E.6 Amount and percentage of immediate dilution resulting from the offer.

Not applicable. There will be no public offering.

Instone's total equity (*i.e.*, the net book value (total assets less total non-current liabilities and total current liabilities)) amounted to negative €11.0 million as of September 30, 2017, and would amount to €1.23 per share of the Company based on 29,988,336 outstanding shares of the Company immediately prior to the Placement Capital Increase and after adjusting for the shareholder loans extended to the Company that were partially converted in an amount of €48.0 million and contributed into the Company's share premium.

The dilutive effect of the Private Placement is illustrated in the table below, demonstrating the amount by which the placement price exceeds the equity attributable to shareholders per share after completion of the Private Placement and assuming the Private Placement had been completed on September 30, 2017. In this respect, the net book value attributable to shareholders as of September 30, 2017 is adjusted for the effects of the Private Placement, assuming (i) the execution of the Placement Capital Increase and (ii) an increase in the net book value attributable to shareholders by €3.98 million (assuming successful placement of the New Shares at the mid-point of the Price Range and completion of the Private Placement and not taking into account any tax effects). The adjusted net book value attributable to shareholders is expressed as a per share figure, assuming 36,988,336 shares of the Company outstanding upon completion of the Private Placement (this per share figure being referred to as the "**Post-Placement per Share Net Book Value**").

	As of September 30, 2017
	(unaudited) **(in €, unless otherwise specified)**
Placement price per share	23.50

	As of September 30, 2017
Per share net book value (based on 29,988,336 outstanding shares of the Company before the Placement Capital Increase)(1)	1.23
Post-Placement per Share Net Book Value(2) (net book value)	5.21
Amount by which the price per share exceeds the Post-Placement per Share Net Book Value (immediate dilution per share)	18.29
Immediate dilution (in %)	77.8%

(1) Based on 29,988,336 outstanding shares of the Company immediately prior to the Private Placement and total equity of Instone in the amount of negative €11.0 million as of September 30, 2017 and after adjusting for the shareholder loans extended to the Company that were partially converted in an amount of €48.0 million and contributed into the Company's share premium.

(2) Assuming successful placement of the New Shares at the mid-point of the Price Range.

E.7	**Estimated expenses charged to the investor by the issuer or offeror.**	Not applicable. Investors will not be charged expenses by the Company, the Existing Shareholders or the Joint Bookrunners. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

A translation of the summary in the German language follows this summary. The German translation of this summary has not been approved by the AFM. In the event of inconsistency between the German language version and the English language version of this summary, the English version will prevail.

II. ZUSAMMENFASSUNG DES PROSPEKTS

*Zusammenfassungen bestehen aus Pflichtangaben, die als Punkte („**Punkte**") bezeichnet werden. Diese Punkte sind in den Abschnitten A-E (A.1 - E.7) fortlaufend nummeriert. Diese Zusammenfassung enthält alle Punkte, die für die vorliegende Art von Wertpapier und Emittent in eine Zusammenfassung aufzunehmen sind. Da einige Punkte nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Punkt wegen der Art des Wertpapiers und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass in Bezug auf diesen Punkt keine relevanten Informationen gegeben werden können. In diesen Fällen enthält die Zusammenfassung eine kurze Beschreibung des Punkts mit dem Hinweis „Entfällt".*

A – Einleitung und Warnhinweise

A.1	**Warnhinweise.**	Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt (der „**Prospekt**") verstanden werden. Der Anleger sollte jede Entscheidung zur Anlage in die hierin beschriebenen Wertpapiere auf die Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Eine zivilrechtliche Haftung trifft nur die Personen, die die Zusammenfassung nebst Übersetzung erstellt haben und nur dann, wenn die Zusammenfassung, sofern sie zusammen mit den anderen Teilen des Prospekt gelesen wird, irreführend, unrichtig oder widersprüchlich sein sollte oder wenn sie, zusammen mit den anderen Teilen des Prospekts gelesen, nicht alle erforderlichen Schlüsselinformationen vermittelt, die den Anlegern dabei helfen, zu entscheiden, ob sie in die Inhaberaktien mit einem Nennwert von jeweils €1,00 der Instone Real Estate Group N.V. (welche im Zeitpunkt dieses Prospekts noch eine Gesellschaft mit beschränkter Haftung niederländischen Rechts (*besloten vennootschap met beperkte aansprakelijkheid (B.V.)*) ist deren Firma "Instone Real Estate Group B.V." lautet) (die „**Gesellschaft**", und gemeinsam mit ihren Konzerngesellschaften, „**Instone**") investieren sollen. Die Gesellschaft ist verantwortlich für den Inhalt dieser Zusammenfassung.
A.2	**Angaben zu einer späteren Verwendung des Prospekts.**	Entfällt. Eine Zustimmung der Gesellschaft zur Verwendung dieses Prospektes für eine spätere Weiterveräußerung oder Platzierung der Aktien wurde nicht erteilt.

B – Emittent

B.1	**Firma und Handelsname des Emittenten.**	Im Zeitpunkt dieses Prospekts ist die Gesellschaft noch eine Gesellschaft mit beschränkter Haftung niederländischen Rechts (*besloten vennootschap met beperkte aansprakelijkheid (B.V.)*). Die Firma der Gesellschaft lautet "Instone Real Estate Group B.V." und der Handelsname "Instone Real Estate". Die Gesellschaft wird in eine Aktiengesellschaft nach niederländischem Recht (*naamloze vennootschap (N.V.)*) umgewandelt, und zwar kurz nach der Festlegung des Platzierungspreises für die Platzierungsaktien (wie in B.7 definiert) und vor der Bezahlung und Lieferung der Platzierungsaktien (wie in B.7 definiert), durch eine notarielle Urkunde und Änderung der Satzung (die „**Satzung**") gemäß Beschlussfassung der Gesellschafterversammlung der Gesellschaft (die „**Gesellschafterversammlung**") zu jenem Zeitpunkt oder zuvor (die „**N.V. Umwandlung**", und mit Wirksamkeit der N.V. Umwandlung, die „**Wirksamkeit**

		der N.V. Umwandlung"). Nach Wirksamkeit der N.V. Umwandlung wird die Firma der Gesellschaft sodann „Instone Real Estate Group N.V." lauten und der Handelsname unverändert bleiben. Die Gesellschaft beabsichtigt der Hauptversammlung vorzuschlagen, einen Beschluss über die Umwandlung der Gesellschaft in eine Aktiengesellschaft, die deutschem Recht unterliegt und ihren Satzungssitz in Essen, Deutschland hat, zu fassen (die „**AG Umwandlung**"). Es ist angedacht, den Beschluss über die Umwandlung der Gesellschaft in eine deutsche Aktiengesellschaft durch gemeinsamen Vorschlag von Vorstand und Aufsichtsrat vorzuschlagen, welcher eine einfache Mehrheit (50%) der abgegebenen Stimmen erfordert. Die Bestehenden Aktionäre (wie in B.6 definiert) haben sich verpflichtet, (i) für eine solche Umwandlung zu stimmen und (ii) ihre Beteiligungen nicht bis zum Ende der Sperrfrist (August 15, 2018) zu veräußern. Die Bestehenden Aktionäre (wie in B.6 definiert) werden weiterhin mindestens 36,7% der Aktien der Gesellschaft (unter der Annahme der vollständigen Platzierung der Platzierungsaktien und der vollständigen Ausübung der Greenshoe-Option (wie jeweils in B.7 definiert) im Anschluss an die Privatplatzierung (wie in B.6 definiert) halten. Die Gesellschaft wird mit der Durchführung der AG Umwandlung erst beginnen nachdem sichergestellt wurde, dass die AG-Umwandlung in keiner Rechtsordnung wesentlich nachteilige Steuern auslösen wird. Insbesondere wird die AG Umwandlung nur nach Erhalt von verbindlichen steuerlichen Auskünften der zuständigen deutschen Steuerbehörden durchgeführt, welche bestätigen, dass die AG Umwandlung ohne wesentliche negative deutsche steuerliche Auswirkungen auf Ebene der Gesellschaft und ihrer konsolidierten Tochtergesellschaften für Zwecke der deutschen Körperschafts-, Gewerbe- und Quellensteuer sowie Grunderwerbssteuer vollzogen werden kann und auch keine tatsächliche oder angenommene Auflösung aus einer deutschen Steuersicht vorliegt (die „**Positiven Verbindlichen Steuerlichen Auskünfte**"), sofern die darin enthaltenen Annahmen betreffend niederländische rechtliche und steuerliche Sachverhalte hinreichend von niederländischen Rechtsgutachten oder niederländischen verbindlichen steuerlichen Auskünften gestützt werden. Nach Erhalt der Positiven Verbindlichen Steuerlichen Auskünfte und anschließender Eintragung der AG Umwandlung in das Register des Amtsgerichts Essen, Deutschland (die „**Wirksamkeit der AG Umwandlung**"), wird die Firma der Gesellschaft „Instone Real Estate Group AG" lauten und der Handelsname unverändert bleiben. Die Gesellschaft geht davon aus, dass die AG Umwandlung in 2018 durchgeführt wird, vorausgesetzt, dass die oben genannten Anforderungen erfüllt sind.
B.2	**Sitz, Rechtsform und Jurisdiktion, unter der der Emittent tätig ist; Gründungsland des Emittenten.**	Die Gesellschaft ist eine nach dem Recht der Niederlande gegründete Gesellschaft mit beschränkter Haftung (*besloten vennootschap met beperkte aansprakelijkheid*). Die Gesellschaft hat ihren Sitz (*statutaire zetel*) in Amsterdam, Niederlande, den Ort der tatsächlichen Geschäftsführung und ihre eingetragene Geschäftsadresse in der Baumstraße 25, 45128 Essen, Deutschland, und ist im Handelsregister der Niederländischen Handelskammer (*Handelsregister van de Kamer van Koophandel*) unter der Nummer 60490861 eingetragen. Mit Wirksamkeit der N.V. Umwandlung wird die Rechtsform der Gesellschaft in eine Aktiengesellschaft niederländischen Rechts (*naamloze vennootschap* (N.V.)) umgewandelt, während die Umwandlung keine Auswirkungen auf ihre im Handelsregister der Niederländischen Handelskammer (*Handelsregister van de Kamer van Koophandel*) eingetragene Nummer, ihren Sitz (*statutaire zetel*), den Ort ihrer tatsächlichen Geschäftsführung und ihre eingetragene Geschäftsadresse hat. Mit Wirksamkeit der AG Umwandlung wird die Gesellschaft zu einer deutschen Aktiengesellschaft, mit Sitz und Geschäftsadresse in der Baumstraße 25, 45128 Essen, Deutschland, die deutschem Recht unterliegt.
B.3	**Betriebliche Tätigkeit und Hauptgeschäftsaktivitäten des Emittenten;**	Instone ist, gemessen an der Anzahl der Quadratmeter der gesicherten aber noch nicht im Bau befindlichen Immobilienprojekte, ein führender landesweit tätiger Wohnimmobilienentwickler in Deutschland (*Quelle: bulwiengesa*). Instone entwickelt moderne Mehrfamilienwohnanlagen in Städten und saniert denkmalgeschützte Immobilien zu Wohnzwecken. Zum 30. September 2017 bestand

Hauptmärkte, auf denen der Emittent aktiv ist.

das Projektportfolio von Instone aus 48 Entwicklungsprojekten mit einem erwarteten Gesamtumsatzvolumen für voll entwickelte Projekte von rund €3,4 Milliarden. Zu diesem Datum befanden sich ca. 93% des Portfolios von Instone (ausgehend vom erwarteten Umsatzvolumen für vollständig entwickelte Projekte) in den wichtigsten Metropolregionen Deutschlands (Berlin, Bonn, Köln, Düsseldorf, Frankfurt am Main, Hamburg, Leipzig, München und Stuttgart (einschließlich Herrenberg)) und 7% in anderen prosperierenden mittelgroßen Städten. Die maßgeblichen Erwerbergruppen von Instone sind Eigennutzer, Privatanleger mit Vermietungsabsicht und institutionelle Investoren. Zum 30. September 2017 hatte Instone Kaufverträge hinsichtlich 24% der insgesamt planmäßig zu bauenden Wohneinheiten sowie 75% der Wohneinheiten, welche sich in der Vorerrichtungs- oder Bauentwicklungsphase befinden (jeweils gemessen am erwarteten Gesamtumsatzvolumen). Zu demselben Datum hatte Instone den Verkauf von zwei Dritteln der Wohneinheiten, die planmäßig bis 2020 fertigzustellen sind, vereinbart (gemessen am erwarteten Gesamtumsatzvolumen).

Nach Einschätzung von Instone ist der deutsche Markt für Wohnimmobilien äußerst attraktiv. Deutschland ist Europas größte und stabilste Volkswirtschaft. Im Jahr 2016 wies Deutschland das höchste Bruttoinlandsprodukt (BIP) in Europa (€3,1 Billionen) sowie eines der höchsten BIPs pro Kopf (€38,1 Tausend) auf (*Quelle: Destatis, Deutsches Statistisches Bundesamt*). Es wird damit gerechnet, dass im deutschen Wohnimmobilienmarkt auch weiterhin aus einer Reihe von Gründen, einschließlich eines moderaten Bevölkerungswachstums (*Quelle: Institut der deutschen Wirtschaft Köln* (IW)), einem Anstieg der Anzahl der Haushalte (*Quelle: Destatis*, *Deutsches Statistisches Bundesamt*) sowie der derzeitigen strukturellen Unterversorgung mit Wohnimmobilien (*Quelle: bulwiengesa*), ein gesundes strukturelles Wachstum vorherrschen wird. Es wird erwartet, dass die Einwohnerzahlen von 2012 bis 2030 in Berlin um 10,3%, in Frankfurt am Main um 14,0% und in München um 4,0% ansteigen werden (*Quelle: bulwiengesa, Potentialanalyse*). Weiterhin profitiert Instone von dem günstigen regulatorischen Umfeld für Projektentwicklung in Deutschland. Die deutsche Makler- und Bauträgerverordnung („**MaBV**") ermöglicht es Instone, bei Wohneinheiten, die an Eigennutzer oder Privatanleger mit Vermietungsabsicht verkauft werden, Teilzahlungen in beträchtlicher Höhe je nach Baufortschritt vertraglich zu vereinbaren, was das Entwicklungsrisiko von Instone erheblich verringert.

Instone ist einer der wenigen reinen Wohnimmobilienentwickler in Deutschland, dessen Geschäftstätigkeit die gesamte Entwicklungs-Wertschöpfungskette, abgesehen von der tatsächlichen Errichtung, abdeckt. Instone betreibt sein Geschäft durch eine vollintegrierte landesweite Plattform, vom Grundstückserwerb und der Grundstücksentwicklung über die Konzeptplanung, der Bauleitung bis hin zu Marketing und Verkauf. Instone hat seinen Hauptsitz in Essen und betreibt sein Geschäft außerdem durch sieben Niederlassungen in Berlin, Köln, Frankfurt am Main, Hamburg, Leipzig, München und Stuttgart. Jede Niederlassung verfügt über lokale Teams für Akquise, Planung, Bauleitung sowie Marketing und Vertrieb, während strategische Entscheidungen zusammen mit Instones Hauptsitz abgestimmt und gesteuert werden. Instone verfügt über ein starkes Risikomanagement und nutzt ausgeklügelte Berichts- und Planungsinstrumente um die Entwicklungsrisiken zu minimieren. Aufgrund dieser Maßnahmen hat Instone Development (wie unten definiert) hinsichtlich von Projekten, die zwischen Januar 2015 und dem 30. September 2017 abgeschlossen wurden, 100% von insgesamt 25 Neubauentwicklungsprojekten erfolgreich fristgerecht geliefert sowie durchschnittlich 1,0% mehr Grundfläche realisiert als ursprünglich geplant. In der selben Periode waren die tatsächlichen Herstellungskosten der Projekte der Instone Development (wie unten definiert) durchschnittlich um 0,5% niedriger als ursprünglich geplant.

Instone hat eine gute Erfolgsbilanz in der Akquise. Seit 2015 hat Instone Grundstücke und Objekte für Wohnraumentwicklung mit einem im Zeitpunkt der Akquisition erwarteten Gesamtumsatzvolumen für voll entwickelte Projekte in Höhe von €2.847 Millionen erworben. Instone hat ebenfalls eine gute Erfolgsbilanz in der Projektentwicklung. Seit 1991 hat Instone (einschließlich seiner

Vorgängerunternehmen) Wohneinheiten mit mehr als einer Million Quadratmeter Wohnfläche entwickelt. Im Jahr 2015 hat Instone erfolgreich 1.112 Einheiten, 2016 1.204 Einheiten, in den ersten neun Monaten von 2017 270 Einheiten und im letzten Quartal 2017 190 Einheiten geliefert. Für 2018 rechnet Instone damit, rund 700 Wohneinheiten zu liefern, für 2019 rund 1.450 und für 2020 rund 1.300. Instone hat für alle Projekte, die zwischen dem 1. Januar 2015 und dem 30. September 2017 fertiggestellt wurden, eine gewichtete durchschnittliche Historische Brutto-Projektmarge (wie in B.7 definiert) von ca. 23,6% erreicht. Instone ist der Auffassung, dass der Erfolg des Unternehmens auf den regionalen Fokus, die landesweite regionale Präsenz sowie die Expertise und das starke Netzwerk seiner über ganz Deutschland verteilten Experten zurückzuführen ist.

Instones Kerngeschäft geht auf den Geschäftsbereich für Immobilienentwicklung der HOCHTIEF Solutions AG zurück. Im Jahr 2013 brachte die HOCHTIEF Solutions AG ihren Geschäftsbereich Entwicklung in eine eigene Gesellschaft, die formart GmbH & Co. KG, ein. Im Jahr 2014 wurde die formart GmbH & Co. KG, welche seitdem umgewandelt und jetzt als Instone Real Estate Development GmbH („**Instone Development**") firmiert, von der Gesellschaft erworben. Instone Development wird seit dem 1. Oktober 2014 im Konzernabschluss der Gesellschaft voll konsolidiert. Im Jahr 2015 erwarb die Gesellschaft die ehemalige GRK-Holding GmbH, ein Immobilienentwicklungsunternehmen mit Spezialisierung auf die Sanierung von denkmalgeschützten Bauwerken zur Nutzung als Wohnraum, die in Instone Real Estate Leipzig GmbH („**Instone Leipzig**") umbenannt wurde. Instone Leipzig wird seit Dezember 2015 im Konzernabschluss der Gesellschaft voll konsolidiert. Im Juni 2017 wurde die Firma der Gesellschaft in Instone Real Estate Group B.V. und der Handelsname in "Instone Real Estate" geändert. Infolge der Übernahme der Instone Development und Instone Leipzig enthalten die Konzernabschlüsse der Gesellschaft wesentliche Effekte aus den daraus resultierenden Kaufpreisallokationseffekten (wie in B.7 definiert).

Zum 30. September 2017 enthielt das Projektportfolio von Instone 48 Projekte bestehend aus 8.042 Wohneinheiten mit einem erwarteten Gesamtumsatzvolumen für voll entwickelte Projekte von rund €3,4 Milliarden. Instone teilt sein Projektportfolio in drei Kategorien je nach Entwicklungsphase auf. Projekte in der Kategorie „vor Beginn der Vermarktung" sind Projekte, für die Grundstücke oder Objekte durch Instone bereits akquiriert oder gesichert worden sind, für die jedoch noch keine Marketing- und Verkaufsaktivitäten begonnen haben. In der Phase „vor Beginn der Vermarktung" betreibt Instone die Entwicklung des Grundstücks und führt die Konzeptplanung durch, um sodann mit den Verkaufsaktivitäten beginnen zu können. Sobald Instone die Marketing- und Verkaufsaktivitäten eingeleitet hat, werden Projekte in die „Vorerrichtungsphase" überführt. Projekte, bei denen aktuell Bauaktivitäten durchgeführt werden, werden als in der „Bauerrichtungsphase" bezeichnet. Zum 30. September 2017 befanden sich, basierend auf erwartetem Gesamtumsatzvolumen nach Fertigstellung der Projektentwicklungen, 68% des Projektportfolios in der Phase „vor Beginn der Vermarktung", 7% in der „Vorerrichtungsphase" und 25% waren in der „Bauerrichtungsphase". Von den planmäßig zu bauenden 8.042 Wohneinheiten, wurden bereits 1.994 Einheiten vorverkauft.

Der hohe Auftragsbestand an laufenden Projekten spiegelt das hohe Maß an Investitionen in den Jahren 2015 und 2016 wieder, in denen Grundstücke oder Objekte mit einem erwarteten Gesamtumsatzvolumen für voll entwickelte Projekte in Höhe von €1.476 Millionen (von denen €550 Millionen durch die Akquisition von Instone Leipzig akquiriert wurden) bzw. €995 Millionen akquiriert wurden. Dieses hohe Level an Investitionen folgte auf eine Phase mit weniger Akquisitionen in den Jahren 2013 und 2014, in der Instone Development noch von der HOCHTIEF Solutions AG kontrolliert wurde und Grundstücke oder Objekte mit einem erwarteten Gesamtumsatzvolumen für voll entwickelte Projekte in Höhe von €229 Millionen akquiriert wurden. Zum 31. Dezember 2017 hatte Instone 71 weitere Akquisitionsmöglichkeiten mit einem erwarteten Gesamtumsatzvolumen für voll entwickelte Projekte von mehr als €13,0 Milliarden identifiziert.

Als Wohnimmobilienentwickler werden Instones Ergebnisse maßgeblich durch die für die jeweiligen Kundenverträge anzuwendende Bilanzierungsmethode beeinflusst. In der Vergangenheit gewährte die Standard-Vertragsform der Instone Development den Kunden das Recht im Zuge der Bauausführung grundlegende Änderungen an dem jeweiligen Projekt zu verlangen. Dies war im Einklang mit internen Vorgaben der HOCHTIEF Solutions AG. In der neuen Standard-Vertragsform, die Instone Development am 1. August 2015 eingeführt hat, wurde dieses Recht beseitigt. Für Projekte, die von Instone Development auf Basis der ursprünglichen Standard-Vertragsform abgewickelt wurden, wurden Umsatzerlöse und Aufwendungen über die gesamte Bauphase auf der Grundlage des Baufortschritts und der verkauften Einheiten unter Verwendung der „Percentage-of-Completion-Methode" erfasst. Bei Projekten, die unter Anwendung der neuen Standard-Vertragsform vermarktet werden, werden die Herstellungskosten in den Vorräten aktiviert und Umsatzerlöse und Erträge werden erst dann erfasst, wenn die verkauften Wohneinheiten nach Fertigstellung tatsächlich geliefert werden. Da Umsatzerlöse und Erträge nach dieser Completed-Contract-Methode erst nach Übergabe fertiggestellter Einheiten erfasst werden, bleiben die Erträge in der Regel bis zum Ende des Projektentwicklungsprozesses negativ. Bestimmte Arten von Projektentwicklungen der Instone Development (z. B. Mikrowohnungen, unverkaufte fertiggestellte Wohnungen) wurden unter Verwendung einer Vertragsform verkauft, die bereits vor der Umstellung auf die neue Standard-Vertragsform die Anwendung der Completed-Contract-Methode erforderte. Dies gilt auch für den Verkauf von Grundstücken, die nach der Completed-Contract-Methode bilanziert werden. Die Kundenverträge der Instone Leipzig erfordern seit jeher die Anwendung der Completed-Contract-Methode.

Die Ergebnisse der Gesellschaft umfassen daher im Berichtszeitraum sowohl Projekte, die nach der „Percentage-of-Completion-Methode" erfasst wurden als auch Projekte für die die „Completed-Contract-Methode" zur Anwendung kommt. Während Umsatzerlöse und Erträge aus Verträgen, die unter Anwendung der alten Standard-Vertragsform von der „Percentage-of-Completion-Methode" erfasst wurden, im Laufe der Zeit gesunken sind und die letzten vertragsgegenständlichen Einheiten im zweiten Quartal 2017 übergeben wurden, haben Projekte, die unter Anwendung der neuen Standard-Vertragsform vermarktet und somit von der „Completed-Contract-Methode" erfasst werden, durch Fertigstellung und Übergabe der ersten Projekte erst im Jahr 2017 begonnen zu Umsatzerlösen und Erträgen beizutragen.

In den Jahren 2015, 2016 und den ersten neun Monaten von 2017 betrugen Instones Umsätze €358,7 Mio., €203,6 Mio. bzw. €123,8 Mio. In den Jahren 2015, 2016 und den ersten neun Monaten von 2017 betrug Instones EBIT minus €7,6 Mio., €0,8 Mio. bzw. €3,9 Mio. Instones EBIT wurde von den Kaufpreisallokationseffekten sowie Einmaleffekten (wie in B.7 definiert) beeinflusst. Bereinigt um diese Kaufpreisallokationseffekte und Einmaleffekte betrug das Bereinigte EBIT (wie in B.7 definiert) von Instone in 2015 €17,7 Mio., in 2016 €48,4 Mio. und in den ersten neun Monaten von 2017 €15,8 Mio. Das Ergebnis des starken Geschäftsjahres 2016 wurde durch die Auswirkungen der geänderten Standard-Vertragsform auf die Umsatzrealisierung beeinträchtigt, während die schwächere Entwicklung in den ersten neun Monaten 2017 auf den verzögerten Effekt des geringeren Akquisitionsvolumens in den Geschäftsjahren 2013 und 2014, die neue Vertragsform für nahezu alle in der Entwicklung befindlichen Projekte sowie auf eine höhere Anzahl von im vierten Quartal übergebenen Einheiten zurückzuführen ist. Diese Effekte werden sich im vierten Quartal 2017 positiv auf Umsatzerlöse und Bereinigtes EBIT auswirken. Instone erwartet in den kommenden Jahren signifikante Beiträge zu Umsatzerlösen und Bereinigtem EBIT von Projekten, die gerade in der Entwicklung sind, da Umsatzerlöse und Erträge aus umfangreichen, laufenden Projektentwicklungen in Instones starkem Projektportfolio erst nach Übergabe der Wohneinheiten nach erfolgter Projektfertigstellung realisiert werden.

Geschäftliche Stärken

Die Gesellschaft ist der Auffassung, dass die nachfolgend beschriebenen

Wettbewerbsstärken die wichtigsten Faktoren für den Erfolg von Instone in der Vergangenheit waren und Instone auch in Zukunft von seinen Wettbewerbern abheben werden:

- Präsenz in der größten und stabilsten Volkswirtschaft in Europa mit attraktiven Rahmenbedingungen im Bereich Wohnimmobilien.
- Marktführende landesweite Plattform mit Fokus auf den wichtigsten Metropolregionen und prosperierenden mittelgroßen Städten in Deutschland mit Skalierungspotenzial.
- Attraktives Projektportfolio, ausgerichtet auf die attraktivsten Wachstumsstädte in Deutschland, als Grundlage für starkes und vorhersehbares strukturelles Wachstum.
- Ein günstiges regulatorisches Umfeld und solides Risikomanagement sowie ausgeklügelte Berichtsinstrumente verringern das Entwicklungsrisiko.
- Kapitaleffizientes Geschäftsmodell mit attraktiven Projektmargen.
- In der gesamten Branche hoch erfahrenes Management-Team mit einer belegten Wertschöpfungserfolgsbilanz.

Strategie

Die Strategie von Instone besteht darin, Mehrwert für sein Projektportfolio zu generieren und die wettbewerbsfähige Stellung der Gesellschaft im deutschen Markt für die Entwicklung von Wohnimmobilien zu erhalten und weiter auszubauen. Um dies zu erreichen, wird die Gesellschaft ihre starke Plattform und ihre profunden Marktkenntnisse nutzen und ihre Wettbewerbsposition im deutschen Wohnraumentwicklungssektor weiter ausbauen. Weiterhin beabsichtigt Instone, durch die Wahrnehmung von Wachstumschancen zusätzliches Wachstum zu stimulieren, unter anderem in den wichtigsten Metropolregionen in Deutschland, für die Instone weiteres Wachstumspotenzial erwartet. Instone will dies wie folgt erreichen:

- Beibehaltung und Ausweitung seiner Wettbewerbsposition im deutschen Wohnraumentwicklungssektor mit fortlaufendem Fokus auf den wichtigsten Metropolregionen in Deutschland.
- Fokus auf Grundstücke und Objekte ohne Flächennutzungsplan oder Planungsgenehmigung für Wohnraumentwicklung im Zeitpunkt der Akquisition.
- Steigerung des erwarteten Gesamtumsatzvolumens durch (Re)Investition überschüssiger Mittel sowie der Reinerlöse aus der Privatplatzierung um Wachstum zu fördern.

B.4a Wichtigste aktuelle Trends mit Auswirkungen auf den Emittenten und die Branchen, in denen er tätig ist.

Die Geschäftstätigkeit von Instone wird von zahlreichen demografischen, wirtschaftlichen und politischen Faktoren beeinflusst. Instone ist am stärksten von Entwicklungen im deutschen Wohnimmobilienmarkt, insbesondere in den Metropolregionen (Berlin, Bonn, Köln, Düsseldorf, Frankfurt am Main, Hamburg, Leipzig, München und Stuttgart (einschließlich Herrenberg)), betroffen, wo sich zum 30. September 2017 rund 93% des Portfolios von Instone (ausgehend vom erwarteten Umsatzvolumen für vollständig entwickelte Projekte) befanden. Die maßgeblichen Erwerbergruppen von Instone sind Eigennutzer, Privatanleger mit Vermietungsabsicht und institutionelle Investoren. In Anbetracht dieses Fokus ist Instone allgemein von Entwicklungen bei makroökonomischen Indikatoren wie Wirtschaftswachstum, Beschäftigung, Bevölkerungswachstum, Kaufkraft und Zinsniveau betroffen. Insbesondere ist Instone von Entwicklungen der Grundstückswerte, Immobilienwerte und der Nachfrage für Wohnimmobilien sowie Projektentwicklungskosten in den Regionen, in denen Instone tätig ist, betroffen.

Die Haus- und Wohnungspreise in Deutschland sind seit Anfang 2009 gestiegen, so dass 2018 das zehnte Jahr im aktuellen Immobilienzyklus ist. Obwohl der Zyklus bereits beeindruckend lange andauert, ist dieser immer noch von

Wohnungsknappheit und einem relativ unelastischem Angebot geprägt. Die Märkte in den Metropolregionen sind besonders angespannt; dort sind die Preise zwischen 2009 und 2017 um rund 80% gestiegen. Die Zahl der neu fertig gestellten Wohneinheiten steigt allerdings und wird 2017 voraussichtlich erstmals rund 305.000 Wohneinheiten erreichen, eine Steigerung gegenüber 2016 mit rund 280.000 Wohneinheiten. Experten erwarten eine weitere Steigerung auf rund 335.000 in 2018. Unter der Annahme, dass mindestens jährlich mindestens 350.000 neue Wohneinheiten notwendig wären (Schätzung der Regierung), wird sich die Kluft zwischen Angebot und Nachfrage allerdings weiter vergrößern.

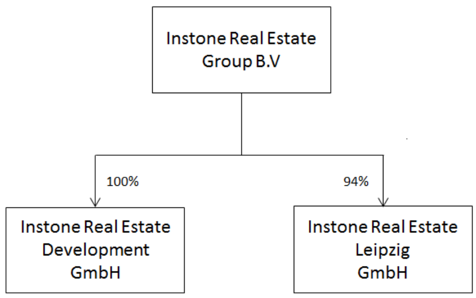
Die angespannte Marktlage hat die Häuserpreise 2017 noch stärker als in den Vorjahren ansteigen lassen. Laut einer bulwiengesa Studie (welche 126 Städte umfasst) stiegen die Eigenheimpreise um 6,5% und die Wohnungspreise um durchschnittlich mehr als 10%. Wie in den Vorjahren wurden die stärksten Preissteigerungen in Metropolregionen und Großstädten verzeichnet. Viele kleinere Städte erlebten jedoch auch deutliche Preissteigerungen, und in keiner der 126 Städte gingen die Preise zurück. Experten gehen daher davon aus, dass das Preis- und Mietwachstum auch im Jahr 2018 stark bleiben wird. Die Angebotsverknappung auf dem Wohnungsmarkt und der ausgezeichnete Arbeitsmarkt dürften die entscheidenden Preistreiber bleiben.

Neben den beschriebenen wirtschaftlichen Entwicklungen verzeichnet Instone einen generellen Trend zu einer Reduktion der Haushaltsgrößen, was durch das allgemeine Wachstum der Einpersonenhaushalte unterstützt wird. Darüber hinaus erlebt Instone einen Trend hin zu einem flexiblen Wohnraum- bzw. Grundrissgestaltung, welche sich veränderten Haushaltsformen, aber auch auf sich ändernde Situationen innerhalb einer Familie anpassen. Immer weniger Wohnungen werden von der klassischen Kleinfamilie bewohnt; in den sich wandelnden Wohnstrukturen spiegelt sich die Unterschiedlichkeit heutiger Lebensmodelle. Ob Wohngemeinschaft, Single, Kleinfamilie oder Alleinerziehende, ob Heimarbeit oder Wohnbüro – erforderlich sind anpassungsfähige Konzepte mit weitgehender Neutralität der einzelnen Zimmer. Flexible Wohnraum- bzw. Grundrissgestaltung beginnt mit einem Grundriss, der in Zukunft funktionale Erweiterungen ermöglicht. Sinnvoll können beispielsweise Grundrisse sein, bei denen am Eingang ein neutraler Raum liegt, der alternativ als Gäste- oder Arbeitszimmer oder als Wohnbereich für ein älteres Kind oder Großelternteil verwendet werden kann.

B.5 Der Konzern und die Stellung des Emittenten innerhalb des Konzerns.

Die Gesellschaft ist die Holdinggesellschaft der Instone. Die Geschäftstätigkeit von Instone wird durch Instone und ihre verschiedenen Tochtergesellschaften wahrgenommen. Der Konzernabschluss der Gesellschaft umfasst alle Gesellschaften, deren finanzielle und geschäftliche Ausrichtung von der Gesellschaft unmittelbar oder mittelbar gesteuert werden kann, sowie jene, deren finanzielle und geschäftliche Ausrichtung maßgeblich durch die Gesellschaft beeinflusst werden kann. Im Zeitpunkt dieses Prospekts umfasst Instone 32 Gesellschaften (inklusive Minderheitsbeteiligungen). In dem konsolidierten Jahresabschluss der Gesellschaft zum 31. Dezember 2016 wurden 21 Gesellschaften konsolidiert.

Das nachfolgende Schaubild gibt einen Überblick über die Gesellschaft und ihre wesentlichen Tochtergesellschaften:



B.6	**Namen der Personen, die mittelbar oder unmittelbar eine meldepflichtige Beteiligung am Kapital oder an den Stimmrechten des Emittenten halten.**	Die nachfolgende Tabelle stellt die Beteiligungen der bestehenden Aktionäre, (i) Coöperatieve Formart Investments U.A., eine Genossenschaft mit Haftungsausschluss (*coöperatie met uitgesloten aansprakelijkheid*) („**Coöperatieve Formart**"), Coöperatieve Activum SG Fund III Investments U.A., eine Genossenschaft mit Haftungsausschluss (*coöperatie met uitgesloten aansprakelijkheid*) („**Coöperatieve Activum III**") und Coöperatieve Activum SG Fund V Investments U.A., eine Genossenschaft mit Haftungsausschluss (*coöperatie met uitgesloten aansprakelijkheid*) („**Coöperatieve Activum V**", und zusammen mit Coöperatieve Formart und Coöperatieve Activum III die „**Bestehenden Aktionäre**"), unmittelbar vor der Privatplatzierung sowie ihre voraussichtliche Beteiligung gemeinsam mit dem erwarteten Streubesitzanteil nach Abschluss der Privatplatzierung von bis zu 23.400.000 Inhaberaktien der Gesellschaft mit einem Nennwert von jeweils €1,00 und voller Dividendenberechtigung ab dem 1. Januar 2017 (die „**Privatplatzierung**"), dar:

	Tatsächliche (direkte) Eigentümer		
	Unmittelbar vor der Privatplatzierung	**Nach Abschluss der Privatplatzierung (unter der Annahme, dass sämtliche Platzierungsaktien platziert werden und die Greenshoe-Option nicht ausgeübt wird)**	**Nach Abschluss der Privatplatzierung (unter der Annahme, dass sämtliche Platzierungsaktien platziert werden und die Greenshoe-Option vollständig ausgeübt wird)**
		(in %)	
Coöperatieve Activum III	59,6	26,8	21,9
Coöperatieve Formart	33,3	15,0	12,2
Coöperatieve Activum V	7,1	3,2	2,6
Streubesitz	–	55,0	63,3

	Unterschiedliche Stimmrechte der wichtigsten Aktionäre des Emittenten.	Jede Aktie der Gesellschaft gewährt in der Hauptversammlung der Gesellschaft eine Stimme. Alle Aktien der Gesellschaft sind mit denselben Stimmrechten ausgestattet. Es bestehen keine Stimmrechtsbeschränkungen, mit Ausnahme aufgrund von einigen wenigen gesetzlichen Vorschriften.
	Mittelbare oder unmittelbare Beherrschungsverhältnisse	Die Gesellschaft ist ein von der Coöperatieve Formart, der Coöperatieve Activum III und der Coöperatieve Activum V beherrschtes Unternehmen, da diese in Miteigentum 100% der Stimmrechte an der Gesellschaft halten, wegen dem parallel existierenden Beherrschungsverhältnis, und weil sie durch ihre Möglichkeit, die Mitglieder der Geschäftsführung der Gesellschaft einzusetzen, in der Lage sind, gemeinsam die finanzielle und betriebliche Ausrichtung der Gesellschaft zu bestimmen. Die Bestehenden Aktionäre stehen wiederum unter der mittelbaren Beherrschung von Saul Abram Goldstein. Saul Abram Goldstein ist der alleinige Gesellschafter der Activum SG Capital Management Limited, die wiederum alleiniger Gesellschafter der Activum SG III GP Limited ist. Die Activum SG III GP Limited ist alleiniger Gesellschafter der Activum SG formart GP L.P. Limited. Die Activum SG formart GP L.P. Limited ist *general partner* (persönlich haftender Gesellschafter) der Activum SG Fund III LP, der alleinigen Gesellschafterin der Coöperatieve Activum III. Zusätzlich ist die Activum SG III GP Limited ebenfalls *general partner* (persönlich haftender Gesellschafter) der Activum SG formart Co-Invest LP, des alleinigen Gesellschafters der Coöperatieve Formart. Activum SG Capital Management Limited ist auch alleiniger Gesellschafter von Activum SG V GP Limited. Activum SG V GP Limited ist wiederum *general partner* (persönlich haftender Gesellschafter) von Activum SG Fund V LP und von Activum SG Feeder Fund V. LP Activum SG Fonds V LP ist der einzige Gesellschafter von Coöperatieve Activum V und Activum SG Feeder Fund V LP ist ein Feederfonds, in dem die wirtschaftlichen Beteiligungen nicht beherrschender indirekter Anteilseigner von Coöperatieve Activum V gebündelt sind.

B.7	**Ausgewählte wichtige historische Finanzinformationen.**	Die in den nachstehenden Tabellen enthaltenen Finanzinformationen sind den geprüften Konzernabschlüssen der Gesellschaft für die am 31. Dezember 2016, 31. Dezember 2015 und 31. Dezember 2014 endenden Geschäftsjahre sowie dem ungeprüften verkürzten Konzernzwischenabschluss für den am 30. September 2017 endenden Neunmonatszeitraum entnommen oder aus ihnen abgeleitet. Das Geschäftsjahr 2014 der Gesellschaft begann mit ihrer Gründung am 16. April 2014 und endete am 31. Dezember 2014. Zusätzliche Finanzinformationen sind Buchführungsunterlagen oder internen Berichtssystem der Gesellschaft entnommen oder aus ihnen abgeleitet. Die geprüften Konzernabschlüsse wurden nach IFRS erstellt. Der ungeprüfte verkürzte Konzernzwischenabschluss wurde nach den IFRS-Standards für Zwischenberichterstattung (IAS 34) erstellt. Deloitte Accountants B.V. („**Deloitte**") hat die Konzernabschlüsse der Gesellschaft für die am 31. Dezember 2016, 31. Dezember 2015 und 31. Dezember 2014 endenden Geschäftsjahre geprüft und jeweils mit einem uneingeschränkten Bestätigungsvermerk versehen. Die vorgenannten geprüften Konzernabschlüsse der Gesellschaft nebst den betreffenden Bestätigungsvermerken des Abschlussprüfers und der ungeprüfte verkürzte Konzernzwischenabschluss der Gesellschaft für den am 30. September 2017 endenden Neunmonatszeitraum sind in diesem Prospekt enthalten. In den nachstehenden Tabellen als „geprüft" gekennzeichnete Finanzinformationen wurden den vorstehend genannten geprüften Abschlüssen entnommen. Dies bedeutet nicht, dass die einzelnen Posten geprüft wurden. Die Kennzeichnung „ungeprüft" wird in den nachstehenden Tabellen für Finanzinformationen verwendet, die nicht aus den vorstehend genannten geprüften Abschlüssen stammen, sondern entweder dem vorstehend genannten ungeprüften verkürzten Konzernzwischenabschluss der Gesellschaft oder Buchführungsunterlagen oder dem internen Berichtssystem der Gesellschaft entnommen oder auf der Grundlage von Zahlen aus vorgenannten Quellen errechnet wurden. Sofern nicht anders angegeben, werden alle Finanzinformationen in den nachstehenden Tabellen in Millionen Euro (in € Millionen) ausgewiesen. Bestimmte Finanzinformationen (einschließlich Prozentangaben) in den nachfolgenden Tabellen wurden nach kaufmännischen Standards gerundet. Demzufolge entsprechen die Beträge in den nachstehenden Tabellen (Gesamtsummen oder Zwischensummen oder Differenzen oder Zahlen, die in Relation zueinander dargestellt werden) möglicherweise nicht in allen Fällen den Summen der zugrundeliegenden (ungerundeten) Zahlen, die an anderer Stelle in diesem Prospekt ausgewiesen werden. Darüber hinaus addieren sich diese gerundeten Zahlen in diesen Tabellen unter Umständen nicht exakt zu den in diesen Tabellen enthaltenen Gesamtbeträgen. Negative Zahlen werden in Klammern angegeben. Erscheint in diesem Prospekt bei Finanzinformationen ein Querstrich („–"), steht die betreffende Zahl nicht zur Verfügung, während eine Null („0,0") anzeigt, dass die betreffende Zahl verfügbar ist, aber auf null gerundet wurde.

Ausgewählte konsolidierte Finanzinformationen

Gewinn- und Verlustrechnung

	Für den am 30. September endenden Neunmonatszeitraum		**Für das am 31. Dezember endende Geschäftsjahr**		
	2017	**2016**	**2016**	**2015**	**2014**
	(ungeprüft)		**(geprüft)**		
	(in € Millionen)		**(in € Millionen)**		
Umsatzerlöse	123,8	164,9	203,6	358,7	64,4
Bestandsveränderungen	30,4	86,0	158,9	(23,1)	(7,8)
Sonstige betriebliche Erträge	4,2	1,8	8,3	8,6	31,5
Materialaufwand	(109,5)	(207,9)	(293,7)	(284,3)	(51,0)
Personalaufwand	(19,2)	(24,1)	(35,2)	(26,9)	(6,4)
Sonstige betriebliche Aufwendungen	(26,5)	(31,4)	(42,4)	(38,5)	(19,0)

	Für den am 30. September endenden Neunmonatszeitraum		Für das am 31. Dezember endende Geschäftsjahr		
	2017	2016	2016	2015	2014
	(ungeprüft) (in € Millionen)		(geprüft) (in € Millionen)		
Beteiligungsergebnis	0,5	1,4	1,3	(1,4)	1,6
Sonstige Nettoerträge aus Beteiligungen	0,6	0,3	0,3	(0,1)	–
Konzernergebnis der betrieblichen Tätigkeit (EBITDA)	**4,2**	**(9,0)**	**1,3**	**(7,1)**	**13,4**
Abschreibungen	(0,3)	(0,3)	(0,4)	(0,5)	(0,1)
Konzernergebnis vor Zinsen und Steuern (EBIT)	**3,9**	**(9,3)**	**0,8**	**(7,6)**	**13,3**
Finanzertrag	0,8	–	0,1	0,9	0,2
Finanzaufwand	(15,7)	(18,8)	(25,0)	(21,8)	(5,4)
Abschreibung auf Wertpapiere des Finanzanlagevermögens	–	–	0,1	(0,1)	–
Finanzergebnis	**(14,9)**	**(18,8)**	**(24,8)**	**(21,0)**	**(5,2)**
Konzernergebnis vor Steuern (EBT)	**(11,0)**	**(28,1)**	**(24,0)**	**(28,6)**	**8,1**
Ertragsteuern	(2,0)	2,5	1,8	6,2	2,7
Konzernergebnis nach Steuern (EAT)	**(13,0)**	**(25,7)**	**(22,2)**	**(22,4)**	**10,8**
Davon entfallen auf:					
Anteile des Konzerns	(13,2)	(24,8)	(22,4)	(22,4)	10,8
Nicht beherrschende Anteile	0,1	(0,8)	0,2	–	0,0
	(13,0)	(25,7)	(22,2)	(22,4)	10,8

Darstellung der konsolidierten Vermögenslage

	Zum 30. September	Zum 31. Dezember		
	2017	2016	2015	2014
	(ungeprüft) (in € Millionen)		(geprüft) (in € Millionen)	
AKTIVA				
Langfristige Vermögenswerte				
Immaterielle Vermögenswerte	0,0	0,0	0,0	–
Sachanlagen	1,6	1,5	1,6	1,3
At Equity bewertete Finanzanlagen	0,4	1,4	0,1	9,5
Übrige Finanzanlagen	0,6	0,7	0,9	0,4
Finanzforderungen	0,7	0,7	–	–
Summe langfristige Vermögenswerte	**3,2**	**4,3**	**2,6**	**11,2**
Umlaufvermögen				
Vorräte	572,6	542,7	415,5	233,0
Finanzforderungen	2,4	0,2	0,2	2,1
Forderungen aus Lieferungen und Leistungen	11,4	19,6	110,2	115,4
Sonstige Forderungen und sonstige Vermögenswerte	8,3	5,6	16,6	5,2
Kurzfristige Ertragsteueransprüche	0,2	0,3	0,3	1,1
Flüssige Mittel	110,7	112,5	35,9	25,1
Summe kurzfristige Vermögenswerte	**705,6**	**680,9**	**578,7**	**382,0**
Summe Aktiva	**708,9**	**685,2**	**581,3**	**393,2**
PASSIVA				
Eigenkapital				
Gezeichnetes Kapital	0,0	0,0	0,0	0,0
Kapitalrücklage	37,4	37,4	37,4	21,0
Gewinn-/Verlustvortrag	(48,7)	(35,5)	(13,1)	11,1
Kummuliertes sonstiges Gesamtergebnis	(1,3)	(1,3)	(0,1)	(0,2)
Anteile anderer Gesellschafter	**(12,5)**	**0,7**	**24,2**	**31,9**
Nicht beherrschende Anteile	1,5	2,0	11,5	0,0
Summe Eigenkapital	**(11,0)**	**(2,7)**	**35,7**	**32,0**
Langfristige Schulden				
Rückstellungen für Pensionen und ähnliche Verpflichtungen	4,5	4,1	2,4	2,1
Sonstige Rückstellungen	12,8	12,4	4,5	3,0
Finanzverbindlichkeiten	338,8	300,9	299,0	214,2
Sonstige Verbindlichkeiten	–	–	0,3	–
Latente Steuern	16,5	23,4	36,3	11,2
Summe langfristige Schulden	**372,6**	**340,9**	**342,5**	**230,6**
Kurzfristige Schulden				
Sonstige Rückstellungen	33,3	25,6	20,2	16,8
Finanzverbindlichkeiten	58,0	81,6	65,6	32,2
Verbindlichkeiten aus Lieferungen und Leistungen	248,5	215,2	99,0	79,2
Sonstige Verbindlichkeiten	6,2	13,1	16,2	2,4
Ertragsteuerverbindlichkeiten	1,4	6,2	2,0	–
Summe kurzfristige Schulden	**347,3**	**341,7**	**203,0**	**130,6**
Summe Passiva	**708,9**	**685,2**	**581,3**	**393,2**

Ausgewählte Finanzinformationen der Konzern-Kapitalflussrechnung

	Für den am 30. September endenden Neunmonatszeitraum		Für das am 31. Dezember endende Geschäftsjahr		
	2017	**2016**	**2016**	**2015**	**2014**
	(ungeprüft)		**(geprüft)**		
	(in € Millionen)		**(in € Millionen)**		
Cash-Flow aus laufender Geschäftstätigkeit	(5,1)	39,3	87,7	(15,9)	(11,4)
Cash-Flow aus der Investitionstätigkeit	(21,9)	(18,2)	(21,8)	(51,2)	(120,7)
Cash-Flow aus der Finanzierungstätigkeit	25,0	16,4	8,5	78,4	157,2
Zunahme (Abnahme) des Finanzmittelfonds	(1,9)	37,6	74,3	11,2	25,1
Nettokursdifferenzen und Änderungen des Konsolidierungskreises	–	–	2,3	(0,4)	–
Finanzmittelfonds am Ende der Periode	110,7	73,5	112,5	35,9	25,1

Alternative Leistungskennzahlen

Nach Auffassung der Gesellschaft stellen die in diesem Abschnitt beschriebenen alternativen Kennzahlen wichtige Kennzahlen zur Messung der betrieblichen und finanziellen Leistungsfähigkeit der Geschäftstätigkeit von Instone dar und sind diese für potenzielle Investoren zum Vergleich der Leistung der Gesellschaft mit der Leistung ihrer Wettbewerber im Immobilienentwicklungssektor relevant (nachstehende alternative Leistungskennzahlen, die „**Alternativen Leistungskennzahlen**"):

- Konzerngesamtleistung (im Folgenden die „**Konzerngesamtleistung**") ist definiert als die Summe aus Umsatzerlösen und Bestandsveränderungen wie in der Konzern-Gewinn- und Verlustrechnung angegeben. Die Bestandsveränderungen erfassen den Wert der Vorratszugänge bedingt durch (i) Akquisitionen, (ii) kapitalisierte Entwicklungskosten und (iii) projektbezogene Aufwendungen (ohne Vermittlungsprovisionen) abzüglich der Werte der Abgänge aufgrund von Veräußerungen während des Berichtszeitraums. Die Konzerngesamtleistung ist eine gängige Kennzahl in der Immobilienentwicklerbranche, da sie nicht nur Umsatzerlöse aus Entwicklungsaktivitäten misst, sondern auch Anschaffungskosten für Grundstücke erfasst, die für zukünftige Entwicklungen erworben wurden, sowie auch aktivierte Leistungen aus Projektentwicklung. Die Konzerngesamtleistung, als die Summe aus Umsatzerlösen und Bestandsveränderungen, wird daher weniger durch die angewandte Methode der Umsatzrealisierung beeinflusst und bietet eine konsistentere Messung der Entwicklungsaktivitäten von Instone im Laufe der Zeit. Unter beiden Methoden der Umsatzrealisierung umfasst die Konzerngesamtleistung den für den Erwerb von Grundstücken gezahlten Preis, welcher in den Bestandsveränderungen erfasst wird. Bei Anwendung der Percentage-of-Completion-Methode erfasst die Konzerngesamtleistung die erwarteten Vertragsumsätze in Bezug auf die verkauften Einheiten, einschließlich der Antizipierten Brutto-Projektmarge (wie nachstehend definiert), die in einem bestimmten Zeitraum auf den Anteil der in diesem Zeitraum abgeschlossenen Arbeiten gewährt werden kann. Darüber hinaus sind in den Bestandsveränderungen aktivierte Kosten für die laufende Bautätigkeit enthalten, die auf Basis der verkauften Einheiten und des Baufortschritts noch nicht erlöswirksam sind. Nach der Completed-Contract-Methode werden Umsätze und Margen während der laufenden Bautätigkeit nicht erfasst, wohingegen Baukosten, Finanzierungskosten und Personalkosten aktiviert und in Bestandsveränderungen als Baufortschritt berücksichtigt werden, während Umsätze, einschließlich des Gewinnanteils, nur bei der Lieferung der Wohneinheiten erfasst wird. Dementsprechend stellt die Konzerngesamtleistung als Summe der Umsatzerlöse und der Bestandsveränderungen ein weitgehend konsistentes Maß für die Leistung der Gesellschaft im Zeitablauf dar, obwohl sie Projekte umfasst, die sowohl nach der Percentage-of-Completion-Methode als auch nach der Completed-Contract-Methode bilanziert werden. Der Unterschied in der Konzerngesamtleistung hinsichtlich der Erfassung von Kundenverträgen nach der Percentage-of-Completion-Methode im Vergleich zur Erfassung von Kundenverträgen nach der Completed-Contract-Methode besteht darin, dass die Konzerngesamtleistung nach der Completed-Contract-Methode keine anteilige Antizipierte Brutto-Projektmarge (wie nachstehend definiert) für verkaufte Einheiten berücksichtigt und auch nicht aktivierungsfähige betriebliche Aufwendungen, wie gewisse Verkaufskosten, nicht widerspiegelt, die sich nach der Percentage-of-Completion-Methode für die verkauften Einheiten im Umsatz niederschlagen. Die antizipierte Brutto-Projektmarge (im Folgenden die „**Antizipierte Brutto-Projektmarge**") ist definiert als der Quotient aus (i) antizipierten Gesamtprojekteinnahmen abzüglich der antizipierten Gesamtprojektkosten für voll entwickelte

Projekte und (ii) antizipierte Gesamtprojekteinnahmen auf der Grundlage des aktuell geschätzten Marktpreises für ein solches Projekt. Die antizipierten Gesamtprojektkosten beinhalten eine Annahme von 1,5% Baukostenerhöhung sowie Verkaufsprovisionen, jedoch keine Finanzierungs-, Personal-, Unternehmensausgaben oder Kaufpreisallokationseffekte (wie unten definiert). Instone nutzt die Antizipierte Brutto-Projektmarge zur Bestimmung, ob Akquisitionen von Grundstücken für neue Projektentwicklungen durchgeführt werden soll. Wie zuvor beschrieben, benutzte Instone die erfasst die Antizipierte Brutto-Projektmarge zudem zur Bestimmung der erwarteten Vertragsumsätze in Bezug auf verkaufte Einheiten im Rahmen der Percentage-of-Completion-Methode.

- Die bereinigte Konzerngesamtleistung (im Folgenden die „**Bereinigte Konzerngesamtleistung**") ist definiert als Konzerngesamtleistung bereinigt um Kaufpreisallokationseffekte (wie nachstehend definiert) in Bezug auf Vorräte. Kaufpreisallokationseffekte sind definiert als Effekte auf die Konzernabschlüsse durch den Erwerb der Instone Development im Jahr 2014 und Instone Leipzig im Jahr 2015, wodurch die Gesellschaft folglich verpflichtet war, die jeweiligen Kaufpreise anteilig den erworbenen Vermögenswerten und Verbindlichkeiten, basierend auf deren geschätzten Verkehrswert, zuzuordnen. Dies führte zu einer Erhöhung des Wertes der erworbenen Vermögenswerte, einem Anstieg der Verbindlichkeiten sowie Ertragsteuerverbindlichkeiten was folglich die Bestandsveränderungen, die Konzerngesamtleistung, die sonstigen Erträge sowie das EBIT in den Perioden des jeweiligen Erwerbs und in nachfolgenden Perioden beeinflusste (die „**Kaufpreisallokationseffekte**"). Zum Zeitpunkt der Übergabe solcher Vermögenswerte (wenn vollständig entwickelt) an Instones Kunden führen diese zusätzlichen Werte dazu, dass entsprechend höhere Kosten in der konsolidierten Gewinn- und Verlustrechnung erfasst werden und sich die Konzerngesamtleistung in solchen Zeiträumen entsprechend reduziert. Die Bereinigung der Konzerngesamtleistung führt daher zur Rückbuchung der höheren Kosten, die sich aus der Amortisierung der Wertsteigerungen ergeben. Da Kaufpreisallokationseffekte im Zusammenhang mit „Sonstigen Erträgen" keine Auswirkungen auf die Umsatzerlöse oder Bestandsveränderungen haben, wird die Konzerngesamtleistung nur um die Kaufpreisallokationseffekte in Bezug auf Vorräte bereinigt. Instone ist der Ansicht, dass die Bereinigte Konzerngesamtleistung ein wertvoller Indikator für die zukünftige Leistung der Gesellschaft ist, da sie die Konzerngesamtleistung der Gesellschaft ohne Berücksichtigung der Kaufpreisallokationseffekte darstellt, die keine Indikation für die zugrundeliegende Konzerngesamtleistung aus dem gewöhnlichen Geschäftsbetrieb geben.

- Das bereinigte EBIT ist definiert als EBIT bereinigt um sämtliche Kaufpreisallokationseffekte sowie Einmaleffekte (im Folgenden das „**Bereinigte EBIT**"). EBIT ist ein Posten in der Konzern-Gewinn- und Verlustrechnung und umfasst das Ergebnis vor Zinsen und Steuern („**EBIT**"). Einmaleffekte sind definiert als Posten, die nach Einschätzung der Geschäftsführung insbesondere aufgrund von Akquisitionsereignissen, Veräußerungen oder strukturellen Veränderungen innerhalb von Instone ungewöhnlich sind oder sich nicht wiederholen (im Folgenden die „**Einmaleffekte**").

- EBITDA ist ein Posten in der Konzern-Gewinn- und Verlustrechnung und definiert als Ergebnis vor Zinsen, Steuern und Abschreibungen („**EBITDA**"). EBITDA wird zur Messung des EBIT ohne Berücksichtigung von nicht operativen Aufwendungen und bestimmten nicht zahlungswirksamen Aufwendungen verwendet.

- Das Nettoumlaufvermögen (im Folgenden das „**Nettoumlaufvermögen**") ist definiert als Vorräte zuzüglich Forderungen aus Lieferungen und Leistungen abzüglich Verbindlichkeiten aus Lieferungen und Leistungen. Das Nettoumlaufvermögen berücksichtigt Vorräte, Forderungen aus Lieferungen und Leistungen sowie andere Forderungen und Verbindlichkeiten aber nicht Barmittel oder andere liquide Mittel. Es dient zur Messung der kurzfristigen Liquidität von Instones Geschäft und der Fähigkeit, Vermögenswerte effizient zu nutzen.

- Die Summe der finanziellen Verbindlichkeiten („**Finanzielle Verbindlichkeiten**") setzt sich aus den gesamten langfristigen finanziellen Verbindlichkeiten und den gesamten kurzfristigen finanziellen Verbindlichkeiten zusammen. Die Gesellschaft verwendet Finanzielle Verbindlichkeiten, um ihre gesamten finanziellen Verbindlichkeiten zu messen.

- Die historische Brutto-Projektmarge (die „**Historische Brutto-Projektmarge**") ist definiert als der Quotient aus (i) historischen Gesamtprojekteinnahmen abzüglich historischer Gesamtprojektkosten für voll entwickelte Projekte und (ii) historischer Gesamtprojekteinnahmen. Die historischen Gesamtprojektkosten beinhalten keine Finanzierungs-, Personal-, Unternehmensausgaben oder Kaufpreisallokationseffekte. Instone verwendet die Historische Brutto-Projektmarge zur Messung der Rentabilität ihrer fertiggestellten Projekte sowie zur Überwachung und Berichterstattung über tatsächliche historische Projektmargen.

Die Alternativen Leistungskennzahlen werden nicht als Kennzahlen nach IFRS anerkannt und sollten nicht als Ersatz für die nach IFRS ermittelten Zahlen zum Ergebnis vor Steuern, Nettoergebnis, Cashflow aus laufender Geschäftstätigkeit, zur Darstellung der konsolidierten Vermögenslage oder zu Cashflow-Daten herangezogen werden oder als Maß für Rentabilität oder Liquidität betrachtet werden. Die Alternativen Leistungskennzahlen geben auch nicht notwendigerweise an, ob der Cash-Flow für den Liquiditätsbedarf von Instone ausreicht oder verfügbar ist, und auch nicht, ob eine solche Kennzahl auf die historischen Betriebsergebnisse von Instone schließen lässt. Die Alternativen Leistungskennzahlen sollen keine Hinweise auf zukünftige Ergebnisse geben. Da nicht alle Unternehmen diese Kennzahlen auf die gleiche Weise berechnen, ist die Darstellung der Alternativen Leistungskennzahlen von Instone nicht unbedingt mit ähnlich bezeichneten Kennzahlen anderer Unternehmen vergleichbar. Obwohl bestimmte dieser Daten aus den in diesem Prospekt enthaltenen Konzernabschlüssen der Gesellschaft extrahiert oder abgeleitet wurden, wurden diese Daten, sofern nicht anders angegeben, von Deloitte weder geprüft noch überprüft.

	Für den am 30. September endenden Neunmonatszeitraum		**Für das am 31. Dezember endende Geschäftsjahr**		
	2017	**2016**	**2016**	**2015**	**2014**
	(ungeprüft) **(in € Millionen)**		**(ungeprüft, soweit nicht anders angegeben)** **(in € Millionen)**		
Umsatzerlöse	123,8	164,9	203,6	358,7	64,4
Bestandsveränderungen	30,4	86,0	158,9	(23,1)	(7,8)
Konzerngesamtleistung	**154,2**	**250,9**	**362,5**	**335,6**	**56,7**
Rückbuchung (Reversal) der Kaufpreisallokationseffekte in Bezug auf Vorräte[(1)]	***16,8***	***22,2***	***50.0***	***13.7***	***3.3***
Kaufpreisallokationseffekte bezüglich Instone Developments	*3,9*	*8,3*	*11.9*	*13.7*	*3.3*
Kaufpreisallokationseffekte bezüglich Instone Leipzig	*12,9*	*13,9*	*38.1*	-	-
Bereinigte Konzerngesamtleistung	**171,0**	**273,1**	**412.5**	**349.3**	**60.0**
EBIT	**3,9**	**(9,3)**	**0,8**[(2)]	**(7,6)**[(2)]	**13,3**[(2)]
Rückbuchung (Reversal) der Kaufpreisallokationseffekte[(3)]	***16,8***	***22,2***	***49,1***	***10,6***	***(20,5)***
Kaufpreisallokationseffekte bezüglich Instone Developments	*3,9*	*8,3*	*11,1*	*10,8*	*(20,5)*
Kaufpreisallokationseffekte bezüglich Instone Leipzig	*12,9*	*13,9*	*38,1*	*(0,2)*	-
Einmaleffekte	***(4,9)***	***4,8***	***(1,5)***	***14,7***	***13,2***
Aufwendungen für Unternehmenskäufe[(4)]	–	*(0,0)*	*0,3*	*4,2*	*4,4*
Aufwendungen für Restrukturierungsmaßnahmen von Instone[(5)]	–	–	–	*6,8*	*3,3*
Verbindlichkeiten aus Kaufverträgen[(6)]	–	–	–	*3,9*	*2,1*
Langfristige Anreize[(7)]	–	*6,5*	*8,9*	*2,3*	*0.0*
Erträge aus Carve-out Verkäufen[(8)]	*(4,9)*	–	*(6,5)*	*(4,1)*	-
Erträge aus Entschädigungen [(9)]	–	*(0,7)*	*(3,2)*	-	-
Erträge aus Ansprüchen aus Kaufverträgen[(10)]	–	*(2,1)*	*(2,1)*	-	-
Verluste aus Rechtsstreit[(11)]	–	–	–	*1,0*	-
Sonstiges[(11)]	*0,0*	1,1	*1,1*	*0,6*	*3,3*
Bereinigtes EBIT	**15,8**	**17,7**	**48,4**	**17,7**	**6,0**

(1) Rückbuchung der Kaufpreisallokationseffekte in Bezug auf Vorräte bezieht sich nur auf die Rückbuchung jener Kaufpreisallokationseffekte, die zu einer Bestandsveränderung aufgrund der Wertrealisierung der im Rahmen der Akquisition der Instone Development und Instone Leipzig erworbenen Vermögenswerte geführt haben.

(2) Geprüft.

(3) Rückbuchung der Kaufpreisallokationseffekte bezieht sich auf die Rückbuchung sämtlicher Kaufpreisallokationseffekte.

(4) Aufwendungen für Unternehmenskäufe bezieht sich auf Aufwendungen die in Zusammenhang mit der Beauftragung externer Berater durch Instone in Zusammenhang mit Instone Development und Instone Leipzig entstanden sind.

(5) Restrukturierungsmaßnahmen von Instone bezieht sich auf Restrukturierungskosten der Instone zur Fokussierung der Instone Development auf das Kerngeschäft, Schließung bestimmter Standorten und Reduktion der Geschäftstätigkeiten im Ausland.
(6) Verbindlichkeiten aus Kaufverträgen bezieht sich auf Aufwendungen die durch Erfassung von Rückstellungen für Gewährleistungsansprüche für einzelne Projekte, welche im Rahmen des Kaufvertrages, der zwischen der Gesellschaft und der HOCHTIEF Solutions AG im Zuge des Erwerbs der Instone Development abgeschlossen wurde, entstanden sind.
(7) Langfristige Anreize bezieht sich auf Aufwendungen für die Erfassung von Personalrückstellungen für langfristige Anreizprogramme zugunsten einzelner Mitarbeiter, welche eine Beteiligung an dem für die Bestehenden Aktionäre geschafften Mehrwert darstellen.
(8) Erträge aus Carve-out Verkäufen bezieht sich auf Erträge aus dem Verkauf von nicht zum Kerngeschäft gehörenden Vermögensgegenständen der Instone Leipzig, welche laut den Earn-Out Regeln im Kaufvertrag betreffend den Erwerb der Instone Leipzig dem Verkäufer zustehen und als Ertrag in der Rückbuchung der Kaufpreisallokationseffekte enthalten sind.
(9) Erträge aus Entschädigungen bezieht sich auf Erträge durch die Rückerstattung von Planungskosten durch die Stadt Wiesbaden an Instones Tochterunternehmen "Projekt Wiesbaden Wilhelmstraße GmbH & Co. KG" im Rahmen der Teilnahme an einer öffentlichen Ausschreibung sowie durch Entschädigungszahlungen von HOCHTIEF Solutions AG in Zusammenhang mit dem Vergleich eines Rechtsstreits in Luxembourg.
(10) Erträge aus Ansprüchen aus Kaufverträgen bezieht sich auf Vergleichszahlungen durch HOCHTIEF Solutions AG an Instone in Zusammenhang mit dem Verkauf von Office Park Hamm in Luxemburg.
(11) Verluste aus Rechtsstreit bezieht sich auf Verluste in Zusammenhang mit dem Vergleich in einem gerichtlichen Verfahren in Bezug auf den Cour de Justice, Luxemburg zwischen HOCHTIEF Solutions AG und dem Großherzogtum von Luxemburg, für welches HOCHTIEF Solutions AG unter dem Kaufvertrag beteffend Instone Development haftbar bleibt.
(12) Sonstiges bezieht sich auf Management-Vergütungen an verbundene Parteien, die im Zusammenhang mit dem Erwerb der Instone Development und Instone Leipzig als nicht wiederkehrende Posten angefallen sind.

Die folgende Tabelle zeigt die einzelnen Elemente des Nettoumlaufvermögens zu den jeweilig angegebenen Stichtagen:

	Zum 30. September	**Zum 31. Dezember**		
	2017	**2016**	**2015**	**2014**
	(ungeprüft) **(in € Millionen)**	**(geprüft, soweit nicht anders angegeben)** **(in € Millionen)**		
Vorräte	**572,6**	**542,7**	**415,5**	**233,0**
davon:				
Kapitalisierung von Grundstücken	*258,0*	*220,8*[1]	*60,2*[1]	*69,6*[1]
Unfertige Leistungen / Vorräte	*309,2*	*316,8*[1]	*345,4*[1]	*163,4*[1]
Fertige Erzeugnisse	*5,4*	*5,1*	*9,9*	-
Forderungen aus Lieferungen und Leistungen	**11,4**	**19,6**	**110,2**	**115,4**
davon:				
Gegenüber Kunden fällige Forderungen aus Vertragsleistungen (PoC)	*0,0*	*13,6*	*242,5*	*216,0*
Erhaltene Anzahlungen[2]	–	*(10,3)*	*(151,1)*	*(122,9)*
Andere Forderungen aus Lieferungen und Leistungen	*11,4*	*15,7*	*18,2*	*20,8*
Forderungen aus Lieferungen und Leistungen nicht konsolidierter Tochtergesellschaften	–	*0,5*	*0,6*	*1,6*
Verbindlichkeiten aus Lieferungen und Leistungen	**(248,5)**	**(215,2)**	**(99,0)**	**(79,2)**
davon:				
Gegenüber Kunden fällige Forderungen aus Vertragsleistungen (PoC)	–	–	*10,8*	*58,7*
Erhaltene Anzahlungen[2]	–	–	*(11,3)*	(64,6)
Verbindlichkeiten aus Lieferungen und Leistungen	*(41,4)*	*(53,6)*	*(55,5)*	(62,6)
Erhaltene Anzahlungen[3]	*(207,1)*	*(161,5)*	*(43,0)*	*(10,7)*
Verbindlichkeiten aus Lieferungen und Leistungen nicht konsolidierter Tochtergesellschaften	–	*(0,0)*	*(0,0)*	*(0,1)*
Nettoumlaufvermögen	**335,5**	**347,1**[1]	**426,7**[1]	**269,2**[1]

(1) Ungeprüft.
(2) Bezieht sich auf Kundenverträge, die nach der Percentage-of-Completion-Methode bilanziert werden.
(3) Bezieht sich auf Kundenverträge, die nach der Completed-Contract-Methode bilanziert werden.

Wesentliche Änderungen der Finanzlage und

In dem am 30. September 2017 endenden Neunmonatszeitraum sowie in den zum 31. Dezember 2014, 31. Dezember 2015 und 31. Dezember 2016 endenden Geschäftsjahren traten nachfolgende wesentliche Änderungen der Finanzlage und des

des Betriebsergebnisses des Emittenten in oder nach dem von den wesentlichen historischen Finanzinformationen abgedeckten Zeitraum.	Betriebsergebnisses von Instone auf. **Am 30. September 2016 und am 30. September 2017 endende Neunmonatszeiträume** Die Konzerngesamtleistung verringerte sich von €250,9 Mio. im Neunmonatszeitraum zum 30. September 2016 um €96,7 Mio., oder 38,5%, auf €154,2 Mio. im Neunmonatszeitraum zum 30. September 2017. Die Bereinigte Konzerngesamtleistung, bereinigt um Kaufpreisallokationseffekte, verringerte sich von €273,1 Mio. um €102,1 Mio., oder 37,4%, auf €171,0. Dieser Rückgang ist hauptsächlich auf den verzögerten Effekt des niedrigen Akquisitionsvolumens in den Geschäftsjahren 2013 und 2014, als Instone Development noch unter der Kontrolle der HOCHTIEF Solutions AG stand, auf Projektentwicklungen in der gegenständlichen Periode zurückzuführen. Darüber hinaus ist der Rückgang auch den deutlich geringeren Umsatzerlösen aus Projektentwicklungen geschuldet, die nach der Percentage-of-Completion-Methode bilanziert wurden, da die neue Standard-Vertragsform für fast alle in der Entwicklung befindlichen Projekte verwendet wurde. Zudem wirken sich die Bestandsveränderungen aufgrund des geringeren Akquisitionsvolumens in den ersten neun Monaten 2017 negativ auf die Konzerngesamtleistung aus. EBIT erhöhte sich von minus €9,3 Mio. im Neunmonatszeitraum zum 30. September 2016 um €13,2 Mio., oder 141,9%, auf €3,9 Mio. im Neunmonatszeitraum zum 30. September 2017. Das Bereinigte EBIT, bereinigt um Kaufpreisallokationseffekte und Einmaleffekte, sank von €17,7 Mio. im Neunmonatszeitraum zum 30. September 2016 um €1,9 Mio., oder 10,7%, auf €15,8 Mio. im Neunmonatszeitraum zum 30. September 2017. Dieser Rückgang ist hauptsächlich auf den verzögerten Effekt des geringeren Akquisitionsvolumens in den Geschäftsjahren 2013 und 2014, als Instone Development noch unter der Kontrolle der HOCHTIEF Solutions AG stand, auf Projektentwicklungen in der gegenständlichen Periode zurückzuführen. Darüber hinaus spiegelt der Rückgang auch die deutlich geringeren Umsatzerlöse aus Projektentwicklungen wider, die nach der Percentage-of-Completion-Methode bilanziert wurden, da die neue Standard-Vertragsform für fast alle in der Entwicklung befindlichen Projekte verwendet wurde sowie auch eine höhere Anzahl von erst im vierten Quartal übergebenen Einheiten. Die höhere Anzahl der erst im vierten Quartal übergebenen Einheiten ist auf die höhere Investitionstätigkeit infolge des Erwerbs der Instone Development durch die Gesellschaft zurückzuführen. Diese Effekte werden sich im vierten Quartal 2017 positiv auf Umsatzerlöse und Bereinigtes EBIT auswirken. **Am 31. Dezember 2015 und 31. Dezember 2016 endende Geschäftsjahre** Die Konzerngesamtleistung erhöhte sich um €26,9 Mio. oder 8,0% von €335,6 Mio. im Geschäftsjahr zum 31. Dezember 2015 auf €362,5 Mio. im Geschäftsjahr zum 31. Dezember 2016. Die Bereinigte Konzerngesamtleistung, bereinigt um Kaufpreisallokationseffekte, erhöhte sich um €63,2 Mio., oder 18,1%, von €349.3 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr auf €412,5 Mio. im zum 31. Dezember 2016 endenden Geschäftsjahr. Dies ist vor allem auf die gestiegenen Bestandsveränderungen im Geschäftsjahr 2016 im Zusammenhang mit der Aktivierung von Grundstückserwerbskosten, die teilweise durch den Rückgang der Umsatzerlöse aus Kundenverträgen, die gemäß der Percentage-of-Completion-Methode erfasst wurden, kompensiert wurden, zurückzuführen. Einen weiteren positiven Effekt auf die Bereinigte Konzerngesamtleistung hatte die Konsolidierung von Instone Leipzig für das gesamte zum 31. Dezember 2016 endende Geschäftsjahr. EBIT verbesserte sich von minus €7,6 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr, um €8,4 Mio. auf €0,8 Mio. im zum 31. Dezember 2016 endenden Geschäftsjahr. Das Bereinigte EBIT, bereinigt um Kaufpreisallokationseffekte und Einmaleffekte, erhöhte sich von €17,7 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr um €30,7 Mio., oder 173,4%, auf €48,4 Mio. im zum 31. Dezember 2016 endenden Geschäftsjahr. Dieser Anstieg ist in erster Linie bedingt durch die höhere Entwicklungstätigkeit im Geschäftsjahr 2016, ungeachtet der gestiegenen Bedeutung von Umsatz- und Ergebnisverschiebungen im Zusammenhang mit einer

zunehmenden Anzahl laufender Entwicklungsprojekte, welche gemäß der Completed-Contract-Methode erfasst werden. Einen weiteren positiven Effekt auf die Bereinigte Konzerngesamtleistung hatte die Konsolidierung von Instone Leipzig für das gesamte zum 31. Dezember 2016 endende Geschäftsjahr.

Am 31. Dezember 2014 und 31. Dezember 2015 endende Geschäftsjahre

Die Konzerngesamtleistung erhöhte sich um €278,9 Mio., oder 491,9%, von €56,7 Mio. im zum 31. Dezember 2014 endenden Geschäftsjahr auf €335,6 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr. Die Bereinigte Konzerngesamtleistung, bereinigt um Kaufpreisallokationseffekte, erhöhte sich um €289,3 Mio. von €60,0 Mio. im zum 31. Dezember 2014 endenden Geschäftsjahr im Vergleich zu €349.3 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr. Dies ist vor allem auf das Rumpfgeschäftsjahr 2014 und die Konsolidierung der Instone Development nur für das letzte Quartal 2014 zurückzuführen, während im zum 31. Dezember 2015 endenden Geschäftsjahr Instone Development für das Gesamtjahr konsolidiert wurde. Aufgrund des Rumpfgeschäftsjahres und des Unterschieds im Konsolidierungskreis ist das Geschäftsjahr 2014 nur teilweise mit dem Geschäftsjahr 2015 vergleichbar.

EBIT verringerte sich um €20,9 Mio., oder 157,1%, von €13,3 Mio. im zum 31. Dezember 2014 endenden Geschäftsjahr auf minus €7,6 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr. Das Bereinigte EBIT, bereinigt um Kaufpreisallokationseffekte und Einmaleffekte, erhöhte sich um €11,7 Mio. oder 195.0% von €6,0 Mio. im zum 31. Dezember 2014 endenden Geschäftsjahr auf €17,7 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr. Dies ist vor allem auf das Rumpfgeschäftsjahr 2014 und die Konsolidierung der Instone Development nur für das letzte Quartal 2014 zurückzuführen, während im zum 31. Dezember 2015 endenden Geschäftsjahr Instone Development für das Gesamtjahr konsolidiert wurde.

Neueste Entwicklungen

Am 28. Dezember 2017 wurden an die Gesellschaft von Gesellschaftern ausgereichte Darlehen in Höhe von €48,0 Millionen teilweise gewandelt und in die Kapitalrücklage der Gesellschaft eingebracht. Am 13. Februar 2018, und zwar kurz nach der Festlegung des Platzierungspreises für die Platzierungsaktien (wie in B.7 definiert) und vor der Bezahlung und Lieferung, werden die Bestehenden Aktionäre beschließen, €41.930,00 der Kapitalrücklage der Gesellschaft in Aktienkapital der Gesellschaft umzutauschen (die „**Kapitalerhöhung vor der Umwandlung**“). Nach der Kapitalerhöhung vor der Umwandlung wird das Grundkapital der Gesellschaft €50.316,00 betragen. Am selben Tag, nach Wirksamkeit der N.V. Umwandlung, wird die Hauptversammlung beschließen, €29.938.020,00 der Kapitalrücklage der Gesellschaft in Aktienkapital der Gesellschaft umzuwandeln (die „**Kapitalerhöhung nach der Umwandlung**“). Nach der Kapitalerhöhung nach der Umwandlung und vor der Kapitalerhöhung im Rahmen der Privatplatzierung wird das Grundkapital der Gesellschaft €29.988.336,00 betragen.

Am 29. Dezember 2017 verkaufte und übertrug Coöperatieve Activum V 295 Anteile an der Gesellschaft an Coöperatieve Formart, wodurch sich die Beteiligung von Coöperatieve Formart an der Gesellschaft auf 33,3% erhöhte. Nach der Übertragung der Aktien hält Coöperatieve Activum V 7,1% der Anteile an der Gesellschaft.

Im letzten Quartal 2017 lieferte Instone 190 Wohneinheiten mit einem Gesamtumsatzvolumen für vollständig entwickelte Projekte von €75,6 Millionen. Zum 30. September 2017 bestand das Projektportfolio von Instone aus 48 Entwicklungsprojekten mit einem erwarteten Gesamtumsatzvolumen für voll entwickelte Projekte von rund €3,4 Milliarden. Seit diesem Zeitpunkt und bis zum Datum dieses Prospekts hat der Vorstand der Gesellschaft drei zusätzliche Projekte mit einem erwarteten Gesamtumsatzvolumen für voll entwickelte Projekte in Höhe von rund €128,0 Millionen genehmigt, inklusive:

- „Projekt Teemanufaktur“ in Halle (für welches Instone bereits den Erwerb der Grundstücke abgeschlossen hat) mit einem erwarteten Gesamtumsatzvolumen (wenn vollständig entwickelt) von rund €25,0

Millionen;

- „Projekt Kosmos“ (Siemens-Areal) in Frankfurt mit einem erwarteten Gesamtumsatzvolumen (wenn vollständig entwickelt) von rund €33,0 Millionen; und
- „Projekt Schorndorf“ mit einem erwarteten Gesamtumsatzvolumen (wenn vollständig entwickelt) von rund €69,8 Millionen.

Zum 31. Dezember 2017 hatte Instone 71 Akquisitionsmöglichkeiten mit einem potenziellen Gesamtumsatzvolumen für voll entwickelte Projekte von mehr als €13,0 Milliarden identifiziert. Mittelfristig strebt Instone jährlich den Erwerb von Grundstücken oder Grundstücken mit einem erwarteten Gesamtumsatzvolumen für voll entwickelte Projekte von €900 Millionen €1,0 Milliarde an.

Am 2. Februar 2018 haben die Gesellschaft und die Bestehenden Aktionäre, zusammen mit Credit Suisse Securities (Europe) Limited, London, Großbritannien (“**Credit Suisse**”), Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Deutschland (“**Deutsche Bank**”, gemeinsam mit Credit Suisse, die **“Joint Global Coordinators**”), BNP Paribas (“**BNP Paribas**”), Morgan Stanley & Co. International plc (“**Morgan Stanley**”) or UniCredit Bank AG (“**UniCredit**”, gemeinsam mit BNP Paribas, Morgan Stanley und den Joint Global Coordinators, die **“Joint Bookrunners**” oder die “**Konsortialbanken**”), im Vorfeld der erwarteten Zulassung der Aktien der Gesellschaft zum Handel im regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) eine Privatplatzierung von 7.000.000 neu ausgegebene Inhaberaktien der Gesellschaft aus einer Kapitalerhöhung gegen Bareinlage, die von der Hauptversammlung der Gesellschaft am oder um den 13. Februar 2018 beschlossen werden soll (die „**Neuen Aktien**“), und von bis zu 13.350.000 bestehende Inhaberaktien der Gesellschaft aus dem Bestand der Bestehenden Aktionäre (die „**Bestehenden Aktien**“, und, gemeinsam mit den Neuen Aktien, die „**Basisaktien**“) initiiert.

Anlegern können zusätzlich zu den Basisaktien bis zu 3.050.000 zusätzliche Inhaberaktien der Gesellschaft (die „**Mehrzuteilungsaktien**“, und gemeinsam mit den Basisaktien, die „**Platzierungsaktien**“) im Rahmen der Privatplatzierung zugeteilt werden (die „**Mehrzuteilung**“). Zum Zweck einer potenziellen Mehrzuteilung werden der Credit Suisse, in ihrer Funktion als Stabilisierungsmanager (der „**Stabilisierungsmanager**“) für Rechnung der Konsortialbanken bis zu 3.050.000 bestehende Inhaberaktien der Gesellschaft aus dem Bestand der Bestehenden Aktionäre in Form eines Wertpapierdarlehens zur Verfügung gestellt. Die Anzahl der Mehrzuteilungsaktien wird 15% der Anzahl der Basisaktien nicht überschreiten. Zudem haben die Bestehenden Aktionäre den Konsortialbanken eine Option zum Erwerb einer der Anzahl der entliehenen Aktien entsprechenden Anzahl an Aktien der Gesellschaft zum finalen Platzierungspreis abzüglich vereinbarter Provisionen eingeräumt (die „**Greenshoe-Option**“). Die Greenshoe-Option kann nur während des Stabilisierungszeitraums ausgeübt werden (der Zeitraum, der mit dem Datum beginnt, an dem die Aktien der Gesellschaft mit dem Handel beginnen und nicht später als 30 Kalendertage danach endet) und endet 30 Kalendertage nach Beginn des Handels der Aktien der Gesellschaft, welcher voraussichtlich am 15. Februar 2018 stattfinden wird.

Am 1. Februar 2018 haben die Gesellschaft und die Bestehenden Aktionäre gemeinsam mit den Konsortialbanken die Preisspanne auf €21,50 bis €25,50 je Privatplatzierungssaktie festgesetzt (die „**Preisspanne**“).

Der Platzierungspreis und die endgültige Anzahl der in der Privatplatzierung platzierten Aktien der Gesellschaft werden voraussichtlich auf der Grundlage des im Rahmen eines Bookbuilding-Verfahrens (welches voraussichtlich im Zeitraum vom 2. Februar 2018 bis zum 13. Februar 2018 stattfinden wird) erstellten Orderbuchs am 13. Februar 2018 festgelegt.

Die Gesellschaft beabsichtigt ihre Aktien zum Handel zuzulassen, um Zugang zu den Kapitalmärkten zu erhalten und die Möglichkeit zu schaffen, Eigenkapital- und

		Fremdkapitalmarktfinanzierungen zu erhalten. Die Gesellschaft beabsichtigt derzeit, einen Teil des der Gesellschaft zurechenbaren Nettoerlöses von rund €55,5 Millionen zur vollständigen Rückzahlung sämtlicher zum 19. Februar 2018 unter allen Gesellschafterdarlehen ausstehender Beträge und die restlichen Nettoerlöse in Höhe von rund €100,3 Millionen (unter Annahme einer finalen Platzierung der Neuen Aktien zum Mittelwert der Preisspanne) zur Finanzierung ihrer Akquisitions- und Entwicklungstätigkeiten zur Schaffung von Mehrwert zu verwenden und stabile Erträge aus dem Projektentwicklungsgeschäft zu generieren. Mit Ausnahme der oben genannten Entwicklungen haben sich zwischen dem 30. September 2017 und dem Datum dieses Prospekts keine wesentlichen Änderungen in der Finanz- oder Handelsposition von Instone ergeben.
B.8	**Ausgewählte wesentliche Pro-Forma-Finanzinformationen.**	Entfällt. Die Gesellschaft hat keine Pro-Forma-Finanzinformationen erstellt.
B.9	**Gewinnprognose und -schätzung.**	Entfällt. Die Gesellschaft hat keine Gewinnprognose oder -schätzung erstellt.
B.10	**Einschränkungen im Prüfungsbericht hinsichtlich der historischen Finanzinformationen.**	Entfällt. Die in diesem Prospekt enthaltenen geprüften historischen Abschlüsse wurden mit uneingeschränkten Bestätigungsvermerken versehen.
B.11	**Nicht ausreichendes Geschäftskapital des Emittenten.**	Entfällt. Die Gesellschaft ist der Auffassung, dass ihr Geschäftskapital für ihre gegenwärtigen Anforderungen ausreicht, d. h. zumindest während der nächsten zwölf Monate seit dem Datum der Veröffentlichung dieses Prospekts.

C – Wertpapiere

C.1	**Art und Gattung der angebotenen und zum Handel zuzulassenden Wertpapiere.**	Auf den Inhaber lautende Stammaktien der Gesellschaft, jeweils mit einem rechnerischen Nennwert von €1,00 und voller Dividendenberechtigung ab dem 1. Januar 2017.
	Wertpapierkennnummer.	International Securities Identification Number (ISIN): NL0012757355 Deutsche Wertpapierkennnummer (WKN): A2JCTW Börsenkürzel: INS
C.2	**Währung der Wertpapieremission.**	Euro.
C.3	**Anzahl der ausgegebenen und voll einbezahlten Aktien sowie Nennwert pro Aktie.**	Im Zeitpunkt dieses Prospekts beträgt das Grundkapital der Gesellschaft €8.386,00 und ist aufgeteilt in 8.386 Aktien mit einem Nennwert von jeweils €1,00 und wurden die Aktien der Gesellschaft als Namensaktien (*op naam*) ausgegeben. Mit Wirksamkeit der N.V. Umwandlung wird die Art der Aktien in Inhaberaktien (*aandelen aan toonder*) geändert. Das Grundkapital ist vollständig einbezahlt.
C.4	**Mit den Wertpapieren verbundene Rechte.**	Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Alle Aktien der Gesellschaft sind mit denselben Stimmrechten ausgestattet. Es bestehen keine Stimmrechtsbeschränkungen außer gemäß einer beschränkten Anzahl gesetzlicher Bestimmungen.

C.5	**Beschränkungen der freien Übertragbarkeit der Wertpapiere.**	Im Zeitpunkt dieses Prospekts sind die Aktien der Gesellschaft als Namensaktien (*op naam*) ausgegeben. Mit Wirksamkeit der N.V. Umwandlung wird die Art der Aktien in Inhaberaktien (*aandelen aan toonder*) geändert. Mit Ausnahme der nachstehend beschriebenen und in Abschnitt E.5 enthaltenen Beschränkungen bestehen für die Aktien der Gesellschaft mit Wirksamkeit der N.V. Umwandlung keine Verbote oder Beschränkungen im Hinblick auf deren Übertragbarkeit. Jedoch können spezifische Vorschriften oder Beschränkungen greifen, wenn sich die Privatplatzierung an Personen richtet, die nicht in den Niederlanden wohnhaft oder ansässig sind bzw. die keine niederländischen Staatsbürger oder nicht in den Niederlanden gemeldet sind, oder wenn die Platzierungsaktien in andere Jurisdiktionen als die Niederlande übertragen werden sollen.
C.6	**Antrag auf Zulassung zum Handel in einem regulierten Markt; Nennung aller regulierten Märkte, in denen die Wertpapiere gehandelt werden sollen.**	Die Gesellschaft hat die Zulassung ihrer Aktien zum Handel am regulierten Markt der Frankfurter Wertpapierbörse und die gleichzeitige Zulassung zum Teilbereich des Regulierten Marktes mit zusätzlichen Zulassungsfolgepflichten (*Prime Standard*) der Frankfurter Wertpapierbörse am 9. Februar 2018 beantragt. Der Zulassungsbeschluss für die Platzierungsaktien der Gesellschaft wird voraussichtlich am 14. Februar 2018 erteilt. Der Handel mit den Platzierungsaktien der Gesellschaft an der Frankfurter Wertpapierbörse wird voraussichtlich am 15. Februar 2018 beginnen.
C.7	**Dividendenpolitik.**	Die Gesellschaft beabsichtigt derzeit, vorbehaltlich der vollen Rückzahlung der Gesellschafterdarlehen von einem Teilbetrag der Nettoerlöse aus der Privatplatzierung, alle verfügbaren Mittel und zukünftigen Erträge einzubehalten, um das Wachstum und die Entwicklung des Geschäfts zu finanzieren. Derzeit beabsichtigt die Gesellschaft nicht, für die Geschäftsjahre 2017 bis 2019 Dividenden auszuschütten. Mittelfristig, frühestens jedoch im Jahr 2021 für das Geschäftsjahr 2020, plant die Gesellschaft, Dividenden in Höhe von 20% bis 30% ihres Nettoeinkommens auszuschütten, sofern sie sich zu diesem Zeitpunkt nicht entscheiden sollte, die ausschüttungsfähigen Mittel stattdessen in weiteres Wachstum zu investieren. Etwaige zukünftige Entscheidungen betreffend die Ausschüttung von Dividenden werden gemäß anwendbarem Recht getroffen und hängen unter anderem von den Geschäftsergebnissen, der finanziellen Lage, den vertraglichen Beschränkungen und dem Kapitalbedarf ab. Die zukünftige Fähigkeit der Gesellschaft Dividenden auszuschütten, kann ferner durch Bedingungen bestehender sowie zukünftiger Verbindlichkeiten oder Vorzugsaktien beschränkt sein.

D – Risiken

		Der Erwerb von Aktien der Gesellschaft ist mit verschiedenen Risiken verbunden. Potenzielle Anleger sollten vor der Entscheidung über eine Investition in Aktien der Gesellschaft die nachfolgend beschriebenen Risiken sowie alle sonstigen in diesem Prospekt enthaltenen Informationen sorgfältig prüfen. Die folgenden Risiken könnten allein oder zusammen mit weiteren Risiken und Unwägbarkeiten, die der Gesellschaft derzeit nicht bekannt sind oder die die Gesellschaft derzeit als unwesentlich erachtet, erhebliche beeinträchtigende Auswirkungen auf die Geschäfts-, Finanz- und Ertragslage von Instone haben. Der Marktpreis der Aktien der Gesellschaft könnte sinken, wenn sich eines dieser Risiken verwirklichen sollten; in diesem Fall könnten die Anleger ihre Investition teilweise oder ganz verlieren. Die Reihenfolge, in der die Risiken nachfolgend dargestellt sind, stellt keine Aussage über die Eintrittswahrscheinlichkeit oder Bedeutung und Höhe der Risiken oder das Ausmaß einer etwaigen Beeinträchtigung der Geschäftstätigkeit, Vermögenswerte, Finanzlage, Liquiditäts- oder Ertragslage von Instone, dar. Die in diesem Prospekt benannten Risiken können einzeln oder kumulativ eintreten.
D.1	**Für den**	**Markt- und Geschäftsschlüsselrisiken**

Emittenten oder die Branche des Emittenten charakteristische Schlüsselrisiken.	• Instone ist vom deutschen Wohnimmobilienmarkt abhängig, dessen Bedingungen sich aufgrund makroökonomischer und sonstiger Faktoren verschlechtern können. • Instone könnte niedrigere Umsätze und Einnahmen für seine Projekte als erwartet erzielen, insbesondere wenn sich das allgemeine Preisniveau für Wohnimmobilien verschlechtert. • Das Projektportfolio von Instone ist geografisch und projektbezogen konzentriert, was das Verlustrisiko erhöhen kann. • Instone ist einem starkem Wettbewerb ausgesetzt, der sich in der Zukunft intensivieren könnte. • Instone könnte nicht in der Lage sein, Entwicklungsprojekte zu profitablen Bedingungen oder plangemäß zu realisieren. • Das Wachstum und die Rentabilität von Instone hängen von seiner Fähigkeit ab, attraktive Grundstücke oder unter Denkmalschutz stehende Sanierungsimmobilien zu identifizieren und zu attraktiven Bedingungen zu erwerben. • Wenn es Instone nicht gelingt, erforderliche für die Wohnraumentwicklung geeignete Flächennutzungs- oder Bebauungspläne und Baugenehmigungen sowie Genehmigungen für seine Entwicklungs- oder Sanierungsprojekte zu erwirken, wenn diesbezüglich erhebliche Verzögerungen eintreten oder solche Genehmigungen später widerrufen oder angefochten werden, könnte sich dies nachteilig auf die Geschäftstätigkeit von Instone auswirken. • Instone könnte nicht in der Lage sein, eine ausreichende Finanzierung aufrechtzuerhalten oder zu annehmbaren Bedingungen zu bekommen. • Die Instone Development könnte nicht mehr in der Lage sein, Kautionsversicherungsverträge überhaupt oder zu wirtschaftlich vertretbaren Bedingungen abzuschließen. • Die Privatplatzierung und die Börsennotierung können zu einem Wechsel der Kontrolle in der Beteiligung an der Gesellschaft führen, welcher im Rahmen bestimmter Finanzierungsverträge Kündigungsrechte und die Verpflichtung vorzeitiger Rückzahlung auslösen kann. • Instone ist bei der Entwicklung und dem Bau seiner Immobilien abhängig von externen Lieferanten und Vertragspartnern. • Instone ist dem Risiko von Baumängeln und fehlerhaften Baustoffen ausgesetzt. • Der Bau neuer Wohnimmobilien birgt Gesundheits-, Sicherheits- und Umweltrisiken. • Die Nachfrage nach Instones Immobilien hängt von den Käuferpräferenzen im Hinblick auf Art und Standort der Immobilien und davon ab, inwieweit die Produktentwicklungen als attraktiv und qualitativ hochwertig empfunden werden. • Eine Schädigung des Rufs von Instone und/oder des gesamten Wohnimmobilienentwicklungsmarktes oder eine mangelnde Käuferzufriedenheit könnten zu einer sinkenden Nachfrage nach den von Instone entwickelten Immobilien führen. • Eine eingeschränkte Verfügbarkeit von und höhere Kosten für grundpfandrechtlich besicherten Finanzierungen könnte sich negativ auf die Umsatzerlöse von Instone auswirken. • Die Nichteinhaltung bestimmter Anforderungen betreffend die Projektentwicklungen von Instone in Bezug auf denkmalgeschützte Gebäude

könnte sich negativ auf die Geschäftstätigkeit auswirken.

- Änderungen der deutschen Steuergesetzgebung im Bereich Sonderabschreibungen von Sanierungsinvestitionen in denkmalgeschützte Immobilien könnten sich negativ auf die Geschäftstätigkeit von Instone auswirken.
- Instone könnten verschiedene Kosten bei der Verfolgung eines zukünftigen Wachstums- oder Expansionskurses entstehen und die prognostizierten Vorteile könnten nie eintreten.
- Instone könnte wichtige Mitarbeiter verlieren oder nicht in der Lage sein, qualifiziertes Personal für Schlüsselpositionen zu gewinnen.
- Instone ist auf einen ungestörten Betrieb und die Sicherheit seiner Infrastruktur- und Informationstechnologie (IT) angewiesen, die ein maßgeblicher Bestandteil seines Risikomanagementsystems ist.
- Die Integration von Instone Leipzig in Instone könnte nicht erfolgreich oder nicht wie geplant verlaufen und höhere Kosten verursachen als erwartet.
- Instone könnten erhebliche Verluste aufgrund nicht versicherter Schäden oder Schäden, die die Versicherungsdeckung überschreiten, entstehen.
- Grundstücke und Immobilien können illiquide Vermögenswerte darstellen und die Möglichkeiten von Instone erheblich beinträchtigen, auf ungünstige Veränderungen auf den Immobilien- oder Finanzmärkten zu reagieren.
- Der Bewertungsbericht und die in diesem Prospekt enthaltenen Finanzinformationen könnten den Wert von Instones Immobilien unzutreffend abbilden.

Regulatorische, rechtliche und steuerliche Schlüsselrisiken

- Änderungen des geltenden Rechts und/oder der Regularien im Bereich Wohnimmobilien könnten den nachhaltigen Erfolg des Geschäftsmodells von Instone negativ beeinflussen.
- Verstöße gegen die MaBV oder die Gewerbeordnung (GewO) könnten Bußgelder oder den Widerruf der Instone erteilten Erlaubnis nach sich ziehen, von Privatkäufern Abschlagszahlungen nach Baufortschritt zu fordern.
- Die Standard-AGB, die in den Verträgen zum Einsatz kommen, die Instone mit Käufern, Architekten und Bauunternehmen abschließt, könnten unwirksam sein.
- Die von Instone eingesetzten Compliance-Systeme waren bzw. sind möglicherweise nicht ausreichend, um rechtliche, finanzielle und betriebliche Risiken zu verhindern bzw. zu erkennen.
- Wenn es der Gesellschaft nicht gelingt, ein effektives internes Kontrollsystem aufrechtzuerhalten, könnte sie nicht in der Lage sein, ihre Geschäftsergebnisse korrekt zu bestimmen und gefordert sein ihren Jahresabschluss anzupassen, wodurch die Aktionäre ihr Vertrauen in die Geschäftsergebnisse der Gesellschaft verlieren könnten.
- Instone könnte durch Änderungen des allgemeinen steuerlichen Umfelds in Deutschland und den Niederlanden negativ beeinflusst werden, da diese Änderungen zu einer Erhöhung der Steuerlast von Instone führen könnten.
- Aufgrund der gegenwärtigen doppelten Steueransässigkeit könnte Instone auch in einer anderen Jurisdiktion als Deutschland steuerpflichtig werden.
- Instone könnte verpflichtet sein einen Abzug deutscher und niederländischer Quellensteuer von Dividenden vorzunehmen.
- Instone hat bereits erhebliche Umstrukturierungsmaßnahmen durchgeführt,

		und erwartet künftig erhebliche Umstrukturierungsmaßnahmen, einschließlich des geplanten Formwechsels in eine deutsche Aktiengesellschaft, durchzuführen, die zu einer zusätzlichen steuerlichen Belastung führen können.
D.3	**Für die Wertpapiere charakteristische Schlüsselrisiken.**	**Schlüsselrisiken im Zusammenhang mit der Privatplatzierung und die Börsennotierung sowie den Platzierungsaktien** • Es gibt keinen Bestandsmarkt für die Aktien der Gesellschaft und die Entwicklung eines aktiven Handels könnte begrenzt sein. • Der Marktpreis und das Handelsvolumen der Aktien der Gesellschaft könnten erheblich schwanken, was zu erheblichen Verlusten führen kann. • Nach der Privatplatzierung und der Börsennotierung werden die Bestehenden Aktionäre eine signifikante Beteiligung an der Gesellschaft behalten, und ihre Interessen könnten mit denen der anderen Aktionäre in Konflikt stehen. • Zukünftige Kapitalmaßnahmen könnten zu einer erheblichen Verwässerung der Beteiligungen der Aktionäre sowie ihrer Stimmrechte führen und sich negativ auf den Marktpreis der Aktien auswirken. • Zukünftige Verkäufe durch die Bestehenden Aktionäre könnten den Marktpreis der Aktien der Gesellschaft unter Druck setzen. • Die Fähigkeit der Gesellschaft zur Ausschüttung von Dividenden hängt von einer Vielzahl von Faktoren ab. Die in der Vergangenheit ausgeschütteten Dividenden sind nicht unbedingt aussagekräftig im Hinblick auf zukünftige Zahlungen und die Dividendenpolitik der Gesellschaft könnte sich ändern. • Die Gesellschaft ist eine Gesellschaft mit beschränkter Haftung niederländischen Rechts (B.V.) und wird in eine Aktiengesellschaft niederländischen Rechts (N.V.) umgewandelt, bei welcher sich die Aktionärsrechte von den Rechten unterscheiden können, über die Aktionäre einer sich in einer anderen Jurisdiktion befindenden Gesellschaft verfügen. • Die Gesellschaft beabsichtigt der Hauptversammlung vorzuschlagen, einen Beschluss über die Umwandlung der Gesellschaft in eine Aktiengesellschaft, die deutschem Recht unterliegt, zu fassen, bei welcher sich die Aktionärsrechte von den Rechten unterscheiden können, über die Aktionäre einer sich in einer anderen Jurisdiktion befindenden Gesellschaft verfügen.
E – Angebot		
E.1	**Gesamtnettoerlöse.**	Entfällt. Es wird kein öffentliches Angebot geben. Die Gesellschaft erhält allerdings die Erlöse aus der Privatplatzierung, die sich aus dem Verkauf der Neuen Aktien ergeben. Die Gesellschaft erhält keine Erlöse aus dem Verkauf der Bestehenden Aktien oder der Mehrzuteilungsaktien aus dem Bestand der Bestehenden Aktionäre. Unter der Annahme der Platzierung der Bestandsaktien zum unteren Wert, zum Mittelwert und zum oberen Wert der Preisspanne, würden die Bruttoerlöse für die Gesellschaft nach Einschätzung der Gesellschaft zum unteren Wert, zum Mittelwert und zum oberen Wert der Preisspanne ca. €150,5 Millionen, €164,5 Millionen bzw. €178,5 Millionen betragen und die Nettoerlöse sich auf ca. €142,2 Millionen, €155,8 Millionen bzw. €169,4 Millionen belaufen. Unter der Annahme der Platzierung der Bestehenden Aktien und sämtlicher Mehrzuteilungsaktien sowie unter der Annahme der vollständigen Ausübung der Greenshoe-Option, was insgesamt 16.400.000 Aktien ergäbe, würden die Bruttoerlöse für die Bestehenden Aktionäre nach Einschätzung der Gesellschaft zum unteren Wert, zum Mittelwert und zum oberen Wert der Preisspanne ca. €352,6 Millionen, €385,4 Millionen bzw. €418,2 Millionen betragen und die Nettoerlöse sich auf

		ca. €334,8 Millionen, €366,7 Millionen bzw. €398,5 Millionen belaufen.
	Geschätzte Gesamtkosten der Emission/des Angebots.	Entfällt. Die Kosten der Gesellschaft im Zusammenhang mit der Privatplatzierung und der Börsennotierung der Privatplatzierungsaktien werden sich schätzungsweise auf ca. €10,9 Millionen belaufen (exklusive der Konsortial- und Platzierungsprovisionen, die an die Konsortialbanken zu zahlen sind). Die Bestehenden Aktionäre werden ca. 65,6% der Gesamtkosten tragen, was bedeutet, dass die Gesellschaft letztlich ca. 34,4% der Kosten tragen wird.
	Dem Anleger in Rechnung zu stellende geschätzte Kosten.	Entfällt. Den Anlegern werden von der Gesellschaft, den Bestehenden Aktionären und den Konsortialbanken keine Kosten in Rechnung gestellt. Die Anleger haben übliche Transaktions- und Bearbeitungsgebühren zu tragen, die ihnen von ihren Brokern oder sonstigen Finanzdienstleistern in Rechnung gestellt werden, über die sie ihre Wertpapiere halten.
E.2a	**Gründe für das Angebot.**	Entfällt. Es wird kein öffentliches Angebot geben. Die Gesellschaft beabsichtigt, ihre Aktien am regulierten Markt der Frankfurter Wertpapierbörse und gleichzeitig im Teilbereich des regulierten Marktes mit zusätzlichen Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse notieren zu lassen, um Zugang zu den Kapitalmärkten zu erhalten. Die Bestehenden Aktionäre verfolgen mit der Privatplatzierung das Ziel, die ihnen zuzurechnenden Nettoerlöse aus der Privatplatzierung zu erzielen.
	Verwendung der Erlöse, geschätzte Höhe der Nettoerlöse.	Entfällt. Es wird kein öffentliches Angebot geben. Die Gesellschaft beabsichtigt derzeit, einen Teil der Nettoerlöse aus der Privatplatzierung, der der Gesellschaft zuzurechnen ist, in Höhe von rund €55,5 Millionen zur vollständigen Rückzahlung sämtlicher noch ausstehenden Beträge unter den Gesellschafterdarlehen und die restlichen Nettoerlöse in Höhe von rund €100,3 Millionen (unter Annahme einer finalen Platzierung der Neuen Aktien zum Mittelwert der Preisspanne) zur Finanzierung ihrer Akquisitions- und Entwicklungstätigkeiten zur Schaffung von Mehrwert zu verwenden und stabile Erträge aus dem Projektentwicklungsgeschäft zu generieren.
E.3	**Angebots-konditionen.**	Entfällt. Es wird kein öffentliches Angebot geben. Informationen zu den Bedingungen der Privatplatzierung finden Sie in B.7.
E.4	**Wesentliche Interessen an der Emission/dem Angebot, einschließlich Interessen-konflikte.**	Im Zusammenhang mit der Privatplatzierung und der Zulassung der Aktien der Gesellschaft zum Handel sind die Konsortialbanken vertragliche Beziehungen mit der Gesellschaft und den Bestehenden Aktionären eingegangen. Die Konsortialbanken handeln im Rahmen der Strukturierung und Durchführung der Privatplatzierung für die Gesellschaft und die Bestehenden Aktionäre. Darüber hinaus wurde die Deutsche Bank als Designated Sponsor für die Aktien der Gesellschaft, und als Zahlstelle, beauftragt. Die Börsennotierung ist eine Voraussetzung für den Vollzug der Privatplatzierung. Nach erfolgreicher Durchführung der Privatplatzierung erhalten die Konsortialbanken eine Provision, deren Größenordnung sich an den Ergebnissen der Privatplatzierung orientiert. Infolge dieser Vertragsverhältnisse haben die Konsortialbanken ein wirtschaftliches Interesse am Erfolg der Privatplatzierung zu bestmöglichen Bedingungen. Einige der Konsortialbanken oder mit ihnen verbundene Unternehmen unterhalten gegenwärtig und möglicherweise auch in Zukunft gelegentlich Geschäftsbeziehungen zu Instone und den Bestehenden Aktionären, einschließlich Finanzierungsaktivitäten, oder erbringen möglicherweise im Rahmen ihrer gewöhnlichen Geschäftstätigkeit Leistungen für Instone oder die Bestehenden Aktionäre.

Die Bestehenden Aktionäre haben ein Interesse an der Börsennotierung, da dies eine Börsennotierung für die Privatplatzierung ist und den Erlös aus dem Verkauf von bis zu 13.350.000 Bestehenden Aktien und bis zu 3.050.000 gegebenenfalls im Rahmen der Privatplatzierung verkauften Mehrzuteilungsaktien erhalten werden (nach Abzug von Gebühren und Kommissionen).

Neben den oben beschriebenen Interessen bestehen keine wesentlichen Interessen, insbesondere keine wesentlichen Interessenkonflikte, in Bezug auf die Privatplatzierung oder der Börsennotierung der Aktien der Gesellschaft.

E.5	**Name der Person/des Unternehmens, die/das die Wertpapiere zum Verkauf anbietet.**	Entfällt. Es wird kein öffentliches Angebot geben. Die Privatplatzierungsaktien werden von den Joint Bookrunners zum Verkauf im Rahmen der Privatplatzierung angeboten.
	Lock-Up-Vereinbarung: beteiligte Parteien und Angabe zur Lock-Up-Frist.	In dem zwischen der Gesellschaft, den Bestehenden Aktionären und den Konsortialbanken am 2. Februar 2018 vereinbarten Vertrag hinsichtlich der Privatplatzierung (der „**Konsortialvertrag**”) hat die Gesellschaft mit jedem Joint Bookrunner vereinbart, dass die Gesellschaft, soweit gesetzlich zulässig ist, in der Zeit vom 2. Februar 2018 bis sechs Monate nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse (derzeit voraussichtlich der 15. Februar 2018) ohne vorherige schriftliche Zustimmung der Konsortialbanken, welche nicht ohne vernünftigen Grund verweigert werden darf, folgende Maßnahmen nicht vornehmen wird: (a) Ankündigung oder Durchführung einer Erhöhung des Grundkapitals der Gesellschaft aus allfälligem genehmigten oder bedingten Kapital, (b) Vorschlag der Erhöhung des ausgegebenen Grundkapitals an die Hauptversammlung, oder (c) Ankündigung, Durchführung oder Vorschlag der Emission von Wertpapieren mit Wandel- oder Optionsrechten in Bezug auf Aktien der Gesellschaft; (d) Angebot, Verpfändung, Zuteilung, Ausgabe (sofern nicht nach geltendem Recht erforderlich), Verkauf, Eingehen einer Verkaufsverpflichtung, Verkauf einer Kaufoption oder Kaufverpflichtung, Erwerb einer Verkaufsoption, Gewährung einer Kaufoption, eines Kaufrechts oder Bezugsrechts oder anderweitige Übertragung oder Veräußerung, direkt oder indirekt, von Aktien ihres Kapitals oder jeglicher Wertpapiere, die in Aktien ihres Kapitals umwandelbar, für diese ausübbar oder gegen Aktien ihres Kapitals umtauschbar sind, oder Eingehen eines Swap oder einer sonstigen Regelung, mit dem bzw. der das wirtschaftliche Risiko des Eigentums an den Aktien ihres Kapitals vollständig oder teilweise auf andere übertragen wird; oder (e) Abschluss einer Transaktion oder Durchführung einer Maßnahme, die den in den vorstehenden Absätzen (a) bis (d) beschriebenen Maßnahmen wirtschaftlich ähnlich ist.

Vorstehende Ausführungen gelten nicht für (i) die Umwandlung von bis zu €30,0 Millionen aus der Kapitalrücklage der Gesellschaft in das Aktienkapital der Gesellschaft vor Börsennotierung der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse, (ii) die Erhöhung des Aktienkapitals der Gesellschaft im Zusammenhang mit der Privatplatzierung, (iii) Vorschläge an die Hauptversammlung zur Schaffung eines genehmigten Kapitals, eines bedingten Kapitals, einer Ermächtigung zur Ausgabe von in Aktien der Gesellschaft umtauschbaren oder ausübbaren oder umtauschbaren Wertpapieren (solche Ermächtigungen dürfen während der Sperrfrist nicht ausgeübt werden), (iv) die Ausgabe oder den Verkauf von Aktien oder anderen Wertpapieren an Mitarbeiter und Mitglieder von Organen der Gesellschaft oder ihrer Tochtergesellschaften im Rahmen von üblichen Management- oder Mitarbeiterbeteiligungsprogrammen, oder (v) von der Gesellschaft vorgenommene gesellschaftsrechtliche Maßnahmen zum Zwecke der Umwandlung der Gesellschaft in eine deutsche Aktiengesellschaft.

Außerdem haben die Bestehenden Aktionäre zugestimmt, dass sie in der Zeit vom 2. Februar 2018 bis sechs Monate nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse (derzeit voraussichtlich der 15. Februar 2018) ohne vorherige schriftliche Zustimmung der Konsortialbanken, welche nicht ohne vernünftigen Grund verweigert werden darf, folgende Maßnahmen nicht vornehmen werden:

Angebot, Verpfändung, Zuteilung, Verkauf, Eingehen einer Verkaufsverpflichtung, Verkauf einer Kaufoption oder Kaufverpflichtung, Erwerb einer Verkaufsoption, Gewährung einer Kaufoption, eines Kaufrechts oder Bezugsrechts oder anderweitige Übertragung oder Veräußerung, direkt oder indirekt, von Aktien oder jeglicher Wertpapiere der Gesellschaft, die in Aktien der Gesellschaft umwandelbar, für diese ausübbar oder gegen Aktien der Gesellschaft umtauschbar sind;

Beantragung oder Ausübung eines Rechts bezüglich der Registrierung gemäß US-Wertpapiergesetzen in Bezug auf jegliche Aktien der Gesellschaft oder jegliches Wertpapier, das in Aktien der Gesellschaft umwandelbar, für diese ausübbar oder gegen Aktien der Gesellschaft umtauschbar ist;

Vorschlag einer Erhöhung des Grundkapitals der Gesellschaft, Stimmabgabe zugunsten einer solchen vorgeschlagenen Kapitalerhöhung oder anderweitige Unterstützung eines Vorschlags über die Ausgabe jeglicher Wertpapiere, die in Aktien der Gesellschaft wandelbar sind oder mit einer Option auf Aktien der Gesellschaft ausgestattet sind; oder

Abschluss einer Transaktion oder Durchführung einer Maßnahme, die den in den vorstehenden Absätzen beschriebenen Maßnahmen wirtschaftlich ähnlich ist, insbesondere Abschluss eines Swap oder einer sonstigen Regelung, mit dem bzw. der das wirtschaftliche Risiko des Eigentums an Aktien der Gesellschaft vollständig oder teilweise auf andere übertragen wird, unabhängig davon, ob diese Transaktion im Wege der Lieferung von Aktien der Gesellschaft oder sonstigen Wertpapieren, in bar oder anderweitig abgewickelt wird.

Vorstehende Ausführungen gelten nicht für (i) die Schaffung genehmigten Kapitals, bedingten Kapitals oder die Ermächtigung zur Ausgabe von gegen in Aktien der Gesellschaft umtauschbare oder ausübbare Wertpapieren (solche Ermächtigungen dürfen allerdings nicht in der Sperrfrist geschaffen werden), (ii) jegliche zur Durchführung der Erhöhung des Grundkapitals der Gesellschaft vor Börsennotierung der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse und der N.V. Umwandlung erforderlichen Maßnahmen, (iii) jegliche zur Durchführung der AG Umwandlung erforderlichen Maßnahmen (ohne eine Erhöhung des Aktienkapitals zu bewirken), (iv) Übertragungen von Aktien in Zusammenhang mit der Mehrzuteilung auf den Stabilisierungsmanager durch die Bestehenden Aktionäre aufgrund der Wertpapierleihe, (v) Veräußerung und Übertragung an Mitglieder des Vorstands der Gesellschaft oder an Geschäftsführer der Instone Konzerngesellschaften im Rahmen der Umstrukturierung von Managementbeteiligungsprogrammen, und (vi) Übertragungen an verbundene Unternehmen des jeweiligen Bestehenden

Aktionärs, hinsichtlich der Punkte (v) und (vi) allerdings jeweils vorausgesetzt, dass der bzw. die betreffende(n) Erwerber den Joint Global Coordinators gegenüber bestätigen, dass sie an dieselbe oder eine längere Lock-up-Verpflichtung gebunden sind.

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

Entfällt. Es wird kein öffentliches Angebot geben.

Das Eigenkapital von Instone (d.h., der Netto-Buchwert (Summe der Aktiva abzüglich der Summe der langfristigen Schulden und der Summe der kurzfristigen Schulden)) betrug zum 30. September 2017 minus €11,0 Millionen und würde auf der Grundlage von 29.988.336 ausgegebenen Aktien der Gesellschaft unmittelbar vor der Privatplatzierung und nach Bereinigung um die Darlehen die von den Gesellschaftern an die Gesellschaft ausgereicht wurden und in Höhe von €48,0 Millionen teilweise gewandelt und in die Kapitalrücklage der Gesellschaft eingebracht wurden, €1,23 je Aktie der Gesellschaft betragen.

Der Verwässerungseffekt der Privatplatzierung wird in der nachstehenden Tabelle dargestellt. Die Tabelle veranschaulicht den Betrag um den der Platzierungspreis das Eigenkapital übersteigt, das den Aktionären je Aktie nach Abschluss der Privatplatzierung und unter der Annahme des Abschlusses der Privatplatzierung am 30. September 2017 zuzurechnen ist. In dieser Hinsicht wurde der Nettobuchwert, der den Aktionären zum 30. September 2017 zuzurechnen ist, um die Effekte des erfolgreichen Abschlusses dieser Privatplatzierung bereinigt, und zwar unter der Annahme (i) der Durchführung der Kapitalerhöhung im Rahmen der Privatplatzierung und (ii) einer Erhöhung des Nettobuchwertes, der den Aktionären zuzurechnen ist, um €3,98 Millionen (unter der Annahme einer erfolgreichen Platzierung der Neuen Aktien zum Mittelwert der Preisspanne und ohne Berücksichtigung von steuerlichen Auswirkungen). Der den Aktionären zuzurechnende bereinigte Nettobuchwert wird als Zahl je Aktie ausgewiesen, unter der Annahme, dass nach Abschluss der Privatplatzierung 36.988.336 Aktien der Gesellschaft ausstehend sind (diese Zahl je Aktie wird als „**Nach- Börseneinführung den Aktionären zuzurechnendes Eigenkapital**" bezeichnet).

	Zum 30. September 2017
	(ungeprüft) (in €, sofern nicht anders angegeben)
Platzierungspreis je Aktie	23,50
Nettobuchwert je Aktie (basierend auf 29.988.336 ausstehenden Aktien der Gesellschaft vor der Kapitalerhöhung im Rahmen der Privatplatzierung)(1)	1,23
Nach-Börseneinführung den Aktionären zuzurechnendes Eigenkapital(2)	5,21
Betrag, um den der Platzierungspreis das Nach-Börseneinführung den Aktionären zuzurechnendes Eigenkapital je Aktie übersteigt (unmittelbare Verwässerung der neuen Aktionäre der Gesellschaft)	18,29
Prozentsatz, um den der Platzierungspreis den Nettobuchwert je Aktie übersteigt	77,8%

(1) Basierend auf 29.988.336 ausstehenden Aktien der Gesellschaft unmittelbar vor der Privatplatzierung und einem Eigenkapital von Instone in Höhe von minus €11,0 Millionen zum 30. September 2017 und nach Bereinigung um die Darlehen die von den Gesellschaftern an die Gesellschaft ausgereicht wurden und in Höhe von €48,0 Millionen teilweise gewandelt und in die Kapitalrücklage der Gesellschaft eingebracht wurden.

(2) Unter Annahme einer erfolgreichen Platzierung der Neuen Aktien zum Mittelwert der Preisspanne.

E.7 Geschätzte Kosten, die dem Anleger durch den Emittenten oder Anbieter in Rechnung gestellt werden.

Entfällt. Den Anlegern werden von der Gesellschaft, den Bestehenden Aktionären und den Joint Bookrunners keine Kosten in Rechnung gestellt. Die Anleger haben übliche Transaktions- und Bearbeitungsgebühren zu tragen, die ihnen von ihren Brokern oder sonstigen Finanzdienstleistern in Rechnung gestellt werden, über die sie ihre Wertpapiere halten.

1. RISK FACTORS

*An investment in the shares of Instone Real Estate Group B.V. (the "**Company**") is subject to risks. In addition to the other information contained in this prospectus (this "**Prospectus**"), investors should carefully consider the following risks when deciding whether to invest in the Company's shares. The market price of the Company's shares could decline if any of these risks were to materialize, in which case investors could lose some or all of their investment.*

The following risks, alone or together with additional risks and uncertainties not currently known to the Company, or that the Company might currently deem immaterial, could have a material adverse effect on the business, assets, financial condition, cash flows and results of operations of Instone. The order in which the risks are presented is not an indication of the likelihood of the risks actually materializing, or the significance or degree of the risks or the scope of any potential harm to the business, assets, financial condition, cash flows or results of operations of Instone. The risks mentioned herein may materialize individually or cumulatively.

1.1 Market and Business Risks

1.1.1 Instone is dependent on the German residential property market, the conditions of which may deteriorate due to macroeconomic developments, changes in interest rates or other factors.

The Company, together with its consolidated subsidiaries ("**Instone**"), develops modern, urban, multifamily residential properties and redevelops listed buildings for residential use. Instone's business is highly dependent on the German residential real estate market and most significantly affected by developments in, and related to, the residential real estate sector in Germany's key metropolitan regions. As of September 30, 2017, approximately 93% of Instone's portfolio (by expected sales volume for fully developed projects) was located in Germany's key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg)) and 7% in other prospering medium-sized cities.

The German residential real estate market is currently in a dynamic phase with housing prices growing strongly in the context of robust housing demand and insufficient and relatively inelastic supply. On average, housing prices in Germany have risen considerably since 2010, substantially outpacing consumer price inflation which has remained at very low levels notwithstanding the low interest rate environment and sustained monetary stimulation by the European Central Bank ("**ECB**"). Germany's gross domestic product grew by 1.9% in 2016 (price-adjusted) and continued moderate growth is forecast for 2017. In general, Germany's economic strength and stability has made it a perceived "safe haven" for investors, leading to strong demand and price increases for German real estate assets.

However, there can be no assurance that the currently favorable situation in the German economy, in particular the German residential real estate market, will continue. The ongoing refugee crisis and the impending exit of the U.K. from the European Union have created political and economic uncertainty in Europe. The recent push by the Catalan regional government for separation from Spain and similar movements for increased regional autonomy elsewhere in Europe have contributed to this uncertainty. Elsewhere, geopolitical threats, such as North Korea's continued intercontinental ballistic missile and nuclear warhead testing, could result in, or exacerbate the risk of, international conflicts, including war, that could have a negative impact on the global economy and adversely affect Europe and Germany. Other adverse political or economic developments in or affecting Germany could also result in higher unemployment rates, lower purchasing power per capita and increasing economic uncertainty. Such developments could lead to a significant decrease or delay in demand for residential real estate. Further, demographic and socioeconomic trends could have a significant impact on demand for residential real estate in Instone's key markets. While between 2010 and 2015 population in all of Germany's key metropolitan regions grew as a result of the growing population in Germany and the trend toward increased urbanization (*Source: bulwiengesa*), this trend could reverse itself or become less pronounced. Net of immigration, Germany's population as a whole is shrinking and ageing. Lower immigration levels as well as an ageing society that is less of a driver for urbanization could decrease demand, particularly in Instone's key markets.

Moreover, if the recent positive economic development in the Eurozone continues, inflation could increase and the ECB could be led to raise interest rates from the current level, which, with the base rate at 0.000%, is at a historical low. Recently, the ECB announced a plan to reduce monetary stimulus of the economy by reducing the pace of its monthly bond repurchases, which is a sign that it expects inflation to increase. If interest rates increase, the corresponding increase of mortgage lending costs could result in a decline of demand and sales prices for residential real estate. Increasing interest rates could also shift private and institutional investors' interest to higher-yielding investments than residential real estate.

Any of the above developments could result in a deterioration of the currently favorable economic environment for residential real estate in Germany which could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.2 Instone may achieve lower sales volumes and revenues for its projects than estimated, in particular if the general housing price level deteriorates.

Estimating the sales volume and revenues of fully developed (re)development projects is inherently subjective due to the individual nature of each project and is heavily affected by broader market conditions outside of Instone's control. Factors such as changes in regulatory requirements and applicable laws (including in relation to building and environmental regulations, taxation and planning), transport and infrastructure policies, political conditions, the condition of financial markets, the financial condition of purchasers, potentially adverse tax consequences and interest and inflation rate fluctuations also contribute to the uncertainty and potential volatility of forward-looking valuations and projections. Moreover, Instone's valuations and projections are made on the basis of assumptions that may not prove to reflect economic or demographic reality.

Housing prices in Germany have risen sharply in recent years, with real estate prices in cities like Berlin, Hamburg, Munich and Frankfurt having increased by more than 60% since 2010 (*Source: Bundesbank*). Although the Company believes the fundamentals of the real estate market in Germany continue to be sound, some market observers point to a potential risk in Germany of a real estate bubble due to the sharp rise in housing prices, continued low interest rates and the willingness of banks to provide highly leveraged financing to real estate purchasers (*Source: Bundesbank*). If housing prices in Germany were to decline, Instone's sales volumes or margin could decrease.

Instone's expected sales volumes and revenues for its fully developed project portfolio are estimates only and are ascertained on the basis of assumptions (including steady housing prices in general and items such as demand for units and unit sizes, average sales prices, an assumption of construction cost increases of 1.5% and assumed number of units within (re)developments), which may prove to be inaccurate. Any failure to sell as many residential units as anticipated, or for at least the sales prices expected, could result in Instone not achieving its expected sales volume for fully developed projects. There can be no assurance that Instone's valuations of land plots or properties or its expected sales volumes or revenues for fully developed projects will reflect the actual sales volumes and revenues achieved.

Any of the above factors, were they to materialize, could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.3 Instone's project portfolio is concentrated in terms of geography and project type, which may increase the risk of loss.

Instone focuses on the development of residential properties and the redevelopment of listed buildings for residential use in Germany's key metropolitan regions. As of September 30, 2017, approximately 93% of Instone's portfolio (by expected sales volume for fully developed projects) was located in Germany's key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg)) and 7% in other prospering medium-sized cities. Instone's business is therefore highly dependent on the German residential real estate market and most significantly affected by developments in, and related to, the residential real estate sector in Germany's key metropolitan regions.

As a result of any high levels of concentration, any adverse economic, political or other effects on the residential development market specifically or the real estate industry in general or limited to such geographic markets could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.4 Instone is exposed to significant competition, which may intensify in the future.

The German real estate market is competitive. Instone faces competition all along the development value chain from large real estate developers, such as Bonava Deutschland GmbH (Bonava) and BPD Immobilienentwicklung GmbH (BPD), which are active in most of the regions and cities focused on by Instone, and from regional players with specialized knowledge of these markets. Instone competes with other residential real estate developers for the acquisition of attractive development plots, which are typically limited in number and in high demand. Moreover, recruiting and retaining skilled personnel which is essential to successfully operate and further expand Instone's business, is challenging due to a shortage in qualified personnel in the real estate development sector, resulting in attractive competing offers by other market participants. The current growth of the real estate development market also leads to competition with regard to the commissioning of reliable and experienced third-party suppliers, in particular concept planners, architects, building contractors, and real estate agents. Finally, Instone faces competition in the sale of residential units, including pricing and access to potential purchasers.

Some of Instone's competitors may have comparatively greater name recognition, a broader client base, a larger or more diversified project portfolio, substantially greater financial, technical and marketing resources or better access to land acquisitions. These competitors might increase their market presence through greater use of advertising, more aggressive pricing, or by making more attractive offers to current and future employees or to companies that do business with Instone. Furthermore, there are generally no significant barriers to invest in residential real estate developments other than the availability of capital, real estate expertise and access to land acquisition offers. These are ideal conditions for the entry of new market participants, including residential real estate companies currently, primarily, or only focused on letting residential real estate, which could result in competition increasing in the future.

The competition to which Instone is currently exposed and the potential increase of competition in the German residential real estate development market may lead to a substantial increase of development costs (including, among others, higher land acquisition and construction costs) or force Instone to lower its sales prices, any of which could result in lower margins and/or loss of market share thus jeopardizing Instone's growth strategy.

Instone's inability to compete successfully, or to distinguish itself adequately from its competitors, could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.5 Instone may not be able to realize development projects on profitable terms or as scheduled.

Instone's development activities span the entire development value chain, from the acquisition of land, land development, concept design and construction management to marketing and sales. The entire development process may take as long as six years from initial land acquisition through the completion of construction (potentially in construction phases (*Bauabschnitte*)) and delivery to purchasers of completed units. Instone undertakes these developments at its own risk and, given the complexity of the development process and its inherent uncertainties, Instone's business model is subject to the risk that the project developments it undertakes may not be profitable. This may also result in Instone failing to complete construction and delivery of project developments within the scheduled timeframe.

Instone invests in the acquisition of land plots or properties earmarked for new development without any certainty that it will find purchasers for its development projects. Instone's land acquisition strategy focuses primarily on land plots or properties without zoning or planning permission for residential development purposes at the time of acquisition, as it believes that such plots or properties typically offer a higher potential for value creation and less competition than land with full zoning and planning permission. While Instone's experienced personnel thoroughly analyzes open zoning or planning requirements prior to any acquisition of land, negotiations with multiple stakeholders, in particular local authorities, are highly unpredictable and may result in significant delays and lead to cost increases. Instone could also ultimately fail to obtain zoning plans (*Flächennutzungspläne*), land-use plans (*Baupläne*), or building permits (*Baugenehmigungen*) suitable for its residential development projects, in which case it may be forced to sell acquired land plots or properties at a loss.

Instone seeks to mitigate development risks by selling a significant portion of its residential units in buildings for which it has obtained building permission prior to the beginning of construction. Typically, Instone does not initiate construction until at least 30% of the development project has been presold. New development projects nevertheless proceed largely at Instone's risk. Given that, generally, 70% of the development project remains unsold when construction begins, there can be no assurance that Instone will be able to successfully find purchasers for the rest of the development project. On average, Instone must sell approximately 80% of a new project development (assuming development is approximately 80% complete) to enable it to cover its project-related outstanding debt. Any individual factor, or combination of factors, preventing Instone from successfully managing its development projects, including unanticipated delays, could adversely affect Instone's ability to recoup its investment and result in substantial losses. Such delays may also result in increased construction costs, which Instone may not be able to pass on to purchasers in the form of higher purchase prices, particularly with regard to units that have already been sold. As a result, Instone may not be able to fully or partially sell its development properties at all or on profitable terms. Moreover, while the recently amended German Civil Code (*Bürgerliches Gesetzbuch*) generally excludes ordinary and extraordinary termination rights, with or without cause, for residential property development contracts, purchasers may have the right to withdraw from the entire contract, including the purchase of property, if Instone significantly fails to deliver completed units in compliance with its contractual obligations, fails to rectify such non-compliance and deliver within the agreed standard and within a reasonable deadline set by such purchaser or refuses to rectify such non-compliance. In the event purchasers are entitled to withdraw from their purchase contracts, Instone would be required to reimburse such purchasers' pre-payments and could face claims for damages.

As of September 30, 2017, Instone expected a sales volume of approximately €3.4 billion from its project portfolio for fully developed projects. As of the same date, Instone had entered into purchase contracts with regard to 24% of the residential units projected to be constructed in total and with regard to 75% of the residential units that are in the pre-construction or construction development phase (in each case measured by expected sales volume). Furthermore, as of September 30, 2017, Instone had agreed on the sale of two-thirds of its residential units planned to be completed by 2020 (measured by expected sales volume). Although Instone has strong risk-management processes, there can be no assurance that Instone will be able to complete construction and delivery as scheduled or that it will be able to sell the remaining residential units at all or on profitable terms. Any failure to complete development projects on time and within budget or difficulty in finding purchasers for the remaining residential units could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.6 Instone's growth and profitability depends on its ability to identify attractive land plots or listed buildings and acquire them on attractive terms.

Instone's mid- and long-term growth depends on its ability to successfully identify and acquire land plots or listed buildings for residential property development at attractive prices, in the appropriate geographic locations and on terms that meet Instone's profitability targets. Instone's strategy is to focus on the acquisition of land plots or properties without zoning or planning permission for residential development purposes at the time of acquisition. This includes, among other matters, old industrial or commercial properties, for the purpose of (re)developing such properties. Although this approach may require a relatively longer period of time to fulfill its objectives as compared to acquiring land with zoning or planning permission for residential development purposes, Instone believes that it may provide a higher potential for value creation.

A key factor contributing to Instone's growth in the past has been its ability to acquire attractive land plots and properties via its sourcing network, in particular through the contacts of its branches. There can, however, be no assurance that Instone's sourcing network will be able to continue identifying sufficient attractive acquisition opportunities or that Instone will be able to maintain its sourcing network in the future. Furthermore, Instone's ability to acquire land plots or properties without zoning or planning permission for residential development purposes may be adversely affected by the willingness of sellers to sell such land plots or properties at attractive prices, the availability of acquisition financing, regulatory requirements including those in relation to zoning, housing density, the environment, and other market conditions.

As of December 31, 2017, Instone had identified near- to medium-term acquisition opportunities for 40 development projects with a total land area of 1.4 million sqm and an aggregate potential sales volume for fully developed projects of more than €6.7 billion. As of the same date, Instone had further identified long-term acquisition opportunities for an additional 31 development projects with a total land area of 1.4 million sqm and an aggregate potential sales volume for fully developed projects of more than €6.6 billion. There can be no assurance, however, that Instone will be able to acquire any of the identified land plots or properties on attractive terms or at all. The emergence of competitors with a business model and strategy similar to Instone has led to increased demand among developers for attractive development land plots or properties, which has made it more difficult for Instone to succeed in acquiring them, has resulted in increased acquisition costs and in a lower than expected acquisition volume. While the increase of acquisition costs has been partially counterbalanced by an increase of sales prices for residential units, there can be no assurance that acquisition costs will remain stable within a range of 16% to 20% of the total sales volume. Any of the above factors, therefore, may result in Instone ultimately being able only to acquire land plots or properties making up an even smaller percentage of identified acquisition opportunities.

If the availability of land plots or properties without zoning or planning permission for residential development purposes becomes limited, or Instone fails to identify or acquire such land plots or properties, Instone's ability to grow could be significantly limited, the number of residential units it may be able to develop and sell could be reduced, and its costs per residential unit could be substantially increased, any of which could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.7 Instone may not be able to identify all risks associated with land plots or listed buildings it acquires.

Instone generally conducts a thorough due diligence investigation of land plots or listed buildings it intends to acquire to identify and evaluate relevant risks. There can, however, be no assurance that the information provided during any such due diligence exercise is accurate and not misleading and that the review thereof will reveal all relevant risks. Due to a need for quick reaction to attractive opportunities and constraints imposed by the sellers, Instone may in some cases only be able to conduct a limited due diligence investigation. Accordingly, Instone may not always be in a position to identify and examine all risks associated with its acquisitions of land plots or redevelopment properties, including structural, technical and environmental defects, as well as negative tax implications (*e.g.*, liability as purchaser for taxes that have not been paid by the seller of the acquired land plot or redevelopment property). Instone may also not be able to assess whether the original owners (and potential successors) have obtained, maintained or renewed any relevant required permits and/or satisfied all associated permit conditions. In addition, the acquired land plots or redevelopment properties may suffer from hidden defects or damages, and Instone may not be in a position to carry out all investigations, inspections and appraisals or to obtain the results of such inquiries. Accordingly, in the course of the acquisition of any land plots or redevelopment property, specific risks may not be, or might not have been, recognized, evaluated and addressed correctly. Legal and/or economic liabilities may be, or might have been, overlooked or misjudged.

Although Instone typically obtains warranties from the seller of the respective land plots or redevelopment properties, it is possible that these warranties do not cover all risks or that they fail to cover such risks sufficiently. Additionally, such warranties may be unenforceable due to a seller's insolvency or for other reasons (*e.g.*, the expiration of such warranties). In some cases, a seller also may refuse to make any representation or warranty as to risks associated with the acquisition, or make no representation or warranty as to the sufficiency and correctness of the information made available in the context of a due diligence investigation, or as to whether such information remains correct during the period between the conclusion of the due diligence investigation and the closing of the respective acquisition.

The acquisition of land plot or redevelopment properties is subject to further uncertainty and risks, including the non-completion of a purchase despite Instone having already invested significant amounts of time, money and management resources to such purchase.

Any of the above factors may result in Instone having difficulties implementing, or being unable to implement at all, the envisaged development projects. Any such failure could expose Instone to additional costs and result in termination of contracts and loss of resources already invested, which could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.8 Instone's business may be adversely affected if it fails to obtain, or if there are any material delays in obtaining, required zoning or land-use plans and building permits and approvals for its residential development or redevelopment projects or if these are subsequently withdrawn or challenged.

Instone's acquisition strategy is to focus on land plots or properties without zoning or planning permission for residential development purposes at the time of acquisition. This includes, among other matters, old industrial or commercial properties, for the purpose of (re)developing such properties. In order to begin with the realization of its development projects, Instone must obtain a variety of approvals from local authorities, such as zoning plans (*Flächennutzungspläne*), land-use plans (*Baupläne*), and building permits (*Baugenehmigungen*) suitable for its residential development projects. Instone's development activities require further approvals and permits with respect to, among others, protection of listed buildings, density, site planning, and environmental issues. Obtaining such permits and approvals entails a time-consuming and costly process involving multiple and overlapping regulatory jurisdictions and is often subject to discretion of local authorities.

Instone's ability to obtain the permits required to realize its development projects is dependent on its ability to meet the relevant regulatory and planning requirements. As of September 30, 2017, Instone owned land plots and properties in 14 different municipalities, with different political parties in office, and may therefore need to meet different requirements for each municipality while being subject to various authorities' discretion in granting such permits.

Instone's progress on its development activities is highly dependent on the decisions of such local authorities, and this process is often uncertain and political, and may require significant efforts in order to secure approvals. There can be no assurance that the necessary approvals and permits will be received, or that they will be received in a timely manner. Planning regulations and permits could also be challenged within the relevant statutory period, which could eventually lead to delays in the realization or even in completion of a particular development project. As a result of the high demand for properties, property owners are in most cases not willing to agree on option agreements enabling Instone to only acquire the land plot or property if the required planning permission can be obtained within a set time frame, or to grant Instone withdrawal or price reduction rights, if the required planning permission cannot be obtained within a set time. Accordingly, Instone has to generally take the risk that it may never be able to build on an acquired land plot or property.

Moreover, to realize its development concepts, Instone may have to enter into urban development contracts (*städtebauliche Verträge*) with local authorities. Negotiations with the local authorities in relation to urban development contracts may result in additional development measures, such as the construction of kindergartens, school facilities or landscaping of adjacent land, being imposed on Instone. Such urban development contracts often also require Instone to dedicate a certain percentage of floor space of a development project for subsidized housing purposes (*öffentlich geförderter Wohnungsbau*).

Furthermore, environmental interest groups and owners of adjoining properties have opposed land-use plans and proposed development plans, and have taken various legal and other actions to partially or completely restrict development in some areas (*e.g.*, Project Wohnen am Wildpark in Dusseldorf, Project Nemo in Dusseldorf and Project Theresienstraße in Munich). In the past, such actions involved opposition and complaints from environmental interest groups and owners of adjoining properties relating, for example, to the protection of flora and fauna on the respective building plot or concerning noise emissions due to construction works. While some of these actions or complaints were successful in the past, settlement of such actions is generally not associated with high costs and often considered in Instone's project calculation. Instone generally actively opposes such actions and does not believe unfavorable rulings would have a significant long-term adverse effect on its development activities. However, because of the regulatory environment and additional intensive opposition of such interest groups, there can be no assurance that Instone's expectations will prove correct. As a result, Instone's ability to realize future sales from its project portfolio could be delayed, reduced, prevented or become more expensive.

Any failure to obtain required approvals and permits on favorable terms or at all, any material delays in obtaining such approvals and permits, or additional development measures imposed could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.9 Instone may not be able to maintain or obtain sufficient financing on acceptable terms, or at all.

The real estate development industry is capital-intensive and requires significant up-front expenditures to acquire land plots or properties and carry out (re)development activities.

Instone historically has financed and currently finances its business operations predominantly from borrowings under individual project financings and therefore depends on the availability of such financing. There can, however, be no assurance that Instone will be able to maintain its existing project financings or to secure sufficient further project financing for its business operations, due to various factors. General conditions for real estate financing are subject to constant change, and the attractiveness of different financing options depends on a variety of factors beyond Instone's control, including overall monetary policy, interest rates, general tax conditions and the value of real estate properties to be used as collateral. For instance, Instone's creditors could terminate existing project financings, which are typically subject to regular termination rights with short notice periods. Lenders may also require increased amounts of equity to be invested in a project by borrowers in connection with both new loans and the extension of existing loans or higher interest rates. If Instone is not successful in obtaining sufficient financing for its planned capital and other expenditures, it may be unable to acquire additional land plots or properties for its (re)development activities or unable to fund their development. Any difficulty in maintaining or obtaining sufficient capital for planned development expenditures could also cause project delays and any such delay could result in cost increases. Any one or more of the foregoing events could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

Furthermore, Instone is able to finance a substantial part of its ongoing development costs by means of the staggered purchase price framework provided by the German Real Estate Agent and Commercial Contractor Regulation (*Makler- und Bauträgerverordnung*) ("**MaBV**"). In principle, the staggered payment framework entitles Instone to receive fixed down payments to be paid by individual purchasers, such as owner-occupiers or retail buy-to-let investors, of residential units as and when construction milestones are achieved. As a result, to the extent residential units have been sold, a total of 58% of the agreed purchase price will have been paid to Instone upon completion of the building shell. However, Instone may not issue the first partial invoice to the purchaser unless Instone has registered a priority notice (*Auflassungsvormerkung*) in the land register

(*Grundbuch*) with respect to the respective purchaser's title of ownership, or if this process is delayed, until a surety covering the respective pre-payment amount has been provided to the purchaser (also known as MaBV Aval). Any significant delays in registering a priority notice (*Auflassungsvormerkung*) in the land register (*Grundbuch*) or in issuing sureties could cause project delays and any such delay could result in cost increases. If purchasers of Instone's residential units are consumers and instalment payments have been agreed by the parties, Instone is further required to issue a surety with respect to 5% of the agreed remuneration upon beginning of construction works (*i.e.*, when the first instalment under the MaBV is due and payable) (the "**FoSiG Surety**"). This obligation to issue a FoSiG Surety was introduced by the Act to Secure Contractor Claims and Improve the Enforcement of Payment Claims (*Forderungssicherungsgesetz* ("**FoSiG**")). The purpose of the FoSiG Surety is to secure contractual performance in a timely and adequate manner and to protect purchasers from the consequences of an insolvency of project developers. If Instone were unable to obtain FoSiG Sureties at all or on acceptable terms, it could only request partial instalments from private investors under the MaBV, if such investors were entitled to deduct from these partial instalments an amount corresponding to 5% of the agreed remuneration. Any one or more of the foregoing events could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

Instone may also in the future seek additional bank borrowings or issue debt for future expansion and development of its business in the longer term. There can, however, be no assurance that such additional financing are available at the relevant time or, if available, whether it would be on acceptable terms. If, in the longer term, Instone does not successfully obtain further financing (should it be required to fund its future investments), this may constrain its ability to grow by limiting further acquisitions of land plots or properties, as well as investments in development projects, which could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.10 Instone Real Estate Development GmbH may cease to be able to obtain surety facility agreements at all or on economically viable terms.

Instone Real Estate Development GmbH, ("**Instone Development**") has entered into nine surety facility agreements (*Kautionsversicherungsverträge*) with an aggregate surety volume of approximately €185 million for purposes of providing sureties to the purchasers of its residential units in connection with its development activities.

Due to its solid equity ratio, Instone Development has been granted favorable terms and an attractive credit rating by surety facility providers. Compared to Instone Development, the Company has, however, a lower equity ratio. Given the prevailing view among surety facility providers and credit rating agencies that a subsidiary cannot be granted a better credit rating than its parent company, Instone Development may not be able to maintain its current credit rating.

The German Federal Bank (*Deutsche Bundesbank*) has withdrawn the eligibility of collateral by Instone for the purposes of Eurosystem credit operations (*Notenbankfähigkeit*) as a result of the Company's low equity ratio. As a result, Instone could incur higher costs under future surety facility agreements or may not be able to obtain surety facility agreements at all or on economically viable terms and, consequently, may not be able to provide MaBV sureties and FoSiG Sureties to its purchasers. Consequently, Instone would receive private investor's purchase price payments only at the earliest once the completed residential units are handed over and, with regard to the last 5% of the purchase price, after remediation of defects claimed at acceptance (*Abnahme*) of the residential units.

Any of these risks, if they were to materialize, could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.11 The private placement and listing may result in a change of control in the Company, which may trigger termination and acceleration rights under certain financing agreements.

Some of Instone's project-related financing agreements concluded with local financing partners grant such financing partners the right to prematurely terminate the agreement in case of a change of control, merger or other form of corporate transactions, including the private placement (the "**Private Placement**") and listing. It remains unclear in certain cases of project-related and other financing arrangements whether termination rights will be triggered as a result of the Private Placement. While Instone believes on the basis of individual feedback from several of its lenders that none or only a limited number of lenders would exercise such termination rights, Instone has not obtained formal and binding waivers and it cannot be excluded that termination rights are exercised. If a lender rightfully exercises his termination right upon a change of control, Instone would be required to immediately repay the outstanding principal, any accrued interest on and any other amounts owed by it under such financing agreement. Instone may have difficulty finding an alternate financing provider on similar terms and in an acceptable timeframe, its costs may increase, its business could be interrupted and/or the results of its operations could be harmed. The materialization of any of the risks described above could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.12 Instone is dependent on third-party suppliers and contractors to develop and construct its properties.

Instone is dependent on third-party suppliers and contractors to provide construction and various other services with respect to the realization of its development projects. In particular, these outsourced services include architectural design, concept design, construction, and sale of its residential units. As part of its business strategy, Instone relies on regional networks of qualified and reliable contractors with most of which Instone has built up longstanding business relationships. Due to the competitive environment in the German residential real estate sector, particularly in Germany's key metropolitan areas, qualified and reliable contractors are in great demand. If Instone is unable to find or hire qualified and reliable contractors for any of its development projects, its ability to successfully complete projects in time or with the required quality or to sell its residential units within the expected time frame and price could be impaired.

Despite the contractor selection and monitoring processes that Instone has implemented, its contractors may fail to meet its standards and deadlines. In particular, although Instone attempts to verify the compliance of its contractors with health, safety and environmental regulations, labor laws (in particular with respect to the common issue of illegal employment (*Schwarzarbeit*) and minimum wage (*Mindestlohn*) compliance) and other applicable laws and regulations, any failure by contractors to so comply could render Instone liable in respect of these obligations. Also, in most cases, Instone does not employ a general contractor for conducting its development activities, in order to avoid the significant margins generally charged by such general contractor. Instead, internal project managers assume the role of a general contractor and are responsible for continuously supervising Instone's contractors, as well as the individual progress of construction works. If any of these third parties fails to provide its services in a timely and/or adequate manner, labor, equipment or materials, due to financial difficulties, reduced availability as a result of increased market demand, or any other reason, Instone may be required to source these services or materials at a higher price than anticipated and may face material delays at its project sites until it is able to identify appropriate alternative third parties. Any of these events could negatively affect Instone's profitability and cash position, as Instone will not be able to pass on any increased costs to its purchasers, and it may be liable for damages resulting from project execution delays, any of which could have an adverse effect on Instone's reputation and its ability to maintain the high quality standards of its developments.

In addition, third-party suppliers and contractors have been and may continue to be adversely affected by economic downturns or poor management decisions. Instone may hire a contractor that subsequently becomes insolvent, causing cost overruns and project delays and increasing the risk that Instone will be unable to recover costs in relation to any defective work performed by such contractor, to the extent such costs are not covered by insurance or other security provided by the contractor. The insolvency or other financial distress of one or more contractors could cause financial and reputational harm to Instone and also result in substantial delays in the performance of construction works. Any of these risks, were they to materialize, could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.13 Instone is exposed to the risk of construction defects and of defective construction materials.

With respect to the construction of its development projects, Instone is exposed to various risks relating to defective construction work or the use or installation of defective construction materials by third-party suppliers or contractors. Although Instone seeks to obtain warranty, guarantee or indemnity protection in its contracts with such third-party suppliers and contractors, and has arrangements with insurance providers to insure against certain risks, it may not be able to obtain this protection in all cases, or the protection may not cover all risks. Furthermore, Instone may not be able to enforce claims in the respective amount, or at all, due to the third-party contractor's or supplier's insolvency, or for other reasons. Significant liabilities may not be identified or may only come to light after the expiry of Instone's warranty, guarantee or indemnity claims. Any claims relating to defects arising from or related to one of Instone's development projects may give rise to contractual or other liabilities, which can extend, depending on the relevant contractual or statutory provisions, for five years following completion of the development project and may not be covered by claims against Instone's contractors or suppliers.

Unexpected levels of expenditure attributable to such construction defects or defective construction materials arising on a development project may adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.14 The construction of new residential properties involves health, safety and environmental risks.

Operating in the residential real estate industry poses certain health, safety, and environmental ("**HSE**")-related risks. A significant HSE incident at one of Instone's (re)development projects or a general deterioration in Instone's HSE standards could put its employees, its contractors or the general public at risk of injury or death and could lead to litigation, significant penalties or damage to Instone's reputation.

Instone may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances (including, but not limited to, asbestos) located on, under or in a property currently or formerly owned by Instone, whether or not it caused or knew of the pollution. Furthermore, Instone may also be deemed responsible for latent or historic risks from unknown contamination, or may incur greater liability or costs than originally anticipated. The costs of remediation, investigation or defending against claims can be substantial, and they may not be covered by warranties and indemnities from the seller of the affected land plot or property or by Instone's insurance policies, or may prove unenforceable.

Any failure in HSE performance, including any delay in responding to changes in HSE regulations, may result in penalties for non-compliance with relevant regulatory requirements. Monitoring and ensuring HSE best practices may become increasingly expensive for Instone in the future if additional HSE requirements were to come into effect. Any of these risks, were they to materialize, could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.15 Sales may not materialize on the terms agreed at the time the contract is signed, if at all.

Instone may not be able to perform its obligations under its sales contracts at all or within the contractually agreed time frame. This may occur for a variety of reasons, such as a significant increase in costs making the development not viable or the applicable land-use plan (*Bebauungsplan*) and/or building permit (*Baugenehmigung*) for its development or redevelopment projects being withdrawn or challenged. Instone may also be unable to perform its obligations under a sales contract, if it does not reach the level of sales necessary to commence construction of the project (generally a sales level of 30% of the total units planned for a project is required). In addition, Instone is exposed to the risk of its purchaser not performing their obligations under the sales contracts including, among other matters, their purchase price payment obligations.

In case Instone fails to perform its obligations under its sales contracts, Instone may need to refund its purchasers the funds that they had advanced, or its purchasers may terminate their contracts or seek to renegotiate the terms of their contracts to obtain more favorable terms. With respect to the purchasers failing to perform their obligations, Instone may be exposed to additional significant costs in litigation or for marketing and selling the respective unit to other purchasers.

The occurrence of any of these events could affect Instone's sales and expected sales volumes for fully developed projects, which could adversely affect its business, net assets, financial condition, cash flow, and results of operations.

1.1.16 Demand for Instone's properties depends on purchaser preferences for types of accommodations or locations of property and perceptions as to the attractiveness or quality of its project developments.

The residential real estate market in which Instone operates is subject to changing purchaser trends, demands and preferences. Demand and preferences may vary over the course of the development of a project, which takes up to six years, depending on project phasing, and are mainly outside of Instone's control. For instance, targeted purchasers may develop preferences for a different micro-location, neighborhood, specific home design (such as multifamily condominiums, micro homes, or detached houses), or may otherwise be influenced by macroeconomic, socioeconomic, or employment dynamics that restrict demand in a specific area.

There can be no assurance that Instone will be able to timely identify and evaluate such changes and adapt its existing or planned development projects in a timely fashion to suit such changes in purchaser preferences. Hence, Instone's failure to timely identify any changes in such trends or preferences, its inability to adapt its development projects accordingly, or its misinterpretation of such could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.17 *Damage to Instone's reputation, the reputation of the residential real estate development sector as a whole or inadequate purchaser satisfaction may result in decreased demand for Instone's development properties.*

Instone's business and growth strategy is dependent in part on the maintenance of the integrity of Instone and its reputation for quality. Instone's reputation can be damaged by a number of factors and events, some of which may be outside its control. Such factors and events may include unethical or illegal practices of employees or business partners, labor conditions, incidents at development sites, widespread or significant construction defects and related claims for damages, inability to meet purchaser preferences, negative media coverage (including social media), or actual or threatened litigation. In addition, Instone may face disagreements with local authorities and/or regulatory bodies in the course of its operations, which may be subject to administrative proceedings and unfavorable orders, directives or decrees that result in financial losses and delay the completion of its development projects. There can be no assurance that Instone will be able to adequately and timely detect or respond to such threats to its reputation.

Instone's reputation may also suffer from actions taken by one or more of its competitors resulting in an industry-wide contagion stemming from misconduct at one of its peers. Residential real estate developments entail significant public interest. The range and likelihood of reputational risks deriving from negative publicity therefore tends to be higher than that of other businesses. Real estate developers may become the subject of political debate, for example, by being blamed for the potential negative impacts of the design or location of their development projects. As most real estate development projects are both long-term and highly visible in their communities, the risk of becoming associated with dubious actions by a competitor is higher. In such a situation, the reputation of the entire sector may be tarnished, and all market participants may suffer the consequences of significant adverse publicity.

Any loss of reputation, whether in or outside Instone's control, could result in a decreased demand for Instone's development projects, Instone being unable to raise capital on favorable terms or at all, Instone being exposed to stricter regulation and/or opposition from public authorities, or strained key relationships with its third-party suppliers, contractors and other service providers, any of which may adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.18 *Constraints on the availability and higher costs of mortgage funding may adversely affect Instone's sales.*

The vast majority of residential property purchases in Germany are usually facilitated through mortgage lending. Instone's business therefore partly depends upon the ability of Instone's purchasers to obtain such mortgage lending.

Access to residential mortgage lending in Germany may be restricted due to a number of factors, including the exit of a number of mortgage providers from the German and/or European market, more stringent equity requirements for German financial entities, a more cautious approach to valuations of properties by surveyors (which, in turn, reduces the value of the mortgage loan that can be obtained on a given property), stricter underwriting standards by lenders that have resulted in more stringent mortgage application requirements for borrowers (including increased down payments), a desire by certain lenders to limit their lending exposure in relation to specific types of housing developments, and the reduction or discontinuation of government-backed residential property financing purchase assistance programs, such as Kreditanstalt für Wiederaufbau's (KfW) promotional loans.

Mortgage lending rates for private homeowners predominantly bear fixed interest rates for at least ten years in Germany. Interest rates for new mortgages (or prolongations of mortgages) are closely linked to the ECB's main refinancing rate. An increase in interest rates would increase mortgage costs and may negatively affect the availability or attractiveness of mortgage loans as a source of financing for the acquisition of residential property and, accordingly, reduce demand, and potentially sales prices, for Instone's residential units. Individual investors who could obtain a mortgage loan at current interest rates may not be able to obtain a mortgage loan at increased interest rates or be deterred by increased interest rates (and, in turn, higher monthly interest payments) and instead elect to remain in their current property. Institutional investors who had been looking to invest in property could also be deterred by the possibility of increased interest rates, as higher interest rates could negatively affect their investment returns, and they may make a higher-yielding investment in a different sector.

Regardless of the type of investor, limited availability of mortgage lending may constrain growth in sales volumes and housing prices in the German residential development industry. Even if potential purchasers do not themselves need financing, adverse changes in interest rates and mortgage availability could make it more difficult for them to sell their existing homes to other potential purchasers who need mortgage financing, thereby constraining their ability to purchase a new home.

Any decrease in the availability or higher costs of mortgage financing in the future may make it more difficult for Instone to sell its residential units, which could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.19 Non-compliance with certain building requirements with respect to Instone's redevelopment of listed buildings may adversely affect its business.

In addition to Instone's regular development activities, Instone engages in the redevelopment of listed buildings in Germany. Instone primarily engages in redevelopment activities through its subsidiary Instone Real Estate Leipzig GmbH Leipzig (former GRK-Holding GmbH) ("**Instone Leipzig**") that primarily engages itself in redevelopment activities and contributes significant operating performance and assets. In 2016, Instone Leipzig contributed €53.6 million of Instone's total operating performance of €362.6 million and owned €125.4 million of the total of €542.7 million inventories.

In order to enable its purchasers to benefit from the favorable tax framework provided by current German tax legislation (see "*1.1.20 Changes in German tax legislation allowing for special depreciation of redevelopment investments in listed buildings may adversely affect Instone's business.*"), Instone is required to comply with certain building requirements with respect to the redevelopment of listed buildings under applicable heritage protection laws (*Denkmalschutzgesetze*). If Instone fails to comply with such requirements, its purchasers may not be able to apply the special depreciation rate on the portion of the purchase price that relates to the redevelopment of listed buildings. The special depreciation rate is, however, one of the main selling points for redeveloped listed buildings. In case Instone's purchasers are not able to benefit from the special depreciation rate due to Instone's non-compliance with applicable building requirements, Instone may be required to refund its purchasers the funds that they had advanced, or its purchasers may terminate their contracts or seek to renegotiate the terms of their contracts to obtain more favorable terms. The occurrence of any of these events could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.20 Changes in German tax legislation allowing for special depreciation of redevelopment investments in listed buildings may adversely affect Instone's business.

Current German tax legislation allows purchasers to apply a special depreciation rate on the portion of the purchase price that relates to the redevelopment of listed buildings. In particular, investors are entitled to depreciate 9% of their redevelopment costs per annum over a period of eight years and additional 7% per annum over a subsequent period of four years, resulting in the possibility to depreciate the total redevelopment costs over a period of twelve years in total. Investors occupying the property (owner-occupiers) are entitled to depreciate 9% of their redevelopment costs per annum over a period of ten years.

The special depreciation is one of the main selling factors for redeveloped listed buildings. Any change in German tax law with respect to the deductibility of redevelopment costs may lead to a reduced demand for Instone's redevelopment properties, which could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.21 Instone may incur a variety of costs to engage in future growth or expansion, and the anticipated benefits may never be realized.

Instone intends to grow its operations in existing markets, and it may expand into new markets or seek to acquire other real estate portfolios. Instone may be unable to achieve the anticipated benefits of any such growth or expansion (including through acquisitions), or it may incur greater costs than expected in attempting to achieve the anticipated benefits. Growth or expansion could disrupt Instone's ongoing operations and divert management resources that would otherwise focus on developing its existing business, in which case Instone may need to employ additional personnel or consultants that are knowledgeable of such markets. There can be no assurance that Instone will be able to employ or retain the necessary personnel, to successfully implement a disciplined management process and culture with local management, or that its expansion operations will be successful. Accordingly, any such expansion could expose Instone to significant risks, beyond those associated with operating its existing business, which could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.22 Instone may lose key personnel or may be unable to recruit qualified personnel for key positions.

Instone's success greatly depends on the performance of the members of the Company's management board and other qualified employees in key positions. In particular, Instone's key employees are fundamental to its ability to successfully generate and manage its business opportunities, including, among other matters, in the acquisition of land, land development, concept design, construction management, and marketing and sales, in every stage of which local knowledge and relationships are key to Instone's success.

Furthermore, Instone may need to hire additional qualified employees if its future growth exceeds the capacities of its current platform, or if Instone is forced to replace qualified employees. Even though key positions at Instone have been occupied for many years with qualified and experienced real estate experts and Instone aims to provide attractive working conditions, due to the intense competition for qualified personnel in the residential real estate sector, there can be no assurance that Instone will be able to hire and retain sufficiently qualified key employees on acceptable terms in the future. If any key personnel leave and carry on any activities that compete with Instone, it may lose potential purchasers, other key professionals and staff members, and legal remedies against such individuals may be limited.

The loss of any key employees or failure to attract new qualified employees could impair Instone's growth and make it difficult to maintain its business activities at current levels and therefore could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.23 Instone is exposed to risks related to natural disasters and risks resulting from acts of terrorism affecting its properties.

Instone's development projects are exposed to risks relating to natural disasters and acts of terrorism. Disastrous natural events, such as storms, floods, fires, earthquakes, or terrorist incidents in locations where Instone's development projects are located may result in damage to Instone's project portfolio, increased costs for development site reparations and lower property values. In particular, such natural disasters as well as certain acts of terrorism or vandalism may cause structural damage to existing groundwork, infrastructure or construction, thereby leading to additional costs for Instone that may not be, in whole or in part, covered by Instone's insurance policies and could have an adverse effect on Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.24 Instone is dependent on the undisrupted operation and security of its infrastructure and information technology ("IT") that is a key component of its risk management system.

Instone's business operations are dependent on reliable and efficient IT systems. Instone uses a sophisticated IT system tailored to the requirements of managing its development activities. In particular, all procurement activities and other project-related costs exceeding €1,000 are filed in Instone's electronic award procedure system through which project costs are monitored and individual trades are authorized throughout the project development process. Instone has, however, not yet completed the ongoing implementation of its IT system at the level of Instone Leipzig. As a result, Instone has a higher risk profile with respect to its redevelopment activities.

Instone's IT systems could fail to operate properly or become disabled as a result of events that are wholly or partially beyond Instone's control and be vulnerable to unauthorized access and data loss (from within or outside the group), computer viruses, malicious code, cyber-attacks that have a security impact, and the interception or misuse of information transmitted or received by Instone.

Instone has put in place data security provisions (and is currently implementing such provisions at the level of Instone Leipzig) that it believes are appropriate and sufficient, but there can be no assurance that it will not suffer such events in the future. If one or more of such events were to occur, it could cause serious interruptions or malfunctions in Instone's business operations and risk management systems. It could further result in the loss of Instone's or its purchasers' confidential and other information. Instone may be subject to litigation, reputational harm and financial losses that are either not insured against or not fully covered through any insurance maintained by it. Any of the foregoing could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.25 The integration of Instone Leipzig into Instone may not be successful or not proceed as planned and may result in higher costs than expected.

The integration of Instone Leipzig into Instone is expected to be fully completed by December 31, 2018 and may still require considerable management and financial resources. In particular, the final implementation of Instone's IT, risk management and compliance systems at Instone Leipzig is particularly relevant for a successful integration and comparable group-wide risk profile. Furthermore, it is also important that existing staff is integrated, different company cultures are connected and common processes for the integration of Instone Leipzig into Instone are put into place. As of the date of this Prospectus, the integration of Instone Leipzig was on schedule, time- and resource-wise. However, any failure or significant delay in completing the integration of Instone Leipzig into Instone may result in the loss of qualified and experienced employees, the loss of synergy effects or the materialization of a weakness in Instone's risk management and monitoring at Instone Leipzig. This could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.26 Instone could incur substantial losses from damage not covered by, or exceeding the coverage limits of, its insurance policies.

While Instone is insured against fire, natural disasters, operational interruptions and third-party liability, Instone's insurance policies are subject to exclusions (*e.g.*, acts of terrorism) and limitations of liability both in amount and with respect to the insured events. There can be no assurance that Instone's assessment that it is sufficiently insured against contingencies is accurate. Even where Instone has obtained sufficient insurance coverage, its insurance providers could become insolvent, requiring Instone to bear any liabilities and losses. If Instone suffers a loss or incurs a liability against which it is uninsured or insufficiently insured, this could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.27 Land plots and real estate properties can be illiquid assets and could significantly impede Instone's ability to respond to adverse changes in the real estate or financial markets.

Land plots and real estate properties can be relatively illiquid, meaning that they may not be easily sold and converted into cash. Although Instone acquires land plots and properties for (re)development purposes and generally expects to sell such assets in the form of residential units following completion of development, Instone may seek to, or be required to, sell entire land plots or properties in certain circumstances, including due to changes in development plans, failure to obtain required building permits, its decision not to proceed with the development, changes in economic or property market conditions, negative political developments affecting the residential real estate market or financial distress. Such illiquidity may affect Instone's ability to value, or dispose of or liquidate part of, its project portfolio in a timely fashion and at satisfactory prices when required or desirable, and it may incur additional costs until it is able to sell such land plots or properties. This could have a material adverse effect on Instone's business, net assets, financial condition, cash flow, and results of operations.

1.1.28 The valuation report and financial information contained in this Prospectus may incorrectly assess the value of Instone's properties.

The valuation report on the fair value of Instone's properties and property-related assets as of September 30, 2017 (the "**Valuation Report**") included in this Prospectus was prepared by the independent appraiser BNP Paribas Real Estate Consult GmbH ("**BNP Paribas Real Estate**"). A property's valuation depends on the factors considered and on the valuation method used. The Valuation Report is based on standard valuation principles, and represents the opinion of BNP Paribas Real Estate. In addition to considering a property's location, condition and sales status, a property appraiser may consider such other factors as: the general market environment, interest rates, real estate tax rates, real estate transfer tax (*Grunderwerbsteuer*) rates, operating expenses, land values, development potential and demand, expected further development costs, expected development value, potential claims for environmental problems and risks associated with certain construction materials. A negative 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.

The Valuation Report is thus made on the basis of assumptions and is inherently subjective and subject to uncertainty, as the assumptions may not prove to be accurate, and because of the individual nature of each land plot and property which may prove in hindsight to not have been accurate. For example, the Valuation

Report includes assumptions as at and prior to the date of the Valuation Report as to stable economic and political conditions and is based in part on property information provided by Instone and which may have varied if made as at the date of this Prospectus or which may not be realized in practice. Therefore, land and property valuations might not accurately reflect the market value of Instone's projects at a given date and there can be no assurance that the indicated property valuations would reflect actual sales prices in the event that such real estate were to be sold or liquidated, even if such sale or liquidation were to occur shortly after the relevant valuation date. Accordingly, the Valuation Report does not necessarily represent future or current realistically expected sales prices of Instone's properties.

The property valuations contained in the Valuation Report are stated as at September 30, 2017, and although Instone believes there has been no material change to the aggregate market value of its properties, there can be no assurance that these figures accurately reflect the market value of Instone's properties as at any other date. The market value of Instone's properties may decline significantly over time due to various factors. In addition, the values ascribed by BNP Paribas Real Estate should not be taken as an indication of the amounts that could be obtained by Instone upon disposal of such properties, whether in the context of the sale of individual properties or the portfolio as a whole. Furthermore, the periods in which Instone completes its projects may not coincide with the actual recognition of revenues in relation to those projects in accordance with the applied accounting standards as the recognition of sale occurs upon the transfer of the property to the purchaser (the so-called completed contracts method).

In addition, erroneous valuations in connection with the acquisition of properties could result in Instone being unable to achieve the returns expected from the disposal of such properties. This could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.2 Regulatory, Legal and Tax Risks

1.2.1 Changes to applicable law and/or regulations in the residential real estate sector may adversely affect the sustainable success of Instone's business model.

Instone is required to comply with a wide range of laws and regulations and their application by local authorities. These relate, in particular, to land use, planning, developing, building (requiring, for example, fire, health and safety protection measures), environmental protection, consumer protection and employment.

Changes in relevant laws, regulations or policies (or the interpretation thereof), as well as administrative requirements, may give rise to substantial compliance, remediation and other costs (including penalties) in connection with Instone's development activities. Furthermore, significant planning uncertainty and additional development costs may arise from legislative initiatives and the public debates they engender, even if they do not ultimately become law. Any of these factors may prevent or severely restrict Instone from developing and building in certain locations. There may also be changes in laws or regulations between the time when Instone acquires a particular site and before Instone obtains a building permit (*Baugenehmigung*), which may cause delays, increase costs, reduce the expected rate of return or make a proposed development project financially unviable.

Accordingly, actual or potential changes to applicable local laws, regulations, policies and administrative requirements in the residential real estate sector as well as the risk of conditions being imposed by local authorities may result in significant planning uncertainty, and additional development costs could have a material adverse effect on Instone's business, net assets, financial condition, cash flow, and results of operations.

1.2.2 Non-compliance with the Real Estate Agent and Commercial Contractor Regulation (Makler- und Bauträgerverordnung (MaBV)) or the German Trade Regulation (Gewerbeordnung (GewO)) could result in administrative fines (Bußgelder) or a revocation of Instone's license entitling it to receive staggered down payments from private purchasers upon the achievement of certain development milestones.

As a residential real estate developer, Instone is subject to the German Trade Regulation (*Gewerbeordnung*) ("**GewO**") and the Real Estate Agent and Commercial Contractor Regulation (*Makler- und Bauträgerverordnung*) ("**MaBV**"). Instone holds a license (*Erlaubnis*) pursuant to Sec. 34c of the GewO allowing it to conduct its development business under the GewO and the MaBV.

Prior to granting such license, the relevant authorities review whether the applicant (in case of a legal entity, the members of its management board) is reliable (*zuverlässig*) as required for the exercise of this trade. Each real estate developer is required to undergo an annual audit with respect to its obligations under the MaBV. The GewO and the MaBV provide for a broad range of administrative obligations (*e.g.*, provision of security, record keeping, information, reporting and notification requirements), the non-compliance with which could result in administrative fines (*Bußgelder*) or even a revocation of the license.

If Instone repeatedly failed to comply with its obligations under the GewO and the MaBV and/or if the members of the Company's management board were no longer considered reliable (*zuverlässig*), the competent local authorities could accordingly impose administrative fines (*Bußgelder*) or even revoke Instone's license.

A revocation of Instone's license would render Instone no longer entitled to request and receive staggered down payments from certain purchasers of real estate, such as owner-occupiers and retail buy-to-let investors, upon the achievement of certain development milestones (*e.g.*, 30% down payment upon start of ground works, further instalments to be paid depending on the progress of construction activities) as provided by the MaBV. This staggered payment framework enables real estate developers to partially cover ongoing development costs under certain conditions. A revocation of this license could have a material adverse effect on Instone's business, net assets, financial condition, cash flow, and results of operations.

1.2.3 Standard terms and conditions used in Instone's agreements with purchasers, architects, and construction companies may be invalid.

Instone uses standardized clauses in its contractual relationships with a large number of parties, in particular with its purchasers. Any invalid provisions or ambiguities in standardized contracts can therefore affect a multitude of contractual relationships. Standardized contract terms under German law have to comply with the rules of the German Civil Code (*Bürgerliches Gesetzbuch*) on general terms and conditions (*Allgemeine Geschäftsbedingungen*). This means that standardized contract terms are subject to fairness control by competent courts regarding their content and the way they are presented to the other contractual party by Instone. As a general rule, standardized terms are invalid if they are not transparent, are unclearly worded, unbalanced or discriminatory. Any standardized clauses in Instone's contracts found invalid could lead to a substantial number of claims being brought against Instone.

In addition, Instone uses standardized agreements *vis-à-vis* architects. In Germany, the German Fee Regulations for Architects and Engineers (*Honorarordnung für Architekten und Ingenieure* (HOAI)) imposes mandatory fee rules on architects and their counterparties. Instone's standardized agreements with architects do not adhere in every regard to the minimum fee requirements pursuant to the German Fee Regulations for Architects and Engineers. As a result, Instone could be required to pay higher fees than contractually agreed upon, if an architect successfully claims compensation pursuant to the German Fee Regulations for Architects and Engineers.

Further, Instone uses standardized agreements *vis-à-vis* building contractors that deviate in part from Part B of the German Construction Contract Procedures (*Vergabe- und Vertragsordnung für Bauleistungen, Teil B* (VOB/B)). If Part B of the German Construction Contract Procedures is incorporated without any changes, the agreements are not subject to the German law on general terms and conditions pursuant to the rules of the German Civil Code (*Bürgerliches Gesetzbuch*). As a result of the deviation from Part B of the German Construction Contract Procedures, some provisions in Instone's construction contracts may be found unfair and void under the German law on general terms and conditions. Consequently, Instone could also incur higher construction cost, thereby decreasing its profits.

Furthermore, Instone, uses standardized sales contracts *vis-à-vis* certain purchasers in order to benefit from favorable provisions provided by the MaBV. For example, the staggered payment framework under the MaBV entitles Instone to fixed down payments to be paid by certain purchasers of its residential units as and when construction milestones are achieved. However, these provisions are only applicable to sales contracts with owner-occupiers and retail buy-to-let investors. As a result of a deviation from the MaBV, certain provisions in Instone's sales contracts may be found unfair and void.

The occurrence of any one or more of the aforementioned risks could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.2.4 Instone's compliance systems may not have been, or may not be, sufficient to adequately prevent or detect legal, financial and operational risks.

Instone's business is subject to various laws and regulations relating to, among other things, prevention of illegal employment, bribery and corruption (for example, in connection with land-use plans or building permits), and money laundering, as well as compliance with antitrust, data protection, consumer protection and minimum wage regulations. Instone is reliant on the compliance of its employees and the members of the Company's management board with applicable laws and compliance policies implemented by Instone. In 2015, Instone implemented a set of detailed guidelines including compliance policies and procedures at the level of Instone Development to further enhance its compliance management following its carve-out from HOCHTIEF Solutions AG. After the acquisition of Instone Leipzig, Instone started implementing such set of compliance guidelines on a group-wide level by extending these to Instone Leipzig in 2017. For example, Instone currently has a policy in place which requires it to request clearance certificates (*Unbedenklichkeitsbescheinigungen*) relating to the legal employment of employees as well as minimum wage certificates from its contractors on a regular basis. However, Instone has not yet fully completed the implementation of its compliance system at the level of Instone Leipzig which significantly increases Instone's compliance-related risk exposure with respect to its redevelopment activities. Instone expects the integration of Instone Leipzig into Instone, in particular with respect to the roll-out of its group-wide compliance policies and procedures, to be fully completed by the end of 2018.

In general, it cannot be excluded that employees or members of the management board have committed or will commit criminal, unlawful or unethical acts (including corruption) or that Instone's compliance and risk management and its monitoring capabilities may prove insufficient to prevent or detect any breaches of the law. Any such acts or breaches of law could cause significant civil penalties and damage claims, as well as considerable damage to Instone's reputation in the real estate market, thereby negatively affecting future business opportunities and could have a material adverse effect on Instone's business, net assets, financial condition, cash flow, and results of operations.

1.2.5 If the Company fails to maintain an effective system of internal controls, it may not be able to accurately determine its financial results and may be required to restate its financial statements, as a result of which the Company's shareholders could lose confidence in the Company's financial results.

Effective internal controls are necessary for the Company to provide reliable financial reports. However, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of control systems reflects resource constraints, and the benefits of controls must be considered in relation to their costs. Accordingly, there can be no assurance that all control issues will be detected. The Company cannot be certain that it will be successful in maintaining adequate internal control over its financial reporting and financial processes. The integration of Instone Leipzig and Instone Development under the Company increased the complexity of Instone's internal control systems and required an adequate allocation of the purchase prices of the acquisition of Instone Leipzig and Instone Development. Furthermore, in connection with the Private Placement and as Instone continues to grow its business, its internal controls will become more complex, and it will require significantly more resources to ensure its internal controls remain effective. Additionally, the existence of any material weakness or significant deficiency would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner. Any of the above effects could also result in errors in the Company's financial statements, requiring it to restate its financial statements, causing it to fail to meet its reporting obligations and causing shareholders to lose confidence in its reported financial information, all of which could have a material adverse effect on Instone's business, net assets, financial condition, cash flow, and results of operations.

1.2.6 Instone is exposed to risks from ongoing and potential future litigation and other legal and regulatory actions and risks, and could incur significant liabilities and substantial legal fees.

Instone is, and may become, a party to legal disputes, administrative proceedings and government investigations. Such legal disputes, proceedings and investigations may, in particular, arise from its relationships with investors, employees, third-party facility managers, building contractors and other contractual counterparties, neighbors and public authorities alleging breaches of contract, tort or the failure to comply with applicable laws and regulations. Instone may be required to pay damages or fines and to take, or to refrain from taking, certain actions. There may also be investigations by governmental authorities into circumstances of which Instone is currently not aware or which will arise in the future, including possible regulatory and environmental laws, licensing requirements or criminal proceedings.

If Instone were to be found liable under any such claims or even if complaints, lawsuits or investigations brought against Instone are unsuccessful, they could result in significant liabilities and substantial legal fees which could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.2.7 Instone may become taxable in a jurisdiction other than Germany and this may result in an increase of Instone's tax burden.

The Company is an entity incorporated under Dutch law, but with its place of effective management in Germany (and not in the Netherlands) and the Company is a tax resident corporation of Germany under German national tax law but also deemed to be tax resident in the Netherlands (*dual tax resident*). However, based on its current management structure and current tax laws of Germany and the Netherlands, as well as applicable income tax treaties, and current interpretations thereof, it should be tax resident solely in Germany for the convention between the Federal Republic of Germany and the Netherlands for the avoidance of double taxation with respect to taxes on income of 2012.

The applicable tax laws, tax treaties or interpretations thereof may change. Furthermore, whether the question of place of management is largely a question of fact and degree based on all circumstances, rather than a question of law, which facts and degree may also change. Changes to applicable laws or interpretations thereof and changes to applicable facts and circumstances (for example, a change of board members or the place where board meetings take place), may result in the Company becoming a tax resident of a jurisdiction other than Germany. As a consequence, Instone's overall effective income tax rate and income tax expense could materially increase, which could have a material adverse effect on Instone's business, results of operation, financial condition and prospects, which could cause the Company's share price and trading volume to decline. However, if there is a double tax treaty between Germany and the respective other country similar to the current one with the Netherlands the double taxation of income may be avoided. Thus, the detrimental tax effects should be mitigated by the application of the respective double tax treaty.

1.2.8 Instone may withhold tax on dividends in Germany and the Netherlands.

As an entity incorporated under Dutch law, but with its place of effective management in Germany (and not in the Netherlands), dividends paid by the Company are generally subject to German dividend withholding tax and not Dutch dividend withholding tax. Dutch dividend withholding tax will be required to be withheld from dividends if and when paid to Dutch resident holders of the Company's shares (and non-Dutch resident holders of the Company's shares that have a permanent establishment in the Netherlands to which their shareholding is attributable). As a result, upon a payment (or deemed payment) of dividends, the Company will be required to identify its shareholders in order to assess whether there are Dutch residents (or non-Dutch residents with a permanent establishment to which the shareholding is attributable) in respect of which Dutch dividend tax has to be withheld. Such identification may not always be possible in practice. The Company may approach the competent Dutch tax authorities prior to a payment (or deemed payment) of dividends to apply for a tax ruling confirming that no withholding of any Dutch dividend tax is applicable at all (as the dividend withholding tax can generally be credited against a Dutch resident shareholder's income tax). The outcome of tax ruling requests is uncertain. If a favorable tax ruling cannot be obtained and if the identity of the shareholders cannot be established, both German and Dutch dividend tax from such dividend may have to be withheld upon a payment (or deemed payment) of dividends.

1.2.9 Instone may be adversely affected by changes to the general tax environment in Germany and the Netherlands as such changes might result in an increase of Instone's tax burden.

Instone is dependent on the general tax environment in Germany and the Netherlands. Instone's tax burden depends on various tax laws, as well as their application and interpretation. For instance, further increases in the real estate transfer tax (*Grunderwerbsteuer*) rate, as experienced in the majority of the German federal states in the past years, could make the acquisition of land plots or properties more expensive, adversely affect Instone's business, and also have an impact on the expected sales volume for its fully developed projects. Instone's taxation depends on the current and expected tax environment. Amendments to German or Dutch tax laws may have a retroactive effect and their application or interpretation by tax authorities or courts may change more or less unexpectedly. This may also increase Instone's tax burden. Furthermore, court decisions are occasionally limited to their specific facts by tax authorities by way of non-application decrees.

It can also not be excluded that the current RETT regime for sale and transfer of shares or interests will be amended in near future. There is an ongoing discussion regarding a possible significant reduction of the 95% ceiling. At the moment a reduction to 50% (which would trigger RETT on a pro rata basis) and to 75% (which would trigger 100% RETT) as well as a look-through approach is being considered. The outcome of the current discussion is uncertain.

Furthermore, as a holding company, the Company's ability to distribute dividends depends to a large extent on dividend payments by its subsidiaries. Among other things, these intra-group distributions are subject to withholding tax (*Kapitalertragssteuer*) on multiple intra-group levels. No assurance can be given that the taxation of intra-group distributions may not negatively affect the Company's ability to pay dividends in the future.

Moreover, the Company and the Company's subsidiaries are regularly subject to tax audits in Germany and the Netherlands. The most recent tax audits with respect to Instone Leipzig covered the financial years from 2012 up to and including 2014 and with respect to Instone Development the financial year 2013, respectively. With respect to the Company, no tax audit has been ordered as of September 30, 2017. Future tax audits and other investigations could result in the assessment of additional taxes and result in an increase of Instone's future tax burden. In particular, this may be the case with respect to corporate measures or impairment on properties with regard to which tax authorities could take the view that they ought to be disregarded for tax purposes. Furthermore, given the legal uncertainties regarding German regulation of earning stripping rules (*Zinsschranke*) which limits the deductibility of interest expenses for German tax purposes, it cannot be ruled out that the tax authorities might not accept all tax deductions for interest payments. In addition, expenses could be treated as non-deductible. While Instone is only entitled to deductions of input value-added tax to a very limited extent, tax authorities could also not accept such deductions of input value-added tax. Any of these findings could lead to an increase in the Company's and the Company's subsidiaries' tax obligations and could result in the assessment of penalties. The Company and the Company's subsidiaries have established, and will continue to establish, provisions for risks associated with audits based on its past experience. These provisions, however, may prove to be insufficient and when paid may negatively impact the Company's and the Company's subsidiaries' cash flow.

In addition, Instone is and may become party to tax proceedings, the outcome of which may not be predictable and may turn out to be detrimental to Instone.

The materialization of any of these risks could adversely affect Instone's business, net assets, financial condition, cash flow, and results of operations.

1.2.10 Instone has undergone, and is expected to undergo, significant reorganizations, including the planned conversion of the Company into a German stock corporation (Aktiengesellschaft), which may result in an additional tax burden.

In the financial years 2014 through 2017, which have not yet been subject to a tax audit, Instone underwent significant reorganizations, involving, among other things, the combination of Instone Development and Instone Leipzig under Instone Real Estate Group B.V. The integration of Instone Leipzig and Instone Development under the Company required the Company to determine an adequate allocation of the purchase prices of the acquisition of Instone Leipzig and Instone Development, which could be challenged by the competent tax authorities.

As of the date of this Prospectus, the Company is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands. Its legal form will be converted into a public company with limited liability (*naamloze vennootschap* (N.V.)), incorporated under the laws of the Netherlands, shortly after the determination of the placement price of the placement shares (the "**Placement Shares**") and before payment for, and delivery of, the Placement Shares, effected by a notarial deed of conversion and amendment of its articles of association (the "**Articles of Association**") and in accordance with a resolution of the Company's general shareholders' meeting (the "**General Meeting**") to be adopted at or prior to such time (the "**N.V. Conversion**").

As Instone's business activities and properties are geographically concentrated in Germany, the Company plans to propose to its General Meeting to resolve upon the conversion of the Company into a German stock corporation (*Aktiengesellschaft*), governed by the laws of the Federal Republic of Germany and having its registered seat in Essen, Germany (the "**AG Conversion**"). The resolution to convert the Company into a

German stock corporation is expected to be proposed as joint proposal of the Management Board and the Supervisory Board and will as such require a simple majority (50%) of the votes cast. The existing shareholders, Coöperatieve Formart Investments U.A. (“**Coöperatieve Formart**”), Coöperatieve Activum SG Fund III Investments U.A. (“**Coöperatieve Activum III**”), and Coöperatieve Activum SG Fund V Investments U.A. (“**Coöperatieve Activum V**” and, together with Coöperatieve Formart and Coöperatieve Activum III, the “**Existing Shareholders**”), each a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), registered in the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*), having its registered offices at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, have committed to vote in favor of such conversion and will continue to hold 36.7% of the Company’s share capital following the settlement of the Private Placement and not to dispose of their shareholdings until the end of the lock-up period (August 15, 2018).

Each shareholder voting against the resolution to effect the AG Conversion in the General Meeting (a “**Dissenting Shareholder**”) may demand within one month following the date of such General Meeting that the Company acquire such Dissenting Shareholder’s shares in the Company’s share capital, against payment by the Company to such Dissenting Shareholder of a cash compensation per share held by such Dissenting Shareholder. Such cash compensation to be paid by the Company will be equal to the higher of (i) the closing price per share on the Frankfurt Stock Exchange on the date of the General Meeting resolving upon the AG Conversion, or (ii) as relevant, upon a request to that effect submitted by the relevant Dissenting Shareholder with the Dutch Enterprise Chamber of the Amsterdam Court of Appeal (*ondernemingskamer van het gerechtshof te Amsterdam*) (the “**Enterprise Chamber**”) and provided that the Enterprise Chamber does not declare itself incompetent to adjudicate such request, a price per share in the Company’s capital determined by the Enterprise Chamber as being the value thereof on the date of the General Meeting resolving upon the AG Conversion, based on a valuation performed by one or three experts designated by the Enterprise Chamber. The Company has, however, the right in each case not to implement the AG Conversion if the Management Board determines that the Company is unwilling, or not allowed under applicable law, to acquire shares from any such Dissenting Shareholder against payment of the relevant price. The repurchase of the Dissenting Shareholder’s shares in the Company by the Company is generally subject to Dutch dividend withholding tax to the extent that the total compensation paid for the shares exceeds the total amount of capital paid in for those shares (*i.e.*, nominal share capital and share premium) as recognized for Dutch tax purposes. The Dutch dividend withholding tax only applies to shareholders of the Company who (i) are Dutch residents, or (ii) have a permanent establishment in the Netherlands to which their shareholding is attributable, and in each case who are not entitled to an exemption. Any such dividend withholding tax can generally be refunded or credited against such shareholder’s Dutch (corporate) income tax. Any capital gains from the repurchase of the shares are generally subject to taxation in Germany provided that (i) the Dissenting Shareholder is tax resident in Germany, (ii) the shares form part of the business assets of a permanent establishment in Germany or of business assets for which a permanent representative is appointed, or (iii) the Dissenting Shareholder has directly or indirectly held at least 1% in the capital of the Company within the last five years prior to the acquisition of shares from any such Dissenting Shareholder by the Company. If the shares are held in custody or administered by a German bank or financial service institution, a German securities trading company or a German securities trading bank (including German branches of foreign banks and financial service institutions), or if such entity or branch sells the shares and pays out or credits the capital gains (each a “**Domestic Paying Agent**”), the Domestic Paying Agent has to withhold German withholding tax.

The Company will only initiate the consummation of the AG Conversion after assuring that the AG Conversion will not trigger any materially adverse taxes in any jurisdiction. In particular, the AG Conversion will only be consummated following receipt of favorable binding tax rulings by the competent German tax authorities confirming that the AG Conversion can be consummated without triggering substantial German corporate income, German trade tax, German withholding tax or German real estate transfer tax on the level of the Company or its consolidated subsidiaries and would not be treated as an actual or deemed liquidation from a German tax perspective (the “**Favorable Binding Tax Rulings**”), provided the assumptions contained therein regarding Dutch legal and tax matters are sufficiently confirmed by Dutch legal advisors or Dutch binding tax rulings. Instone will submit requests for such tax rulings as soon as practicable following the Private Placement and listing of the Company’s shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The outcome of these ruling requests is uncertain and may also be conditional upon the transactions being treated similarly in the Netherlands. If the Favorable Binding Tax Rulings cannot be obtained, the Company would not be converted into a German stock corporation (*Aktiengesellschaft*). In this case, the Company would remain a public company with limited liability (*naamloze vennootschap* (N.V.)), incorporated under the laws of the Netherlands, unless a new resolution were adopted by its General Meeting to change its legal form. However, given that the Company’s place of management will continue to be in

Germany, the Company would remain subject to corporate income tax on its worldwide income in Germany (unlimited tax liability (*unbeschränkte Steuerpflicht*)).

In the Netherlands, the Company does not expect any material adverse Dutch tax consequences resulting from the AG Conversion. Pursuant to Dutch tax law, with respect to certain domestic conversions (*i.e.*, the conversion of a Dutch legal entity into a different Dutch legal form) that are provided for in the Dutch Civil Code (*Burgerlijk Wetboek*, the "**DCC**"), a converting entity is, however, deemed to be liquidated for Dutch tax purposes, resulting in a deemed profit distribution to its shareholders. While the Company expects that the AG Conversion, as a cross-border conversion which is not provided for in the DCC, will not be treated as a deemed liquidation for Dutch tax purposes, it cannot be excluded that Dutch tax authorities would successfully argue that the tax provision dealing with domestic conversions provided for in the DCC may be applicable, in analogy and in absence of specific rules, to a cross-border conversion. If the AG Conversion were deemed a liquidation for Dutch tax purposes, Dutch dividend withholding tax could become due for shareholders of the Company who are Dutch residents and who are not entitled to an exemption as well as to non-Dutch resident shareholders of the Company that have a permanent establishment in the Netherlands to which their shareholding is attributable. If the Company was unable to identify its shareholders following the Effectiveness of the AG Conversion in order to assess whether they are Dutch residents (or non-Dutch residents with a permanent establishment to which the shares are attributable) in respect of which Dutch dividend tax has to be withheld, it could make use of the possibility to approach the relevant Dutch tax authorities to confirm in a tax ruling that the AG Conversion will not be deemed as a liquidation for Dutch tax purposes. If a favorable tax ruling cannot be obtained and the identity of the shareholders cannot be established following the Effectiveness of the AG Conversion, Dutch dividend withholding tax could be triggered in relation to the full amount deemed distributed as a result of the deemed liquidation. The amount of the deemed distribution would equal the fair market value of the Company's shares exceeding the nominal capital and share premium of such shares recognized for Dutch tax purposes. In practice, it may be difficult to recover Dutch dividend withholding tax from shareholders, which may result in cost to be borne by the Company. Effectively, the Company could incur cost equaling Dutch dividend withholding tax of 17.65% of such deemed distribution amount.

In addition, Instone has a multi-level group structure. This structure added considerable complexity to the acquisitions and internal restructurings that Instone has conducted in the past few years and will continue to increase the legal complexity of acquisitions and corporate restructurings that Instone may intend to conduct in the future. Given the complexity and the scope of these transactions, there can be no assurance that none of these transactions may have entailed or will entail unforeseen adverse tax consequences.

1.3 Risks related to the Private Placement and the Listing and the Placement Shares

1.3.1 There is no existing market for the Company's shares and the development of an active trading market may be limited.

Prior to the Private Placement and listing, there has been no public market for the shares of the Company, and there is no certainty that an active trading market in the Company's shares will develop. The shares to be sold in the Private Placement and listing represent only 63.3% of the Company's share capital. Further, all of the Existing Shareholders are subject to lock-up agreements. Accordingly, the market in the Company's shares may be relatively illiquid or subject to fluctuation, and it may therefore be more difficult for potential investors in the Private Placement and listing to sell any of the shares that they buy. The Company cannot predict the extent to which investor interest will lead to an active trading market or how liquid that market might become. The lack of an active trading market in the shares could affect an investor's ability to sell the Company's shares at a desired price, at a desired time and/or in a desired quantity.

1.3.2 The market price and trading volume of the Company's shares could fluctuate considerably, which can result in substantial losses.

Following the Private Placement and listing, the trading volume and price of the Company's shares may fluctuate significantly. Securities markets in general and shares of companies in the real estate sector in particular have been volatile in the past. If the share price declines significantly, potential investors in the Private Placement and listing may be unable to resell the Company's shares at or above their purchase price.

Some of the factors that could negatively affect the share price of the Company's shares or result in fluctuations in the price or trading volume of the Company's shares include, for example, changes in the Company's actual or projected results of operations or those of its competitors, changes in earnings projections or failure to meet investors' and analysts' earnings expectations, investors' evaluations of the success and effects of the strategy described in this Prospectus, as well as the evaluation of the related risks, changes in general economic conditions and changes in the Company's shareholder base and liquidity as well as an exclusion from indices. Additionally, general fluctuations in share prices, particularly of shares of companies in the real estate sector, could put pricing pressure on the Company's shares, even where there may not necessarily be a reason for this in the Company's business or earnings outlook.

1.3.3 If securities analysts do not publish research or reports about the Company or if they downgrade the shares or the Company's sector, the share price and trading volume could decline.

The trading market for the Company's shares will be influenced by the research and reports that industry or securities analysts publish about the Company, its business, its markets, or its competitors. If any of the analysts who cover the Company issue an adverse or misleading opinion regarding its stock, the price for the Company's shares would likely decline. If one or more of these analysts cease coverage of the Company or fail to publish reports on it regularly, the Company could lose visibility in the financial markets, which in turn could cause its share price or trading volume to decline.

1.3.4 Following the Private Placement and listing, the Existing Shareholders will retain a significant interest in the Company and their interests may conflict with those of the other shareholders.

Upon completion of the Private Placement and listing, the Existing Shareholders will jointly hold at least 36.7% of the issued shares (assuming a placement of all Placement Shares and full exercise of the greenshoe option). Due to their large shareholdings, the Existing Shareholders will be in a position to exert substantial influence at the Company's General Meeting and, consequently, on matters decided by the General Meeting, including the appointment of the members of the Company's supervisory board, the distribution of dividends, and any proposed capital increase. The Existing Shareholders' future stake in the Company would endow them with the ability to block certain corporate measures that require the approval of the General Meeting. In addition, the interests of the Existing Shareholders may substantially deviate from, or conflict with, the Company's interests or the interests of the Company's other shareholders. There is no assurance that the Existing Shareholders will exercise their influence over the Company in a way that serves the interests of the Company's other shareholders.

1.3.5 The Company will face additional administrative requirements, including the obligation to issue half-year and quarterly financial statements or notices and to adhere to capital market laws, and will incur higher ongoing costs as a result of the Private Placement and listing.

After the listing, the Company will for the first time be subject to the legal requirements for Dutch public limited liability companies listed on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). These requirements include periodic financial reporting (including those required by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), regular calls with securities and industry analysts and other required public disclosures of information. There can be no assurance that the Company's accounting, controlling and legal or other corporate functions will be capable of responding to these additional requirements without difficulties and inefficiencies that cause the Company to incur significant additional costs and/or expose it to regulatory or civil litigation or penalties. Furthermore, the preparation for, and convening of, General Meetings and the Company's regular communications with shareholders and potential investors will entail substantially greater expenses and risks. The members of the management board will need to devote time to these additional requirements that they could have otherwise devoted to other aspects of managing the Company's operations, and these additional requirements could also entail substantially increased time commitments and costs for the accounting, controlling and legal departments and other administrative functions.

Furthermore, if the Company is unable to satisfy their obligations as a public company, it could be subject to delisting of its shares, fines, sanctions and other regulatory action and potentially civil litigation.

1.3.6 Future capital measures could lead to a substantial dilution of shareholders' interests in the Company and their voting rights and may adversely affect the market price of the shares.

The Company may require additional capital in the future to finance acquisitions and business operations or to repay its existing debt. The raising of additional equity through the issuance of new shares, the potential exercise of conversion or option rights by holders of convertible bonds or bonds with warrants, which may be issued in the future, and the exercise of stock option rights which may be granted to the management board members and certain other employees may dilute shareholders' interests and could have an adverse effect on the price of the Company's shares.

As of the date of this Prospectus, the Company has not issued any conversion or option rights by holders of convertible bonds or bonds with warrants and has no current planning to do so in the near future. Upon Effectiveness of the N.V. Conversion, the Articles of Association will provide for the authorization to issue up to 50% of the Company's issued share capital as additional shares within its authorized capital. The Company may issue these shares subject to approval by the General Meeting (or a corporate body authorized for that purpose by the General Meeting). Under certain conditions, for example, in the event of a capital increase against contributions in kind, no preemptive subscription rights will apply for existing shareholders. Because the Company's decision to issue, or propose the issuance of, securities in any future offering will also depend on market conditions and other factors beyond its control, the Company cannot predict or estimate the amount, timing or nature of future offerings. Thus, holders of shares bear the risk of the Company's future offerings reducing the market price of the shares and diluting their shareholdings in the Company.

1.3.7 Future sales by the Existing Shareholders could depress the price of the Company's shares.

If the Existing Shareholders of the Company were to sell substantial amounts of their shareholdings on the public exchange or if market participants were to become convinced that such sales might occur, this could have a material adverse effect on the market price of the shares of the Company.

1.3.8 The Company's ability to pay dividends depends on a variety of factors. Dividends paid in the past are not necessarily indicative of future payments and the Company's dividend policy may change.

The Company is a holding company with no operations of its own and no significant assets other than shares of its direct and indirect subsidiaries and may therefore be unable or elect not to declare dividends in the future. The payment of dividends, if any, by the Company will depend on, among other things, future profits, financial position and capital requirements, the sufficiency of the Company's distributable reserves, the ability of its operating subsidiaries to upstream sufficient cash and/or pay dividends to the Company, financial obligations, general economic conditions and other factors that its directors deem to be important from time to time. In particular, the Company's operating subsidiaries have financial obligations that must be satisfied, including among others, debt service and obligations to trade creditors, and are furthermore subject to contractual and regulatory restrictions on the payment of dividends. The Company currently intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business and currently does not intend to pay any dividends for the financial years 2017 through 2019. In the medium term, at the earliest in 2021 for the financial year 2020, the Company plans to distribute dividends amounting to 20% to 30% of its net income, unless it then decides to rather continue investing such distributable funds into further growth.

Upon Effectiveness of the AG Conversion, dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's unconsolidated financial statements prepared in accordance with the requirements of the generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch*). Accounting principles set forth in the German Commercial Code (*Handelsgesetzbuch*) differ from IFRS in material respects. When determining the distributable profit, net income or loss for the year (*Jahresüberschuss/-fehlbetrag*) must be reduced by profit/loss carry-forwards (*Gewinn-/Verlustvorträge*) from the prior fiscal year and releases of or allocations to reserves. Certain reserves are required to be set up by law, and mandatorily allocated to these reserves in the given year must be deducted when calculating the distributable profit.

Should the Company be unable to distribute dividends, or decide against declaring dividends in the future if investors were to expect dividend distribution at such time, this could have a material adverse effect on the market price of the shares of the Company.

1.3.9 The Company is a Dutch private limited liability company (B.V.) and will be converted into a Dutch public limited liability company (N.V.) the shareholder rights of which may differ from rights of shareholders in a corporation organized in another jurisdiction.

The Company is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands. Its legal form will be converted into a public company with limited liability (*naamloze vennootschap* (N.V.)), incorporated under the laws of the Netherlands, shortly after the determination of the placement price of the Placement Shares and before payment for, and delivery of, the Placement Shares. The rights of the Company's shareholders are governed by the Articles of Association and by Dutch law. These rights may differ in some respects from the rights of shareholders of stock corporations organized in jurisdictions other than the Netherlands, for example, from a German public limited liability company (*Aktiengesellschaft*). In addition, it may be difficult for investors to enforce the securities laws of other jurisdictions, or to prevail with claims against the Company based on those laws.

1.3.10 The Company plans to propose to its General Meeting to convert the Company into a German stock corporation (Aktiengesellschaft) the shareholder rights of which may differ from rights of shareholders in a corporation organized in another jurisdiction.

The Company plans to propose to its General Meeting the AG Conversion, thereby converting the Company into a German stock corporation (*Aktiengesellschaft*). The resolution to convert the Company into a German stock corporation is expected to be proposed as joint proposal of the Management Board and the Supervisory Board and will as such require a simple majority (50%) of the votes cast. The Existing Shareholders have committed to vote in favor of such conversion and not to dispose of their shareholdings until the end of the lock-up period (August 15, 2018). The Existing Shareholders will continue to hold at least 36.7% of the Company's share capital (assuming a placement of all Placement Shares and full exercise of the greenshoe option). The Company will only initiate the consummation of the AG Conversion if (i) the General Meeting resolves in favor of the AG Conversion, (ii) the Company obtains the Favorable Binding Tax Rulings and provided the assumptions contained therein regarding Dutch legal and tax matters are sufficiently confirmed by Dutch legal advisors or Dutch binding tax rulings, (iii) no creditor has opposed the AG Conversion, unless such opposition has been revoked or lifted by the competent District Court (*rechtbank*) of Amsterdam, the Netherlands, (iv) the Management Board has not determined that the Company is unwilling, or not allowed under applicable law, to acquire shares in the Company from any Dissenting Shareholder requesting such acquisition by the Company against payment of the relevant price, and (v) no governmental opposition has been filed and not been revoked or lifted by the competent District Court (*rechtbank*) of Amsterdam, the Netherlands.

Shareholders' rights may differ in some respects from the rights of shareholders of stock corporations organized in jurisdictions other than Germany. If any of the aforementioned conditions is not met or if the AG Conversion, for which no explicit rules exist under applicable law, cannot be effectively consummated or is successfully challenged, the Company would not be converted into a German stock corporation (*Aktiengesellschaft*). As a result, the Company would remain a public company with limited liability (*naamloze vennootschap* (N.V.)), incorporated under the laws of the Netherlands and subject to Dutch law, unless a new resolution were adopted by its General Meeting to change its legal form. However, given that the Company's place of management will continue to be in Germany despite a failed implementation of the AG Conversion, the Company would remain subject to tax with its worldwide income (unlimited tax liability; *unbeschränkte Steuerpflicht*) in Germany.

1.3.11 An investment in the Company's shares by an investor whose principal currency is not the euro may be affected by exchange rate fluctuations.

The Company's shares are quoted in euro. If such currency represents a foreign currency to an investor in the Private Placement and listing, such investor is particularly exposed to the risk of changes in currency exchange rates. Changes in currency exchange rates result from various factors such as macroeconomic factors, speculative transactions and interventions by central banks and governments. Fluctuations in the exchange rates between the euro and other currencies will influence and potentially reduce the value of, and return on, the Company's shares when converted into a foreign currency.

2. GENERAL INFORMATION

2.1 Responsibility Statement

Instone Real Estate Group B.V. (the "**Company**" and, together with its consolidated subsidiaries, "**Instone**") accepts responsibility for the information contained in this prospectus (the "**Prospectus**") and declares that it has taken all reasonable care to ensure that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and contains no material omissions.

As of the date of this Prospectus, the Company is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands. The Company has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands, its place of effective management and its registered business address at Baumstraße 25, 45128 Essen, Federal Republic of Germany ("**Germany**"), and is registered with the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under number 60490861. The Company's legal form will be converted into a public company with limited liability (*naamloze vennootschap* (*N.V.*)) incorporated under the laws of the Netherlands, shortly after the determination of the placement price of the placement shares and before payment for, and delivery of, the placement shares, effected by a notarial deed of conversion and amendment of its articles of association (the "**Articles of Association**") and in accordance with a resolution of the Company's general shareholders' meeting (the "**General Meeting**") to be adopted at or prior to such time (the "**N.V. Conversion**", and upon its effectiveness, the "**Effectiveness of the N.V. Conversion**").

The Company plans to propose to its General Meeting to resolve upon the conversion of the Company into a German stock corporation (*Aktiengesellschaft*), governed by the laws of the Federal Republic of Germany and having its registered seat in Essen, Germany (the "**AG Conversion**"). The resolution to convert the Company into a German stock corporation is expected to be proposed as joint proposal of the Management Board and the Supervisory Board and will as such require a simple majority (50%) of the votes cast. The Existing Shareholders have committed to vote in favor of such conversion and will continue to hold 36.7% of the Company's share capital following the settlement of the Private Placement (as defined under "*2.3.1 Private Placement*") and not to dispose of their shareholdings until the end of the lock-up period (August 15, 2018). The Company will only initiate the consummation of the AG Conversion after assuring that the AG Conversion will not trigger any materially adverse taxes in any jurisdiction. In particular, the AG Conversion will only be consummated following receipt of favorable binding tax rulings by the competent German tax authorities confirming that the AG Conversion can be consummated without triggering substantial German corporate income, German trade tax, German withholding tax or German real estate transfer tax on the level of the Company or its consolidated subsidiaries and would not be treated as an actual or deemed liquidation from a German tax perspective (the "**Favorable Binding Tax Rulings**"), provided the assumptions contained therein regarding Dutch legal and tax matters are sufficiently confirmed by Dutch legal advisors or Dutch binding tax rulings. Following receipt of the Favorable Binding Tax Rulings and subsequent registration of the AG Conversion in the commercial register of the local court (*Amtsgericht*) of Essen, Germany (the "**Effectiveness of the AG Conversion**"), the legal name of the Company will become "Instone Real Estate Group AG" and the Company will have its registered seat and business address at Baumstraße 25, 45128 Essen, Germany. The Company expects the AG Conversion to be effected in the course of 2018, provided that the aforementioned requirements are satisfied.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

The information contained in this Prospectus will not be updated subsequent to the date hereof except for any significant new event or significant error or inaccuracy relating to the information contained in this Prospectus that may affect an assessment of the securities and occurs or comes to light following the approval of this Prospectus, but before the admission of the securities to trading. These updates must be disclosed in a prospectus supplement in accordance with Section 5:23 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "**DFSA**").

2.2 Purpose of this Prospectus

This Prospectus relates to the admission of all of the Company's 36,988,336 shares (following the consummation of (i) the Pre–Placement Share Capital Increases as defined below under "*8.7.2.4 Shareholder*

Loan Conversion and Pre–Placement Share Capital Increases" and (ii) the Placement Capital Increase as defined below under "*2.3.3 Placement Capital Increase*"), comprising:

(i) 7,000,000 newly issued bearer shares of the Company from a capital increase against contributions in cash to be resolved by the Company's General Meeting on or about February 13, 2018 (the "**New Shares**");

(ii) up to 13,350,000 existing bearer shares of the Company (the "**Existing Shares**" and, together with the New Shares, the "**Base Shares**") from the holdings of the Coöperatieve Activum SG Fund III Investments U.A. ("**Coöperatieve Activum III**"), Coöperatieve Formart Investments U.A ("**Coöperatieve Formart**") and Coöperatieve Activum SG Fund V Investments U.A. ("**Coöperatieve Activum V**", and, together with Coöperatieve Formart and Coöperatieve Activum III, the "**Existing Shareholders**");

(iii) up to 3,050,000 existing bearer shares of the Company ("**Over-Allotment Shares**" and, together with the Base Shares, the "**Placement Shares**") as part of the allocation of the Base Shares ("**Over-Allotment**") from the holdings of the Existing Shareholders in the form of a securities loan; and

(iv) the balance of 36,988,336 of the Company's shares and (i) through (iii) above (amounting to 13,588,336 of the Company's shares held by the Existing Shareholders assuming a placement of all Placement Shares)

to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard), each such share representing a nominal value of €1.00 and with full dividend rights from January 1, 2017. The AFM has been requested by the Company to provide the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**") with a certificate of approval attesting that the Prospectus has been drawn up in accordance with Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended.

2.3 Background to the Private Placement

2.3.1 Private Placement

On February 2, 2018, in anticipation of the expected admission to trading of the Company's shares on the regulated market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company and the Existing Shareholders together with Credit Suisse Securities (Europe) Limited, London, United Kingdom ("**Credit Suisse**"), Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany ("**Deutsche Bank**", together with Credit Suisse, the "**Joint Global Coordinators**"), BNP Paribas ("**BNP Paribas**"), Morgan Stanley & Co. International plc ("**Morgan Stanley**") or UniCredit Bank AG ("**UniCredit**", together with BNP Paribas, Morgan Stanley and the Joint Global Coordinators, the "**Joint Bookrunners**" or the "**Underwriters**"), initiated a private placement (the "**Private Placement**") of the Placement Shares and set the price range at €21.50 to €25.50 per share (the "**Price Range**").

The placement price and the final number of shares to be placed in the Private Placement are expected to be determined based on the order book prepared during the bookbuilding process (expected to take place in the period from February 2, 2018 and February 13, 2018) on or about February 13, 2018. The results of the Private Placement, including the final placement price, will be published by the Company through an electronic information dissemination system and on the Company's website on or about February 15, 2018.

In addition, Credit Suisse, or its affiliates, acting as the stabilization manager (the "**Stabilization Manager**") for the account of the Underwriters, will be provided with the Over-Allotment Shares from the holdings of the Existing Shareholders in the form of a securities loan.

Once the Placement Capital Increase (as defined below under "*2.3.3 Placement Capital Increase*") takes effect, the share capital of the Company that will be represented by the Company's shares will amount to €36,988,336.00. Approximately 63.3% of the share capital of the Company (after effectiveness of the Placement Capital Increase) is expected to be offered in the Private Placement.

Immediately prior to the Private Placement, Coöperatieve Activum SG Fund III Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), registered in the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under registration number 59216239, having its registered offices at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands ("**Coöperatieve Activum III**"), holds 59.6% of the shares in the Company, Coöperatieve Formart Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), registered in the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under registration number 61216275, having its registered offices at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands ("**Coöperatieve Formart**"), holds 33.3% of the shares in the Company, and Coöperatieve Activum SG Fund V Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), registered in the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under registration number 67273300, having its registered offices at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands ("**Coöperatieve Activum V**", and, together with Coöperatieve Formart and Coöperatieve Activum III, the "**Existing Shareholders**"), holds 7.1% of the shares in the Company. For a discussion of the ownership structure of the Existing Shareholders, see "*10 Information on the Existing Shareholders*".

2.3.2 Private Placement Structure

The Private Placement is exclusively addressed to qualified investors and fewer than 150 non-qualified investors in any member state of the EEA, including in Germany, and to institutional investors in certain other jurisdictions, provided that for any offer of Placement Shares to fewer than 150 non-qualified investors in the Netherlands a standard exemption logo and wording are disclosed as required by article 5:20(5) of the DFSA. The Placement Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any other jurisdiction of the United States of America ("**United States**") and may not be offered, sold or otherwise transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. The Placement Shares offered or sold outside the United States will be offered or sold in offshore transactions as defined in, and in reliance on, Regulation S under the Securities Act.

Book-entry delivery of the Placement Shares sold in the Private Placement against payment of the share price is expected to occur on February 19, 2018.

2.3.3 Placement Capital Increase

With respect to the Private Placement, the Company's General Meeting will resolve on February 13, 2018 to increase the Company's share capital by €7,000,000.00 to €36,988,336.00 against contributions in cash through the issuance of the New Shares, thereby effecting the capital increase, and this capital increase is expected to be registered with the commercial register on February 14, 2018 (the "**Placement Capital Increase**").

2.3.4 Dilution

Instone's total equity (*i.e.*, the net book value (total assets less total non current liabilities and total current liabilities)) amounted to negative €11.0 million as of September 30, 2017, and would amount to €1.23 per share of the Company based on 29,988,336 outstanding shares of the Company immediately prior to the Placement Capital Increase and after adjusting for the shareholder loans extended to the Company that were partially converted in an amount of €48.0 million and contributed into the Company's share premium.

The dilutive effect of the Private Placement is illustrated in the table below, demonstrating the amount by which the placement price exceeds the equity attributable to shareholders per share after completion of the Private Placement and assuming the Private Placement had been completed on September 30, 2017. In this respect, the net book value attributable to shareholders as of September 30, 2017 is adjusted for the effects of the Private Placement, assuming (i) the execution of the Placement Capital Increase and (ii) an increase in the net book value attributable to shareholders by €3.98 million (assuming successful placement of the New Shares at the mid-point of the Price Range and completion of the Private Placement and not taking into account any tax effects). The adjusted net book value attributable to shareholders is expressed as a per share figure, assuming 36,988,336 shares of the Company outstanding upon completion of the Private Placement (this per share figure being referred to as the "**Post-Placement per Share Net Book Value**").

The table below illustrates the dilutive effect following the completion of the Private Placement:

	As of September 30, 2017
	(unaudited) (in €, unless otherwise specified)
Placement price per share	23.50
Per share net book value (based on 29,988,336 outstanding shares of the Company before the Placement Capital Increase)[(1)]	1.23
Post-Placement per Share Net Book Value[(2)] (net book value)	5.21
Amount by which the price per share exceeds the Post-Placement per Share Net Book Value (immediate dilution per share)	18.29
Immediate dilution (in %)	77.8%

(1) Based on 29,988,336 outstanding shares of the Company immediately prior to the Private Placement and total equity of Instone in the amount of negative €11.0 million as of September 30, 2017 and after adjusting for the shareholder loans extended to the Company that were partially converted in an amount of €48.0 million and contributed into the Company's share premium.

(2) Assuming successful placement of the New Shares at the mid-point of the Price Range.

2.3.5 Delivery and Settlement

The delivery of the Placement Shares sold in the Private Placement against payment of the share price is expected to take place on February 19, 2018. The Placement Shares will be made available to the shareholders as co-ownership interests in the respective global share certificate.

At the shareholder's option, the Placement Shares purchased in the Private Placement will be credited either to a securities deposit account maintained by a German bank with Clearstream Banking Aktiengesellschaft, Mergenthaleralle 61, 65760 Eschborn, Germany ("**Clearstream**") or to a securities account of a participant in Euroclear Bank S.A./N.V., 1 Boulevard Roi Albert II, 1120, Brussels, Belgium, as the operator of the Euroclear system.

2.3.6 Reasons for the Private Placement

The Company intends to list its shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to gain access to the capital markets providing for the ability to obtain equity and debt capital markets financing.

The Existing Shareholders intend to pursue the Private Placement to receive the net proceeds from the Private Placement attributable to the Existing Shareholders.

2.3.7 Use of Proceeds

The Company will, at the low end, mid-point and high end of the Price Range, receive gross proceeds of €150.5 million, €164.5 million, and €178.5 million, respectively, and estimated net proceeds of approximately €142.2 million, €155.8 million, and €169.4 million, respectively.

The Company currently intends to use a portion of the net proceeds from the Private Placement attributable to the Company of about €55.5 million to fully repay the outstanding amounts under all shareholder loans (see "*8.7.2 Shareholder Loans*") and the remaining net proceeds of about €100.3 million (assuming that the New Shares are finally placed at the mid-point of the Price Range) to fund its acquisition and development activities to create additional value and stable returns from its development business.

2.3.8 Stabilization Measures, Over-Allotments and Greenshoe Option

In connection with the listing of the Placement Shares, the Stabilization Manager, or its affiliates, acting for the account of the Underwriters, may make over-allotments and take stabilization measures in accordance with Article 5 paras. 4 and 5 of MAR in conjunction with Articles 5 through 8 of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016, to provide support for the market price of the Company's shares, thus alleviating sales pressure generated by short-term investors and maintaining an orderly market in the Company's shares.

The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may start from the date the Company's shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must end no later than 30 calendar days thereafter (*i.e.*, on March 16, 2018 (the "**Stabilization Period**")).

Stabilization measures are intended to provide support for the price of the Company's shares during the Stabilization Period. These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level.

Under the possible stabilization measures, investors in the Private Placement may, in addition to the Base Shares, be allocated up to 3,050,000 Over-Allotment Shares. For the purpose of a potential Over-Allotment, the Stabilization Manager, acting for the account of the Underwriters, will be provided with up to 3,050,000 existing bearer shares of the Company from the holdings of the Existing Shareholders in the form of a securities loan. The total number of Over-Allotment Shares will not exceed 15% of the Base Shares. In addition, the Existing Shareholders have granted the Underwriters an option to acquire the Over-Allotment Shares at the placement price, less agreed commissions (the "**Greenshoe Option**"). The Greenshoe Option may only be exercised during the Stabilization Period and will terminate 30 calendar days after the commencement of trading of the Company's shares (expected to take place on February 15, 2018).

The Stabilization Manager, acting for the account of the Underwriters, is entitled to exercise the Greenshoe Option to the extent Over-Allotment Shares are allocated to investors in the Private Placement. The number of Over-Allotment Shares acquired under the Greenshoe Option will be reduced by any shares of the Company held by the Stabilization Manager when the Greenshoe Option is exercised, if such shares were acquired by the Stabilization Manager in the context of stabilization measures.

Public announcements regarding stabilization measures (i) have been made prior to commencement of the Private Placement, (ii) will be made by the end of the seventh daily market session following the date any stabilization measure was taken, and (iii) will be made within one week after the end of the Stabilization Period.

Within one week of the end of the Stabilization Period, the Stabilization Manager will ensure adequate public disclosure as to whether stabilization measures were taken, the date on which stabilization started and last occurred, and the Price Range within which stabilization measures were carried out, for each of the dates during which stabilization measures were carried out and the trading venue(s) on which the stabilization measures were carried out, where applicable.

Exercise of the Greenshoe Option will be disclosed to the public promptly, together with all appropriate details, including in particular the date of exercise of the Greenshoe Option and the number and nature of Over-Allotment Shares involved, in accordance with Article 8 (f) of the Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016.

2.3.9 Lock-up Agreements and Limitations on Disposal

In the underwriting agreement relating to the Private Placement as entered into between the Company, the Existing Shareholders and the Underwriters on February 2, 2018 (the "**Underwriting Agreement**"), the Company agreed with each Underwriter that, during the period commencing on February 2, 2018 and ending six months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 15, 2018), to the extent legally permissible, without the prior written consent of the Underwriters, which may not be unreasonably withheld, the Company will not:

(a) announce or effect an increase of the Company's share capital out of authorized capital or contingent capital, if any;

(b) propose to the General Meeting an increase of the issued share capital;

(c) announce, effect or propose the issuance of securities with conversion or option rights on shares of the Company;

(d) offer, pledge, allot, issue (unless required by applicable law), sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares in its capital or any securities convertible into or exercisable or exchangeable for shares in its capital or enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares in its capital; or

(e) enter into a transaction or perform any action economically similar to those described in (a) through (d) above.

The foregoing will not apply to (i) conversion of up to €30 million of the Company's share premium into the Company's share capital prior to the listing of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), (ii) increase of the Company's share capital in connection with the Private Placement, (iii) proposals to the General Meeting to create authorized capital, contingent capital, an authorization to issue securities convertible into or exercisable or exchangeable for shares in the Company's share capital (such authorizations not to be exercised throughout the lock-up period), (iv) issuance or sale of any shares or other securities to employees and members of executive bodies of the Company or its subsidiaries under customary management or employee stock option plans or (v) any corporate actions undertaken by the Company for the purpose of converting the Company into a German stock corporation (*Aktiengesellschaft*).

In addition, for the period commencing on February 2, 2018 and ending six months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 15, 2018), the Existing Shareholders have agreed that they will not, without the prior written consent of the Underwriters, which may not be unreasonably withheld:

offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares or any other securities of the Company convertible into or exercisable or exchangeable for shares of the Company;

make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company;

propose any increase in the share capital of the Company, vote in favor of such a proposed increase or otherwise support any proposal for the issuance of any securities convertible into shares of the Company, or with option rights for shares of the Company; or

enter into a transaction or perform any action economically similar to those described in each of the cases above, in particular enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise.

The foregoing shall not apply to (i) the creation of an authorized capital, contingent capital, or the authorization to issue securities convertible into or exercisable or exchangeable for shares in the Company's share capital (such authorizations not to be exercised throughout the lock-up period), (ii) any measure required to increase the Company's share capital prior to the listing of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and to adopt and implement the N.V. Conversion, (iii) any measure required to adopt and implement the AG Conversion (without effecting an increase in the share capital of the Company), (iv) transfer of shares under the securities loan granted by the Existing Shareholders to the Stabilization Manager in connection with the Over-Allotment, (v) sale and transfer of shares to members of the Company's management board or to managing directors of Instone group entities in connection with the restructuring of the management compensation programs, and (vi) transfers to affiliates of the respective Existing Shareholder, provided, however, that in case of (v) and (vi) such transferee(s) agree(s) towards the Joint Global Coordinators to be bound by the same or longer lock-up undertakings.

2.3.10 Interests of Parties Participating in the Private Placement

In connection with the admission to trading of the Company's shares and the Private Placement, the Underwriters have formed a contractual relationship with the Company and the Existing Shareholders.

The Underwriters are acting for the Company and the Existing Shareholders in connection with the structuring and execution of the Private Placement. In addition, Deutsche Bank has been mandated to act as designated sponsor for the Company's shares and as paying agent. The listing is a condition precedent to the consummation of the Private Placement. Therefore, the Underwriters have a financial interest in the listing as they will only receive the commission agreed upon in the Underwriting Agreement following the successful completion of the Private Placement and thus the completion of the listing.

Some of the Underwriters or their affiliates have, and may from time to time in the future continue to have, business relations with Instone and the Existing Shareholders, including lending activities, or may perform services for Instone or the Existing Shareholders in the ordinary course of business.

The Existing Shareholders have an interest in the listing as this is a condition precedent to the Private Placement and will receive the proceeds from the sale of up to 13,350,000 Existing Shares and of up to 3,050,000 Over-Allotment Shares (if any) sold in the Private Placement (after deduction of fees and commissions).

Other than the interests described above, there are no material interests, in particular no material conflicts of interest, with respect to the Private Placement or the listing of the Company's shares.

2.3.11 MiFID II Product Governance Requirements

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and without assuming any responsibility or liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placement Shares have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors (within the meaning of the MiFID II Product Governance Requirements) should note that: the price of the Placement Shares may decline and investors could lose all or part of their investment; the Placement Shares offer no guaranteed income and no capital protection; and an investment in the Placement Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Private Placement. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties in the Private Placement. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placement Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Placement Shares and determining appropriate distribution channels.

2.4 Information on the Shares

2.4.1 Dividend and Liquidation Rights

Each share in the Company carries full dividend rights from January 1, 2017. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their shareholding in the Company.

2.4.2 Voting Rights

Each share in the Company carries one vote at the General Meeting. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights except pursuant to a limited number of statutory provisions as set out below and in Section "*12.3.5 Voting Rights*" of this Prospectus. Shareholders may vote by proxy. Resolutions are passed by a simple majority of the votes cast, unless Dutch law or the Articles of Association prescribe a larger majority (such as a resolution to reduce the issued share capital or a resolution to restrict or exclude pre-emptive rights, which requires at least two-thirds of the votes cast, if less than half of the issued share capital is present or represented).

Upon Effectiveness of the AG Conversion, resolutions will be passed by a simple majority of the votes cast, unless German law or the Articles of Association prescribe a larger majority (such as a resolution to reduce the issued share capital or a resolution to restrict or exclude pre-emptive rights, which requires at least three-quarters of the share capital represented in the General Meeting (*des vertretenen Grundkapitals*)). There are no restrictions on voting rights except pursuant to a limited number of statutory provisions as set out in Section "*12.3.6 Voting Rights upon Effectiveness of the AG Conversion*" of this Prospectus.

2.4.3 Form, Certification of the Shares and Currency of the Securities Issue

At the date of this Prospectus, the Company's shares are in registered form (*op naam*). Upon Effectiveness of the N.V. Conversion, the Company's shares will be converted into bearer form (*aandelen aan toonder*) and will be represented by one global share certificate, which will be deposited with Clearstream. All shares of the Company provide holders thereof with the same rights, and no shares provide any additional rights or advantages.

The Company's shares are denominated in euros.

2.4.4 ISIN/WKN/Ticker Symbol

International Securities Identification Number (ISIN)	NL0012757355
German Securities Code (*Wertpapierkennnummer* (*WKN*))..	A2JCTW
Ticker Symbol	INS

2.4.5 Transferability of the Shares; Lock-up

As of the date of this Prospectus, the Company's shares are in registered form (*op naam*). Upon Effectiveness of the N.V. Conversion, the Company's shares will be converted into bearer form (*aandelen aan toonder*) and will be freely transferable in accordance with the legal requirements for bearer shares. Except for the restrictions set forth in "*2.3.9 Lock-up Agreements and Limitations on Disposal*", there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.

2.5 Admission to the Frankfurt Stock Exchange and Commencement of Trading

The Company applied for the admission of its shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) on February 9, 2018. The listing approval (admission decision) for the Company's shares is expected to be granted on February 14, 2018. Trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on February 15, 2018.

2.6 Designated Sponsor, Paying Agent

Deutsche Bank has been mandated as designated sponsor of the Company's shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Pursuant to the designated sponsor agreement expected to be concluded between the designated sponsor and the Company, the designated sponsor will, among other things, place limited buy and sell orders for the Company's shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company's shares.

The paying agent is Deutsche Bank.

2.7 Cost of the Private Placement and Listing

The costs of the Company and the Existing Shareholders related to the Private Placement and the listing of the Placement Shares are expected to total approximately €10.9 million (excluding underwriting and placement commissions payable to the Underwriters). Of the total cost, the Existing Shareholders will bear approximately €7.3 million and the Company will bear the remaining amount of €3.6 million.

Investors will not be charged expenses by the Company, the Existing Shareholders or the Underwriters. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

2.8 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 publication of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on Instone's future earnings capacity, plans and expectations regarding its business growth and profitability, and the general economic conditions to which Instone is exposed. Statements made using words such as "predicts", "forecasts", "plans", "intends", "endeavors", "expects" or "targets" may be an indication of forward-looking statements.

The forward-looking statements contained in this Prospectus are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause Instone's actual results, including the financial condition and profitability of Instone, to differ materially from, or fail to meet, the expectations expressed or implied in the forward-looking statements. These expressions can be found in different sections of this Prospectus, particularly in the sections titled "*1 Risk Factors*", "*6 Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations*", "*7 Markets and Competition*", and "*8 Business*", and wherever information is contained in this Prospectus regarding the Company's intentions, beliefs, or current expectations relating to its future financial condition and results of operations, plans, liquidity, business prospects, growth, strategy and profitability, as well as the economic and regulatory environment to which Instone is 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 (for more information on the third-party sources used in this Prospectus, see "*2.10 Sources of Market Data*"). Actual results, performance or events may differ materially from those in such statements due to, among other reasons:

changes in general economic conditions in Germany, including changes in the unemployment rate, the level of consumer prices, wage levels etc.;

demographic changes, in particular with respect to Germany;

changes affecting interest rate levels;

changes in the competitive environment, *e.g.*, changes in the level of construction activity relating to housing;

the occurrence of accidents, terrorist attacks, natural disasters, fire, or environmental damage;

inability to attract and retain qualified personnel;

political changes;

changes to the taxation of corporations and particularly tax rates for real estate transfer tax (*Grunderwerbsteuer*, "**RETT**"); and

changes in laws and regulations, in particular construction planning law (*Bauplanungsrecht*), the German Real Estate Agent and Commercial Contractor Regulation (*Makler- und Bauträgerverordnung*), as well as environmental laws and regulations.

Moreover, it should be noted that all forward-looking statements only speak as of the date of this Prospectus and that neither the Company nor the Underwriters, solely or together, 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.

See "*1 Risk Factors*" for a further description of some of the factors that could influence the actual outcome of the matters described in the Company's forward-looking statements.

2.9 Appraiser

The independent, external appraiser BNP Paribas Real Estate Consult GmbH ("**BNP Paribas Real Estate**"), Kurfürstendamm 22, 10719 Berlin, Germany has prepared a condensed valuation report (the "**Valuation Report**") relating to the market value of Instone's project portfolio as of September 30, 2017. In determining the market value of Instone's project portfolio, BNP Paribas Real Estate considered 52 properties split into 86 valuation units. The Valuation Report is reprinted in this Prospectus on pages V-1 *et seq.*

Not included in the valuation were a number of projects due to the fact that the required zoning or planning permissions for these projects had not been obtained as of September 30, 2017. The Valuation Report states that Instone expects an aggregate sales volume of €359 million for the excluded projects. Following the issuance of the Valuation Report, Instone's master planning processes enabled Instone to develop an additional residential development project on a property that was already included in its project portfolio as of September 30, 2017 (but one of the projects excluded in the Valuation Report). Instone expects for the additional residential units in Wiesbaden-Delkenheim an aggregate additional sales volume of €50 million when fully developed.

For more information on BNP Paribas Real Estate's independence, see "*Compliance*" on page V-5 of the Valuation Report. BNP Paribas Real Estate employs duly qualified employees and members of the Royal Institution of Chartered Surveyors (RICS). BNP Paribas Real Estate has consented to the inclusion of the Valuation Report in this Prospectus in the unmodified form authorized by them and has approved the context in which it is presented. For the avoidance of doubt, BNP Paribas Real Estate only accepts responsibility for the Valuation Report and for no other part or parts of this Prospectus.

The Company affirms that, as of the date of this Prospectus, no material changes in the value of the properties appraised in the Valuation Report have occurred since the valuation date of September 30, 2017 for the total portfolio.

2.10 Sources of Market Data

Unless otherwise specified, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which Instone operates are based on the Company's assessments. These assessments, in turn, are based in part on internal observations of the markets and on various market studies.

The following sources were used in the preparation of this Prospectus:

BulwienGesa AG, Potential Analysis – German Housing Market, dated October 24, 2017 ("**bulwiengesa, Potential Analysis**");

Deloitte Touche Tohmatsu Limited, Publication, "Property Index: Overview of European Residential Markets", published July 2017 ("**Deloitte, Property Index**");

Destatis, German Federal Statistical Office, last accessed October 12, 2017 ("**Destatis, German Federal Statistical Office, Population densities in German cities**");

Destatis, German Federal Statistical Office, "Building Activity", last accessed November 24, 2017 ("**Destatis, Building Activity**");

Destatis, German Federal Statistical Office, "Building Permits: Permits granted in building construction, construction of new buildings, residential and non-residential buildings", last accessed October 12, 2017 ("**Destatis, Building Permits**");

Destatis, German Federal Statistical Office, "Deutsche Wirtschaft im Jahr 2016 weiter auf Wachstumskurs", published January 12, 2017 ("**Destatis, Press Release 010**");

Destatis, German Federal Statistical Office, "Inlandsproduktberechnung", published August 25, 2017 ("**Destatis, Domestic Product**");

Destatis, German Federal Statistical Office, "Residential buildings, dwellings, living floor space: Germany, reference date, number of dwellings", last accessed October 12, 2017 ("**Destatis, Residential Buildings, dwellings, living floor space**");

Destatis, German Federal Statistical Office, Annual Report, "Bauen und Wohnen. Baugenehmigungen / Baufertigstellungen lange Reihen z.T. ab 1949", published July 26, 2017 ("**Destatis, Construction and Living, Building Permits / Building Completions**");

Destatis, German Federal Statistical Office, Press Release, "Consumer prices in August 2017: +1.8% on August 2016", published September 13, 2017 ("**Destatis, Press Release No. 319**");

Destatis, German Federal Statistical Office, Press Release, "Positive development of employment continued in 3rd quarter 2017", published November 16, 2017 ("**Destatis, Press Release No. 411**");

Destatis, German Federal Statistical Office, Press Release, "Staat erzielt Überschuss von fast 24 Milliarden Euro im Jahr 2016", published February 23, 2017 ("**Destatis, Press Release No. 063**");

Destatis, German Federal Statistical Office, Report, “Entwicklung der Privathaushalte bis 2035: Ergebnisse der Haushaltsvorausberechnung – 2017”, published February 28, 2017 (“**Destatis, Trends in Private Households until 2035**”);

Destatis, German Federal Statistical Office. “Housing situation: Development of owner-occupied dwelling rate”, last accessed November 24, 2017 (“**Destatis, German Federal Statistical Office, Housing Situation**”);

Deutsche Bundesbank, “System of indicators for residential property markets, Price Indicators”, published September 7, 2017 (“**Deutsche Bundesbank, System of indicators for residential property markets**”);

Deutsche Bundesbank, Monthly Report, “Outlook for the German economy – macroeconomic projections for 2017 and 2018 and an outlook for 2019”, published December 12, 2016 (“**Deutsche Bundesbank, Outlook for the German Economy**”);

Deutsche Bundesbank, Monthly Report, “Perspektiven der deutschen Wirtschaft – Gesamtwirtschaftliche Vorausschätzungen für die Jahre 2017 und 2018 mit einem Ausblick auf das Jahr 2019”, published June 2017 (“**Deutsche Bundesbank, Monthly Report 2017**”);

European Commission, Directorate-General for Economic and Financial Affairs, Economic Brief, “Recent Supply and Demand developments in the German Housing Market), published May 2017 (“**European Commission, Economic Brief 025**”);

European Commission, Report, “Winter 2017 Economic Forecast – Germany”, published February 13, 2017 (“**European Commission, Winter 2017 Economic Forecast Germany**”);

European Mortgage Federation, Statistical Report, “Hypostat 2017”, published September 11, 2017 (“**EMF, Hypostat 2017**”);

Eurostat, Database, Subject: “Distribution of population by tenure status, type of household and income group – EU-SILC survey”, last updated November 14, 2017 (“**Eurostat, Housing Statistics**”);

Eurostat, Database, Subject: “Employment and Unemployment (labour force survey), last updated November 21, 2017(“**Eurostat, Unemployment Statistics**”);

Eurostat, Database, Subject: “Employment statistics”, last updated September 19, 2017 (“**Eurostat, Employment and activity by sex and age**”);

Eurostat, Database, Subject: “National accounts – international data cooperation, annual national accounts, GDP and main aggregates – selected international annual data”, last updated October 11, 2017 (“**Eurostat, Annual National Accounts**”);

Eurostat, Database, Subject: “Share of Member States in EU GDP”, published April 4, 2017 (“**Eurostat, Share of EU GDP**);

Federal Employment Agency (*Bundesagentur für Arbeit*), Database, Subject: “Arbeitslosigkeit im Zeitverlauf: Entwicklung der Arbeitslosenquote, Deutschland und West/Ost, Oktober 2017”, last updated November 2017 (“**Federal Employment Agency, Development Unemployment Rate, Report October 2017**”);

Federal Employment Agency (*Bundesagentur für Arbeit*), Press Release, “Der Arbeitsmarkt im Oktober 2017”, published November 2, 2017 (“**Federal Employment Agency, Press Release No. 23**”);

Federal Employment Agency (*Bundesagentur für Arbeit*), reporting period October 2017, “Arbeitsmarkt im Überblick – Berichtsmonat Oktober 2017 – Berlin, Bundesland”, published October 2017 (“**Federal Employment Agency, Unemployment Berlin October 2017**”);

Federal Employment Agency (*Bundesagentur für Arbeit*), reporting period October 2017, “Arbeitsmarkt im Überblick – Berichtsmonat Oktober 2017 – Köln, Stadt”, published November 2017 (“**Federal Employment Agency, Unemployment Cologne October 2017**”);

Federal Employment Agency (*Bundesagentur für Arbeit*), reporting period October 2017, “Arbeitsmarkt im Überblick – Berichtsmonat Oktober 2017 – Düsseldorf, Stadt”, published November 2017 (“**Federal Employment Agency, Unemployment Düsseldorf October 2017**”);

Federal Employment Agency (*Bundesagentur für Arbeit*), reporting period October 2017, “Arbeitsmarkt im Überblick – Berichtsmonat Oktober 2017 – Hamburg, Bundesland”, published November 2017 (“**Federal Employment Agency, Unemployment Hamburg October 2017**”);

Federal Employment Agency (*Bundesagentur für Arbeit*), reporting period October 2017, "Arbeitsmarkt im Überblick – Berichtsmonat Oktober 2017 – Frankfurt am Main, Stadt", published November 2017 ("**Federal Employment Agency, Unemployment Frankfurt October 2017**");

Federal Employment Agency (*Bundesagentur für Arbeit*), reporting period October 2017, "Arbeitsmarkt im Überblick – Berichtsmonat Oktober 2017 – Leipzig, Stadt", published November 2017 ("**Federal Employment Agency, Unemployment Leipzig October 2017**");

Federal Employment Agency (*Bundesagentur für Arbeit*), reporting period October 2017, "Arbeitsmarkt im Überblick – Berichtsmonat Oktober 2017 – München, Landeshauptstadt", published November 2017 ("**Federal Employment Agency, Unemployment Munich October 2017**");

Federal Employment Agency (*Bundesagentur für Arbeit*), reporting period October 2017, "Arbeitsmarkt im Überblick – Berichtsmonat Oktober 2017 – Stuttgart, Landeshauptstadt", published November 2017 ("**Federal Employment Agency, Unemployment Stuttgart October 2017**");

Jones Lang LaSalle GmbH, Market Report, "Resident City Profile Berlin – 1. Halbjahr 2017", published August 2017 ("**JLL, Resident City Profile Berlin, H1 2017**");

Jones Lang LaSalle GmbH, Market Report, "Resident City Profile Cologne – 1. Halbjahr 2017", published August 2017 ("**JLL, Resident City Profile Cologne, H1 2017**");

Jones Lang LaSalle GmbH, Market Report, "Resident City Profile Düsseldorf – 1. Halbjahr 2017", published August 2017 ("**JLL, Resident City Profile Düsseldorf, H1 2017**");

Jones Lang LaSalle GmbH, Market Report, "Resident City Profile Frankfurt – 1. Halbjahr 2017", published August 2017 ("**JLL, Resident City Profile Frankfurt, H1 2017**");

Jones Lang LaSalle GmbH, Market Report, "Resident City Profile Hamburg – 1. Halbjahr 2017", published August 2017 ("**JLL, Resident City Profile Hamburg, H1 2017**");

Jones Lang LaSalle GmbH, Market Report, "Resident City Profile Leipzig – 1. Halbjahr 2017", published August 2017 ("**JLL, Resident City Profile Leipzig, H1 2017**");

Jones Lang LaSalle GmbH, Market Report, "Resident City Profile Munich – 1. Halbjahr 2017", published August 2017 ("**JLL, Resident City Profile Munich, H1 2017**");

Jones Lang LaSalle GmbH, Market Report, "Resident City Profile Stuttgart – 1. Halbjahr 2017", published August 2017 ("**JLL, Resident City Profile Stuttgart, H1 2017**");

KPMG, Publication, "Property Lending Barometer 2017: A survey of banks on the prospects for real estate sector lending in Europe", published October 5, 2017 ("**KPMG, Property Lending Barometer**"); and

WHU-Otto Beisheim School of Management, Report, "Winning Frankfurt: Brexit Bankers' Welfare Effect Beyond Bringing Their Jobs", published August 2017 ("**WHU-Otto Beisheim School of Management: Winning Frankfurt**").

It should be noted, in particular, that reference has been made in this Prospectus to information concerning markets and market trends. Such information was obtained from the aforementioned sources. The Company has accurately reproduced such information and, as far as it is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. For example, market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Underwriters (see "*2.1 Responsibility Statement*"), neither the Company nor the Underwriters have independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Company and the Underwriters make no representation or warranty as to the accuracy of any such information from third-party studies included in this Prospectus. Prospective investors should note that the Company's own estimates and statements of opinion and belief are not always based on studies of third parties.

2.11 Documents Available for Inspection

For the period during which this Prospectus remains valid, the following documents will be available for inspection during regular business hours at the Company's offices at Instone Real Estate Group B.V. (to be converted into Instone Real Estate Group N.V.), Baumstraße 25, 45128 Essen, Germany (telephone: +49 (201) 45355-334):

the Articles of Association (as they may read from time to time);

the unaudited condensed consolidated interim financial statements of Instone Real Estate Group B.V., prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), on interim financial reporting (IAS 34) as of and for the nine-month period ended September 30, 2017; and

the audited consolidated financial statements of Instone Real Estate Group B.V. (formerly Formart Holding B.V.) prepared in accordance with IFRS as of and for the financial years ended December 31, 2016, December 31, 2015 and December 31, 2014.

The aforementioned documents and this Prospectus are also available on the Company's website at www.instone.de under the "Going Public" section. The Company's future consolidated financial statements and condensed interim consolidated financial statements will be available from the Company on its website and from the paying agent designated in this Prospectus (see "*11.10 Announcements*").

In addition, the Valuation Report, prepared by BNP Paribas Real Estate and dated November 24, 2017. is available for inspection at the Company's offices at Baumstraße 25, 45128 Essen, Germany.

Information on the Company's website www.instone.de and information accessible via this website is neither part of, nor incorporated by reference into, this Prospectus.

2.12 Non-IFRS Measures

Throughout this Prospectus, the Company presents financial measures and adjustments that are not presented in accordance with IFRS, or any other internationally accepted accounting principles, including the following alternative performance measures operating performance, adjusted operating performance, earnings before interest and taxes ("**EBIT**"), adjusted EBIT, earnings before interest, taxes, depreciation and amortization ("**EBITDA**"), historical gross project margin, net working capital, total financial liabilities (collectively, the "**Non-IFRS Measures**" or "**Alternative Performance Measures**"). For more information on the Alternative Performance Measures, see "*5.4 Alternative Performance Measures*".

The Non-IFRS Measures should not be considered as alternatives or as substitutes for figures on net assets, results before taxes, net earnings, cash flow from operating activities or other data from the consolidated statement of comprehensive income, the consolidated cash flow statement or the consolidated statement of financial position, as determined in accordance with IFRS, or as measures of profitability or liquidity. The Non-IFRS Measures neither necessarily indicate whether cash flow will be sufficient or available for Instone's cash requirements nor whether any such measure is indicative of Instone's historical operating income. The Non-IFRS Measures are not meant to be indicative of future results. Because not all companies calculate these Non-IFRS Measures in the same way, the Non-IFRS Measures used by Instone are not necessarily comparable with similarly titled measures used by other companies.

2.13 Currency Presentation and Presentation of Financial Information

In this Prospectus, "**euro**" and "**€**" refer to the single European currency adopted by certain participating member states of the European Union, including Germany.

Where financial data in this Prospectus is labelled "audited", this means that it has been taken from the audited financial statements mentioned above in "*2.11 Documents Available for Inspection*" and does not indicate that the individual amount is audited. The label "unaudited" is used in this Prospectus to indicate financial data that has not been taken from the audited financial statements mentioned above but was taken either from Instone's unaudited condensed consolidated interim financial statements or Instone's internal reporting system, or is based on calculations of figures from the sources mentioned before.

All of the financial information presented in the text and tables in this Prospectus are shown in millions of euro (in € million), except as otherwise stated. Certain financial information (including percentages) in this Prospectus has been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or subtotals or differences or if numbers are put in relation) may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals contained in certain tables in this Prospectus. 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 ("0.0") signifies that the relevant figure is available but has been rounded to zero.

3. DIVIDEND POLICY; RESULTS AND DIVIDENDS PER SHARE; USE OF PROFITS

3.1 General Provisions Relating to Profit Allocation and Dividend Payments

The Company may only make distributions on the shares issued by it insofar as the Company's equity exceeds the aggregate of the nominal value of the paid in and called up share capital plus the reserves required to be maintained by Dutch law or by the Articles of Association.

Profit may be distributed after the adoption of the Company's annual accounts from which it appears that distribution of such profit is admissible. The Company's management board (*raad van bestuur*) (the "**Management Board**" and each member thereof, a "**Managing Director**"), subject to the approval of the Company's supervisory board (*raad van commissarissen*) (the "**Supervisory Board**" and each member thereof, a "**Supervisory Director**"), may decide how much of the profit will be allocated to reserves. The profits remaining shall be at the free disposal of the General Meeting.

3.2 General Provisions Relating to Profit Allocation and Dividend Payments upon Effectiveness of the AG Conversion

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. In a German stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany the distribution of dividends for a given year and the amount and payment date thereof are resolved by the shareholders' meeting (*Hauptversammlung*) of the subsequent year either upon a joint proposal by the Management Board and the Supervisory Board or upon the Management Board's or the Supervisory Board's proposal. The shareholders' meeting must be held within the first eight months of each year.

Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's unconsolidated financial statements prepared in accordance with the requirements of the generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch*). Accounting principles set forth in the German Commercial Code (*Handelsgesetzbuch*) differ from IFRS in material respects.

When determining the distributable profit, net income or loss for the year (*Jahresüberschuss/-fehlbetrag*) must be reduced by profit/loss carry-forwards (*Gewinn-/Verlustvorträge*) from the prior fiscal year and releases of or allocations to reserves. Certain reserves are required to be set up by law, and mandatorily allocated to these reserves in the given year must be deducted when calculating the distributable profit.

The Management Board must prepare unconsolidated financial statements (balance sheet, income statement and notes to the unconsolidated financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's distributable profits pursuant to Section 170 para. 2 of the German Stock Corporation Act (*Aktiengesetz*). According to Section 171 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board must review the unconsolidated financial statements, the Management Board's management report and the proposal for the allocation of the distributable profit and report to the shareholders' meeting in writing on the results.

The shareholders' meeting's resolution on the allocation of the distributable profits requires a simple majority of votes to be passed. Pursuant to Section 23 of the Company's articles of association following Effectiveness of the AG Conversion (the "**AG Articles of Association**"), the shareholders' meeting may also resolve that the dividends be distributed partially or entirely in kind. For example, dividends may be distributed as treasury shares if held by the Company at the time. Dividends resolved by the shareholders' meeting are due and payable immediately after the relevant shareholders' meeting, unless provided otherwise in the dividend resolution, in compliance with the rules of the respective clearing system. Any dividends not claimed within the past three years become time-barred. Once the statute of limitations applies, the dividend payment claim passes to the Company. Since all of the Company's dividend entitlements will be evidenced by one global dividend coupon deposited with Clearstream Banking AG, Clearstream Banking AG will be able to transfer the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under the same obligation to distribute the funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank regarding the terms and conditions applicable in their case. Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) immediately after the shareholders' meeting. To the extent dividends can be distributed by the Company in accordance with the German Commercial Code (*Handelsgesetzbuch*) and corresponding decisions are taken, there are no restrictions on shareholder rights to receive dividends. Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends, see "*15.2.3 Taxation of Dividends of Shareholders with a Tax Residence in Germany*" and "*15.2.4 Taxation of Dividends of Shareholders without a Tax Residence in Germany*".

3.3 Dividend Policy and Earnings per Share

The Company currently intends to retain all available funds, subject to the full repayment of the Shareholder Loans from a portion of the net proceeds from the Private Placement, and any future earnings to support operations and to finance the growth and development of its business and currently does not intend to pay any dividends for the financial years 2017 through 2019. In the medium term, at the earliest in 2021 for the financial year 2020, the Company plans to distribute dividends amounting to 20% to 30% of its net income, unless it then decides to rather continue investing such distributable funds into further growth.

Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, its results of operations, financial condition, contractual restrictions and capital requirements. The Company's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities.

No distributions of profits or reserves were made to the Company's shareholders in any of the years ended December 31, 2014, December 31, 2015, December 31, 2016, December 31, 2017 or in 2018 (up to the date of this Prospectus).

4. CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL

The following tables show Instone's consolidated capitalization and indebtedness as of November 30, 2017 as adjusted the effects of the Shareholder Loan Conversion and the Pre–Placement Share Capital Increases (each as defined in "*8.7.2.4 Shareholder Loan Conversion and Pre–Placement Share Capital Increases*") as well as for application of the Private Placement and application of the proceeds therefrom as described in "*2.3 Background to the Private Placement*" and not considering any tax effects. Investors should read these tables in conjunction with "*5 Selected Consolidated Financial Information*", "*6 Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations*", Instone's consolidated financial statements, including the related notes thereto, contained in this Prospectus, and additional financial information contained elsewhere in this Prospectus.

4.1 Capitalization

	As of November 30, 2017	Effects of the Shareholder Loan Conversion and Pre–Placement Share Capital Increases(1)	Effects of the Recognition of Provisions for the Pre-Placement LTIP and the LTIP Indemnification(2)	Effects of the application of the Private Placement(3)	Total(4)
			(unaudited) (in € million)		
Total current debt(5)	**429.5**	–	–	**(21.5)**	408.0
Thereof guaranteed	0.0	–	–	–	0.0
Thereof secured(6)	53.1	–	–	–	53.1
Thereof unguaranteed/unsecured	376.4	–	–	(21.5)	354.9(7)
Total non-current debt(8)	**347.6**	**(48.0)**	–	**(34.0)**	**265.6**
Thereof guaranteed	–	–	–	–	–
Thereof secured(6)	129.8	–	–	–	129.8
Thereof unguaranteed/unsecured	217.8	(48.0)	–	(34.0)	135.8
Total shareholder's equity(9)	**(11.0)**	**48.0**	**8.0**	**155.8**	**200.8**
Share capital(10)	0.0	30.0	–	7.0	37.0
Legal reserve(11)	0.0	–	–	–	0.0
Other reserves(12)	(11.0)	18.0	8.0	148.8	163.8
Total	**766.1**	**0.0**	**8.0**	**100.3**	**874.4**

(1) On December 28, 2017, shareholder loans extended to the Company were partially converted in an amount of €48.0 million and contributed into the Company's share premium. On February 13, 2018, the Existing Shareholders will convert the Company's share premium into share capital thereby increasing the Company's share capital from €8,386.00 to €50,316.00 and, following the Effectiveness of the N.V. Conversion, from €50,316.00 to €29,988,336.00 (for further details see "*8.7.2 Shareholder Loans*", "*12.1.2 Development of the Share Capital*" and "*14.1 Relationships and Transactions with Related Parties*").

(2) In connection with the Pre-Placement LTIP (as defined in "*13.11 Management Board Remuneration*"), Instone recognized provisions for the benefit of the Pre-Placement LTIP Beneficiaries (as defined in "*13.11 Management Board Remuneration*") in previous periods (before September 30, 2017) in view of the expected valuation of Instone in the Private Placement, reflecting a participation in the added value created for the Existing Shareholders. The Existing Shareholders have agreed to indemnify Instone under the LTIP Indemnification (as defined in "*13.11 Management Board Remuneration*") for payments resulting from the Pre-Placement LTIP (see "*13.11 Management Board Remuneration*"). The expected net impact on equity will be €8.0 million.

(3) Assuming that the New Shares are finally placed at the mid-point of the Price Range, the Company's net proceeds would amount to €155.8 million (gross proceeds of €164.5 million net of €8.7 million total transaction costs), of which €55.5 million are being used to fully repay all amounts outstanding under all shareholder loans as of February 19, 2018 (see "*8.7.2 Shareholder Loans*").

(4) The column "Total" presents Instone's capitalization as of November 30, 2017, adjusted for (i) the effects of the Shareholder Loan Conversion and Pre–Placement Share Capital Increases (each as defined in "*8.7.2.4 Shareholder Loan Conversion and Pre–Placement Share Capital Increases*"), (ii) the effects of the recognition of provisions for the Pre-Placement LTIP and the LTIP Indemnification (each as defined in "*13.11 Management Board Remuneration*") and (iii) the effects of the application of the Private Placement.

(5) Referred to as total current liabilities in the Company's consolidated financial statements.

(6) Comprises debt secured by land charges. Referred to as current financial liabilities in the Company's consolidated financial statements.

(7) Includes €2.7 million interest payments accrued under the Shareholder Loans (as defined in "*8.7.2 Shareholder Loans*") between November 30, 2017 and the expected full repayment of the Shareholder Loans (as defined in "*8.7.2 Shareholder Loans*") on February 19, 2018.
(8) Referred to as total non-current liabilities in the Company's consolidated financial statements.
(9) Referred to as total equity in the Company's consolidated financial statements. Legal reserve and other reserves do not include profit or loss of the two month-period ending November 30, 2017 in accordance with margin note 127 of the ESMA update of the CESR recommendations of March 20, 2013, ESMA/2013/319 (the "**ESMA Update**").
(10) Referred to as share capital in the Company's consolidated financial statements.
(11) Legal reserve does not include profit or loss of the two month-period ending November 30, 2017 in accordance with margin note 127 of the ESMA Update.
(12) Referred to as capital reserve, retained earnings / loss carryforwards, accumulated other comprehensive income and non-controlling interests in the Company's consolidated financial statements. Other reserves do not include profit or loss of the two month-period ending November 30, 2017 in accordance with margin note 127 of the ESMA Update.

4.2 Indebtedness

	As of November 30, 2017	Effects of the Shareholder Loan Conversion and Pre–Placement Share Capital Increases[1]	Effects of the Recognition of Provisions for the Pre-Placement LTIP and the LTIP Indemnification[2]	Effects of the application of the Private Placement[3]	Total[4]
			(unaudited) (in € million)		
A. Cash[5]	138.5	-	-	100.3	238.8
B. Cash equivalents[6]	-	-	-	–	–
C. Trading securities	0.0	-	-	–	0.0
D. Liquidity (A)+(B)+(C)	**138.5**	-	-	**100.3**	**238.8**
E. Current financial receivables[7]	**1.9**	-	-	–	1.9
F. Current bank debt[8]	73.3	-	-	–	73.3
G. Current portion of non-current debt	0.7	-	-	–	0.7
H. Other current financial debt[9]	18.8	-	-	(21.5)	(2.7)[10]
I. Current Financial Debt (F)+(G)+(H)	**92.8**	-	-	(21.5)	**71.3**
J. Net current financial indebtedness (I)-(E)-(D)	**(47.6)**	-	-	**(121.8)**	**(169.4)**
K. Non-current bank loans[11]	230.3	-	-	–	230.3
L. Bonds issued	0.0	-	-	–	0.0
M. Other non-current loans[12]	82.0	(48.0)	-	(34.0)	0.0
N. Non-current financial liabilities (K)+(L)+(M)	**312.3**	**(48.0)**	-	**(34.0)**	**230.3**
O. Net financial indebtedness (J)+(N)	**264.7**	**(48.0)**	-	**(155.8)**	**60.9**

(1) On December 28, 2017, shareholder loans extended to the Company were partially converted in an amount of €48.0 million and contributed into the Company's share premium. On February 13, 2018, the Existing Shareholders will convert the Company's share premium into share capital thereby increasing the Company's share capital from €8,386.00 to €50,316.00 and, following the Effectiveness of the N.V. Conversion, from €50,316.00 to €29,988,336.00 (for further details see "*8.7.2 Shareholder Loans*", "*12.1.2 Development of the Share Capital*" and *"14.1 Relationships and Transactions with Related Parties*").
(2) In connection with the Pre-Placement LTIP (as defined in "*13.11 Management Board Remuneration*"), Instone recognized provisions for the benefit of the Pre-Placement LTIP Beneficiaries (as defined in "*13.11 Management Board Remuneration*") in previous periods (before September 30, 2017) in view of the expected valuation of Instone in the Private Placement, reflecting a participation in the added value created for the Existing Shareholders. The Existing Shareholders have agreed to indemnify Instone under the LTIP Indemnification (as defined in "*13.11 Management Board Remuneration*") for payments resulting from the Pre-Placement LTIP (see "*13.11 Management Board Remuneration*"). The expected net impact on equity will be €8.0 million.
(3) Assuming that the New Shares are finally placed at the mid-point of the Price Range, the Company's net proceeds would amount to €155.8 million (gross proceeds of €164.5 million net of €8.7 million total transaction costs), of which €55.5 million are being used to fully repay all amounts outstanding under all shareholder loans as of February 19, 2018 (see "*8.7.2 Shareholder Loans*").

(4) The column "Total" presents Instone's indebtedness as of November 30, 2017, adjusted for (i) the effects of the Shareholder Loan Conversion and Pre–Placement Share Capital Increases (each as defined in "*8.7.2.4 Shareholder Loan Conversion and Pre–Placement Share Capital Increases*"), (ii) the effects of the recognition of provisions for the Pre-Placement LTIP and the LTIP Indemnification (each as defined in "*13.11 Management Board Remuneration*") and (iii) the effects of the application of the Private Placement.
(5) Referred to as cash and cash equivalents in the Company's consolidated financial statements.
(6) Cash equivalents are included in item "A. Cash" (see footnote 3).
(7) Referred to as current financial receivables in the Company's consolidated financial statements.
(8) Referred to as liabilities to banks (current) in the Company's consolidated financial statements.
(9) Sum of liabilities to third parties (current) and liabilities to shareholders (current) as referred to in the Company's consolidated financial statements.
(10) Includes €2.7 million interest payments accrued under the Shareholder Loans (as defined in "*8.7.2 Shareholder Loans*") between November 30, 2017 and the expected full repayment of the Shareholder Loans (as defined in "*8.7.2 Shareholder Loans*") on February 19, 2018.
(11) Referred to as liabilities to banks (non-current) in the Company's consolidated financial statements.
(12) Sum of liabilities to third parties (non-current) and liabilities to shareholders (non-current) as referred to in the Company's consolidated financial statements.

Instone's indirect and contingent indebtedness amounted to €11.2 million as of November 30, 2017. As of November 30, 2017, these contingent obligations comprised operate leasing in the amount of €7.8 million and letter of comforts in the amount of €3.4 million.

4.3 Statement on Working Capital

The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least 12 months from the date of publication of this Prospectus.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The financial information contained in the following tables is taken or derived from the audited consolidated financial statements of the Company as of and for the financial years ended December 31, 2016, December 31, 2015 and December 31, 2014 and the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2017. The Company's financial year 2014 began with its foundation on April 16, 2014 and ended December 31, 2014. Additional financial information is taken or derived from the Company's accounting records or internal reporting system. The audited consolidated financial statements were prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS on interim financial reporting (IAS 34).

*Deloitte Accountants B.V. ("***Deloitte***"), has audited and issued an unqualified independent auditor's report with respect to the Company's consolidated financial statements as of and for the financial years ended December 31, 2016, December 31, 2015 and December 31, 2014. The aforementioned audited consolidated financial statements of the Company and the respective independent auditor's report thereon, and the Company's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017 are included in this Prospectus.*

Where financial information in the following tables are labelled "audited", this means that they have been taken from the audited financial statements mentioned above and does not indicate that the individual amount is audited. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the audited financial statements mentioned above, but has been taken either from the Company's unaudited condensed interim consolidated financial statements mentioned above or the Company's accounting records or internal reporting system, or has been calculated based on figures from the aforementioned sources.

All of the financial information presented in the tables below are shown in millions of Euro (in € million), except as otherwise stated. Certain financial information (including percentages) in the following tables has been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or sub totals or differences or if numbers are put in relation) in the following tables may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in this Prospectus. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. 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 ("0.0") signifies that the relevant figure is available but has been rounded to zero.

The following selected consolidated financial information should be read together with the Section "10. Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations", the consolidated financial statements, including the related notes contained in this Prospectus, and additional financial information contained elsewhere in this Prospectus.

5.1 Consolidated Statement of Profit and Loss

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)		
Revenue	**123.8**	**164.9**	**203.6**	**358.7**	**64.4**
Change in inventories	30.4	86.0	158.9	(23.1)	(7.8)
Other operating income	4.2	1.8	8.3	8.6	31.5
Cost of materials	(109.5)	(207.9)	(293.7)	(284.3)	(51.0)
Staff costs	(19.2)	(24.1)	(35.2)	(26.9)	(6.4)
Other operating expenses	(26.5)	(31.4)	(42.4)	(38.5)	(19.0)
Income from associated affiliates	0.5	1.4	1.3	(1.4)	1.6
Other net income from investments(1)	0.6	0.3	0.3	(0.1)	–
Earnings before interest, tax, depreciation and amortization (EBITDA)	**4.2**	**(9.0)**	**1.3**	**(7.1)**	**13.4**
Depreciation and amortization	(0.3)	(0.3)	(0.4)	(0.5)	(0.1)
Earnings before interest and tax (EBIT)	**3.9**	**(9.3)**	**0.8**	**(7.6)**	**13.3**
Finance income	0.8	–	0.1	0.9	0.2
Finance costs	(15.7)	(18.8)	(25.0)	(21.8)	(5.4)
Write-down of long-term securities	–	–	0.1	(0.1)	–
Finance result(2)	**(14.9)**	**(18.8)**	**(24.8)**	**(21.0)**	**(5.2)**
Earnings before tax (EBT)	**(11.0)**	**(28.1)**	**(24.0)**	**(28.6)**	**8.1**
Income taxes	(2.0)	2.5	1.8	6.2	2.7
Earnings after tax (EAT)	**(13.0)**	**(25.7)**	**(22.2)**	**(22.4)**	**10.8**
Attributable to:					
Shareholders of the Group	(13.2)	(24.8)	(22.4)	(22.4)	10.8
Non-controlling interests	0.1	(0.8)	0.2	–	0.0
	(13.0)	(25.7)	(22.2)	(22.4)	10.8

(1) In the financial statements as of and for the year ended December 31, 2015, referred to as "Other income from investments".
(2) In the financial statements as of and for the years ended December 31, 2015 and 2014, referred to as "Financial result".

5.2 Consolidated Statement of Financial Position

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)	
ASSETS				
Non-current assets				
Intangible assets	0.0	0.0	0.0	–
Property, plant and equipment	1.6	1.5	1.6	1.3
Equity-method investments	0.4	1.4	0.1	9.5
Other financial assets	0.6	0.7	0.9	0.4
Financial receivables	0.7	0.7	–	–
Total non-current assets	**3.2**	**4.3**	**2.6**	**11.2**
Current assets				
Inventories	572.6	542.7	415.5	233.0
Financial receivables	2.4	0.2	0.2	2.1
Trade receivables	11.4	19.6	110.2	115.4
Other receivables and other assets	8.3	5.6	16.6	5.2
Current income tax assets	0.2	0.3	0.3	1.1
Cash and cash equivalents	110.7	112.5	35.9	25.1
Total current assets	**705.6**	**680.9**	**578.7**	**382.0**
Total assets	**708.9**	**685.2**	**581.3**	**393.2**
EQUITY AND LIABILITIES				
Equity				
Share capital	0.0	0.0	0.0	0.0
Capital reserve	37.4	37.4	37.4	21.0
Retained earnings / loss carryforwards	(48.7)	(35.5)	(13.1)	11.1
Accumulated other comprehensive income	(1.3)	(1.3)	(0.1)	(0.2)
Equity attributable to shareholders	**(12.5)**	**0.7**	**24.2**	**31.9**
Non-controlling interests	1.5	2.0	11.5	0.0
Total equity	**(11.0)**	**(2.7)**	**35.7**	**32.0**
Non-current liabilities				
Provisions for pensions and similar obligations	4.5	4.1	2.4	2.1
Other provisions	12.8	12.4	4.5	3.0
Financial liabilities	338.8	300.9	299.0	214.2
Other liabilities	–	–	0.3	–
Deferred tax liabilities	16.5	23.4	36.3	11.2
Total non-current liabilities	**372.6**	**340.9**	**342.5**	**230.6**
Current liabilities				
Other provisions	33.3	25.6	20.2	16.8
Financial liabilities	58.0	81.6	65.6	32.2
Trade payables	248.5	215.2	99.0	79.2
Other liabilities	6.2	13.1	16.2	2.4
Income tax liabilities	1.4	6.2	2.0	–
Total current liabilities	**347.3**	**341.7**	**203.0**	**130.6**
Total equity and liabilities	**708.9**	**685.2**	**581.3**	**393.2**

5.3 Selected Information from the Consolidated Statement of Cash Flows

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)			(audited) (in € million)	
Net cash flow from operating activities.......	(5.1)	39.3	87.7	(15.9)	(11.4)
Cash flow from investing activities	(21.9)	(18.2)	(21.8)	(51.2)	(120.7)
Cash flow from financing activities............	25.0	16.4	8.5	78.4	157.2
Increase (decrease) in cash and cash equivalents..	(1.9)	37.6	74.3	11.2	25.1
Cash and cash equivalents at the end of period..	110.7	73.5	112.5	35.9	25.1

5.4 Alternative Performance Measures

The Company believes that the key performance indicators described in this section constitute significant indicators for measuring the operating and financial performance of Instone's business (all alternative performance measures referred to hereinafter as "**Alternative Performance Measures**"):

- Operating performance (hereinafter "**Operating Performance**") is defined as the sum of revenue and change in inventories as stated in the consolidated statement of profit or loss. Change in inventories is measured by the value of the entries into inventories as a result of (i) acquisitions, (ii) capitalized development costs and (iii) project-related interest expenses (excluding commission fees) less the value of withdrawals during the accounting period as a result of disposals. Operating Performance is a common measure in the real estate development industry as it measures not only revenues realized from development activities but also measures acquisition costs for land plots acquired for future developments and capitalized development activities. Accordingly, Operating Performance, as the sum of revenues and change in inventories is less affected by the method of accounting applied and provides a more consistent measure of Instone's development activities over time. Under each method of accounting, Operating Performance includes the price paid for the acquisition of land plots, which is recorded in change of inventories. Under the percentage of completion method, Operating Performance reflects the contract revenue for units sold, including the Anticipated Gross Project Margin (as defined below), that can be attributed in any given period to the proportion of work completed in such period and also includes, within changes in inventories, costs capitalized in the periods under review associated with ongoing construction that, based on units sold and construction progress cannot yet be recognized in revenue. Under the completed contract method, revenues and margins are not recognized during the construction phase, but construction costs, finance cost and staff cost are capitalized and included in change in inventories as work progresses, while revenues, including profits, are recognized only upon delivery of the residential units. Accordingly, as the sum of revenue and change in inventories, Operating Performance provides a broadly consistent measure of the Company's performance over time, notwithstanding the fact that they include projects accounted for under both the percentage of completion method and the completed contract method. Differences remain, however, as Operating Performance for projects accounted for under the completed contract method does not include any portion of the Anticipated Gross Project Margin for units sold and also does not reflect operating expenses that cannot be capitalized, such as certain sales costs, which are, however, reflected in revenue under the percentage of completion method for units sold. Anticipated Gross Project Margin ("**Anticipated Gross Project Margin**") is defined as the quotient of (i) total estimated project income minus total estimated project costs for fully developed projects and (ii) total estimated project income on the basis of the current estimated market price for such project. Total estimated project costs include a 1.5% construction cost inflation assumption and sales commission but do not include financing, personnel, corporate expense or PPA Effects (as defined below). Instone uses the Anticipated Gross Project Margin to determine whether to pursue with acquisitions of land plots for new project developments. As described above, the Anticipated Gross Project Margin was used to determine the relevant proportion of work completed to be allocated to contract revenue for units sold under the percentage of completion method.

- Adjusted Operating Performance (hereinafter "**Adjusted Operating Performance**") is defined as Operating Performance adjusted for inventories-related PPA Effects (as defined below). PPA Effects are defined as the effects on the consolidated financial statements resulting from the acquisition of Instone Real Estate Development GmbH ("**Instone Development**") in 2014 and Instone Real Estate Leipzig GmbH ("**Instone Leipzig**") in 2015, that required the Company to allocate the purchase prices to the assets and liabilities that were acquired based on estimated fair values and resulted in a step up in the value of the acquired assets, an increase in liabilities and income tax liabilities and thereby impacted change in inventories, Operating Performance, other income and EBIT in the periods of the acquisition and in subsequent periods ("**PPA Effects**"). At the time of delivery of such assets (when fully developed) to Instone's customers, such additional values result in the recognition of correspondingly higher costs in the consolidated statement of profit or loss and reduce Operating Performance in such periods. The adjustments applied on Operating Performance therefore reverse such higher costs resulting from the amortization of the value step ups. As PPA Effects relating to "other income" do not affect revenues or change in inventories, Operating Performance is only adjusted for inventories-related PPA Effects. Instone believes the resulting Adjusted Operating Performance to be a valuable performance indicator as it shows Operating Performance as it would have been without PPA Effects that are not indicative of Instone's underlying ordinary course of business Operating Performance.

- Adjusted EBIT is defined as EBIT adjusted by all of the PPA Effects and One-Off Items (hereinafter "**Adjusted EBIT**"). EBIT is a line item in the Company's consolidated statement of profit or loss and comprises earnings before interest and tax ("**EBIT**"). One-off items are defined as items which, in management's view, are unusual or incurred on a non-recurring basis in particular due to acquisition events, disposals or structural changes within Instone ("**One-Off Items**").

- EBITDA is a line item in the Company's consolidated statement of profit or loss and defined as earnings before interest, taxes, depreciation and amortization ("**EBITDA**"). EBITDA is used to measure EBIT excluding non-operating expenses and certain non-cash expenses.

- Net working capital (hereinafter "**Net Working Capital**") is defined as inventories plus trade receivables minus trade payables. Net Working Capital takes into account inventories, trade receivables and other receivables as well as liabilities and does not take into account cash and other available liquid resources. It serves to measure the short-term liquidity of Instone's business and its ability to utilize assets in an efficient manner.

- Total financial liabilities ("**Total Financial Liabilities**") consist of total non-current financial liabilities and total current financial liabilities. The Company uses Total Financial Liabilities to measure its aggregate financial liabilities.

- Historical Gross Project Margin ("**Historical Gross Project Margin**") is defined as quotient of (i) total historical project income minus total historical project costs and (ii) total historical project income. Total historical project costs include sales commission but do not include financing, personnel, corporate expense or PPA Effects. Instone uses Historical Gross Project Margin to measure the profitability of its completed projects to monitor and report on actual historical project margins.

The Alternative Performance Measures are not recognized as measures under IFRS and should not be considered as substitutes for figures on earnings before tax, net earnings, cash flow from operating activities or other consolidated statement of financial position or cash flow data, as determined in accordance with IFRS, or as measures of profitability or liquidity. The Alternative Performance Measures do not necessarily indicate whether cash flow will be sufficient or available for Instone's cash requirements, nor whether any such measure is indicative of its historical operating results. The Alternative Performance Measures are not meant to be indicative of future results. Because not all companies calculate these measures and figures in the same way, Instone's presentation of the Alternative Performance Measures is not necessarily comparable with similarly titled measures used by other companies. Although certain of this data has been extracted or derived from the Company's consolidated financial statements contained in this Prospectus, this data has not been audited or reviewed by Deloitte, except as otherwise indicated.

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited) **(in € million)**		**(unaudited, unless otherwise indicated)** **(in € million)**		
Revenue	123.8	164.9	203.6	358.7	64.4
Change in inventories	30.4	86.0	158.9	(23.1)	(7.8)
Operating Performance	**154.2**	**250.9**	**362.5**	**335.6**	**56.7**
Reversal of inventories-related PPA Effects[(1)]	***16.8***	***22.2***	***50.0***	***13.7***	***3.3***
PPA Effects re Instone Development	*3.9*	*8.3*	*11.9*	*13.7*	*3.3*
PPA Effects re Instone Leipzig	*12.9*	*13.9*	*38.1*	-	-
Adjusted Operating Performance	**171.0**	**273.1**	**412.5**	**349.3**	**60.0**
EBIT	**3.9**	**(9.3)**	**0.8**[(2)]	**(7.6)**[(2)]	**13.3**[(2)]
Reversal of PPA Effects[(3)]	***16.8***	***22.2***	***49.1***	***10.6***	***(20.5)***
PPA Effects re Instone Development	*3.9*	*8.3*	*11.1*	*10.8*	*(20.5)*
PPA Effects re Instone Leipzig	*12.9*	*13.9*	*38.1*	*(0.2)*	-
One-Off Items	***(4.9)***	***4.8***	***(1.5)***	***14.7***	***13.2***
Expenses with respect to the acquisition of companies[(4)]	–	*0.0*	*0.3*	*4.2*	*4.4*
Expenses with respect to the restructuring of Instone[(5)]	–	–	–	*6.8*	*3.3*
Liabilities under purchase agreements[(6)]	–	–	–	*3.9*	*2.1*
Long term incentive[(7)]	–	*6.5*	*8.9*	*2.3*	*0.0*
Gain from carve-out disposals[(8)]	*(4.9)*	–	*(6.5)*	*(4.1)*	-
Gain from reimbursements[(9)]	–	*(0.7)*	*(3.2)*	-	-
Gains from provisions under acquisition agreements[(10)]	–	*(2.1)*	*(2.1)*	-	-
Litigation losses[(11)]	–	–	–	*1.0*	-
Other[(12)]	*0.0*	*1.1*	*1.1*	*0.6*	*3.3*
Adjusted EBIT	**15.8**	**17.7**	**48.4**	**17.7**	**6.0**

(1) Reversal of inventories-related PPA Effects relates to a reversal of such PPA Effects only that resulted in a change in inventories due to the recorded step up in the value of the assets acquired as part of the acquisitions of Instone Development and Instone Leipzig.

(2) Audited.

(3) Reversal of PPA Effects relates to the reversal of all PPA Effects.

(4) Expenses with respect to the acquisition of companies refers to expenses incurred relating to external advisors commissioned by Instone in connection with Instone Development and Instone Leipzig.

(5) Expenses with respect to the restructuring of Instone refers to expenses incurred in connection with the internal restructuring of Instone Development with a particular focus on its core business, the closure of certain branches as well as the reduction of business activities in foreign countries.

(6) Liabilities under purchase agreements refers to expenses incurred for the recognition of certain provisions for claims to be made for certain projects agreed upon under the sale and purchase agreement entered into by the Company and HOCHTIEF Solutions AG relating to the acquisition of Instone Development.

(7) Long-term incentive refers to expenses incurred for the recognition of provisions for the long-term incentive plans for the benefit of certain employees reflecting a participation in the added value created for the Existing Shareholders.

(8) Gain from carve-out disposals refers to gain from the disposal of non-core assets of Instone Leipzig the proceeds of which are, however, attributable to the seller pursuant to the earn-out rules under the sale and purchase agreement relating to Instone Leipzig and included as gain in the reversal of PPA Effects.

(9) Gain from reimbursements refers to gain relating to a reimbursement paid by the City of Wiesbaden to Instone's subsidiary "Projekt Wiesbaden Wilhelmstraße GmbH & Co. KG" relating to planning costs for a public building as well as a reimbursement with respect to the settlement of legal disputes in Luxembourg paid by HOCHTIEF Solutions AG.

(10) Gains from provisions under acquisition agreements refers to settlement payments by HOCHTIEF Solutions AG to the Company in connection with the disposal of Office Park Hamm in Luxembourg.

(11) Litigation losses refers to losses incurred in connection with the settlement of the proceeding relating to Cour de Justice, Luxemburg between HOCHTIEF Solutions AG and the Grand Duchy of Luxembourg for which HOCHTIEF Solutions AG remained liable under the sale and purchase agreement relating to the acquisition of Instone Development.

(12) Other includes management compensation to related parties incurred in connection with the acquisition of Instone Development and Instone Leipzig as non-recurring items.

Net Working Capital consists of inventories plus trade receivables minus trade payables. Inventories consist of (i) costs capitalized for the acquisition of land plots, (ii) work in progress inventories and (iii) finished goods. Trade receivables consist of (i) trade receivables related to customer contracts accounted for under the percentage of completion method if contract costs and Anticipated Gross Project Margin for units sold exceed progress payments received for such projects, (ii) other trade receivables and (iii) trade receivables from non-consolidated subsidiaries. Trade payables consist of (i) trade payables related to customer contracts accounted for under the percentage of completion method if progress payments received for sold units exceed contract costs and Anticipated Gross Project Margin for such units, (ii) (other) trade payables, (iii) progress payments received related to customer contracts accounted for under the completed contract method and (iv) payables from non-consolidated subsidiaries.

If projects are accounted for under the percentage of completion method, capitalized land plots and work-in progress inventories accounted for under inventories (*i.e.*, prior to the sale of units) are accounted for as trade receivables if contract costs and Anticipated Gross Project Margin for units sold exceed progress payments received. If progress payments exceed contract costs and Anticipated Gross Project Margin for units sold, the projects are accounted for as trade payables. Amounts due from customers for contract work (PoC) are netted in each case against the progress payments received for projects accounted for under the percentage of completion method. To the extent projects have not been sold, project development progress is accounted for under work in progress inventories.

Under the completed contract method, progress of Instone's project developments is not accounted for as trade receivable but as work-in-progress inventories until delivery of the residential units. Progress payments received for projects accounted for under the completed contract method are booked at their gross value (payments received) as trade payables and are not netted against inventories (or receivables).

The following table shows the elements of Net Working Capital as of the dates indicated:

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)	(audited, unless otherwise indicated) (in € million)		
Inventories	**572.6**	**542.7**	**415.5**	**233.0**
thereof:				
Capitalization of land plots	*258.0*	*220.8*(1)	*60.2*(1)	*69.6*(1)
Work in progress inventories	*309.2*	*316.8*(1)	*345.4*(1)	*163.4*(1)
Finished goods	*5.4*	*5.1*	*9.9*	-
Trade receivables	**11.4**	**19.6**	**110.2**	**115.4**
Thereof				
Amounts due from customers for contract work (PoC)	*0.0*	*13.6*	*242.5*	*216.0*
Progress payments received(2)	–	*(10.3)*	*(151.1)*	*(122.9)*
Other trade receivables	*11.4*	*15.7*	*18.2*	*20.8*
Trade receivables from non-consolidated subsidiaries	–	*0.5*	*0.6*	*1.6*
Trade payables	**(248.5)**	**(215.2)**	**(99.0)**	**(79.2)**
Thereof				
Amounts due from customers for contract work (PoC)	–	–	*10.8*	*58.7*
Progress payments received(2)	–	–	*(11.3)*	(64.6)
Trade payables	*(41.4)*	*(53.6)*	*(55.5)*	(62.6)
Progress payments received(3)	*(207.1)*	*(161.5)*	*(43.0)*	*(10.7)*
Payables from non-consolidated subsidiaries	–	*(0.0)*	*(0.0)*	*(0.1)*
Net Working Capital	**335.5**	**347.1**(1)	**426.7**(1)	**269.2**(1)

(1) Unaudited.
(2) Relates to customer contracts accounted for under the percentage of completion method.
(3) Relates to customer contracts accounted for under the completed contract method.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following management's discussion and analysis of net assets, financial condition and results of operations in conjunction with the sections entitled "1 Risk Factors", "5 Selected Consolidated Financial Information" and "8 Business".

The financial information contained in the following tables is taken or derived from the audited consolidated financial statements of the Company as of and for the financial years ended December 31, 2016, December 31, 2015 and December 31, 2014 and the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2017. The Company's financial year 2014 began with its foundation on April 16, 2014 and ended December 31, 2014. Additional financial information is taken or derived from the Company's accounting records or internal reporting system. The audited consolidated financial statements were prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS on interim financial reporting (IAS 34).

Where financial information in the following tables is labelled "audited", this means that they have been taken from the audited financial statements mentioned above and does not indicate that the individual amount is audited. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the audited financial statements mentioned above, but has been taken either from the Company's unaudited condensed interim consolidated financial statements mentioned above or the Company's internal reporting system, or has been calculated based on figures from the aforementioned sources.

6.1 Overview of Instone's Business

Instone is a leading nationwide residential real estate developer in Germany as measured in terms of square meters ("**sqm**") of secured development projects not yet under construction (*Source: bulwiengesa*). Instone develops modern, urban, multifamily residential properties and redevelops listed buildings for residential use. As of September 30, 2017, Instone's project portfolio comprised 48 development projects with an aggregate expected sales volume for fully developed projects of approximately €3.4 billion. As of that date, approximately 93% of Instone's portfolio (by expected sales volume for fully developed projects) was located in Germany's key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg)) and 7% in other prospering medium-sized cities. Instone's key purchaser groups are owner-occupiers, retail buy-to-let investors and institutional investors.

Instone believes the German residential real estate market to be highly attractive. Germany is Europe's largest and most stable economy. In 2016, Germany had the highest gross domestic product (GDP) in Europe (€3.1 trillion) as well as one of the highest GDP per capita (€38.1 thousand) (*Source: Destatis, German Federal Statistical Office*). Sound structural growth in the German residential property market is expected to continue due to a combination of several factors, including modest population growth (*Source: Institut der deutschen Wirtschaft Köln* (IW)), an increasing number of households (*Source: Destatis, German Federal Statistical Office*) and the current structural undersupply of residential properties (*Source: bulwiengesa*). From 2012 until 2030, the population is expected to grow by 10.3% in Berlin, by 14.2% in Frankfurt am Main and by 4% in Munich (*Source: bulwiengesa, Potential Analysis*). In addition, Instone's business benefits from favorable German regulatory framework for project developments. The German Real Estate and Commercial Contractor Regulation (*Makler- und Bauträgerverordnung* ("**MaBV**")) enables Instone to contractually agree on significant fixed down payments based on construction milestones for residential units sold to owner-occupiers and retail buy-to-let investors which substantially reduces its development risk.

Instone is one of only a few pure play residential real estate developers in Germany with operations spanning the entire development value chain other than actual construction. Instone operates through a fully integrated nationwide platform covering the acquisition of land, land development, concept design, construction management, as well as marketing and sales. Headquartered in Essen, Instone also operates through seven branches in Berlin, Cologne, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart. Each branch has its own local teams for acquisition, planning, construction management and marketing and sales activities, while strategic decisions are coordinated and managed together with Instone's headquarters. Instone has strong risk-management processes in place and applies sophisticated reporting and planning tools to mitigate development risks. Due to these measures, for a total of 25 projects completed in the period between January 2015 and September 30, 2017, Instone Development successfully delivered 100% of its projects on time and realized on average 1% more floor space than initially projected. During the same period, Instone Development's actual project construction costs were on average 0.5% lower than initially anticipated.

Instone has a successful acquisition track record. Since 2015, Instone has acquired land plots and properties for residential development with an aggregate expected sales volume for fully developed projects of €2,847 million at the time of acquisition. Instone also has a successful development track record. Since 1991, Instone (including its predecessors) has developed residential units comprising more than one million sqm of residential space. In 2015, Instone successfully completed and delivered 1,112 residential units, in 2016 1,204, and in the first nine months of 2017 270, respectively. Instone achieved a weighted average Historical Gross Project Margin of 23.6% over all projects completed between January 1, 2015 and September 30, 2017.

In the years to come, Instone expects to deliver, subject to market and other conditions:

- approximately 700 residential units with an aggregate expected sales volume for fully developed projects of €328 million in 2018;
- approximately 1,450 residential units with an aggregate expected sales volume for fully developed projects of €507 million (aggregate expected sales volume of €489 million as shown in the Valuation Report and including additional condominiums in Wiesbaden-Delkenheim with an expected additional sales volume of €15 million and other condominiums with an expected additional sales volume of €3 million each of which have not been included in Valuation Report) in 2019; and
- approximately 1,300 residential units with an aggregate expected sales volume for fully developed projects of €588 million in 2020.
- From 2021 onwards, Instone expects to deliver, subject to market and other conditions, approximately 2,000 residential units with an aggregate expected sales volume for fully developed projects of €900 million to €1,000 million. Out of these 2,000 units, approximately 1,800 units relate to projects covered by the Valuation Report with an aggregate expected sales volume for fully developed projects of €874 million. Instone expects to deliver the additional 200 units based on new projects not covered by the Valuation Report with an aggregate expected sales volume for fully developed projects of €26 million to €126 million.

All of these projects are accounted for under the completed contract method and will result in the recognition of revenues upon delivery of each unit under application of the completed contract method. Of the projects that are planned to be completed by 2020, Instone had sold already two-thirds as of September 30, 2017 (measured by expected sales volume). For all of these projects, Instone has obtained sufficient debt financing. In addition, Instone will receive customer pre-payments in accordance with construction progress enabling it to repay debt financing once projects become cash positive.

6.2 Overview of Instone's Portfolio

As of September 30, 2017, Instone's project portfolio comprised 48 projects units with an aggregate expected sales volume for fully developed projects of approximately €3.4 billion.

Instone divides its project portfolio into three categories based on the development phase. Projects in the "pre-sale" category comprise projects for which land plots have been acquired or secured by Instone but for which it has not yet commenced its marketing and sales activities. In the pre-sale category, Instone performs its land development and concept design activities to enable it to initiate its sales activities. Once Instone starts its marketing and sales activities, projects are assigned to the "pre-construction" phase. Once building measures are being carried out, projects are categorized as being "under construction".

The following table provides an overview of Instone's project portfolio as of September 30, 2017, broken down by development phase:

Development Phase	Number of Projects	Number of Expected Units	% of Units Sold	Construction (in %)	Expected Sales Volume (in € million)	Expected Sales Price Per Unit (in €)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Pre-sale	29	5,473	-	3	2,273	415,361
Pre-construction	4	526	57	7	207	394,288
Under construction	15	2,043	80	47	894	437,645
Total	48	8,042	25	14	3,375	419,644

As of that date, Instone had entered into purchase contracts with regard to 24% of the residential units projected to be constructed in total and with regard to 75% of the residential units that are in the pre-construction or construction development phase (in each case measured by expected sales volume). With regard to projects the completion of which is planned by 2020, two-thirds were sold as of that date (measured by expected sales volume).

6.3 Foundation of the Company and Acquisition of Instone Development and Instone Leipzig

Instone's core business originates from HOCHTIEF Solutions AG's real estate development division. In 2013, HOCHTIEF Solutions AG contributed its development division into a separate entity, formart GmbH & Co. KG. On April 16, 2014, the Company was founded as a private limited liability company (previously under the legal name "Formart Holding B.V."). In October 2014, the Company acquired a limited partnership interest (*Kommanditanteil*) in formart GmbH & Co. KG as well as all of the outstanding shares of its general partner (*Komplementär*), formart Management GmbH. Following the acquisition of the remaining partnership interest in March 2017, the Company became the sole partner in formart GmbH & Co. KG which has since been renamed and converted into Instone Real Estate Development GmbH. Instone Development has been fully consolidated in the Company's consolidated financial statements since October 1, 2014.

In December 2015, the Company acquired 94% of the shares GRK-Holding GmbH, which has since been renamed Instone Real Estate Leipzig GmbH, a real estate developer specialized in the redevelopment of listed buildings for residential use. Instone Leipzig has been fully consolidated in the Company's consolidated financial statements since December 31, 2015 with transactions being reflected in its accounts for the period from December 10, 2015 to December 31, 2015.

As a result of the acquisition of Instone Development and Instone Leipzig, the Company was required to allocate the purchase prices to the assets and liabilities that were acquired based on estimated fair values. The allocation of the purchase price resulted in the PPA Effects. For further information on these effects, see "*6.5 Factors Affecting Comparability*" below.

6.4 Form of Customer Contract, Application of Accounting Method and Operating Performance

As a project developer, the Company's results are significantly affected by the method used to account for its contracts. Historically, Instone Development's standard customer contracts provided for a right of its customers to request that fundamental changes be made to the project during the course of construction in accordance with a policy of Instone Development's previous shareholder HOCHTIEF Solutions AG. In the new form of contract, which Instone Development introduced on August 1, 2015, this right was eliminated. As a result of this contract modification, for development projects the marketing of which began on or after August 1, 2015, the Company no longer recognizes costs and revenues using the percentage of completion method under IAS 11 but rather does so using the completed contract method under IAS 18.

Certain types of Instone Development's project developments (*e.g.*, micro apartments, completed apartments that had not been sold) were sold using contracts that already required application of the completed contract method prior to this contract modification. This was also true for the sale of land plots, which is accounted for under the completed contract method. Instone Leipzig's customer contracts have always required application of the completed contract method.

Under the percentage of completion method, revenues from agreed contracts are matched with the contract costs incurred in reaching the relevant stage of completion in relation to the total, resulting in the reporting of revenue, expenses and Anticipated Gross Project Margin in any given reporting period for units sold that can be attributed to the proportion of the work completed in such period. Under the completed contract method, revenues are recognized only upon the transfer of goods. As a result, under this method revenues and profits from project developments are not recognized until residential units that have been sold are actually delivered following completion. During the construction phase, production costs are capitalized in inventories. Because revenues and profits under this method are not recognized until the delivery of completed units, earnings generally remain negative until the end of the project development process.

Consequently, the Company's results in the periods under review include projects accounted for under the percentage of completion method and projects accounted for under the completed contract method. Although the new form of contract was introduced as of August 1, 2015, for projects already being marketed at that date Instone Development continued to use the prior form. Accordingly, such projects continued to be accounted for using the percentage of completion method and to contribute to revenues and earnings until the final unit was delivered in the second quarter of 2017. As of the second half financial year 2017, all of Instone's projects have been accounted for using the completed contract method.

While revenue and earnings from contracts accounted for using the percentage of completion declined over time until the final unit subject to the old form of contract was delivered in the second quarter of 2017, projects marketed using the new form of contract and accounted for under the completed contract method did not begin to contribute to revenues and earnings until 2017 as the first units from such projects began to be delivered following completion.

As a consequence of the contract modification and the ensuing different accounting treatment for development projects, revenues and earnings in the more recent periods under review were negatively affected and only reflect a portion of the value created through Instone's project development activities. Operating Performance, as the sum of revenues and change in inventories is less affected by the method of accounting applied and provides a more consistent measure of Instone's development activities over time. Under each method of accounting, Operating Performance includes the price paid for the acquisition of land plots, which is recorded in change of inventories. Under the percentage of completion method, Operating Performance reflects the contract revenue for units sold, including the Anticipated Gross Project Margin, that can be attributed in any given period to the proportion of work completed in such period and also includes, within changes in inventories, capitalized costs associated with ongoing construction that, based on units sold and construction progress, cannot yet be recognized in revenue. Under the completed contract method, revenues and margins are not recognized during the construction phase, but construction costs, finance cost and staff cost are capitalized and included in change in inventories as work progresses, while revenues, including profits, are recognized only upon delivery of the residential units. Accordingly, as the sum of revenue and change in inventories, Operating Performance provides a broadly consistent measure of the Company's performance in the periods under review, notwithstanding the fact that they include projects accounted for under both the percentage of completion method and the completed contract method. Differences remain, however, as Operating Performance for projects accounted for under the completed contract method does not include any portion of the Anticipated Gross Project Margin for units sold and also does not reflect operating expenses that cannot be capitalized, such as certain sales costs, which are, however, reflected in revenue under the percentage of completion method for units sold.

The following chart provides an illustrative calculation of the Operating Performance and EBT in € million of a typical project accounted for under the completed contract method over four financial periods, assuming revenues of €100 million, a typical project margin and development costs:

Revenue and EBT realized at project delivery

Land acquisition

In €m	Δ	Cum.
Revenue	–	–
Change in inventory	22	22
Operating performance	**22**	**22**
Cost of materials	(20)	(20)
Staff costs[1]	(1)	(1)
Net other expenses[1]	(2)	(2)
Finance costs	–	–
EBT	**(1)**	**(1)**

Start of construction

In €m	Δ	Cum.
Revenue	–	–
Change in inventory	5	27
Operating performance	**5**	**27**
Cost of materials	(3)	(23)
Staff costs[1]	(1)	(2)
Net other expenses[1]	(1)	(3)
Finance costs	(1)	(1)
EBT	**(1)**	**(2)**

Sale completion (100% sold)

In €m	Δ	Cum.
Revenue	–	–
Change in inventory	29	56
Operating performance	**29**	**56**
Cost of materials	(28)	(51)
Staff costs[1]	(1)	(3)
Net other expenses[1]	(1)	(4)
Finance costs	(1)	(2)
EBT	**(2)**	**(4)**

Delivery

In €m	Δ	Cum.
Revenue	100	100
Change in inventory	(56)	–
Operating performance	**44**	**100**
Cost of materials	(20)	(71)
Staff costs[1]	(1)	(4)
Net other expenses[1]	(1)	(5)
Finance costs	–	(2)
EBT	**22**	**18**

Cumulative view of a single project over time

(1) Partially capitalized.

The following table shows the split of revenue for development projects accounted for under the percentage of completion method and the completed contract method for the periods indicated:

	For the financial year ended December 31,			For the nine-month period ended September 30,
	2014[(1)]	**2015**	**2016**	**2017**
		(audited) **(in € million)**		**(unaudited)** **(in € million)**
Revenue	64.4	358.7	203.6	123.8
thereof realized under percentage of completion method	*9.6*	*248.4*	*78.9*	*0.8*
thereof realized under completed contract method	*54.8*	*98.9*	*121.0*	*123.0*
Change in inventories	(7.8)	(23.1)	158.9	30.4
Operating Performance	**56.7**	**335.6**	**362.5**	**154.2**

(1) In the financial year ended December 31, 2014, Instone sold residential units in a large block-sale, completed projects held as finished goods and a number of land plots, which transactions were required to be accounted for under the completed contract method. Revenues accounted for under the percentage of completion method were impacted in 2014 by the step-up to fair market value of inventories which resulted in a decline in the Anticipated Gross Project Margin and, hence, lower revenue was recognized.

6.5 Factors Affecting Comparability

In addition to the effects described above relating to the modification of Instone Development's customer contracts resulting in a different accounting treatment for its projects, the comparability of the Company's financial statements in the periods under review has been affected by changes in the scope of consolidation and certain related matters. Due to the fact that the Company was founded on April 16, 2014 and Instone Development was only consolidated into the Company's 2014 consolidated financial statements for the last three months of 2014, the Company's consolidated financial statements for the short 2014 financial year are not comparable with its 2015 consolidated financial statements, which include Instone Development for a full year.

Although the impact is less significant, the Company's acquisition of Instone Leipzig in December 2015 also affects the comparability of the Company's financial statements for 2015 and 2016. In the Company's consolidated financial statements for the financial year 2016, Instone Leipzig's results were consolidated for the entire period, while Instone Leipzig did not contribute any earnings to Instone's results in the financial year 2015 as the consolidation became effective as of December 31, 2015 and only had an impact on specific profit and loss line items.

In addition to these differences in the scope of consolidation, the Company's consolidated financial statements in the periods under review were affected by PPA Effects and One-Off Items.

PPA Effects resulted from the effects on the consolidated financial statements in connection with the acquisition of Instone Development in 2014 and Instone Leipzig in 2015. These acquisitions required the Company to attribute values to each acquired asset. The acquisition of Instone Development in 2014 resulted in a write-up of current assets by €36.1 million, an increase of liabilities by €7.8 million and an increase of deferred tax liabilities by €9.0 million. The acquisition of Instone Leipzig in 2015 resulted in a write-up of current assets by €120.8 million and an increase of deferred tax liabilities by €37.4 million.

At the time of delivery of such assets (when fully developed) to Instone's customers, such additional values result in the recognition of correspondingly higher costs in the consolidated statement of profit or loss. The amortization of PPA Effects is related to the realization of each single project development which carries the single defined write-up of current assets. Fluctuations result from the different write-ups on projects by different projects-size and therefore different hidden reserves.

The following table sets forth information with regard to the Company's Operating Performance, as adjusted by PPA Effects, and EBIT, as adjusted by PPA Effects and One-Off Items, for the periods indicated:

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited) (in € million)		(unaudited, unless otherwise indicated) (in € million)		
Revenue	123.8	164.9	203.6	358.7	64.4
Change in inventories	30.4	86.0	158.9	(23.1)	(7.8)
Operating Performance	**154.2**	**250.9**	**362.5**	**335.6**	**56.7**
Reversal of inventories-related PPA Effects[(1)]	***16.8***	***22.2***	***50.0***	***13.7***	***3.3***
PPA Effects re Instone Development	*3.9*	*8.3*	*11.9*	*13.7*	*3.3*
PPA Effects re Instone Leipzig	*12.9*	*13.9*	*38.1*	-	-
Adjusted Operating Performance	**171.0**	**273.1**	**412.5**	**349.3**	**60.0**
EBIT	**3.9**	**(9.3)**	**0.8**[(2)]	**(7.6)**[(2)]	**13.3**[(2)]
Reversal of PPA Effects[(3)]	***16.8***	***22.2***	***49.1***	***10.6***	***(20.5)***
PPA Effects re Instone Development	*3.9*	*8.3*	*11.1*	*10.8*	*(20.5)*
PPA Effects re Instone Leipzig	*12.9*	*13.9*	*38.1*	*(0.2)*	-
One-Off Items	***(4.9)***	***4.8***	***(1.5)***	***14.7***	***13.2***
Expenses with respect to the acquisition of companies[(4)]	–	*0.0*	*0.3*	*4.2*	*4.4*
Expenses with respect to the restructuring of Instone[(5)]	–	–	–	*6.8*	*3.3*
Liabilities under purchase agreements[(6)]	–	–	–	*3.9*	*2.1*
Long term incentive[(7)]	–	*6.5*	*8.9*	*2.3*	*0.0*
Gain from carve-out disposals[(8)]	*(4.9)*	–	*(6.5)*	*(4.1)*	-
Gain from reimbursements[(9)]	–	*(0.7)*	*(3.2)*	-	-
Gains from provisions under acquisition agreements[(10)]	–	*(2.1)*	*(2.1)*	-	-
Litigation losses[(11)]	–	–	–	*1.0*	-
Other[(12)]	*0.0*	*1.1*	*1.1*	*0.6*	*3.3*
Adjusted EBIT	**15.8**	**17.7**	**48.4**	**17.7**	**6.0**

(1) Reversal of inventories-related PPA Effects relates to a reversal of such PPA Effects only that resulted in a change in inventories due to the recorded step up in the value of the assets acquired as part of the acquisitions of Instone Development and Instone Leipzig.
(2) Audited.
(3) Reversal of PPA Effects relates to the reversal of all PPA Effects.
(4) Expenses with respect to the acquisition of companies refers to expenses incurred relating to external advisors commissioned by Instone in connection with Instone Development and Instone Leipzig.
(5) Expenses with respect to the restructuring of Instone refers to expenses incurred in connection with the internal restructuring of Instone Development with a particular focus on its core business, the closure of certain branches as well as the reduction of business activities in foreign countries.
(6) Liabilities under purchase agreements refers to expenses incurred for the recognition of certain provisions for claims to be made for certain projects agreed upon under the sale and purchase agreement entered into by the Company and HOCHTIEF Solutions AG relating to the acquisition of Instone Development.
(7) Long-term incentive refers to expenses incurred for the recognition of provisions for the long-term incentive plans for the benefit of certain employees reflecting a participation in the added value created for the Existing Shareholders.
(8) Gain from carve-out disposals refers to gain from the disposal of non-core assets of Instone Leipzig the proceeds of which are, however, attributable to the seller pursuant to the earn-out rules under the sale and purchase agreement relating to Instone Leipzig and included as gain in the reversal of PPA Effects.
(9) Gain from reimbursements refers to gain relating to a reimbursement paid by the City of Wiesbaden to Instone's subsidiary "Projekt Wiesbaden Wilhelmstraße GmbH & Co. KG" relating to planning costs for a public building as well as a reimbursement with respect to the settlement of legal disputes in Luxembourg paid by HOCHTIEF Solutions AG.
(10) Gains from provisions under acquisition agreements refers to settlement payments by HOCHTIEF Solutions AG to the Company in connection with the disposal of Office Park Hamm in Luxembourg.
(11) Litigation losses refers to losses incurred in connection with the settlement of the proceeding relating to Cour de Justice, Luxemburg between HOCHTIEF Solutions AG and the Grand Duchy of Luxembourg for which HOCHTIEF Solutions AG remained liable under the sale and purchase agreement relating to the acquisition of Instone Development.
(12) Other includes management compensation to related parties incurred in connection with the acquisition of Instone Development and Instone Leipzig as non-recurring items.

6.6 Key Factors Influencing the Company's Results of Operations

6.6.1 Demand and Market Conditions

Instone develops modern, urban, multifamily, residential properties and redevelops listed buildings for residential use. Instone's business is highly dependent on the German residential real estate market and most significantly affected by developments in, and related to, the residential real estate sector in Germany's key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg)) in which 93% of Instone's project portfolio (by expected sales volume) is located. Demand for housing units and the customers' ability to pay are affected by macroeconomic factors such as the state of the economy, interest rates, the unemployment rate, as well as by demographic factors such as population growth and urbanization. For additional information see "*1.1.1 Instone is dependent on the German residential property market, the conditions of which may deteriorate due to macroeconomic developments, changes in* interest rates or other factors.", and "*7 Markets and Competition*".

6.6.2 Sales price per residential units and number of residential units

As a project developer, the Company's results of operations are strongly influenced by the sale it is able to achieve per residential unit and by the number of residential units it is able to sell and deliver.

Instone's sales prices are mainly influenced by demand and general market conditions in the regions in which Instone operates. Instone sells its residential units to private investors, such as owner-occupiers and retail buy-to-let investors, and to institutional clients. Its largest customer group is owner-occupiers, comprising singles and families from the mid to upper income range. Instone plans its project developments in accordance with the preferences and purchasing power of targeted purchasers. The planned average sales price per residential unit amounts to €400,000. In the periods under review, the average realized sales price per unit amounted to €407,446. Instone's project portfolio as of September 30, 2017 had an expected average sales price per residential unit of approximately €420,000.

The number of residential units Instone is able to sell in any given period is a function of the volume of land plots and properties it has acquired in prior periods and the extent to which it has been able to obtain the regulatory approvals required to begin construction of the units it plans to construct. It takes Instone six to twelve months from initial sourcing to acquire land plots or properties for its development projects. Depending on volume and complexity of a project, Instone usually needs 12 to 40 months following land acquisition to develop a concept design and obtain the required approvals. The subsequent construction management phase, which Instone typically begins only after having sold at least 30% of the planned development units generally takes 18 to 24 months. Consequently, Instone's project developments usually take approximately 36 to 76 months from the initial sourcing of land plots or properties to delivery of completed units.

The following table sets forth the number of units delivered and the average price per residential unit delivered for the periods indicated:

	For the nine-month period ended September 30,		**For the financial year ended December 31,**		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited)			**(unaudited)**	
Number of units delivered	270	664	1,204	1,112	874
Average price per unit (in €).........................	467,120	347,872	315,028	235,806	396,919

The period in which revenues and profits are realized from the sales of residential units depends on the method of accounting applied. If the percentage of completion method is applied, contract revenues and profits in respect of units that have been sold are matched with contract costs in the period in which they are incurred as construction progresses. Where the completed contract method was applied, revenues and profits are recognized only upon delivery of the completed residential units.

Given the time lag between the acquisition of land plots or properties and the sale of completed units, the low level of numbers of units delivered in the nine-month period ended September 30, 2017 is a function of the fact that Instone's acquisitions in 2014, following the decision by HOCHTIEF Solutions AG to dispose of the business, had an aggregate expected sales volume at the time of acquisition of only €229 million. This compares with acquisitions following the acquisition of Instone Development in 2015 and 2016 having an aggregate expected sales volume for fully developed projects of €1,476 million (including €550 million attributable to the acquisition of Instone Leipzig) and €995 million, respectively. As a result of this high investment level, Instone's project portfolio as of September 30, 2017 had an expected sales volume for fully developed projects of €3.4 billion, which can be expected to result in a substantial increase in the number of units delivered in future periods.

The revenues that will be recognized in future periods will depend on the timing of sales and delivery of units which in turn depend on its ability to obtain required permits, construction progress, sufficient working capital, additional financing facilities and sufficient personnel and other factors, some of which are beyond Instone's control and may not correspond to current planning. Given the time that typically elapses between acquisition and delivery of units, revenues in future periods will also reflect the delivery of units related to project developments in respect of land plots or properties acquired after September 30, 2017 to the extent completed. With regards to such future acquisitions, Instone had identified 71 acquisition opportunities with an aggregate potential sales volume for fully developed projects of more than €13.0 billion as of December 31, 2017.

6.6.3 Ability to deliver projects on time and in budget

The Company's results are significantly impacted by its ability to meet its projected development costs and delivery dates. When acquiring land plots or properties, Instone projects achievable sales prices per residential unit on the basis of actual demand and market conditions, determines a detailed development budget and sets the maximum acquisition price for such land plots or properties that enable it to achieve its Anticipated Gross Project Margin, subject to successful planning and construction.

Instone's projections include a schedule for obtaining necessary regulatory approvals, commencement of construction, and delivery of completed residential units. Instone typically does not have construction carried out until at least 30% of the projected residential units have been sold. With regard to such purchasers, Instone cannot increase sales prices to cover project development cost overruns should occur. Further, it may not be able to find purchasers for the remaining residential units under development willing to pay a higher purchase price offsetting any such cost overruns. While the recently amended German Civil Code (*Bürgerliches Gesetzbuch*) generally excludes ordinary and extraordinary termination rights, with or without cause, for residential property development contracts, purchasers may have the right to withdraw from the entire contract, including the purchase of property, if Instone significantly fails to deliver completed units in compliance with its contractual obligations, fails to rectify such non-compliance and deliver within the agreed standard and within a reasonable deadline set by such purchaser or refuses to rectify such non-compliance. Accordingly, Instone may not be able to achieve a positive margin and may even suffer a loss from project development if it does not adhere to its projected development costs or delivery schedule.

The accounting for cost overruns and delays depends on the applied method of accounting. Under the percentage of completion method, cost overruns and delay are reflected in contract loss provisions. Under the completed contract method, cost overruns result in impairment losses if the carrying amount of capitalized building costs exceeds the net consideration to which Instone expected to be entitled upon sale, less any remaining costs still to be incurred that relate to the relevant project development.

As a result of Instone's strong risk-management processes and sophisticated reporting and planning tools, for a total of 25 projects completed in the period between January 2015 and September 30, 2017, Instone Development successfully delivered 100% of its projects on time and realized on average 1% more floor space than initially projected. During the same period, Instone Development's actual project construction costs were on average 0.5% lower than initially anticipated. There can, however, be no assurance that Instone will continue to meet its calculation targets as precisely in future periods is dependent on a number of factors not fully under its control.

6.6.4 Cost Structure

The Company's results of operations are significantly impacted by Instone's ability to control its cost structure by limiting both internal and external cost and expenses during the development process.

The largest component of Instone's cost structure is cost of materials comprising cost of materials and supplies and cost of purchased services. In the financial year ended December 31, 2016, the total cost of materials amounted to €293.7 million, of which €165.3 million were cost of materials and supplies and €128.4 million were cost of purchased services.

Instone manages these largely variable costs by a highly systematized construction process, internal approval guidelines, reporting systems and a specialized internal software system for the constant monitoring, evaluation and control of costs. For a total of 25 projects completed by Instone Development in the period between January 2015 and September 30, 2017, actual project construction costs were on average 0.5% lower than initially anticipated.

Other operating expenses account for the second largest component of Instone's cost structure. Instone's other operating expenses are largely driven by commissions fees and other distribution costs, rental expenses, legal and notary fees. Commission fees and other distribution costs for Instone Development and Instone Leipzig range between 2.4% and 14.4% of the sales price for commissions fees and other distribution costs. Costs vary depending on customer type (owner-occupiers or retail investors) and type of sales (traditional agents vs. network marketing) with commission fees and other distribution costs being significantly higher for Instone Leipzig's business activities.

The third largest component of Instone's cost structure are staff cost. As a result of the acquisition of Instone Leipzig, Instone's staff cost slightly increased, partially offset by a reduction of staff and staff cost at Instone Development. In general, Instone's staff costs provide for a platform that enables it to scale up the number of its development projects with limited additional staff per project. Instone had a workforce of 240.9 full-time equivalent employees as of September 30, 2017, responsible for the development of its current project portfolio that had an expected sales volume for fully developed projects of approximately €3.4 billion.

For information on the cost and profitability on a project level, please refer to "*8.4.6 Project Development Cost Structure and Profitability of Projects.*"

6.6.5 Financial Expenses

The Company's earnings are also affected by its financing expenses. To finance its total cost of materials, Instone typically obtains third party debt financing with respect to its building construction management activities (*Hochbaufinanzierung*). Instone's financing expenses are primarily influenced by the interest rates and the volume of its interest-bearing liabilities and the interest rate maturity strategy chosen by it in its project financing arrangements.

Building construction financing usually comprises equity investments in the amount of 15% of the expected total development costs for fully developed projects and third party debt financing for the remaining 85%. Instone has a well-proven project and cash utilization planning in place to adequately allocate its cash resources to current and planned projects and general corporate purposes. As Instone obtains most of its third party debt financings from local banks, financial liabilities, in particular financial liabilities to banks increase accordingly. On the other hand, however, the purchasers' instalment payments under the MaBV result in a corresponding increase of trade payables throughout the construction management process until the final payments following delivery of the projects upon which revenues are realized. Instone further benefits from the staggered payment framework provided by the MaBV as the amount of such purchasers' instalment payments is offset against the amount drawn under a credit facility (*ausgenützter Kreditrahmen*) significantly reducing the drawn credit amount under the respective financing agreements and resulting in a lower overall interest burden (*Zinslast*) to be borne by Instone (for further details, see "*8.7.5 Financing of the Project Developments*").

6.6.6 Seasonality

Instone experiences that a higher number of purchase agreements entered into towards the end of a calendar year. This increase towards the end of a calendar is partially driven by the possibility to claim certain tax benefits for the year of the purchase of the relevant residential unit, even though less relevant for owner-occupiers, Instone's largest customer group.

For customer contracts accounted for under the percentage of completion method, the moderate increase of conclusion of sales contracts towards the end of a calendar year was more relevant as revenues for projects were recognized in accordance with construction progress and resulted in immediate recognition of revenues for projects construction of which had already started.

Under the completed contract method, applying to all projects the marketing of which commenced on or after August 1, 2015, seasonality has become less relevant as revenues are only recognized upon delivery of completed residential units. Due to the time lag between the signing of the customer contracts and delivery of completed units, the seasonality factor has only a limited effect on revenues recognized under this method.

6.7 Results of Operations

The following table shows selected financial data taken from the Company's consolidated statement of profit and loss for the periods indicated:

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited) (in € million)		(audited) (in € million)		
Revenues	**123.8**	**164.9**	**203.6**	**358.7**	**64.4**
Change in inventories	30.4	86.0	158.9	(23.1)	(7.8)
Other operating income	4.2	1.8	8.3	8.6	31.5
Cost of materials	(109.5)	(207.9)	(293.7)	(284.3)	(51.0)
Staff costs	(19.2)	(24.1)	(35.2)	(26.9)	(6.4)
Other operating expenses	(26.5)	(31.4)	(42.4)	(38.5)	(19.0)
Income from associated affiliates	0.5	1.4	1.3	(1.4)	1.6
Other net income from investments[1]	0.6	0.3	0.3	(0.1)	–
Earnings before interest, tax, depreciation and amortization (EBITDA)	**4.2**	**(9.0)**	**1.3**	**(7.1)**	**13.4**
Depreciation and amortization	(0.3)	(0.3)	(0.4)	(0.5)	(0.1)
Earnings before interest and tax (EBIT)	**3.9**	**(9.3)**	**0.8**	**(7.6)**	**13.3**
Finance income	0.8	–	0.1	0.9	0.2
Finance costs	(15.7)	(18.8)	(25.0)	(21.8)	(5.4)
Write-down of long-term securities	–	–	0.1	(0.1)	–
Finance result[2]	**(14.9)**	**(18.8)**	**(24.8)**	**(21.0)**	**(5.2)**
Earnings before tax (EBT)	**(11.0)**	**(28.1)**	**(24.0)**	**(28.6)**	**8.1**
Income taxes	(2.0)	2.5	1.8	6.2	2.7
Earnings after tax (EAT)	**(13.0)**	**(25.7)**	**(22.2)**	**(22.4)**	**10.8**

(1) In the financial statements as of and for the year ended December 31, 2015, referred to as "Other income from investments".
(2) In the financial statements as of and for the years ended December 31, 2015 and 2014, referred to as "Financial result".

6.7.1 Revenue

The Company's revenue comprises revenues recognized under the percentage of completion method and under the completed contract method as well as a limited volume of revenues from other services. Revenues from other services comprise non-project development related revenues including rental income with respect to a very limited number of commercial and residential units, income from other non-project development related sales as well as income from certain services delivered by Instone to third parties.

The following table provides a breakdown of the Company's revenue by type for the periods indicated:

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014[1]**
	(unaudited) (in € million)		(audited) (in € million)		
Revenues from project developments	123.4	163.1	199.9	347.3	64.4
thereof under percentage of completion method	*0.8*	*62.9*	*78.9*	*248.4*	*9.6*
thereof under completed contract method	*122.6*	*100.2*	*121.0*	*98.9*	*54.8*
Other services	0.4	1.7	3.7	11.4	0.0
Revenues	**123.8**	**164.9**	**203.6**	**358.7**	**64.4**

(1) In the financial year ended December 31, 2014, Instone sold residential units in a large block-sale, completed projects held as finished goods and a number of land plots, which transactions were required to be accounted for under the completed contract method. Revenues accounted for under the percentage of completion method were impacted in 2014 by the step-up to fair market value of inventories which resulted in a decline in the Anticipated Gross Project Margin and, hence, lower revenue was recognized.

The following table provides a breakdown of Instone's revenue by geographic region for the periods indicated:

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)			(audited) (in € million)	
Germany	120.8	161.3	190.5	342.8	53.2
Rest of Europe	3.0	3.6	13.1	15.8	11.2
Total	**123.8**	**164.9**	**203.6**	**358.7**	**64.4**

6.7.1.1 *Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016*

Revenues decreased by €41.1 million, or 24.9%, from €164.9 million in the nine-month period ended September 30, 2016 to €123.8 million in the nine-month period ended September 30, 2017, primarily due to a less active acquisition phase in the financial years 2013 and 2014 while Instone Development was still under the control of HOCHTIEF Solutions AG, resulting in a lower development activity in the first nine-months of the financial year 2017.

Revenue accounted for under the percentage of completion method declined by €62.1 million, or 98.7%, from €62.9 million in the nine-month period ended September 30, 2016 to €0.8 million in the nine-month period ended September 30, 2017. This decline was primarily due to the fact that projects for which marketing began on or after August 1, 2015 are accounted for under the completed contract method and the last two projects for which revenue was accounted for under the percentage of completion method were completed in the first half of 2017.

Revenues from projects accounted for under the completed contract method increased by €22.4 million, or 22.4%, from €100.2 million in the nine-month period ended September 30, 2016 to €122.6 million in the nine-month period ended September 30, 2017. This increase is primarily due to the delivery of the first residential units under the new form of contract and therefore accounted for under the completed contract method.

6.7.1.2 *Comparison of the Years Ended December 31, 2016 and December 31, 2015*

Revenues decreased by €155.1 million, or 43.2%, from €358.7 million in the financial year ended December 31, 2015 to €203.6 in the financial year ended December 31, 2016, notwithstanding the first full year consolidation of Instone Leipzig, which contributed €102.7 million in the financial year ended December 31, 2016, compared to only €23.7 million in the period from December 10, 2015 through December 31, 2015. Excluding Instone Leipzig, revenues declined by €234.1 million, or 69.9%, from €335.0 million in the financial year ended December 31, 2015 to €100.9 in the financial year ended December 31, 2016. This decrease in revenues is primarily due to the decline in revenue from Instone Development's customer contracts accounted for under the percentage of completion method which was only partially offset by an increase in revenue from contracts accounted for under the completed contract method.

Revenue accounted for under the percentage of completion method declined by €169.5 million, or 68.2%, from €248.4 million in the financial year ended December 31, 2015 to €78.9 million in the financial year ended December 31, 2016. This decline was primarily due to the use of the new form of customer contracts as of August 2015 that only began to contribute to revenues in the nine-month period ended September 30, 2017, while revenues from contracts accounted for using the percentage of completion method declined as they were completed over time.

Revenues from projects accounted for under the completed contract method increased by €22.1 million, or 22.3%, from €98.9 million in the financial year ended December 31, 2015 to €121.0 million in the financial year ended December 31, 2016. This increase is primarily attributable to the first full year consolidation of Instone Leipzig in the financial year ended December 31, 2016 after its acquisition in December 2015.

6.7.1.3 *Comparison of the Years Ended December 31, 2015 and December 31, 2014*

Revenues increased by €294.3 million, or 457.0%, from €64.4 million in the short financial year 2014 to €358.7 million in the financial year ended December 31, 2015, reflecting the full year contribution of Instone Development in 2015, which was consolidated for only the last quarter of 2014. Revenues in the financial year ended December 31, 2015 also include €23.7 million attributable to the first time consolidation of Instone Leipzig in December 2015.

Revenues accounted for under the percentage of completion method in the financial year ended December 31, 2015 increased significantly by €238.8 million from €9.6 in the short financial year 2014 million to €248.4 million in the financial year ended December 31, 2015. In the short financial year 2014, PPA Effects led to a step-up to fair market value of inventories which resulted in a decline in the Anticipated Gross Project Margin and, hence, lower revenue was recognized. Revenues accounted for under the percentage of completion method in the financial year ended December 31, 2015 declined due to the use of the new form of customer contract as of August 2015, resulting in the application of the completed contract method.

Revenues from projects accounted for under the completed contract method increased by €44.1 million, or 80.5%, from €54.8 million in the short financial year 2014 to €98.9 million in the financial year ended December 31, 2015 primarily due to completion and delivery of several significant project developments by Instone Development with customer contracts that required, notwithstanding the general rule prior to August 2015, application of the completed contract method (*e.g.*, micro apartments in Frankfurt, project Junkersdorf, Cologne and Project Dreyerstraße, Hannover). In addition, Instone Development sold two land plots in Munich and Instone Leipzig was consolidated for the first time. In 2014, Instone Development realized the majority of its revenues from projects accounted for under the completed contract method as it sold residential units in a large block-sale, completed projects held as finished goods and a number of land plots, which transactions were required to be accounted for under the completed contract method.

6.7.2 Change in Inventories

Change in inventories comprises the acquisition and disposal of land plots and cost of production for project developments. Depending on the applied method of accounting, construction costs, finance cost and staff cost are capitalized and included in change in inventories (completed contract method) or are already partially or fully recognized as revenues in accordance with the progress of the project development following the commencement of construction (percentage of completion method).

6.7.2.1 *Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016*

Change in inventories decreased by €55.6 million from €86.0 million in the nine-month period ended September 30, 2016 to €30.4 million in the nine-month period ended September 30, 2017, primarily due to a lower level of acquisitions of land plots or properties for (re)development purposes in the nine-month period ended September 30, 2017 than in the nine-month period ended September 30, 2016. The lower level of change in inventories was furthermore influenced by the completion and delivery of 270 units in the nine-month period ended September 30, 2017 for which revenue was accounted for under the completed contract method resulting in a decrease of inventories. These effects were only partially offset by an increase of work in progress inventories from construction activities during this period.

6.7.2.2 *Comparison of the Years Ended December 31, 2016 and December 31, 2015*

Change in inventories increased by €182.0 million from negative €23.1 million in the financial year ended December 31, 2015 to €158.9 million in the financial year ended December 31, 2016, primarily due to the change of the form of Instone Development’s customer contracts. Under the new contracts, project development costs are only recognized upon delivery of the completed residential units, while they were recognized over time for units sold in accordance with construction progress under the old contracts.

Change in inventories also increased in the financial year ended December 31, 2016 due to significantly more acquisitions of land plots in such period. The consolidation of Instone Leipzig further contributed to the change in inventories by €49.0 million, while, in the financial year ended December 31, 2015, it led to a change in inventories amounting to negative €23.1 million due to the delivery of completed residential units in this period.

6.7.2.3 *Comparison of the Years Ended December 31, 2015 and December 31, 2014*

Change in inventories decreased by €15.3 million from negative €7.8 million in the financial year ended December 31, 2014 to negative €23.1 million in the financial year ended December 31, 2015, primarily attributable to the consolidation of Instone Leipzig, which contributed €23.1 million to such decrease of inventories in the financial year ended December 31, 2015, partially offset by an increase in change in inventories from Instone Development's business activities.

In the financial year ended December 31, 2014, change in inventories was negative as a result of the delivery of completed projects in the fourth quarter of 2014 combined with less active investments and business activities in 2013 and 2014.

6.7.3 *Operating Performance*

6.7.3.1 *Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016*

Operating Performance decreased by €96.7 million, or 38.5%, from €250.9 million in the nine-month period ended September 30, 2016 to €154.2 million in the nine-month period ended September 30, 2017. Adjusted for PPA Effects, Adjusted Operating Performance decreased by €102.1 million, or 37.4%, from €273.1 million to €171.0 million. This decline was primarily due to the delayed effect on projects under development of the less active acquisition phase in the financial years 2013 and 2014 while Instone Development was still under the control of HOCHTIEF Solutions AG. It also reflects substantially lower revenues from projects accounted for using the percentage of completion method as the new form of contract was used for almost all projects under development in the period. Change in inventories also had a negative impact on Operating Performance due to a lower level of land acquisitions in the first nine months of 2017.

6.7.3.2 *Comparison of the Years Ended December 31, 2016 and December 31, 2015*

Operating Performance increased by €26.9 million, or 8.0%, from €335.6 million in the financial year ended December 31, 2015 to €362.5 million in the financial year ended December 31, 2016. Adjusted for PPA Effects, Adjusted Operating Performance increased by €63.2 million, or 18.1%, from €349.3 million in the financial year ended December 31, 2015 to €412.5 million in the financial year ended December 31, 2016. This was primarily due to the significant increase in change in inventories in the financial year 2016 in connection with the capitalization of land acquisition cost which was partially offset by the decline in revenues from contracts accounted for using the percentage of completion method as they were completed over time. A further positive impact on Adjusted Operating Performance in 2016 resulted from the consolidation of Instone Leipzig for the full financial year.

6.7.3.3 *Comparison of the Years Ended December 31, 2015 and December 31, 2014*

Operating Performance increased by €278.9 million, or 491.9%, from €56.7 million in the financial year ended December 31, 2014 to €335.6 million in the financial year ended December 31, 2015. Adjusted for PPA Effects, Adjusted Operating Performance increased by €289.3 million from €60.0 million in the financial year ended December 31, 2014 compared to €349.3 million in the financial year ended December 31, 2015 accordingly. This was primarily due to the short financial year in 2014 and the consolidation of Instone Development only for the last quarter of 2014, while in the financial year ended December 31, 2015, Instone Development was consolidated for the full financial year. As a result of the short financial year and the difference in the scope of consolidation, the financial year 2014 is only partially comparable to the financial year 2015.

6.7.4 *Other Operating Income*

Other operating income comprises Instone's other income sources, a breakdown of which is provided in the following table for the periods indicated:

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited) **(in € million)**			**(audited)** **(in € million)**	
Reimbursement of planning services	–	–	1.6	–	–
Income from the settlement of legal disputes	–	0.7	1.6	3.7	–
Income from the reversal of provisions	2.0	0.3	1.3	3.2	4.3
Income from business acquisitions	–	–	–	0.2	20.1
Income from settlement agreement	–	–	–	–	6.9
Other income	0.7	0.7	2.6	0.3	0.1
Miscellaneous(1)	1.5	0.1	1.2	1.2	0.1
Total	**4.2**	**1.8**	**8.3**	**8.6**	**31.5**

(1) Miscellaneous is comprised of cost reimbursements, rental income, insurance reimbursements, income from the reduction impairment, profit of sale of property, plant and equipment and income from the reversal of specific bad debt allowances.

6.7.4.1 Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016

Other operating income increased by €2.4 million, or 133.3%, from €1.8 million in the nine-month period ended September 30, 2016 to €4.2 million in the nine-month period ended September 30, 2017. The significantly higher other operating income in the nine-month period ended September 30, 2017 is a result of the reversal of provisions for legal advisory fees relating to a legal issue in Luxembourg as well as provisions for work to be performed in the aggregate amount of €2.0 million.

6.7.4.2 Comparison of the Years Ended December 31, 2016 and December 31, 2015

Other operating income remained stable amounting to €8.6 million in the financial year ended December 31, 2015 and amounting to €8.3 million in the financial year ended December 31, 2016.

6.7.4.3 Comparison of the Years Ended December 31, 2015 and December 31, 2014

Other operating income decreased by €22.9 million, or 72.7%, from €31.5 million in the financial year ended December 31, 2014 to €8.6 million in the financial year ended December 31, 2015.

The significantly higher other operating income in the financial year ended December 31, 2014 is a result of the Company's income from business acquisitions of €20.1 million during this period. This income was generated through the acquisition of Instone Development that led to the recognition of a gain in accordance with IFRS 3.34. This gain was primarily attributable to a step up in fair value.

Further other operating income recognized in the financial year ended December 31, 2014 resulted from the acquisition of Instone Development, income from a settlement agreement determining a repayment of a purchase price paid by Instone for the acquisition of land in 2013 as well as income from the reversal of provisions recognized on the level of Instone Development in periods prior to the Company's acquisition of Instone Development.

6.7.5 Cost of Materials

Cost of materials comprises cost of materials and supplies and cost of purchased services. Cost of materials and supplies primarily relate to costs incurred from the acquisition of land plots and purchasing costs for construction materials. Cost of purchased services primarily relate to the procurement cost for concept planners, architects and building contractors.

The following table provides a breakdown of Instone's cost of materials for the periods indicated:

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)		
Cost of materials and supplies	22.9	112.2	165.3	139.8	18.2
Cost of purchased services	86.6	95.7	128.4	144.6	32.7
Total	**109.5**	**207.9**	**293.7**	**284.3**	**51.0**

6.7.5.1 Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016

Cost of materials decreased by €98.4 million, or 47.3%, from €207.9 million in the nine-month period ended September 30, 2016 to €109.5 million in the nine-month period ended September 30, 2017, primarily due to less acquisitions of land plots or properties for (re)development purposes in the nine-month period ended September 30, 2017. This resulted in a significant decrease of cost of materials and supplies by €89.3 million, or 79.6%, from €112.2 million in the nine-month period ended September 30, 2016 to €22.9 million in the nine-month period ended September 30, 2017. As a consequence thereof, cost of purchased services also decreased by €9.1 million, or 9.5%, from €95.7 million in the nine-month period ended September 30, 2016 to €86.6 million in the nine-month period ended September 30, 2017.

6.7.5.2 Comparison of the Years Ended December 31, 2016 and December 31, 2015

Cost of materials increased by €9.4 million, or 3.3%, from €284.3 million in the financial year ended December 31, 2015 to €293.7 million in the financial year ended December 31, 2016. This increase was primarily due to the consolidation of Instone Leipzig's costs of materials for the full financial year ended December 31, 2016 amounting to €44.8 million, compared to €0.0 million in the period from December 10, 2015 through December 31, 2015. Excluding Instone Leipzig cost of materials decreased by €35.4 million in the financial year ended December 31, 2016 primarily due to a decline in construction work for multi-annual project developments compared to the financial year ended December 31, 2015.

6.7.5.3 Comparison of the Years Ended December 31, 2015 and December 31, 2014

Cost of materials increased by €233.3 million, or 457.5%, from €51.0 million in the financial year ended December 31, 2014 to €284.3 million in the financial year ended December 31, 2015, primarily due to the short financial year in 2014 and the consolidation of Instone Development only for the last quarter of 2014, while in the financial year ended December 31, 2015, Instone Development's cost of materials were consolidated for the full financial year.

6.7.6 *Staff Costs*

Staff costs comprise wages and salaries, social insurance, pensions and support as well as costs incurred in connection with long-term incentive plans.

The following table provides a breakdown of Instone's staff costs for the periods indicated:

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)		
Wages and salaries	16.7	15.2	22.8	20.9	5.3
Social insurance, pensions and support	2.5	2.4	3.5	3.7	1.0
Long-term incentive	–	6.5	8.9	2.3	0.0
Total	**19.2**	**24.1**	**35.2**	**26.9**	**6.4**

6.7.6.1 Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016

Staff costs decreased by €4.9 million, or 20.3%, from €24.1 million in the nine-month period ended September 30, 2016 to €19.2 million in the nine-month period ended September 30, 2017. This decrease was primarily due to no accumulation of liabilities for special payments in connection with a long-term incentive scheme in the nine-month period ended September 30, 2017.

6.7.6.2 Comparison of the Years Ended December 31, 2016 and December 31, 2015

Staff costs increased by €8.3 million, or 30.9%, from €26.9 million in the financial year ended December 31, 2015 to €35.2 million in the financial year ended December 31, 2016, primarily due to an increase in the variable compensation component with long-term incentive effect and risk character amounting to €6.6 million. Wages and salaries also increased as a result of the consolidation of Instone Leipzig's staff costs for the full financial year ended December 31, 2016 amounting to €2.6 million, compared to the financial year ended December 31, 2015, where no staff costs were accounted for.

6.7.6.3 Comparison of the Years Ended December 31, 2015 and December 31, 2014

Staff costs increased by €20.5 million, or 320.3%, from €6.4 million in the financial year ended December 31, 2014 to €26.9 million in the financial year ended December 31, 2015, primarily due to the short financial year in 2014 and the consolidation of Instone Development only for the last quarter of 2014, while in the financial year ended December 31, 2015, Instone Development was consolidated for the full financial year.

6.7.7 *Other Operating Expenses*

Other operating expenses mainly comprise commission fees and distribution costs, rentals and lease rentals, technical and business consulting, as well as court costs, attorneys' and notaries' fees.

The following table provides a breakdown of Instone's other operating expenses for the periods indicated:

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)		(audited, unless otherwise indicated) (in € million)		
Commission fees and other distribution costs	15.5	17.5	24.1	12.0	2.9
Rentals and lease rentals	3.3	2.2	3.1	4.1	1.2
Technical and business consulting	0.1	0.5	2.6	0.6	0.1
Court costs, attorneys' and notaries' fees	2.8	2.0	2.3	6.8	6.2
Operating costs	–	1,1	1.5	–	–
Litigation costs	0.7	0.6	1.3	0.2	0.0

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)		(audited, unless otherwise indicated) (in € million)		
Adjustment of liabilities due to the acquisition of Instone Real Estate Leipzig GmbH	–	–	0.9	–	–
Compensation during the construction period	0.0	0.8	0.8	–	–
Travel expenses, transportation costs	0.3	0.3	0.7	0.8	0.3
Advertising measures	0.4	0.1	0.6	0.2	0.1
Insurances	0.6	0.5	0.6	1.1	0.3
Restructuring and adjustment costs	0.2	0.1	0.2	3.0	3.6
Costs from the settlement of legal disputes	–	–	–	2.8	–
Sundry operating expenses[(1)]	0.6	3.1	1.4	3.8	2.9
Miscellaneous[(2)]	2.1	2.7	2.3	3.3	1.4
Total	**26.5**	**31.4**	**42.4**	**38.5**	**19.0**

(1) Sundry operating expenses mostly comprise order processing, costs of materials for administrative purposes, costs of preparing the annual financial statements and other expenses not reported elsewhere.

(2) Unaudited. Miscellaneous is comprised of mail and funds transfer expenses, real estate tax, wealth tax and other taxes, vehicle costs, further education measures, entertainment expenses, stationery, property levies, management compensation, external administrative services and impairment losses and losses on disposal of assets (excluding inventories).

6.7.7.1 *Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016*

Other operating expenses decreased by €4.9 million, or 15.6%, from €31.4 million in the nine-month period ended September 30, 2016 to €26.5 million in the nine-month period ended September 30, 2017. This was primarily due to a decrease of commission fees and other distribution costs by €2.0 million, or 11.4%, from €17.5 million in the nine-month period ended September 30, 2016 to €15.5 million in the nine-month period ended September 30, 2017 due to a lower volume of units sold in the nine-month period ended September 30, 2017.

6.7.7.2 *Comparison of the Years Ended December 31, 2016 and December 31, 2015*

Other operating expenses increased by €3.9 million, or 10.1%, from €38.5 million in the financial year ended December 31, 2015 to €42.4 million in the financial year ended December 31, 2016, primarily due to the consolidation of Instone Leipzig's other operating expenses for the full financial year ended December 31, 2016 amounting to €18.7 million (including an increase of commission fees and other distribution costs), compared to €2.0 million in the period from December 10, 2015 through December 31, 2015. This was partially offset by a decrease in costs on the level of Instone Development by €11.4 million, including the decrease in court, legal and notary fees by €4.5 million to €2.3 million, the decrease of costs for structural and adjustment measures by €2.8 million to €0.2 million as well as the decrease in costs from the settlement of legal disputes in the amount of €2.8 million to €0.0 million.

Commission fees and other distribution costs for Instone Development and Instone Leipzig range between 2.4% and 14.4% of the sales price. Costs vary depending on customer type (owner-occupiers or retail investors) and type of sales (traditional agents or network marketing). Commission fees and other distribution costs are significantly higher for Instone Leipzig's business activities, resulting in an increase of commission fees and other distribution costs by €12.1 million, or 100.8%, from €12.0 million in the financial year ended December 31, 2015 to €24.1 million in the financial year ended December 31, 2016.

6.7.7.3 *Comparison of the Years Ended December 31, 2015 and December 31, 2014*

Other operating expenses increased by €19.5 million, or 102.6%, from €19.0 million in the financial year ended December 31, 2014 to €38.5 million in the financial year ended December 31, 2015, primarily due to the short financial year in 2014 and the consolidation of Instone Development only for the last quarter of 2014, while in the financial year ended December 31, 2015, Instone Development was consolidated for the full financial year.

6.7.8 *Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)*

6.7.8.1 *Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016*

EBITDA increased by €13.2 million, or 146.7%, from negative €9.0 million in the nine-month period ended September 30, 2016 to €4.2 million in the nine-month period ended September 30, 2017. While Instone only delivered 270 units in the first nine-months of the financial year 2017 primarily due to a less active acquisition phase in the financial years 2013 and 2014, EBITDA increased primarily due to the delivery of units accounted for under the completed contract method. These projects contributed the complete Historical Gross Project Margin in the nine-month period ended September 30, 2017, where most of the substantially higher number of units delivered in the nine-month period ended September 30, 2016 were accounted for under the percentage of completion method for which the Anticipated Gross Project Margin had been accounted for over time in accordance with construction progress.

6.7.8.2 *Comparison of the Years Ended December 31, 2016 and December 31, 2015*

EBITDA increased by €8.4 million, or 118.3%, from negative €7.1 million in the financial year ended December 31, 2015 to €1.3 million in the financial year ended December 31, 2016, primarily due to the higher level of development activities in the financial year ended December 31, 2016, notwithstanding the delayed recognition of revenue and earnings due to the increasing number ongoing development projects accounted for under the completed the contract method. A further positive impact on EBITDA resulted from the consolidation of Instone Leipzig for the full financial year ended December 31, 2016.

6.7.8.3 *Comparison of the Years Ended December 31, 2015 and December 31, 2014*

EBITDA decreased by €20.5 million, or 153.0%, from €13.4 million in the financial year ended December 31, 2014 to negative €7.1 million in the financial year ended December 31, 2015, primarily due to the significantly higher other operating income of €31.5 million in the financial year ended December 31, 2014 as a result of the Company's acquisition of Instone Development that resulted in gain attributable to a step up in fair value amounting of €20.1 million. As a result thereof, EBITDA was, however, negatively affected by PPA Effects in the financial year ended December 31, 2015.

6.7.9 *Earnings before Interest and Tax (EBIT)*

6.7.9.1 *Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016*

EBIT increased by €13.2 million, or 141.9%, from negative €9.3 million in the nine-month period ended September 30, 2016 to €3.9 million in the nine-month period ended September 30, 2017. Adjusted for PPA Effects and One-Off Items, Adjusted EBIT decreased by €1.9 million, or 10.7%, from €17.7 million in the nine-month period ended September 30, 2016 to €15.8 million in the nine-month period ended September 30, 2017. This decrease was primarily due to the delayed effect on projects under development of the less active acquisition phase in the financial years 2013 and 2014 while Instone Development was still under the control of HOCHTIEF Solutions AG. It also reflects substantially lower profit from projects accounted for using the percentage of completion method, as the new form of contract was used for almost all projects under development in the period, and a higher number of units delivered to customers in the last quarter of 2017. The higher number of deliveries in the last quarter of 2017 was primarily due to the higher investment activity following Instone's acquisition of Instone Development. These effects will positively impact revenue and Adjusted EBIT in the fourth quarter of 2017.

6.7.9.2 *Comparison of the Years Ended December 31, 2016 and December 31, 2015*

EBIT improved by €8.4 million from negative €7.6 million in the financial year ended December 31, 2015 to €0.8 million in the financial year ended December 31, 2016. Adjusted for PPA Effects and One-Off Items, Adjusted EBIT increased by €30.7 million, or 173.4%, from €17.7 million in the financial year ended December 31, 2015 to €48.4 million in the financial year ended December 31, 2016. This increase was primarily due to the higher level of development activities in the financial year ended December 31, 2016, notwithstanding the delayed recognition of revenue and earnings due to the increasing number ongoing development projects accounted for under the completed the contract method. A further positive impact on EBIT in 2016 resulted from the consolidation of Instone Leipzig for the full financial year.

6.7.9.3 Comparison of the Years Ended December 31, 2015 and December 31, 2014

EBIT decreased by €20.9 million, or 157.1%, from €13.3 million in the financial year ended December 31, 2014 to negative €7.6 million in the financial year ended December 31, 2015. Adjusted for PPA Effects and One-Off Items, Adjusted EBIT increased by €11.7 million, or 195.0%, from €6.0 million in the financial year ended December 31, 2014 to €17.7 million in the financial year ended December 31, 2015. This increase was primarily due to the short financial year in 2014 and the consolidation of Instone Development only for the last quarter of 2014, while in the financial year ended December 31, 2015, Instone Development was consolidated for the full financial year.

6.7.10 Finance Result

The finance result primarily comprises finance income from interest and similar income and finance cost from interest and similar expenses and net interest expenses on pension obligations.

The following table provides a breakdown of Instone's financial result for the periods indicated:

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited) (in € million)			(audited) (in € million)	
Interest and similar income[1]	0.8	0.0	0.1	0.9	0.2
Finance income	**0.8**	0.0	0.1	0.9	0.2
Interest and similar expenses[2]	(15.6)	(17.9)	(23.5)	(20.0)	(5.0)
Accrued interest put option	–	(0.9)	(1.1)	(1.6)	(0.4)
Interest components of increase in provisions	–	–	(0.3)	(0.1)	(0.0)
Net interest expenses on pension obligations	(0.1)	–	(0.0)[3]	(0.1)[3]	(0.0)[3]
Finance cost	**(15.8)**	**(18.8)**	**(25.0)**	**(21.8)**	**(5.4)**
Result from long-term securities	0.1	–	0.1	(0.1)	–
Financial result	**(14.9)**	**(18.8)**	**(24.8)**	**(21.0)**	**(5.2)**

(1) Interest and similar income consists of interest income on cash investments, interest-bearing securities and other loans. Interest and similar income furthermore represent all profit shares and dividends from long-term and short-term securities.

(2) Interest and similar expenses consists of interest expenses on cash investments, interest-bearing securities and other loans.

(3) Net interest expenses on pension obligations include the annual interest on the net present value of pension obligations in the amount of €0.2 million in 2016, €0.2 million in 2015 and €0.1 million in 2014, offset against interest income from plan assets in the amount of €0.1 million in 2016, €0.0 million in 2015 and €0.0 million in 2014.

6.7.10.1 Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016

The financial result improved by €3.9 million, or 20.7%, from negative €18.8 million in the nine-month period ended September 30, 2016 to negative €14.9 million in the nine-month period ended September 30, 2017 primarily due to a decrease in interest and similar expenses.

6.7.10.2 Comparison of the Years Ended December 31, 2016 and December 31, 2015

The financial result decreased by €3.8 million, or 18.1%, from negative €21.0 million in the financial year ended December 31, 2015 to negative €24.8 million in the financial year ended December 31, 2016, primarily due to an increase in investments in the acquisition of land plots and properties and a corresponding increase in loans. In addition, the Company incurred higher interest and similar expenses due an increase of shareholder loans and bank loans resulting from the financing of the acquisition of Instone Leipzig.

6.7.10.3 Comparison of the Years Ended December 31, 2015 and December 31, 2014

The financial result decreased by €15.8 million, or 303.8%, from negative €5.2 million in the financial year ended December 31, 2014 to negative €21.0 million in the financial year ended December 31, 2015, primarily due to interest expenses for the full financial year ended December 31, 2015, compared to interest expenses only relating to the last quarter of the financial year ended December 31, 2014. In addition, in the financial year ended December 31, 2015, Instone took increased its financing volume for the acquisition of Instone Leipzig.

6.7.11 *Earnings before Tax (EBT)*

6.7.11.1 Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016

EBT increased by €17.1 million, or 60.9%, from negative €28.1 million in the nine-month period ended September 30, 2016 to negative €11.0 million in the nine-month period ended September 30, 2017. This increase was primarily due to the completion and delivery of units accounted for under the completed contract method. These projects contributed the complete Historical Gross Project Margin in the nine-month period ended September 30, 2017 compared to projects accounted for under the percentage of completion method for which the Anticipated Gross Project Margin was accounted for over time in accordance with construction progress. In addition, EBT also increased as a result of the improvement of the finance result by €3.9 million.

6.7.11.2 Comparison of the Years Ended December 31, 2016 and December 31, 2015

EBT increased by €4.6 million, or 16.1%, from negative €28.6 million in the financial year ended December 31, 2015 to negative €24.0 million in the financial year ended December 31, 2016, primarily due to an increase in change of inventories and EBIT, partially offset by the more negative finance result.

6.7.11.3 Comparison of the Years Ended December 31, 2015 and December 31, 2014

EBT decreased significantly by €36.7 million, or 453.1%, from €8.1 million in the financial year ended December 31, 2014 to negative €28.6 million in the financial year ended December 31, 2015, primarily due to the significantly higher other operating income of €31.5 million in the financial year ended December 31, 2014 as a result of the Company's acquisition of Instone Development that resulted in gain attributable to a step up in fair value of €20.1 million. In addition, the Company's financial result in the financial year ended December 31, 2014 was significantly better.

6.7.12 *Income Taxes*

The following table provides a breakdown of Instone's income taxes for the periods indicated:

	For the nine-month period ended September 30,		**For the financial year ended December 31,**		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited) (in € million)			**(audited) (in € million)**	
Income taxes					
Corporate income tax (domestic and foreign)	(4.5)	(3.5)	(4.6)	(0.1)	(0.0)
Trade income tax	(4.8)	(4.7)	(6.3)	(0.0)	(2.6)
Current income taxes	**(9.3)**	**(8.2)**	**(10.8)**	**(0.1)**	**(2.6)**
Deferred taxes	7.3	10.7	12.6	6.3(1)	5.3(1)
Total	**(2.0)**	**2.5**	**1.8**	**6.2**	**2.7**

(1) Due to the spin-off of formart GmbH & Co. KG from the former majority shareholder, HOCHTIEF Solutions AG, and an agreement entered into in 2014, deferred taxes include an income item amounting to €1.5 million in 2015 and €4.1 million in 2014, which is derived from the reversal of deferred tax liabilities.

6.7.12.1 Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016

Income taxes decreased by €4.5 million, or 180.0%, from €2.5 million in the nine-month period ended September 30, 2016 to negative €2.0 million in the nine-month period ended September 30, 2017, primarily due to a decrease in deferred taxes by €3.4 million, or 31.8%, from €10.7 million in the nine-month period ended September 30, 2016 to €7.3 million in the nine-month period ended September 30, 2017 due to higher amortization of PPA Effects in the nine-month period ended September 30, 2016 compared to the nine-month period ended September 30, 2017 resulting in a decrease of interest. This result was further influenced by an increase in corporate income tax (domestic and foreign) by €1.0 million as well as in trade income tax by €0.1 million in the nine-month period ended September 30, 2017.

6.7.12.2 *Comparison of the Years Ended December 31, 2016 and December 31, 2015*

Income taxes decreased by €4.4 million, or 71.0%, from €6.2 million in the financial year ended December 31, 2015 to €1.8 million in the financial year ended December 31, 2016, primarily due to an increase in corporate income tax (domestic and foreign) of €4.5 million as well as in trade income tax of €6.3 million in the financial year ended December 31, 2016. This result was further influenced by an increase in deferred taxes from €6.3 million in the financial year ended December 31, 2015 to €12.6 million in the financial year ended December 31, 2016 due to effects in connection with the acquisition of Instone Development and of Instone Leipzig and related PPA Effects.

6.7.12.3 *Comparison of the Years Ended December 31, 2015 and December 31, 2014*

Income taxes increased by €3.5 million, or 129.6%, from €2.7 million in the financial year ended December 31, 2014 to €6.2 million in the financial year ended December 31, 2015, primarily due to a decrease in trade income tax incurred in the financial year ended December 31, 2015. In the financial year ended December 31, 2015, deferred taxes amounted to €6.3 million due to the acquisition of Instone Development. Deferred taxes included an income item amounting to €1.5 million attributable to an agreement entered into in the financial year ended December 31, 2014 in the course of the spin-off of Instone Development's former majority shareholder HOCHTIEF Solutions AG.

6.7.13 Earnings after Tax (EAT)

6.7.13.1 *Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016*

Earnings after tax (EAT) increased by €12.7 million, or 49.4%, from negative €25.7 million in the nine-month period ended September 30, 2016 to negative €13.0 million in the nine-month period ended September 30, 2017, primarily due to a higher EBITDA as well as interest effects, partially countered by the higher taxes incurred.

6.7.13.2 *Comparison of the Years Ended December 31, 2016 and December 31, 2015*

Earnings after tax (EAT) increased by €0.2 million, or 0.9%, from negative €22.4 million in the financial year ended December 31, 2015 to negative €22.2 million in the financial year ended December 31, 2016 primarily due to the positive result of EBIT of €0.8 million in the financial year ended December 31, 2016 as compared to a negative EBIT of €7.6 in the financial year ended December 31, 2015 as well as a significant decrease in income taxes from €6.2 million in the financial year ended December 31, 2015 to €1.8 million in the financial year ended December 31, 2016.

6.7.13.3 *Comparison of the Years Ended December 31, 2015 and December 31, 2014*

Earnings after tax (EAT) decreased significantly by €33.2 million, or 307.4%, from €10.8 million in the financial year ended December 31, 2014 to negative €22.4 million in the financial year ended December 31, 2015, primarily due to the negative EBIT of €7.6 million in the financial year ended December 31, 2015 as compared to a positive EBIT of €13.3 in the financial year ended December 31, 2014 as well as a significant increase of finance costs by €16.4 million, or 303.7%, from €5.4 million in the financial year ended December 31, 2014 to €21.8 million in the financial year ended December 31, 2015.

6.8 Assets

The following table provides an overview of Instone's assets as of the dates indicated:

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)	
ASSETS				
Non-current assets				

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)	
Intangible assets	0.0	0.0	0.0	–
Property, plant and equipment	1.6	1.5	1.6	1.3
Equity-method investments	0.4	1.4	0.1	9.5
Other financial assets	0.6	0.7	0.9	0.4
Financial receivables	0.7	0.7	–	–
Total non-current assets	**3.2**	**4.3**	**2.6**	**11.2**
Current assets				
Inventories	572.6	542.7	415.5	233.0
Financial receivables	2.4	0.2	0.2	2.1
Trade receivables	11.4	19.6	110.2	115.4
(*thereof percentage of completion receivables*)	–	*(3.4)*	*(91.4)*	*(93.0)*
Other receivables and other assets	8.3	5.6	16.6	5.2
Current income tax assets	0.2	0.3	0.3	1.1
Cash and cash equivalents	110.7	112.5	35.9	25.1
Total current assets	**705.6**	**680.9**	**578.7**	**382.0**
Total assets	**708.9**	**685.2**	**581.3**	**393.2**

6.8.1 Non-Current Assets

Non-current assets are comprised of intangible assets, property, plant and equipment, equity-method investments, other financial assets as well as financial receivables.

6.8.1.1 September 30, 2017 Compared to December 31, 2016

Non-current assets decreased by €0.9 million, or 25.6%, from €4.3 million as of December 31, 2016 to €3.2 million as of September 30, 2017 primarily due to a decrease in equity-method investments which are comprised of associates and joint ventures. The decrease of equity-method investments by €1.0 million, or 71.4%, from €1.4 million as of December 31, 2016 to €0.4 million as of September 30, 2017 is mainly attributable to a decrease in the carrying amount of "Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG" due to the distribution of profits by "Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG".

In contrast, property, plant and equipment increased by €0.1 million, or 6.7%, from €1.5 million as of December 31, 2016 to €1.6 million as of September 30, 2017 and other financial assets decreased by €0.1 million, or 14.3%, from €0.7 million as of December 31, 2016 to €0.6 million as of September 30, 2017.

6.8.1.2 December 31, 2016 Compared to December 31, 2015

Non-current assets increased by €1.7 million, or 65.4%, from €2.6 million as of December 31, 2015 to €4.3 million as of December 31, 2016, primarily due to an increase in equity-method investments which are comprised of associates and joint ventures. The increase of equity-method investments as of December 31, 2016 is mainly attributable to an increase in the carrying amount of the associate company "Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG" in the amount of €1.4 million due to the acquisition of land plots. In addition, the non-current financial receivables attributable to associated companies increased to €0.7 million.

6.8.1.3 December 31, 2015 Compared to December 31, 2014

Non-current assets decreased by €8.6 million, or 76.8%, from €11.2 million as of December 31, 2014 to €2.6 million as of December 31, 2015, primarily due to a decrease of equity-method investments as of December 31, 2016 attributable to the disposal of land plots by Instone's associate company "Wohnentwicklung Theresienstraße GmbH & Co. KG" in the amount of €8.8 million.

In contrast, property, plant and equipment increased by €0.3 million, or 23.1%, from €1.3 million to €1.6 million and other financial assets increased by €0.5 million, or 125.0%, from €0.4 million to €0.9 million as of December 31, 2015.

6.8.2 *Current Assets*

Current assets include inventories, financial receivables, trade receivables, other receivables and assets that can be readily converted to cash, current income tax assets as well as cash and cash equivalents.

6.8.2.1 *Inventories*

The following table provides an overview of Instone's inventories as of the dates indicated:

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)	
Materials and supplies	–	–	–	0.0
Work in progress(1)(2)	567.1	537.6	405.5	233.0
Finished goods	5.4	5.1	9.9	–
Total	**572.6**	**542.7**	**415.5**	**233.0**

(1) Subject to restrictions under project financing agreements in the amount of €254.3 million in 2016, €161.2 million in 2015 and €35.1 million in 2014.

(2) Comprises "capitalization of land plots" and "work in progress inventories" in the notes to the financial statements printed on pages F-1 et. seq. in the Prospectus and in the Net Working Capital table (see "*5.4 Alternative Performance Measures*").

6.8.2.1.1 *September 30, 2017 Compared to December 31, 2016*

Inventories increased by €29.9 million, or 5.5%, from €542.7 million as of December 31, 2016 to €572.6 million as of September 30, 2017 primarily due to the acquisition and capitalization of land plots, partially offset by a decrease in work in progress inventories.

6.8.2.1.2 *December 31, 2016 Compared to December 31, 2015*

Inventories increased by €127.2 million, or 30.6%, from €415.5 million as of December 31, 2015 to €542.7 million as of December 31, 2016. This increase was primarily due to the acquisition of additional land plots or properties, partially offset by a decrease in work in progress inventories.

In addition, borrowing costs capitalized under cost of production shown under inventories increased by €2.3 million, or 47.9%, from €4.8 million as of December 31, 2015 to €7.1 million as of December 31, 2016. This mainly results from project financing based on individual contracts with external lenders.

6.8.2.1.3 *December 31, 2015 Compared to December 31, 2014*

Inventories increased by €182.5 million, or 78.3%, from €233.0 million as of December 31, 2014 to €415.5 million as of December 31, 2015. This significant increase was primarily attributable to the acquisition of Instone Leipzig, which contributed €184.4 million to such increase of inventories of which €108.3 million related to a recorded value step.

In addition, borrowing costs capitalized under cost of production shown under inventories increased by €4.6 million from €0.2 million as of December 31, 2014 to €4.8 million as of December 31, 2015. This was mainly due to interest expenses that were capitalized in 2015, while Instone was still financed under the cash pooling arrangement with HOCHTIEF Solutions AG in 2014.

6.8.2.2 *Trade Receivables*

The following table provides an overview of Instone's trade receivables as of the dates indicated:

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)	
Amount due from customers for contract work (PoC)	0.0	13.6	242.5	216.0
Progress payments received[(1)]	–	(10.3)	(151.1)	(122.9)
	0.0	**3.4[(1)]**	**91.4[(1)]**	**93.0[(1)]**
Other trade receivables	11.4	15.7	18.2	20.8
Trade receivables from non-consolidated subsidiaries	–	0.5	0.6	1.6
Total	**11.4**	**19.6**	**110.2**	**115.4**

(1) Relates to customer contracts accounted for under the percentage of completion method.

If projects are accounted for under the percentage of completion method, capitalized land plots and work-in progress inventories accounted for under inventories (i.e. prior to the sale of units) are accounted for as trade receivables if contract costs and Anticipated Gross Project Margin for units sold exceed progress payments received. If progress payments exceed contract costs and Anticipated Gross Project Margin for units sold, the projects are accounted for as trade payables. To the extent projects have not been sold, project development progress is accounted for under work in progress inventories. Under the completed contract method, progress of Instone's project developments is not accounted for as trade receivables but as work-in-progress inventories until delivery of the residential units. Progress payments received for projects accounted for under the completed contract method are booked at their gross value (payments received) as trade payables and are not netted against inventories (or receivables).

6.8.2.2.1 September 30, 2017 Compared to December 31, 2016

Trade receivables decreased by €8.2 million, or 41.8%, from €19.6 million as of December 31, 2016 to €11.4 million as of September 30, 2017 primarily due to the change of the form of Instone Development's customer contracts and the resulting change in the accounting treatment for Instone Development's projects in accordance with the completed contract method. As a result thereof, progress of Instone Development's project developments is not accounted for as trade receivables but in inventories.

6.8.2.2.2 December 31, 2016 Compared to December 31, 2015

Trade receivables decreased by €90.6 million, or 82.2%, from €110.2 million as of December 31, 2015 to €19.6 million as of December 31, 2016, primarily due to the change of the form of Instone Development's customer contracts and the resulting change in the accounting treatment for Instone Development's projects in accordance with the completed contract method.

The amounts due from customers for contract work (including margin) amounted to €13.6 million as of December 31, 2016, a significant decrease by €228.9 million compared to €242.5 million as of December 31, 2015. As of December 31, 2016, a total of €10.3 million of progress payments received (compared to €151.1 million as of December 31, 2015) were offset against amounts due from customers for contract work of €13.6 million. Thus, the balance as of December 31, 2016 was €3.4 million, a decrease by €88 million, or 96.3%, from €91.4 million as of December 31, 2015. This was primarily due to the change of the form of Instone Development's customer contracts and the resulting change in the accounting treatment for Instone Development's projects in accordance with the completed contract method. As a result, progress of Instone Development's project developments is not accounted for as trade receivables but in inventories.

6.8.2.2.3 December 31, 2015 Compared to December 31, 2014

Trade receivables decreased by €5.2 million, or 4.5%, from €115.4 million as of December 31, 2014 to €110.2 million as of December 31, 2015, primarily due to a less active acquisition phase in the financial years 2013 and 2014 as well as the change of the form of Instone Development's customer contracts and the resulting change in the accounting treatment for Instone Development's projects in accordance with the completed contract method in the financial year 2015.

The amounts due from customers for contract work (including margin) amounted to €242.5 million as of December 31, 2015, an increase by €26.5 million, or 12.3%, compared to €216.0 million as of December 31, 2014. They also include capitalized borrowing costs in the amount of €3.3 million (as compared to €1.2 million as of December 31, 2014) resulting from project financing based on individual contracts with external lenders. As of December 31, 2015, a total of €151.1 million of progress payments received (compared to €122.9 million in financial year ended December 31, 2014) were offset against amounts due from customers for contract work. Thus, the balance as of December 31, 2015 was €91.4 million, a slight decrease by €1.6 million, or 1.8%, from €93.0 million as of December 31, 2014.

6.8.2.3 Other Receivables and Other Assets

The following table provides an overview of Instone's other receivables and other assets as of the dates indicated:

	As of September 30,	As of December 31,		
	2017	**2016**	**2015**	**2014**
	(unaudited) **(in € million)**		**(audited)** **(in € million)**	
Tax receivables	3.0	2.8	2.2	0.3
Prepaid expenses	0.6	0.9	0.6	0.5
Prepayments on land	3.8	0.8	8.8	3.1
Loans and receivables	–	0.5	4.1	1.2
Other	0.9	0.6	0.9	0.1
Total	**8.3**	**5.6**	**16.6**	**5.2**

6.8.2.3.1 September 30, 2017 Compared to December 31, 2016

Other receivables and other assets increased by €2.7 million, or 48.2%, from €5.6 million as of December 31, 2016 to €8.3 million as of September 30, 2017 primarily due to significantly higher prepayments on land amounting to €3.8 million as of September 30, 2017 compared to €0.8 million as of December 31, 2016.

6.8.2.3.2 December 31, 2016 Compared to December 31, 2015

Other receivables and other assets decreased by €11.0 million, or 66.3%, from €16.6 million as of December 31, 2015 to €5.6 million as of December 31, 2016, primarily due to significantly lower prepayments on land in the amount of €0.8 million as of December 31, 2016 compared to €8.8 million as of December 31, 2015. The result was further influenced by a decrease in loans and receivables in the amount of €0.5 million as of December 31, 2016 compared to €4.1 million as of December 31, 2015.

6.8.2.3.3 December 31, 2015 Compared to December 31, 2014

Other receivables and other assets increased by €11.4 million, or 219.2%, from €5.2 million as of December 31, 2014 to €16.6 million as of December 31, 2015, primarily due to higher payments on land amounting to €8.8 million as of December 31, 2015 as compared to €3.1 million as of December 31, 2014. The result was further influenced by an increase in loans and receivables in the amount of €4.1 million as of December 31, 2015 compared to €1.2 million as of December 31, 2014.

6.8.2.4 Cash and Cash Equivalents

6.8.2.4.1 September 30, 2017 Compared to December 31, 2016

Cash and cash equivalents remained stable at €112.5 million as of December 31, 2016 compared to €110.7 million as of September 30, 2017.

6.8.2.4.2 December 31, 2016 Compared to December 31, 2015

Cash and cash equivalents increased by €76.6 million, or 213.4%, from €35.9 million as of December 31, 2015 to €112.5 million as of December 31, 2016, primarily due to development activities and corresponding progress payments from customers in the amount of €57.5 million at the level of Instone Development out of which the vast majority of projects originated from HOCHTIEF Solutions AG. The result was further influenced by an increase in development activities and corresponding progress payments from customers at Instone Leipzig which resulted in an increase in cash and cash equivalents in the amount of €15.8 million.

6.8.2.4.3 December 31, 2015 Compared to December 31, 2014

Cash and cash equivalents increased by €10.8 million, or 43.0%, from €25.1 million as of December 31, 2014 to €35.9 million as of December 31, 2015, primarily due to an increase in sales of development projects and corresponding progress payments from customers in the amount of €6.5 million mainly resulting from the consolidation of Instone Leipzig for the first time as at December 31, 2015 as well as an increase in development activities and corresponding progress payments from customers which resulted in an increase in cash and cash equivalents in the amount of €2.5 million at Instone Development.

6.9 Liabilities

The following table provides an overview of Instone's liabilities as of the dates indicated:

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)	
Liabilities				
Non-current liabilities				
Provisions for pensions and similar obligations...	4.5	4.1	2.4	2.1
Other provisions..	12.8	12.4	4.5	3.0
Financial liabilities..	338.8	300.9	299.0	214.2
Other liabilities	–	–	0.3	–
Deferred tax liabilities	16.5	23.4	36.3	11.2
Total non-current liabilities	**372.6**	**340.9**	**342.5**	**230.6**
Current liabilities				
Other provisions..	33.3	25.6	20.2	16.8
Financial liabilities..	58.0	81.6	65.6	32.2
Trade payables..	248.5	215.2	99.0	79.2
(*thereof percentage of completion payables*).......	–	–	(0.5)	(5.8)
Other liabilities	6.2	13.1	16.2	2.4
Income tax liabilities...	1.4	6.2	2.0	–
Total current liabilities.....................................	**347.3**	**341.7**	**203.0**	**130.6**
Total liabilities...	**719.9**	**682.6**	**545.5**	**361.2**

6.9.1 Financial Liabilities

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)	
Liabilities to banks	237.8	151.9	134.4	74.4
Liabilities to third parties....................................	–	52.4	74.0	82.4
Liabilities to shareholders...................................	101.0	96.6	90.6	57.4
Total non-current financial liabilities	**338.8**	**300.9**	**299.0**	**214.2**
Liabilities to banks	36.3	45.3	39.9	21.0
Liabilities to third parties....................................	21.7	36.3	25.7	11.2
Liabilities to shareholders...................................	0.0	0.0	0.0	0.0
Total current financial liabilities	**58.0**	**81.6**	**65.6**	**32.2**
Total Financial Liabilities	**396.8**	**382.5**	**364.6**	**246.4**

6.9.1.1 *<u>September 30, 2017 Compared to December 31, 2016</u>*

Financial liabilities increased by €14.3 million, or 3.7%, from €382.5 million as of December 31, 2016 to €396.8 million as of September 30, 2017 primarily due to an increase of non-current financial liabilities to banks in the first nine-month period of 2017.

Non-current financial liabilities increased by €37.9 million, or 12.6%, from €300.9 million as of December 31, 2016 to €338.8 million as of September 30, 2017. This was primarily due to an increase of liabilities to banks by €85.9 million, or 56.6%, from €151.9 million as of December 31, 2016 to €237.8 million as of September 30, 2017 resulting from the promissory note loan agreements (*Schuldscheindarlehensverträge*) entered into in July 2017 with an aggregate volume of €66.9 million (plus an increase of €3.1 million) (for further information on the promissory note loan agreements, see "*8.7.1 Promissory Note Loans (Schuldscheindarlehen)*") as well as other project-related financing. Non-current financial liabilities were furthermore influenced by an increase of liabilities to shareholders by €4.4 million, or 4.6%, from €96.6 million as of December 31, 2016 to €101.0 million as of September 30, 2017. In contrast, liabilities to third parties decreased from €52.4 million as of December 31, 2016 to €0.0 million as of September 30, 2017 due to the repayment of the mezzanine financing received from Stornoway S.à r.l. amounting to €50.0 million and accrued interests in the amount of €2.4 million.

Current financial liabilities decreased by €23.6 million, or 28.9%, from €81.6 million as of December 31, 2016 to €58.0 million as of September 30, 2017. This was primarily due to a decrease of current financial liabilities to banks from €45.3 million as of December 31, 2016 to €36.3 million as of September 30, 2017 as well as a decrease of liabilities to third parties from €36.3 million as of December 31, 2016 to €21.7 million as of September 30, 2017. This decrease was primarily due to the repayment of such current liabilities as customer payments for the corresponding projects were made and a higher level of new non-current financial liabilities for new projects.

6.9.1.2 *<u>December 31, 2016 Compared to December 31, 2015</u>*

Financial liabilities increased by €17.9 million, or 4.9%, from €364.6 million as of December 31, 2015 to €382.5 million as of December 31, 2016, primarily due to a significant increase of current liabilities, including an increase of current liabilities to third parties in the amount of €10.6 million as well as an additional increase of current liabilities to banks by €5.4 million. Non-current and current financial liabilities to banks consisted of loans from various banks with fixed and variable interest rates.

Non-current financial liabilities increased by €1.9 million, or 0.6%, from €299.0 million as of December 31, 2015 to €300.9 million as of December 31, 2016. While the aggregate amount of non-current financial liabilities only reflects a slight increase, non-current financial liabilities were partially refinanced as of December 31, 2016. Non-current liabilities to Instone Development's former shareholder, HOCHTIEF Solutions AG, relating to a put option were fully redeemed as of December 31, 2016, resulting in a decrease of non-current liabilities to third parties by €21.6 million, or 29.2%, from €74.0 million as of December 31, 2015 to €52.4 million (including accrued interests) as of December 31, 2016. Non-current liabilities to third parties in the amount of €52.4 million primarily result from a mezzanine financing received from Stornoway S.à r.l. amounting to €50.0 million and accrued interests of €2.4 million which remained unchanged compared to the financial year 2015. In contrast, the liabilities to banks increased by €17.5 million to €151.9 million, as did liabilities to shareholders by €6.0 million to €96.6 million. Non-current liabilities to shareholders primarily result from shareholders loan of which €61.7 million Coöperatieve Activum III and an amount of €30.7 million to Coöperatieve Formart. Furthermore, non-current financial liabilities to shareholders included a loan free of interest extended by Steffen Göpel of a par value of €5.1 million, discounted on the basis of a prevailing market rate of interest for similar instruments with a similar credit rating, resulting in a fair value of €4.2 million.

Current financial liabilities increased by €16.0 million, or 24.4%, from €65.6 million as of December 31, 2015 to €81.6 million as of December 31, 2016 which is primarily due to the re-classification of the third tranche of the put option due in 2017 in the amount of €10.8 million as current liabilities to third parties. Accordingly, current financial liabilities to third parties increased to €36.3 million as of December 31, 2016 as compared to €25.7 million as of December 31, 2015. In addition, current liabilities to banks rose from €39.9 million as of December 31, 2015 to €45.3 million as of December 31, 2016 due to new borrowings from project-related financing.

6.9.1.3 *December 31, 2015 Compared to December 31, 2014*

Financial liabilities increased by €118.2 million, or 48.0%, from €246.4 million as of December 31, 2014 to €364.6 million as of December 31, 2015, primarily due to an increase of non-current and current financial liabilities to banks resulting from an increased development activity at the level of both Instone Development and Instone Leipzig and the first time consolidation of Instone Leipzig.

Non-current financial liabilities increased by €84.8 million, or 39.6%, from €214.2 million as of December 31, 2014 to €299.0 million as of December 31, 2015. Non-current liabilities to Instone Development's former shareholder, HOCHTIEF Solutions AG, relating to a put option were partially redeemed as of December 31, 2015, which primarily influenced the decrease of non-current liabilities to third parties by €8.4 million from €82.4 million as of December 31, 2014 to €74.0 million as of December 31, 2015. Non-current liabilities to third parties in the amount of €74.0 million primarily result from a mezzanine financing received from Stornoway S.à r.l. amounting to €50.0 million and accrued interests of €2.4 million which remained basically unchanged compared to the financial year 2014. In contrast, the non-current liabilities to banks increased by €60.0 million to €134.4 million, as did non-current liabilities to shareholders by €33.2 million to €90.6 million. The increase in non-current liabilities to banks was primarily influenced by the consolidation of Instone Leipzig for the first time in the financial year 2015. Furthermore, the increase in non-current liabilities to shareholders primarily results from shareholders loan of which €57.9 million extended from Coöperatieve Activum III and an amount of €28.8 million extended from Coöperatieve Formart in the financial year 2015 in connection with the acquisition of Instone Leipzig. Furthermore, non-current financial liabilities to shareholders included a loan free of interest extended by Steffen Göpel of a par value of €5.1 million, discounted on the basis of a prevailing market rate of interest for similar instruments with a similar credit rating, resulting in a fair value of €3.9 million.

Current liabilities increased by €33.4 million, or 103.7%, from €32.2 million as of December 31, 2014 to €65.6 million as of December 31, 2015 which is primarily due to higher business activities and the corresponding take up of project-related financing. Current financial liabilities to third parties increased to €25.7 million as of December 31, 2015 as compared to €11.2 million as of December 31, 2014. In addition, current liabilities to banks rose from €21.0 million as of December 31, 2014 to €39.9 million as of December 31, 2015 due to new borrowings from project-related financing.

6.9.1.4 *Maturity Analysis of Financial Liabilities*

The following table summarizes the contractual payments relating to financial liabilities of Instone as of December 31, 2016:

	Carrying amount	**Cash outflows**		
	As of December 31, 2016	**2017**	**2018-2020**	**>2020**
		(audited) (in € million)		
Non-derivative financial liabilities				
Financial liabilities	382.5	145.1	268.1	–
Trade payables	215.2	215.2	–	–
Total	**597.7**	**360.3**	**268.1**	

The following table summarizes the contractual payments relating to financial liabilities of Instone as of December 31, 2015:

	Carrying amount	**Cash outflows**		
	As of December 31, 2015	**2016**	**2017-2019**	**>2019**
		(audited) (in € million)		
Non-derivative financial liabilities				
Financial liabilities	364.6	83.2	292.4	38.9
Trade payables	99.0	99.0	–	–
Total	**463.6**	**182.2**	**292.4**	**38.9**

The following table summarizes the contractual payments relating to financial liabilities of Instone as of December 31, 2014:

	Carrying amount	Cash outflows		
	As of December 31, 2014	2015	2016-2018	>2018
		(audited) (in € million)		
Non-derivative financial liabilities				
Financial liabilities	246.4	34.5	173.1	76.1
Trade payables	79.2	79.2	–	–
Total	**325.6**	**113.7**	**173.1**	**76.1**

6.9.2 Trade payables

The following table provides an overview of Instone's trade payables as of the dates indicated:

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)	
Amount due from customers for contract work (PoC)	–	–	(10.8)	(58.7)
Progress payments received[1]	–	–	11.3	64.6
	–	**–**	**0.5**[1]	**5.8**[1]
Trade payables	41.4	53.6	55.5	62.6
Progress payments received[2]	207.1	161.5	43.0	10.7
	248.5	**215.1**	**98.5**	**73.3**
Payables from non-consolidated subsidiaries	–	0.0	0.0	0.1
Payables from associates	–	–	–	0.0
	248.5	**215.2**	**99.0**	**79.2**

(1) Relates to customer contracts accounted for under the percentage of completion method.
(2) Relates to customer contracts accounted for under the completed contract method.

For projects accounted for under the percentage of completion method, capitalized land plots and work-in progress inventories accounted for under inventories (*i.e.*, prior to the sale of units) are accounted for as trade payables if progress payments exceed contract costs and Anticipated Gross Project Margin for units sold.

If contract costs and Anticipated Gross Project Margin for units sold exceed progress payments received, the projects are accounted for as trade receivables. Amounts due from customers for contract work (PoC) are netted in each case against the progress payments received for projects accounted for under the percentage of completion method. To the extent projects have not been sold, project development progress is accounted for under work in progress inventories. Under the completed contract method, progress payments received are booked at their gross value (payments received) as trade payables. Development progress is not accounted for as trade receivables but as work-in-progress inventories until delivery of the residential units. Trade payables are not netted against inventories (or receivables) under the completed contract method.

6.9.2.1 September 30, 2017 Compared to December 31, 2016

Trade payables increased by €33.3 million, or 15.5%, from €215.2 million as of December 31, 2016 to €248.5 million as of September 30, 2017 primarily due to higher progress payments received in the amount of €207.1 million as of September 30, 2017 compared to €161.5 million as of December 31, 2016. Trade payables as of September 30, 2017 were furthermore influenced by increased business activities.

6.9.2.2 December 31, 2016 Compared to December 31, 2015

Trade payables increased significantly by €116.2 million, or 117.4%, from €99.0 million as of December 31, 2015 to €215.2 million as of December 31, 2016, primarily due to the change of the form of Instone Development's customer contracts resulting in a different accounting treatment of Instone Development's projects in accordance with the completed contract method.

As of December 31, 2016, progress payments received amounted to €161.5 million, a significant increase by €118.5 million, or 275.6%, from €43.0 million as of December 31, 2015. Under the percentage of completion method, the balance of the amount due from customers for contract work less progress prepayments received as of December 31, 2015 amounted to €0.5 million as a result of progress payments received exceeding the cost of production including margin.

6.9.2.3 *December 31, 2015 Compared to December 31, 2014*

Trade payables increased by €19.8 million, or 25.0%, from €79.2 million as of December 31, 2014 to €99.0 million as of December 31, 2015, primarily due to the change of the form of Instone Development's customer contracts resulting in a different accounting treatment of Instone Development's projects in accordance with the completed contract method.

As of December 31, 2015, the balance of the amount due from Instone Development's customers for contract work less progress prepayments received under the percentage of completion method decreased by €5.3 million, or 91.4%, from €5.8 million as of December 31, 2014 to €0.5 million as of December 31, 2015. This balance included accounts payable to customers from construction contracts where the progress payments received exceed the cost of production including margin. Due to the change of the form of Instone Development's customer contracts resulting in a different accounting treatment of Instone Development's projects, progress payments received under the completed contracts method increased significantly by €32.3 million from €10.7 million as of December 31, 2014 to €43.0 million as of December 31, 2015.

6.10 Equity

The following table provides an overview of Instone's equity as of the dates indicated:

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(unaudited) (in € million)		(audited) (in € million)	
Equity				
Share capital[(1)]	0.0	0.0	0.0	0.0
Capital reserve	37.4	37.4	37.4	21.0
Retained earnings / loss carryforwards	(48.7)	(35.5)	(13.1)	11.1
Accumulated other comprehensive income	(1.3)	(1.3)	(0.1)	(0.2)
Equity attributable to shareholders	**(12.5)**	**0.7**	**24.2**	**31.9**
Non-controlling interests	1.5	2.0	11.5	0.0
Total equity	**(11.0)**	**2.7**	**35.7**	**32.0**

(1) As of September 30, 2017, December 31, 2016 and as of December 31, 2015, the share capital amounted to €8,386. As of December 31, 2014, the share capital amounted to €7,500.

6.10.1 September 30, 2017 Compared to December 31, 2016

Equity decreased by €13.7 million from €2.7 million as of December 31, 2016 to negative €11.0 million as of September 30, 2017 primarily due to an increase of loss carryforwards by €13.2 million, or 37.2%, from €35.5 million as of December 31, 2016 to €48.7 million as of September 30, 2017. Equity as of September 30, 2017 was furthermore influenced by a slight decrease of non-controlling interests by €0.5 million, or 25.0%, from €2.0 million as of December 31, 2016 to €1.5 million as of September 30, 2017.

As of September 30, 2017, the share capital amounted to €8,386 and was held by Coöperatieve Activum III (59.6%), Coöperatieve Formart (29.8%) and Steffen Göpel (10.6%). There was no increase in the Company's share capital in the nine-month period ending September 30, 2017. As of September 30, 2017, the capital reserve remained unchanged at €37.4 million.

6.10.2 December 31, 2016 Compared to December 31, 2015

Equity decreased by €33.0 million, or 92.4%, from €35.7 million as of December 31, 2015 to €2.7 million as of December 31, 2016 primarily due to a significant increase in loss carryforwards as well as a slight increase in Accumulated other comprehensive income.

As of December 31, 2016, the share capital amounted to €8,386 and was held by Coöperatieve Activum III (59.6%), Coöperatieve Formart (29.8%) and Steffen Göpel (10.6%). There was no increase in the Company's share capital in the financial year 2016.

As of December 31, 2016, the capital reserve in the amount of €37.4 million was due to additional shareholder contributions as share premium on the share capital. There was no increase in the Company's capital reserve in the financial year 2016.

As of December 31, 2016, the loss carryforwards increased from negative €13.1 million by €22.4 million, or 171.0%, to negative €35.5 million. This result was mainly due to a decision of the shareholders to allocate the result of €22.4 million (earnings after tax) for the financial year 2016 to the loss carryforwards.

Furthermore, non-controlling interests decreased from €11.5 million by €9.5 million, or 82.6%, to €2.0 million as of December 31, 2016. These changes relate to several entities of Instone Leipzig (GRK Holding GmbH, Leipzig and GRK REVION Hamburg GmbH, Leipzig) which were acquired in connection with the acquisition of Instone Leipzig with effect from December 10, 2015 and consolidated as from that date for the period ended December 31, 2015. Additionally, Instone Development acquired 47% of the shares in GRK Beteiligung GmbH which resulted in a decrease of non-controlling interest by €9.6 million in the financial year 2016.

6.10.3 December 31, 2015 Compared to December 31, 2014

Equity increased by €3.7 million, or 11.6%, from €32.0 million as of December 31, 2014 to €35.7 million as of December 31, 2015, primarily due to an increase in capital reserves in the amount of €16.4 million which was partially offset by a significant increase in loss carryforwards in the amount of negative €24.2 million.

As of December 31, 2015, the share capital was increased by a nominal amount of €886 from €7,500 to €8,386 to issue these €886 to Steffen Göpel as part of the consideration for the partial sale of his shares in Instone Leipzig.

As of December 31, 2015, the capital reserve amounted to €37.4 million due to additional shareholder contributions made as share premium in connection with the share capital increase. This is an increase by €16.4 million, or 78.1%, from €21.0 million as of December 31, 2014.

As of December 31, 2015, the loss carryforwards amounted to negative €13.1 million, a decrease by €24.2 million compared to €11.1 million of retained earnings as of December 31, 2014. This result was mainly due to a decision of the shareholders to allocate the result of €22.4 million (earnings after tax) for the financial year 2014 to the loss carryforwards.

Furthermore, non-controlling interests increased by €11.5 million from €0.0 as of December 31, 2014 to €11.5 million as of December 31, 2015. These changes relate to several entities of Instone Leipzig (GRK Holding GmbH, GRK Beteiligung GmbH and GRK REVION Hamburg GmbH) which were acquired in connection with the acquisition of Instone Leipzig with effect from December 10, 2015 and consolidated as from that date for the period ended December 31, 2015.

6.11 Liquidity and Capital Resources

Cash flows from operating activities are one of the main sources of liquidity for Instone, amounting to €93.8 million in the financial year 2016 (negative €15.9 million in the financial year 2015 and negative €11.4 million in the financial year 2014). In addition, sales proceeds generally exceed the liabilities related to the residential units sold and therefore provide a liquidity contribution. Instone has also received financing from banks and the Existing Shareholders, which is included in cash flows from financing activities.

6.11.1 Consolidated Statement of Cash Flows

The following table shows Instone's consolidated statements of cash flows for the nine-month period ended September 30, 2017 and September 30, 2016 and the years ended December 31, 2016, December 31, 2015 and December 31, 2014 based on Instone's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017 and audited consolidated financial statements as of and for the financial years ended December 31, 2016, December 31, 2015 and December 31, 2014.

	For the nine-month period ended September 30,		For the financial year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited) (in € million)			(audited) (in € million)	
Consolidated earnings	**(13.0)**	**(25.7)**	**(22.2)**	**(22.4)**	**10.8**
Depreciation and amortization	(0.3)	0.3	0.4	0.5	0.1
Increase (decrease) of provisions	8.5	6.8	15.0	7.3	3.9
Increase (decrease) of deferred taxes	(6.9)	(5.5)	(12.9)	(7.2)	(1.5)
Decrease (increase) of equity carrying amounts	1.1	(1.4)	(1.3)	0.4	8.2
Other non-cash income and expenses	10.7	15.8	23.5	3.2	(12.6)
Profit (loss) on disposals of property, plant and equipment	–	(0.0)	0.0	0.2	–
Decrease (increase) of inventories, trade receivables and other assets	(26.5)	36.3	(25.6)	(2.6)	1.5
Increase (decrease) of trade payables and other liabilities	26.4	13.1	116.9	4.7	(21.8)
Cash flow from operating activities	**(0.2)**	**39.3**	**93.8**	**(15.9)**	**(11.4)**
Income taxes paid	(4.9)	–	(6.2)	(0.1)	(0.0)
Net cash flow from operating activities	**(5.1)**	**39.3**	**87.7**	**(15.9)**	**(11.4)**
Proceeds from disposals of property, plant and equipment	1.0	0.0	0.0	0.2	–
Purchase of property, plant and equipment	(0.4)	(0.3)	(0.4)	(1.2)	–
Purchase of intangible assets	–	(0.0)	–	–	–
Proceeds from disposals of non-current financial assets	–	0.3	0.3	–	–
Payments for acquisition of shares in consolidated companies	(22.5)	(18.4)	(22.0)	(57.7)	(120.7)
Receipts from the disposal of subsidiaries	–	0.2	0.2	7.5	0.0
Payments for acquisition of shares in non-consolidated subsidiaries	–	–	(0.0)	–	–
Interest received	–	0.1	0.1	–	–
Cash flow from investing activities	**(21.9)**	**(18.2)**	**(21.8)**	**(51.2)**	**(120.7)**
Increase of issued capital	–	–	–	–	0.0
Contributions to the capital reserve	–	–	–	12.0	21.0
Cash proceeds from shareholder loans	–	–	–	25.1	56.4
Cash proceeds from borrowings	105.6	67.0	64.4	70.8	82.3
Cash repayments of borrowings	(69.3)	(36.7)	(38.3)	(13.7)	–
Interest paid	(11.3)	(13.8)	(17.6)	(15.8)	(2.5)
Cash flow from financing activities	**25.0**	**16.4**	**8.5**	**78.4**	**157.2**
Increase (decrease) in cash and cash equivalents	**(1.9)**	**37.6**	**74.3**	**11.2**	**25.1**
Net foreign exchange differences and changes in group structure	–	–	2.3	(0.4)	–
Cash and cash equivalents at the beginning of period	112.5	35.9	35.9	25.1	–
Cash and cash equivalents at the end of period	**110.7**	**73.5**	**112.5**	**35.9**	**25.1**

6.11.1.1 Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016

6.11.1.1.1 Cash Flow from Operating Activities

Net cash flow from operating activities decreased by €44.1 million from €39.3 million in the nine-month period ended September 30, 2016 to negative €5.1 million in the nine-month period ended September 30, 2017. This was primarily related to an increase in inventories, trade receivables and other assets amounting to €26.5 million in the nine-month period ended September 30, 2017 as a result of significantly less deliveries of completed units during this period, while in the financial year 2016, Instone had a significant cash inflow due to the delivery of a much larger number of completed units in the first nine months of financial year 2016.

Trade payables increased by €33.3 million, or 15.5%, from €215.2 million as of December 31, 2016 to €248.5 million as of September 30, 2017 corresponding to the increase of progress payments received from customers. Trade receivables declined by €8.2 million, or 41.8%, from €19.6 million to €11.4 million due to a lower number of residential units accounted for under the percentage of completion method in the nine-month period ended September 30, 2017.

6.11.1.1.2 Cash Flow from Investing Activities

Cash flow from investing activities decreased by €3.7 million, or 20.3%, from negative €18.2 million in the nine-month period ended September 30, 2016 to negative €21.9 million in the nine-month period ended September 30, 2017 primarily due to higher payments for acquisition of shares in consolidated companies that amounted to €22.5 million in the nine-month period ended September 30, 2017 when compared to €18.4 million in the nine-month period ended September 30, 2016. Out of these higher payments for acquisition of shares in consolidated companies, an amount of €22.5 million related to the exercise of the third put option relating to the shares in Instone Development. In addition, cash flow from investing activities in the nine-month period ended September 30, 2017 was influenced by proceeds from disposals of property, plant and equipment in the amount of €1.0 million.

6.11.1.1.3 Cash Flow from Financing Activities

Cash flow from financing activities increased by €8.6 million, or 52.4%, from €16.4 million in the nine-month period ended September 30, 2016 to €25.0 million in the nine-month period ended September 30, 2017 primarily due to a significant increase in cash proceeds from borrowings in the amount of €105.6 million resulting from the promissory note loan agreements (*Schuldscheindarlehen*) entered into in July 2017 with an aggregate amount of €66.9 million. This increase was partially offset by an increase in cash repayments of borrowings to €69.3 million in the nine-month period ended September 30, 2017 due to the repayment of a mezzanine loan in the aggregate amount of €52.4 million.

6.11.1.2 Comparison of the Years Ended December 31, 2016 and December 31, 2015

6.11.1.2.1 Cash Flow from Operating Activities

Net cash flow from operating activities increased by €103.6 million from negative €15.9 million in the financial year ended December 31, 2015 to €87.7 million in the financial year ended December 31, 2016. The most significant effect on net cash flow from operating periods is the increase in cash inflow from progress payments received in connection with project development activities booked as increase of trade payables and the decrease in inventories. Trade payables and other liabilities increased by €116.9 million in the financial year ended December 31, 2016. This was partially offset by a cash outflow from an increase in inventories and a decrease in trade receivables and other assets amounting to a total of €25.6 million due to land acquisition costs.

6.11.1.2.2 Cash Flow from Investing Activities

Cash flow from investing activities increased by €29.4 million, or 57.4%, from negative €51.2 million in the financial year ended December 31, 2015 to negative €21.8 million in the financial year ended December 31, 2016, primarily due to lower investments relating to the acquisition of subsidiaries that amounted to €22.0 million in the financial year ended December 31, 2016 when compared to €57.7 million in the financial year ended December 31, 2015.

Of the total investments relating to the acquisition of subsidiaries amounting to €57.7 million in the financial year ended December 31, 2015, €42.8 million related to the acquisition of Instone Leipzig and €11.5

million related to the exercise of the first put option relating to the acquisition of Instone Development. In contrast, the total investments relating to the acquisition of subsidiaries of €22.0 million in the financial year ended December 31, 2016 comprised €11.3 million related to the exercise of the second put option relating to the acquisition of Instone Development and €9.6 million relating to the acquisition of 47% of the shares in GRK Beteiligung GmbH. In addition, cash flow from investing activities in the financial year ended December 31, 2015 was influenced by payments received from the disposal of subsidiaries in the amount of €7.5 million as compared to €0.2 million in the financial year ended December 31, 2016.

6.11.1.2.3 Cash Flow from Financing Activities

Cash flow from financing activities decreased by €69.9 million, or 89.2%, from €78.4 million in the financial year ended December 31, 2015 to €8.5 million in the financial year ended December 31, 2016, primarily due to repayments of borrowings in the amount of €38.3 million in the course of ordinary business activities as well as interest paid in the amount of €17.6 million. The higher interest payments in the financial year ended December 31, 2016 resulted from the additional interests due under the loans taken out for the acquisition of Instone Leipzig. Furthermore, capital reserves decreased from €12.0 million and cash proceeds from shareholder loans decreased from €25.1 million, in each case, to €0.0 million due to the financing of the acquisitions of Instone Development and Instone Leipzig.

6.11.1.3 Comparison of the Years Ended December 31, 2015 and December 31, 2014

6.11.1.3.1 Cash Flow from Operating Activities

Net cash flow from operating activities increased by €4.5 million, or 39.5%, from negative €11.4 million in the financial year ended December 31, 2014 to negative €15.9 million in the financial year ended December 31, 2015. This was primarily due to the repayment of certain funds previously borrowed from third parties and the significant decrease of trade payables and other liabilities in the financial year ended December 31, 2014.

Cash flow from operating activities was furthermore partially influenced by the effects from the change of the form of Instone Development’s customer contracts resulting in a different accounting treatment of Instone Development’s projects the marketing of which commenced on or after August 1, 2015. As a result of this consequential transition from the percentage of completion method to the completed contract method for Instone Development’s standard customer contracts, progress payments received in relation to such project developments are accounted for at their gross value (payments received) and are not netted against trade receivables. This resulted in a decrease of inventories, trade receivables and other assets to €2.6 million, which was partially offset by an increase in trade payables and other liabilities to €4.7 million from customer progress payments in the financial year ended December 31, 2015.

In addition, other non-cash expenses increased due to PPA Effects in connection with the acquisition of Instone Development amounting to €3.2 million in the financial year ended December 31, 2015, while other non-cash income increased to negative €12.6 million in the financial year ended December 31, 2014 due to the value step-up compared to the purchase price for Instone Development which amounted to €20.1 million.

6.11.1.3.2 Cash Flow from Investing Activities

Cash flow from investing activities decreased by €69.5 million, or 57.6%, from negative €120.7 million in the financial year ended December 31, 2014 to negative €51.2 million in the financial year ended December 31, 2015, primarily due to the significantly higher acquisition cost of €120.7 million relating to the acquisition of Instone Development in the financial year ended December 31, 2014 compared to the acquisition cost relating to the acquisition of Instone Leipzig of €42.8 million and to the exercise of the first put option relating to the acquisition of Instone Development in the amount of €11.5 million in the financial year ended December 31, 2015. This was partially offset in the financial year ended December 31, 2015 by receipts from a partial disposal of the land plots acquired for Instone’s development project in Munich, Theresienstraße that amounted to €7.5 million.

6.11.1.3.3 Cash Flow from Financing Activities

Cash flow from financing activities decreased by €78.8 million, or 50.1%, from €157.2 million in the financial year ended December 31, 2014 to €78.4 million in the financial year ended December 31, 2015, primarily due to the significantly lower acquisition cost relating to the acquisition of Instone Leipzig in the financial year ended December 31, 2015 compared to the acquisition cost relating to the acquisition of Instone Development in the financial year ended December 31, 2014. To finance the purchase prices for Instone Development and for Instone Leipzig, Instone used a combination of shareholder loans and other borrowings.

Cash flow from financing activities in the financial year ended December 31, 2015 was furthermore partially influenced by an increase of cash repayments of borrowings under the cash pooling arrangement with HOCHTIEF Solutions AG in the amount of €13.7 million.

6.12 Investments

In the periods under review, Instone's most significant investments were the acquisition of Instone Development and Instone Leipzig including related entities (for a more detailed description of these acquisitions see "*11.3 History of Instone*").

In 2014, Instone invested €131.1 million to acquire 76.0% of the shares in Instone Development from HOCHTIEF Solutions AG. To finance its investment, Instone used the ID Shareholder Loans (see "*8.7.2.1 Financing in Relation to the Acquisition of Instone Development*") amounting to an aggregate amount of €75.7 million and the Mezz-Loan (see "*8.7.3 Upstream Loan and Pledge of Shares*") amounting to €49.3 million and own funds in amount of €6.1 million.

In 2015, Instone's investments of €42.7 million related to the acquisition of Instone Leipzig and related entities and of €11.5 million related to HOCHTIEF Solutions AG's exercise of its first put option relating to the acquisition of Instone Development. To finance its investments, Instone used the IL Shareholder Loans (see "*8.7.2.2 Financing in Relation to the Acquisition of Instone Leipzig*") amounting to an aggregate amount of €25.1 million, the SG Shareholder Loan (see "*8.7.2.3 Financing Provided by Steffen Göpel*") amounting to €3.9 million and own funds in an amount of €25.3 million.

In 2016, Instone's investments of €21.8 million comprised €11.9 million related to HOCHTIEF Solutions AG's exercise of its second put option relating to the acquisition of Instone Development, €9.6 million related to the acquisition of 47% of the shares in GRK Beteiligung GmbH and €0.9 million related to other non-current assets from own funds.

In the first nine months of 2017, Instone's investments amounted to €22.5 million in relation to the exercise of HOCHTIEF Solutions AG's third and final put option relating to the shares in Instone Development.

Instone does not acquire land plots or properties as investment properties in its core business. It develops and sells such land plots or properties following completion of its development activities. Accordingly, its land acquisitions are recorded as inventories in Instone's current assets (see "*6.8.2.1 Inventories*").

Besides the investments described above, Instone has made no firm commitments on any significant ongoing or future investments as of the date of this Prospectus.

6.13 Qualitative and Quantitative Disclosure about Financial Risks

Instone is exposed to a number of financial risks arising from the ordinary course of business, including market risks, credit risks and liquidity risks.

6.13.1 Reporting on Financial Instruments

Financial instruments include financial assets and liabilities as well as contractual claims and obligations relating to exchanges and transfers of financial assets. There are no derivative financial instruments.

Financial assets mostly comprise cash and cash equivalents, receivables and other financial investments. Financial liabilities are mostly current liabilities measured at amortized cost.

The financial instruments held are shown in the balance sheet. The maximum risk of loss or default is equal to total financial assets. Any such risk identified in respect of financial assets is accounted for with an impairment loss.

6.13.2 Risk Management

All finance activities of Instone are conducted on the basis of a group-wide financial directive. This is supplemented by function-specific operating work guidelines on subjects such as collateral management. These policies include principles for dealing with the various classes of financial risk.

Trading, control and settlement activities are divided between front and back offices. This ensures effective risk management where monitoring and settlement of front office external trading activities are performed by a separate and independent back office. Furthermore, the dual control principle must be observed at minimum for all external trading transactions. Internal authorizations to give instructions are strictly limited in number and monetary amount, and are reassessed at regular intervals (at least once a year) and adjusted if necessary.

6.13.3 Management of Liquidity Risk

Instone uses largely centralized liquidity structures to pool liquidity at group level, amongst other things to avoid cash flow bottlenecks at the level of individual entities. The central liquidity position is determined on a monthly basis and calculated in a bottom-up process over a rolling 12-months period. Liquidity budgets are supplemented with monthly stress testing.

The tables detail Instone's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities on the date on which Instone can be required to pay. The tables include both interest and principal cash flow. Interest payments on variable rate items are translated uniformly using the last interest rate fixed prior to the balance sheet date.

The maximum payments shown in the tables below are offset by contractually fixed receipts in the same periods that are not shown here (for example, from trade receivables), which cover the shown cash outflows to a considerable extent.

6.13.4 Maturity Analysis of Financial Liabilities

The following tables summarize the contractual payments relating to financial liabilities of Instone:

	Carrying amount	Cash outflows		
	As of December 31, 2016	2017	2018-2020	>2020
		(audited) (in € million)		
Non-derivative financial liabilities				
Financial liabilities	382.5	145.1	268.1	–
Trade payables	215.2	215.2	–	–
Total	**597.7**	**360.3**	**268.1**	

	Carrying amount	Cash outflows		
	As of December 31, 2015	2016	2017-2019	>2019
		(audited) (in € million)		
Non-derivative financial liabilities				
Financial liabilities	364.6	83.2	292.4	38.9
Trade payables	99.0	99.0	–	–
Total	**463.6**	**182.2**	**292.4**	**38.9**

	Carrying amount	Cash outflows		
	As of December 31, 2014	2015	2016-2018	>2018
		(audited) (in € million)		
Non-derivative financial liabilities				
Financial liabilities	246.4	34.5	173.1	76.1
Trade payables	79.2	79.2	–	–
Total	**325.6**	**113.7**	**173.1**	**76.1**

Instone's liquidity is sufficiently secured, also based on the available cash in hand and bank balances as well as undrawn cash credit lines.

The table below shows the main liquidity instruments:

	December 31,		
	2016	2015	2014
		(audited) (in € million)	
Cash and cash equivalents	112.5	35.9	25.1
Credit line - amount unused	77.2	348.8	64.5
Total	**189.8**	**384.7**	**89.5**

6.13.5 Management of Credit Risks

Instone is exposed to credit risk from operations and from certain financing activities.

Instone performs risk management for operations by continuously monitoring trade receivables at a branch level. If a specific credit risk is detected, it is countered by recognizing an individual impairment to the extent necessary.

The maximum credit risk exposure of financial assets is equivalent to their carrying amounts in the statement of financial position. However, the actual credit risk exposure is lower due to collateral given in favor of Instone. The maximum risk exposure on financial guarantees is the maximum amount that Instone would have to pay. The maximum credit risk for loan commitments is the amount of the commitment. Recourse to these financial guarantees and loan commitments is very unlikely at the time of reporting.

Instone accepts collateral to secure contract performance by subcontractors, subcontractors' warranty obligations, and claims to remuneration. Such collateral includes, without limitation, guarantees relating to warranty obligations, contract performance, advance payments, and payment bonds. Acceptance of collateral is governed by an Instone policy. It includes, without limitation, the contractual drafting, implementation, and management of all agreements. The detailed instructions vary, depending on the country jurisdiction and current case law, for example. For credit risks, Instone examines the credit rating of the party providing the collateral for all guarantees accepted. Instone engages external specialists (such as rating agencies) for assessing credit standings as far as possible. The fair values of accepted collateral are not disclosed as they cannot be measured reliably as a rule.

The age structure of financial assets that are past due is specific to the industry. Receipt of payment depends on order acceptance and invoice checking, which often takes a relatively long time.

Most of these past due unimpaired financial assets are due from contracting authorities with top credit ratings.

The following table shows the past due, unimpaired financial assets:

	December 31, 2016			
	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days
		(audited) (in € million)		
Trade receivables	9.0	0.1	2.3	4.8

	December 31, 2015			
	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days
		(audited) (in € million)		
Trade receivables	13.2	0.5	0.2	4.9

	December 31, 2014			
	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days
		(audited) (in € million)		
Trade receivables	3.6	0.6	0.9	17.2

Individually impaired financial assets are shown below:

	December 31, 2016	December 31, 2015	December 31, 2014
		(audited) (in € million)	
Trade receivables			
Gross amount	13.4	20.3	16.9
Impairment	(6.3)	(8.4)	(14.9)
Net amount	**7.1**	**11.9**	**2.0**

	January 1, 2015	Changes(1)	December 31, 2015	Changes(1)	December 31, 2016
			(audited) (in € million)		
Trade receivables	14.9	(6.5)	8.4	(2.0)	6.3

(1) Changes result from allocations, reversals, utilizations and changes in group structure

With regard to financial assets that are neither past due nor impaired, there are currently no indications of any need to recognise impairments for reasons relating to credit ratings.

6.13.6 Management of Interest Risks

The interest rate risk of Instone at a group level mainly consists of short- and long-term interest-bearing financial assets and liabilities due to fluctuations in market interest rates. Depending on the market situation, this risk is countered by a mix of fixed and variable interest financial instruments. The risk is not controlled separately, as the external borrowings are usually redeemed within a short time by payments of the acquirers.

Changes in the market interest rates of non-derivative financial instruments with a fixed interest rate have an impact on the result only if they are recognized at fair value. For this reason, all fixed-interest financial instruments carried at amortized cost are not subject to interest rate risks as defined by IFRS 7.

As part of a sensitivity analysis, Instone examined the impact of the change in market interest rates in a range of 100 basis points on the earnings after tax. In the financial year 2016, a hypothetical increase/decrease in the market interest rate of 100 basis points, with other variables remaining constant, would result in lower/higher earnings after tax of minus €1.3 million / €1.3 million (prior year: minus €1.1 million / €1.1 million).

6.13.7 Capital Risk Management

Instone manages its capital with the aim of ensuring that all group companies can continue to operate as a going concern. Instone keeps the cost of capital as low as possible by optimizing the balance between equity and debt as the need arises. These measures primarily serve to secure the best possible credit standing as well as to maximize shareholder returns.

Instone's capital structure consists of the current and non-current liabilities less cash and cash equivalents recognised in the balance sheet and the shareholders' equity. Instone's capital structure is assessed at regular intervals, taking into account the risk-adjusted cost of capital.

The overall capital risk management strategy did not change in the years under review compared to previous the comparative periods.

6.14 Significant Accounting Policies

The Company makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates will seldom equal the relevant actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The estimates and assumptions for which there is a significant risk that they may cause a material adjustment to the carrying amounts of assets and liabilities for the upcoming fiscal year are addressed below:

6.14.1 *Basis of consolidation*

Control occurs if the Company as investor has the current ability to direct the relevant activities of the subsidiary. Relevant activities are activities that significantly affect the returns. Furthermore, the Company must participate in these returns in the form of variable returns and must be able to influence them in its favor with the existing possibilities and rights. As a rule, control occurs if a direct or indirect majority of the voting rights are held. In structured enterprises, control may result from contractual arrangements. Material investments in associates are accounted for using the equity method of accounting. Companies will be deemed associates if the Company has a significant influence based on a proportion of voting rights between 20% and 50% or based on contractual arrangements.

6.14.2 *Consolidation policies*

The financial statements of the domestic and foreign entities included in the consolidation are prepared using uniform accounting policies.

Expenses and income as well as liabilities between consolidated companies are eliminated. Intra-group intermediary results are eliminated to the extent that they are not of minor significance. Any impairment losses recognized for consolidated companies in their separate financial statements are reversed.

The same consolidation policies also apply to interests in equity-accounted investees. They comprise both associates and joint ventures of Instone.

6.14.3 *Business combinations*

Instone accounts for business combinations using the acquisition method when control is transferred to it. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. In all other respects, other contingent consideration is measured at fair value at each balance-sheet date, and subsequent changes of the fair value of contingent considerations are recognized in profit or loss.

6.14.4 *Receivables*

The receivables include financial receivables, trade receivables and other receivables. Receivables and other assets are measured at amortized cost, using the effective interest rate method (accounting for factors such as premiums and discounts). An impairment loss is recognized if there is any objective material evidence that a financial asset may be impaired. Impairment losses are recognized according to actual default risk.

Long-term loans included in financial receivables are stated at amortized cost. Loans yielding interest at normal market rates are reported at nominal amounts.

Receivables or payables from specifically negotiated construction contracts are reported in trade receivables and trade payables applying the percentage of completion method in accordance with IAS 11. Under the percentage of completion method, the proportionate result of the percentage of completion method is determined depending on the construction progress and the marketing progress. If cumulative work done (contract costs and contract net profit) of contracts in progress exceeds progress payments received, the construction contract is recognized as an asset in percentage of completion receivables. If a negative balance results after deducting progress payments, it is recognized as an obligation under a construction contract on the liabilities side as liabilities from percentage of completion. Expected contract losses are accounted for on the basis of identifiable risks and immediately fully included in the contract net profit. For completed construction contracts, the contractual proceeds and adjustments and addenda are recognized as contract proceeds in conformity with IAS 11. Receivables and liabilities from construction contracts are realized within one business cycle of Instone. Consequently, they are recognized as current assets or liabilities, even if the realization of the whole construction contract takes a period of more than one year.

6.14.4.1 Inventories

Inventories are assets under construction (work in progress). Inventories are recognized at cost. Cost comprises the production-related full cost. Borrowing costs for inventories that are qualifying assets are capitalized as part of cost. Should the recoverable amount be lower than the capitalized cost at a given balance sheet date, such lower recoverable amount will be recognized. Should the recoverable amount of such inventories subsequently increase, the resulting gain must be recognized. This is done by reducing materials expense.

The inventories of individual major project development measures are broken down into several partial project development measures for reasons of commercial presentation. The breakdown does not affect measurement. With respect to Instone, the respective total project is treated as a special form of measurement unit in current assets. The risks of individual partial project measures may be compensated by the opportunities within other partial projects. An exceeding requirement for impairment is reflected by measuring a provision for contingent losses.

6.14.4.2 Provisions

Provisions are measured for any legal or factual liabilities in relation to third parties existing on the financial statement date which are resulting from past transactions that are likely to lead to an outflow of resources the amount of which may be reliably estimated. The provisions are recognized with their expected settlement amount and not netted with refund claims.

All non-current provisions are accounted for with their expected settlement amount discounted to the financial statement date. Furthermore, any cost increases expected to be incurred by the settlement date are to be taken into account in the calculation of this amount.

As a principle, provisions are reversed against the expense item for which they are made.

Provisions for pensions and similar obligations are recognized for defined benefit plans. They include obligations of the entity for current and future benefits to entitled active and former employees and their surviving dependents. The obligations primarily relate to pension benefits. The individual commitments are measured based on the length of service and salaries of the employees.

For the measurement of provisions for defined benefit plans, the actuarial present value of the respective obligation is taken as basis. It is determined using the projected unit credit method. The projected unit credit method not only includes the pensions and accrued benefits known on the reference date but also salary and pension increased to be expected in the future. This calculation is based on actuarial reports in consideration of biometric calculation methods (mainly the “2005 G Reference Tables” by Klaus Heubeck). The provision results from the balance of the actuarial present value of the obligation and the fair value of the plan assets required to cover the pension obligation. The service cost is included in the personnel expenses. The net interest income is a component of the financial income.

Profits and losses from remeasured net liabilities or net assets are recognized fully in the period during which they arise. They are recognized in equity without affecting profit or loss and not included in the consolidated statement of profit or loss. Also in the subsequent years they will not be recognized in profit and loss.

For defined contribution plans, Instone does not incur any further obligations exceeding the payment of contribution to special-purpose funds. The contribution payments are stated in personnel expenses.

6.14.5 Estimate and assumptions

The preparation of the consolidated financial statements requires estimates and assumptions that may affect the application of accounting principles of Instone, the recognition and measurement. The estimates are based on experience from the past and other knowledge gained of transactions to be accounted for. The actual amounts may vary from these estimates.

Estimates are necessary in particular in the measurement of inventories and amounts due from customers for contract work (PoC), purchase price allocations, the recognition and measurement of deferred tax assets, the recognition of provisions for pensions and other provisions.

7. MARKETS AND COMPETITION

7.1 Markets

Instone is a leading nationwide residential real estate developer in Germany as measured in terms of sqm of secured development projects not yet under construction (*Source: bulwiengesa*). Instone develops modern, urban, multifamily residential properties and redevelops listed buildings for residential use. As of September 30, 2017, Instone's project portfolio comprised 48 projects with an aggregate expected sales volume for fully developed projects of approximately €3.4 billion. As of that date, approximately 93% of Instone's portfolio (by expected sales volume for fully developed projects) was located in Germany's key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg)) and 7% in other prospering medium-sized cities.

Instone's business is highly dependent on the German residential real estate market which is influenced by general macroeconomic and demographic trends that have contributed to its long-term position of structural undersupply. Furthermore, Instone strongly benefits from highly favorable real estate market conditions in the key growth regions in which Instone primarily operates.

7.1.1 General Macroeconomic Developments in Germany

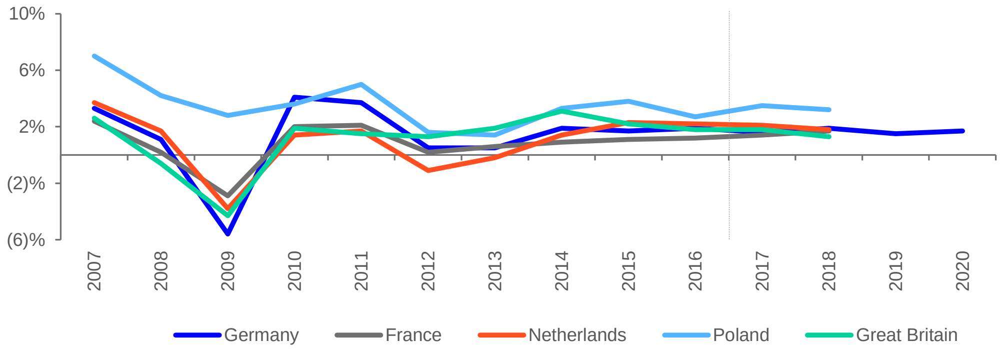
7.1.1.1 Gross Domestic Product

Germany has an advanced, diversified and competitive economy. Germany is Europe's largest economy with a Gross Domestic Product ("**GDP**") in 2016 of €3.1 trillion, or 21.1%, of the EU's total GDP in 2016 (*Source: Eurostat, Share of EU GDP*). Germany also has one of the highest GDP per capita (€38.1 thousand) in Europe (*Source: Destatis, Gross Domestic Product*). Notably, in 2016 Germany achieved the highest budget surplus since reunification amounting to €23.7 billion, which equates to a 0.8% ratio of general government debt to GDP under the Maastricht criteria (*Source: Destatis, Press Release No. 063*).

Despite current economic and political challenges in Europe, such as the outcome of the United Kingdom's referendum to leave the EU in 2016 and the subsequent initiation of the exit proceedings expected to result in the United Kingdom leaving the EU at the end of March 2019 (commonly referred to as "**Brexit**"), Germany's economy has proven to be relatively resilient. In 2016, the German economy reported growth of 1.9% (price-adjusted) compared to 2015 (*Source: Destatis, Press Release No. 10*). Germany's economic growth in 2016 corresponded to the European Union average (1.9%), but was still higher compared to the United Kingdom (1.8%), France (1.2%) and Italy (0.9%) (*Source: Eurostat, Annual National Accounts*). Looking forward, the German economy is expected to show a growth rate of 1.9% in 2017 and 1.7% in 2018 (*Source: Organisation for Economic Co-operation and Development (OECD)*). Similarly, the European Commission expects the German economy to grow 1.6% in 2017 and 1.9% in 2018 (*Source: European Commission, Winter 2017 Economic Forecast Germany*). In this context, uncertainty associated with the direction of the economic policy in the United States and Europe as well as with the ongoing Brexit-negotiations might affect economic growth in the years to come (*Source: KPMG, Property Lending Barometer 2017*).

The following chart shows the development of GDP in Germany compared to other major countries in Europe from 2007 to 2016 as well as a projected development of GDP starting from 2017 onwards:

Growth in gross domestic product 2007 – 2018*



*Source: bulwiengesa, Potential Analysis (data sourced from Eurostat, *forecast value starting 2017)*

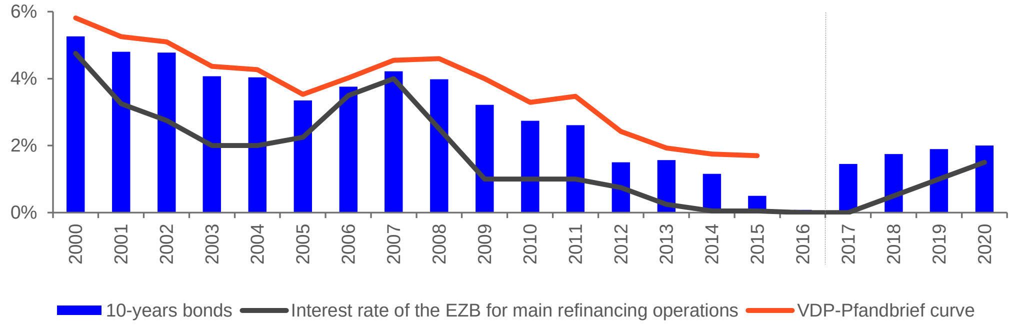
7.1.1.2 *Inflation, Interest Rates and Household Debt*

Notwithstanding the overall positive developments in the German macroeconomic environment, inflation in Germany has been relatively muted in recent years. After a drop to 0.3% in 2009, inflation picked up slightly through 2011 only to decrease continuously to another record low mark of 0.3% in 2015. Since then, the direction has been upward, and forecasts project that the inflation rate will continue with this trend (*Source: Destatis, Press Release No. 319*). According to the German Federal Bank (*Deutsche Bundesbank*), the year-on-year inflation in Germany, as measured by the consumer price index, is projected to be 1.5% in 2017 and to slightly increase further to 1.6% in 2018 (*Source: Deutsche Bundesbank Outlook for the German Economy*). The prospects of higher inflation generally favor investments in residential property, as this asset class is likely to be perceived as an attractive hedge against inflation.

Business to consumer (B2C) investment in real property is also encouraged by historically low interest rates in Germany. Decreasing interest rates, which have been observed in past years, have also benefited consumers through low mortgage rates. In 2017, households have benefited from readily-available affordable financing with mortgage rates of c. 1% to 2% at loan to cost (LTC) ratios of a high 70-80%. On the other hand, this sustained low interest environment makes alternative investments hardly profitable. Medium-term fixed interest rates enable lenders to secure the rates at a low point and thus be unaffected by rates that might follow the picking up inflation (*Source: Deloitte; Property Index; Deutsche Bundesbank, System of indicators for residential property markets*).

The following chart shows the development and forecast of interest rates in Germany over the course of 20 years.

Development of interest rate in Germany 2000 – 2020*



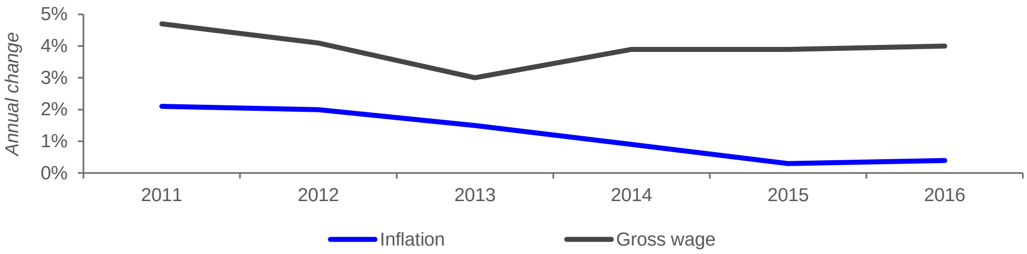
*Source: bulwiengesa, Potential Analysis (data sourced from Eurostat, Deutsche Bundesbank, vdp, *forecast value starting 2017)*

7.1.1.3 *Wages, employment and workforce*

Germany's solid economic growth is also reflected on a household level in rising wages, low household debt, a historically low unemployment rate and a growing workforce.

The growth of gross wages has been steadily outpacing inflation, leading to a rising level of purchasing power in Germany. The following chart shows the development of inflation in Germany from 2011 to 2016 in relation to the development of gross wages.

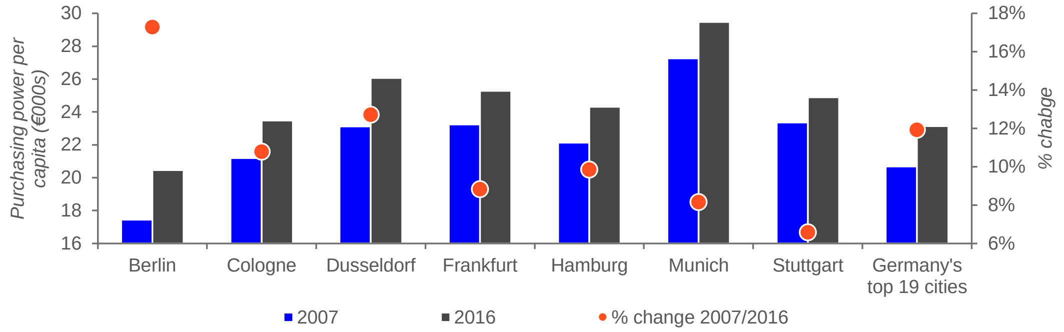
Growth of inflation and gross wage in Germany 2011 – 2016



Source: bulwiengesa Potential Analysis (data sourced from Deutsche Bundesbank, Destatis)

Especially in Germany's core cities, real wages significantly increased between 2007 and 2016, as shown by the following chart.

Purchasing power per capita in Germany's key metropolitan regions in 2007 and 2016

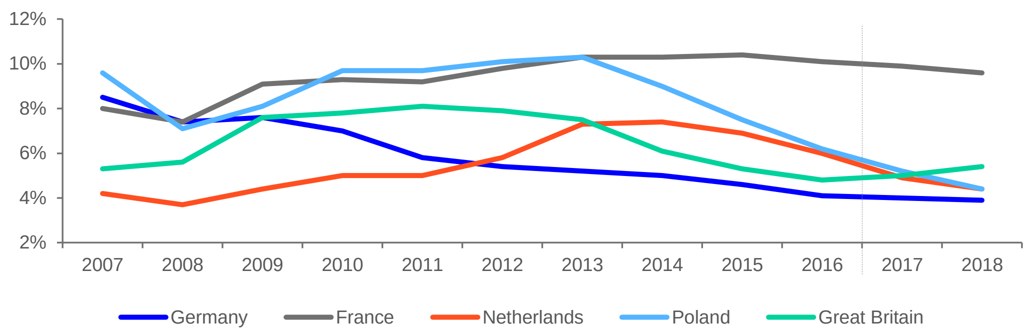


Source: bulwiengesa Potential Analysis (data sourced from MB Research)

The positive development of the German economy has also brought about dwindling unemployment rates in the past years. German unemployment stood at 3.6% in September 2017, significantly below the Euro area average of 8.9% (*Source: Eurostat, Unemployment statistics; Destatis, Press Release No. 382*). This marks the lowest level in the EU after the Czech Republic, and the lowest level in Germany in the last ten years. The latest positive development was enabled by 655,000 new jobs created from the fourth quarter of 2016 through the third quarter of 2017 (*Source: Destatis*). The German Federal Statistical Office *Destatis*, which is cited here, publishes unemployment statistics based on the International Labour Organization's ("**ILO**") internationally agreed definition.[1] In contrast, the Federal Employment Agency ("**BfA**") uses a different approach which tends to show a higher rate of unemployment (5.4% in October 2017) (*Source: Federal Employment Agency, Press Release No. 23*).

The following chart shows the unemployment rate in Germany under the ILO definition from 2007 until 2016 as well as the projected development for 2017 and 2018.

Development of unemployment rate 2007 – 2018*



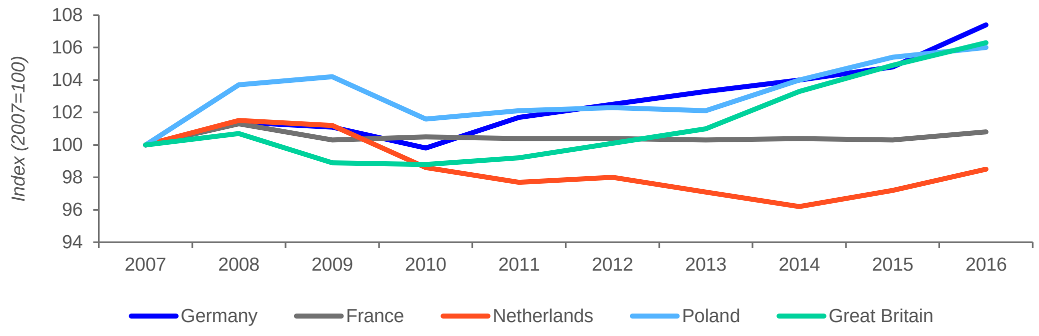
Source: bulwiengesa Potential Analysis (data sourced from Eurostat in accordance with ILO standard)

The growing economy and job market is complemented by a growing workforce. Between 2007 and 2016, Germany's working population (aged between 15 and 64) grew from 37.4 million to 40.2 million, or 7.4% (*Source: Eurostat, Employment and activity by sex and age*). This growth rate is significantly ahead of the EU-wide average of 0.8%. For the years 2017 and 2018, economic growth for Germany is forecast to reach 1.0% annually (*Source: bulwiengesa, Potential Analysis*).

1 Under the definition of the ILO, a person is "unemployed" (*erwerbslos*) if such person is in the age group of 15 to 74 years and without work, can start a job within the next two weeks and has looked actively for a job within the last four weeks. In calculating the unemployment rate under ILO, it will not be taken into account whether an unemployed person has applied for social security benefits.

The following chart shows the development of employee numbers between 2007 and 2016 compared to other large European countries:

Development of employee number 2007 – 2016

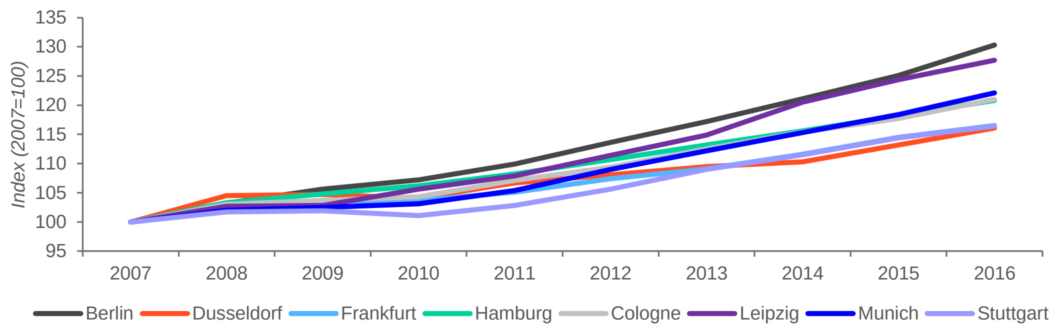


Source: bulwiengesa Potential Analysis (data sourced from Eurostat)

A more detailed examination of the German employment market shows that this overall positive development is driven mainly by Germany's eight major cities (Berlin, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart), where the workforce grows beyond the national rate (*Source: bulwiengesa*).

The following chart shows the development of the number of employed persons (excluding federal employees but including persons in educational programs) in Germany's eight major cities between 2007 and 2016:

SVP employment development in Germany's key metropolitan regions 2007 – 2016



Source: bulwiengesa Potential Analysis (data sourced from the respective Statistical Offices, based on BfA approach)

7.1.2 German Residential Real Estate Market

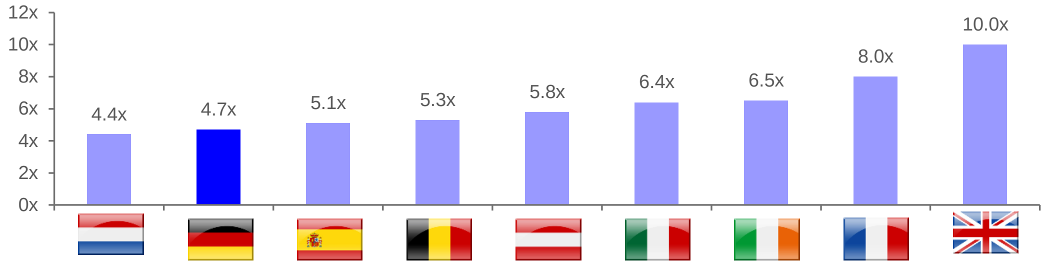
7.1.2.1 Germany in relation to other major western European markets

Germany is among the most attractive European markets for new residential real estate development. In comparison to other important European real estate markets such as France, Spain, Ireland and the UK the German market benefits from certain structural and legislative features which positively impact its development and stability.

Overall, housing in Germany is among the most affordable within the EU, and the second most affordable within the group of states compared here. After the Netherlands, where the acquisition price of a new residential unit corresponds to approximately 4.4 times the average gross annual salary, the price-to-salary multiple in Germany stands at 4.7 times, followed by Spain (5.1 times).

The following chart shows the average housing affordability measured by the multiple of average gross annual salary required to buy a new 70 sqm residential unit in Germany compared to other Western European countries:

New unit (70 sqm) price as a multiple of gross annual salary



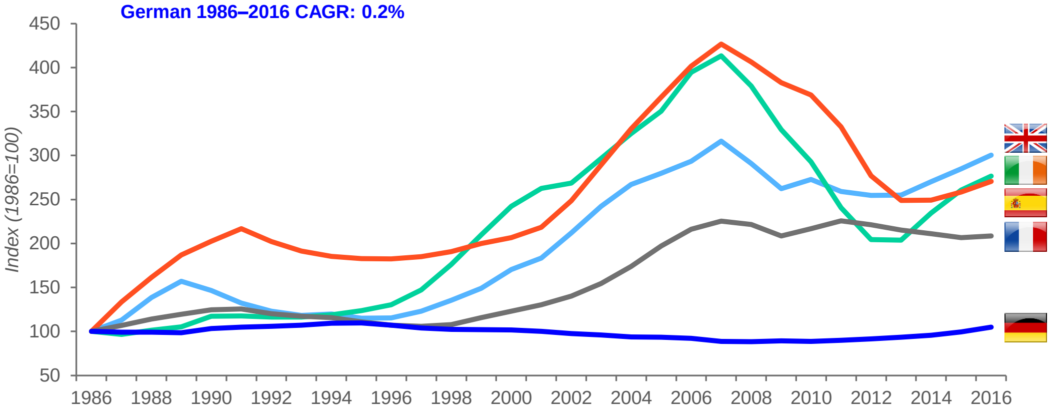
Source: bulwiengesa; Deloitte, Property Index 2017

Against this backdrop, it is notable that Germany's home ownership rate (*Eigentümerquote*) is the lowest within the EU. While the EU average was at 69.2% (with the UK and France at 63.4% and 64.9%, respectively) in 2016, the total German home ownership rate for owner-occupied residential property units amounted to approximately 51.7% (*Source: Eurostat, Housing Statistics*). Significant variations in the home ownership rate in Germany exist among the federal states. Whereas owner-occupier rates in the Saarland and Rhineland-Palatinate were highest at 62.6% and 57.6%, respectively, in 2014, rates were lowest in Hamburg at 22.6% and in Berlin at 14.2%, as two of Germany's eight key metropolitan regions. Like Hamburg and Berlin, all of the other states hosting the key metropolitan regions of Frankfurt, Cologne, Munich, Dusseldorf, Stuttgart and Leipzig fell below the average owner-occupier rate in Germany and were thus significantly below the EU average in 2014 (*Source: Destatis, Housing Situation*).

From a structural perspective, the German residential real estate market has traditionally been highly regulated, at times when other European countries followed less interventionist policies. Germany's longstanding and high level of regulation has supported a stable rental and price growth whereas other countries recently had to take measures to steer or stimulate the market. As a result of the different structural underpinnings, the Irish, Spanish and UK markets have historically experienced considerably greater volatility than the German market, which has remained relatively stable over time.

The following chart shows the development of real house prices between 1986 and 2016 for the referenced countries:

Development of real house prices 1986 – 2016



Source: Organisation for Economic Co-operation and Development (OECD)

In particular, Germany's real estate market was not impacted as severely by the financial crisis as were many other countries, most notably the US, or Spain and Ireland in Europe. While Ireland and Spain first had to recover from a drastic decline in new residential real estate development following the crisis, Germany's main challenge and growth driver has been to accommodate internal and external migration. Another indication of the stability of Germany's real estate market in relation to other countries is its moderately but continuously increasing number of annually completed housing projects.

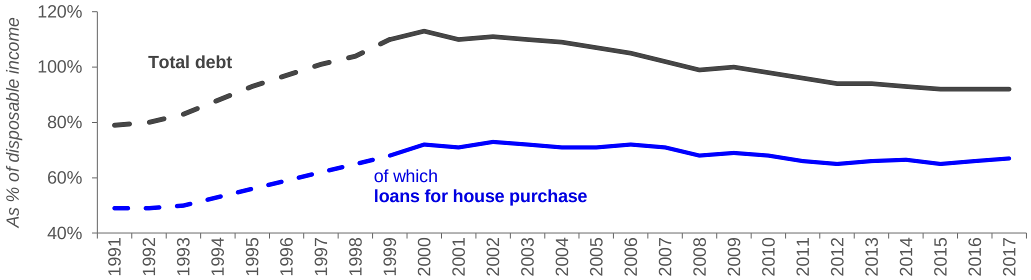
7.1.2.2 Germany – Overview

The positive development of Germany's macroeconomic environment has created favorable conditions resulting in very high demand for residential properties from owner-occupiers, retail buy-to-let investors as well as institutional real estate investors. Despite economic factors which have contributed to the creation of a bubble in other economies, Germany's market has proven less cyclical than the markets in other European countries. Whereas low financing costs and bolstered demand have caused protracted hikes in real property prices in countries like Spain, Ireland, and the UK, Germany experienced but one boom following the reunification in the 1990s. After the boom had subsided, price developments in the housing market were largely in line with economic growth. However, in recent years, sustained supply shortages and surging demand have led to disproportionate growth in house prices. Despite these price dynamics, the German market shows some distinctive features which make it highly stable.

7.1.2.2.1 Stabilizing Factors

While lending conditions are favorable in Germany, the Germans' approach towards debt incurred in connection with real estate purchases can be characterized as rather conservative. The following chart shows the total debt of German households as a percentage of disposable income in relation to loans for house purchases:

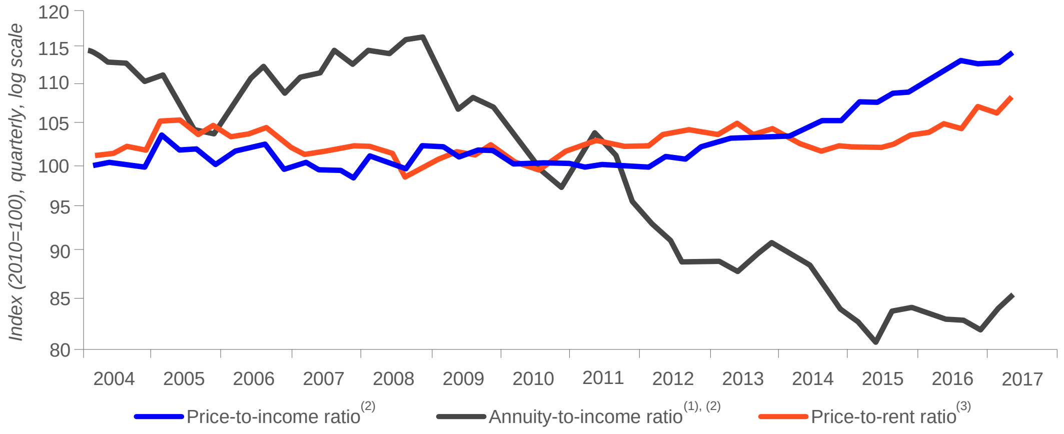
Household debt



Source: Deutsche Bundesbank

The charts below show prices rising proportionally with other indicators of affordability, such as price-to-income and price-to-rent multiples.

Standard indicators to evaluate residential property price in Germany



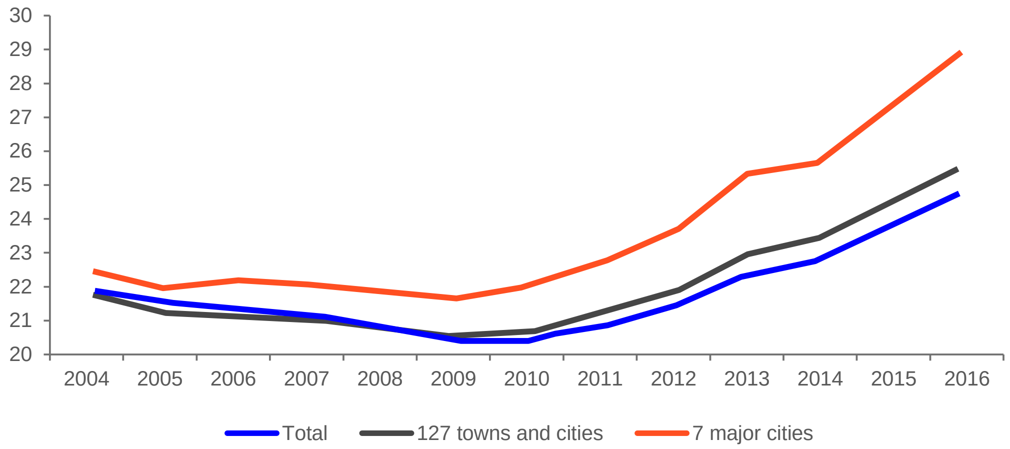
Source: Deutsche Bundesbank calculations based on data provided by the Association of German Pfandbrief Banks

(1) Annuity of a mortgage loan with a fixed interest rate (between five and ten years) and a hypothetical term of 30 years in relation to household income.

(2) Disposable income per household in Germany, nominal. An increase represents a rise in the purchase price in relation to disposable income.

(3) Prices and rents of apartments.

Price-to-rent ratio for apartments in Germany



Source: Deutsche Bundesbank calculations for prices and new lettings of apartments based on data provided by bulwiengesa (Note: Transaction weighted)

As shown in the chart, a more pronounced rise in home prices can be observed in concentrated metropolitan areas where demand is likewise expected to increase in the future (*Source: European Commission, Economic Brief 025*). From a financing perspective, while excessively loose lending conditions can contribute to excessive valuations for residential properties, borrowing standards in Germany have been stable while housing loans are largely based on relatively long term fixed interest agreements, thereby minimizing the vulnerability of lenders to interest rate fluctuations. In June 2017, the German Federal Government adopted the financial services supervision law (*Finanzaufsichtsrechtsergänzungsgesetz*) amending the law implementing the Mortgage Credit Directive (2014/17/EU) which aims to provide a framework to counteract excessive debt and potential housing price bubbles. The financial services supervision law (*Finanzaufsichtsrechtsergänzungsgesetz*) provides for, among other things, the necessary legal basis to allow the BaFin to introduce minimum requirements for the credit-based financing of residential property purchases (including, but not limited to, caps on loan-to-value ratios, debt-to-income ratios, debt-service coverage ratios and amortization requirements) (*Source: European Commission*, *Economic Brief 025*). The newly adopted law provides for corresponding amendments to the German Banking Act (KWG), the Insurance Supervision Act (VAG) and the German Capital

Investment Code (KAGB). With the exception of very few provisions that will enter into force on July 1, 2018, the amendment entered into force on June 7, 2017 (*Source: European Commission, Economic Brief 025; Deutscher Bundestag, Bundesgesetzblatt Jahrgang 2017 Teil I Nr. 34*).

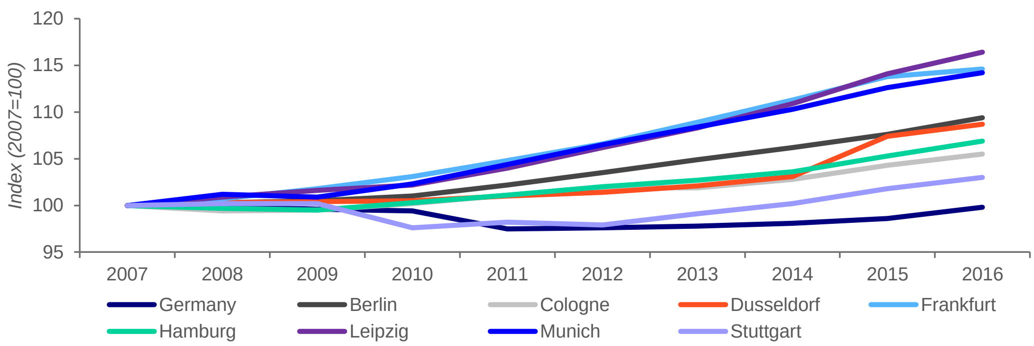
7.1.2.2.2 Demand

Germany's residential real estate market is driven by several demographic developments, in particular the projected population growth in the key metropolitan areas, the trend towards urbanization and the increasing number of single households.

While the total German population is growing at a moderate pace, **population growth** in Germany's key metropolitan regions has been significantly stronger, evidencing the current trend to increased **urbanization**. Since 2007, Germany's key metropolitan regions have experienced significant growth by an average rate of about 9.5%. This has been led by Leipzig, where population grew over 15% between 2007 and 2016, followed by Munich and Frankfurt am Main (each about 14%). The population in these key metropolitan regions is furthermore expected to grow from 2016 to 2030, with Frankfurt am Main showing the highest growth potential (13.1%), followed by Cologne (6.7%), Leipzig (5.9%), Stuttgart (5.4%), Munich (4.7%) Berlin (2.8%), Dusseldorf (1.5%) and Hamburg (0.4%). (*Source: bulwiengesa, Potential Analysis*). Whereas in 2000, 73% of the German population was living in urban areas, the percentage is expected to increase to 79% by 2030 (*Source: World Urbanization Prospects: the 2014 Revision*).

The following chart shows the population growth in Germany's key metropolitan regions from 2007 to 2016 in relation to Germany:

Population growth in Germany's key metropolitan regions from 2007 – 2016



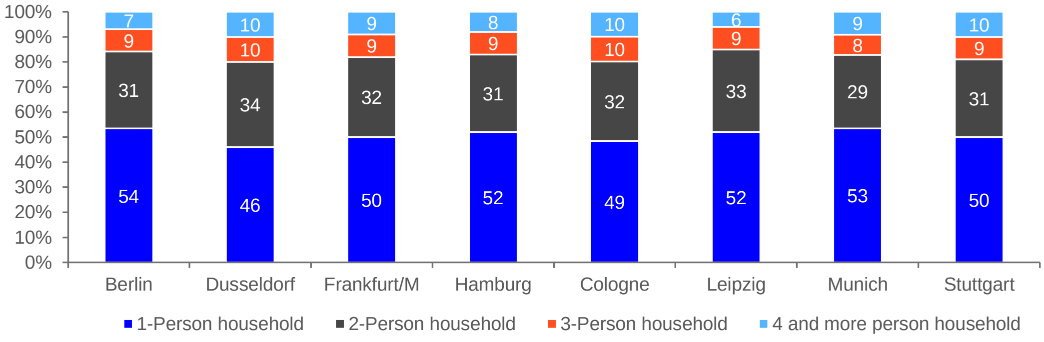
Source: bulwiengesa; respective Statistical Office, Civil Register up to December 31 each year

In addition to population growth, the trend towards **urbanization** strongly influences Germany's population density. As of December 31, 2015, the six most densely populated areas in Germany comprised the metropolitan regions of Berlin (3,948 persons per square kilometer), Hannover (2,607 persons per square kilometer), Hamburg (2,366 persons per square kilometer), Dusseldorf (2,816 persons per square kilometer), Munich (4,668 persons per square kilometer), and Stuttgart (3,008 persons per square kilometer) (*Source: Destatis, German Federal Statistical Office*). This trend also leads to the development of new urban structures. Germany's landscape has traditionally been characterized by few very large cities and many medium-sized ones. However, due to urbanization the structures of the larger cities no longer represent the traditional "closed" and "mixed" models of compact cities with a clearly defined center and its surrounding areas. Cities are rather increasingly spreading into encroaching rural areas.

Furthermore, current projections estimate that the number of German **households** will grow to 43.2 million by 2035 from approximately 41 million as of December 2016 resulting in an overall expected increase of approximately 5.9% (*Source: Destatis, Trends in Private Households until 2035*). This development is primarily influenced by the general trend toward a reduction in household sizes underlined by the general growth in the number of one-person households. The number of one-person households, however, comprises a particularly larger share of single rental units than single condominiums. According to latest available data from 2014, 72.4% of one-person households were rentals, while only 27.6% of one-person households were condominiums (*Source: Destatis, Haushalte im selbst genutzten Eigentum und Mietwohnungen nach Haushaltstyp in Deutschland 2014*). The general trend toward a reduction in household sizes can be observed from current demand for rental apartments as opposed to condominiums and demand for single room units in relation to larger units (Source: *bulwiengesa*).

The following chart shows the households split in number of occupiers per household in Germany's key metropolitan regions in 2016:

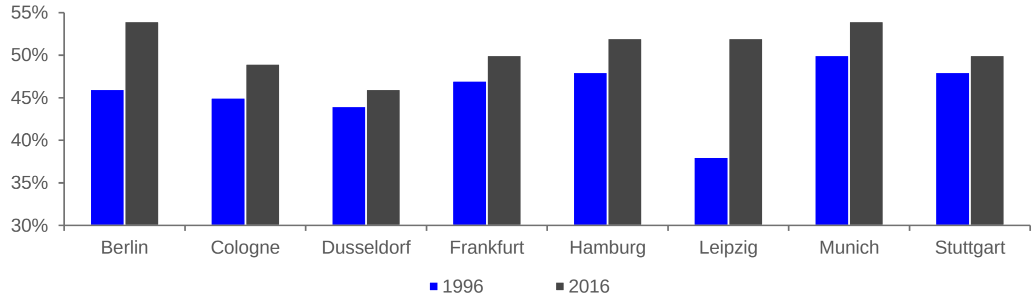
Household structure in Germany's key metropolitan regions 2016



Source: bulwiengesa, respective State Statistical Offices

The following chart shows the development of the single households from 1996 to 2016:

Single households in Germany's key metropolitan regions 1996 and 2016

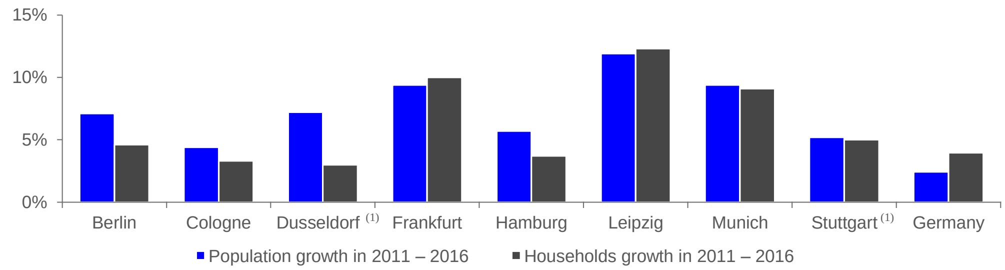


Source: bulwiengesa; German Federal Statistical Office, Trends in Private Households until 2035

From 2015 onwards, the number of households is anticipated to significantly increase in cities and densely populated regions. By 2035, it is expected that the number of single-occupier households will increase to approximately 19.0 million from 16.8 million in 2015 and the number of two-person households will increase to 15.4 million from 13.9 million in 2015 (*Source: Destatis, Trends in Private Households until 2035*).

The following chart shows the relationship between population growth and household development in Germany's key metropolitan regions from 2011 to 2016:

Positive population and household development in all key metropolitan regions

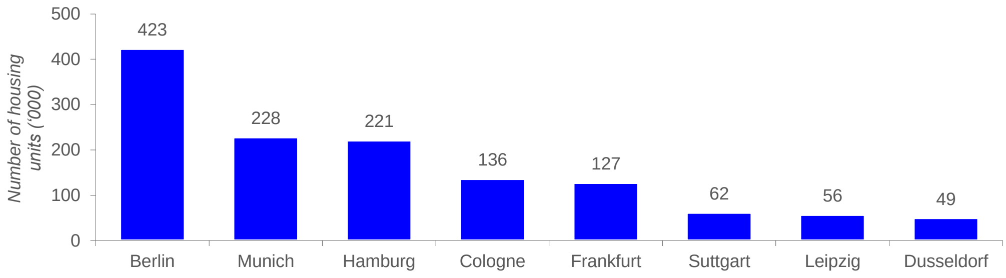


Source: bulwiengesa; Statistical Offices of the respective cities, JLL

(1) Population and households growth in 2012 – 2016.

The consequence of both the trend towards urbanization as well as towards single households leads to a significant need for housing in the years to come. In Germany's key cities, the housing demand until 2035 is estimated at 65,000 units per year. The following chart shows the total projected demand of housing in Germany's key metropolitan cities through 2035:

Significant housing need through 2035



Source: bulwiengesa

While demand is forecasted to sustainably increase in the key metropolitan areas, housing supply has been persistently low.

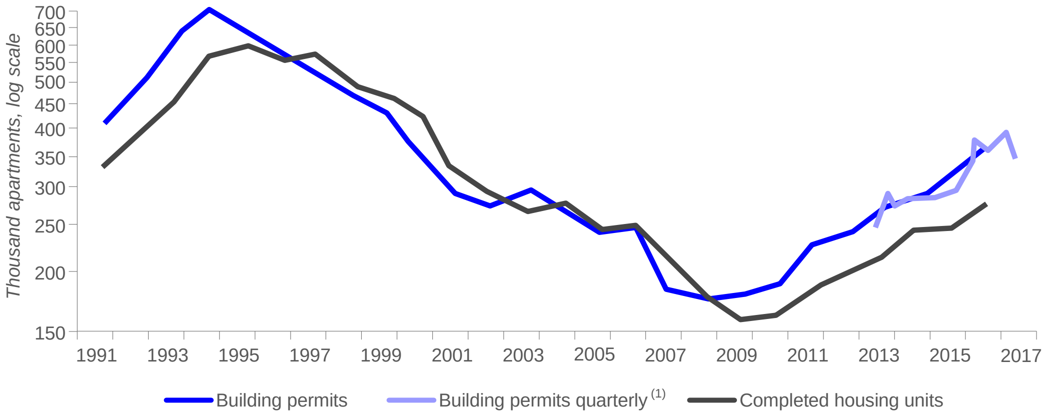
In addition to housing trends described above, Instone experiences a trend toward flexible housing and floor plan designs that work for a person's current family situation, but that can also be easily adapted to accommodate different family dynamics in the future. Less and less apartments are inhabited by traditional families; changing living structures reflect the diversity of today's lifestyles. Whether a shared flat, single, small family or single parent, whether home work or residential office – adaptable concepts require a high degree of neutrality of individual rooms. Flexible housing and floor plan design starts with a basic layout that allows for functional expansion in the future. For example, flexible floor plans may offer rooms that can be alternatively used as a guest or study room or as a living area for an older child or grandparent. Instone considers this to be a new and upcoming trend in the German housing market.

7.1.2.2.3 Supply

As of December 31, 2016, there were approximately 40.3 million **residential units** in Germany spanning 3.7 billion sqm (*Source: Destatis, Residential Buildings, dwellings, living floor space*). The number of units in newly constructed residential buildings completed in Germany increased by approximately 75% from 150,567 in 2009 to 263,643 in 2016 (*Source: Destatis, Building Activity*). The specific **building permits** granted reveal an increase in the amount of residential floor space to be constructed of 77.7% from 17.9 million sqm in 2009 to 31.8 million sqm in 2016 (*Source: Destatis, Building Permits*). This increase in the construction of new residential buildings has been mainly driven by a favorable economic environment, improved availability of land through the planning process and increased access to low cost mortgage financing.

While the number of building permits for residential buildings significantly increased by 109% from a historically low level of 169,236 in 2009 to 354,520 in 2016 (*Source: Destatis, Building Permits / Building Completions*), the German residential real estate market has nevertheless been in a long-term position of structural undersupply. With the number of completed building projects showing a natural delay in relation to the number of building permits issued, there has been a constant shortage of completions since 2009, with the shortfall amounting to 91,000 completed units in 2016 (*Source: Destatis, Building Permits / Building Completions*):

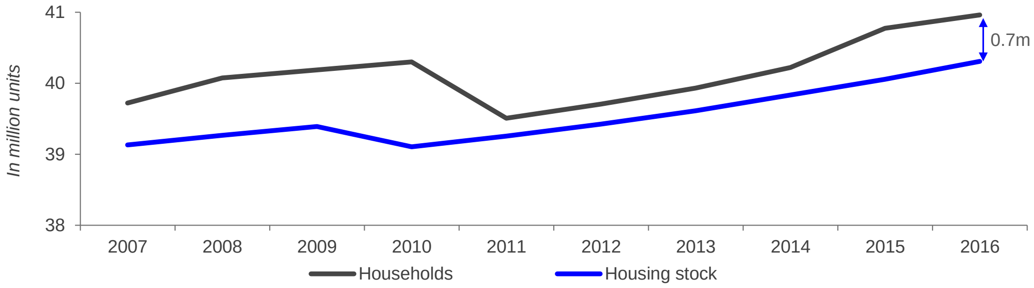
Building permits and completed housing units in Germany*



Source: Deutsche Bundesbank, System of indicators for residential property markets (data sourced from Destatis)
** In residential and non-residential buildings, including construction work on existing buildings*
(1) Seasonally adjusted.

The disparity between building permits and completed housing units slows down the growth in housing stock in relation to new household formation, leading to a shortage of 700,000 units in Germany in 2016:

Growth in housing stock lags household formation

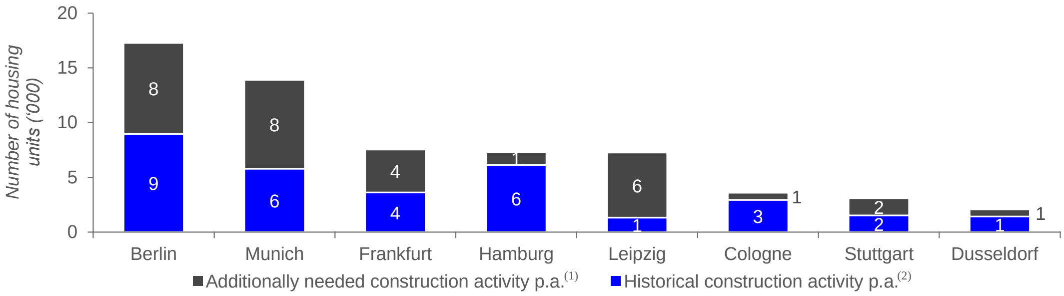


Source: Destatis

Given the increasing urbanization as well as the growing proportion of smaller households, it is expected that the annual unmatched demand for housing in Germany's key metropolitan regions will amount to approximately 85,000 residential units through 2020. Approximately 19,000 thereof represent the unmatched demand in Frankfurt am Main alone (*Source: bulwiengesa*, *Potential Analysis*). In addition to these 19,000 residential units, an additional unmatched demand for 10,000 residential units is expected as a consequence of Brexit through 2020 (*Source: WHU-Otto Beisheim School of Management*, *Winning Frankfurt*).

The following chart illustrates the unmatched demand in Germany's key cities from 2011 to 2016, as evidenced by the prevalent amount of construction activity in relation to the amount additionally needed to satisfy the change in demand:

Low housing supply results in unmatched demand in Germany's key metropolitan regions



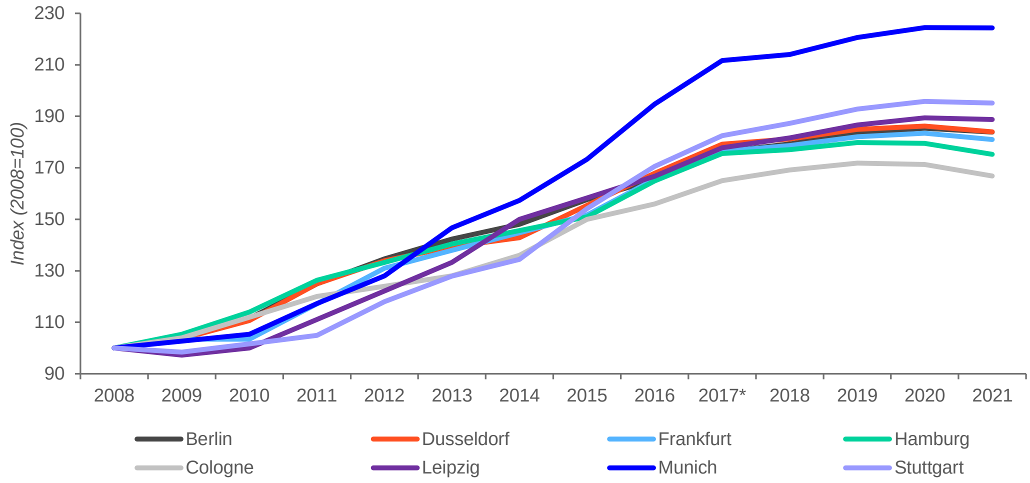
Source: bulwiengesa, JLL

(1) Difference between average change of demand (household formation) in 2011 – 2016 (2012 – 2016 for Dusseldorf and Stuttgart) and average change of supply in 2011 – 2016.
(2) Based on average change of supply in 2011 – 2016.

7.1.2.2.4 Rising Prices

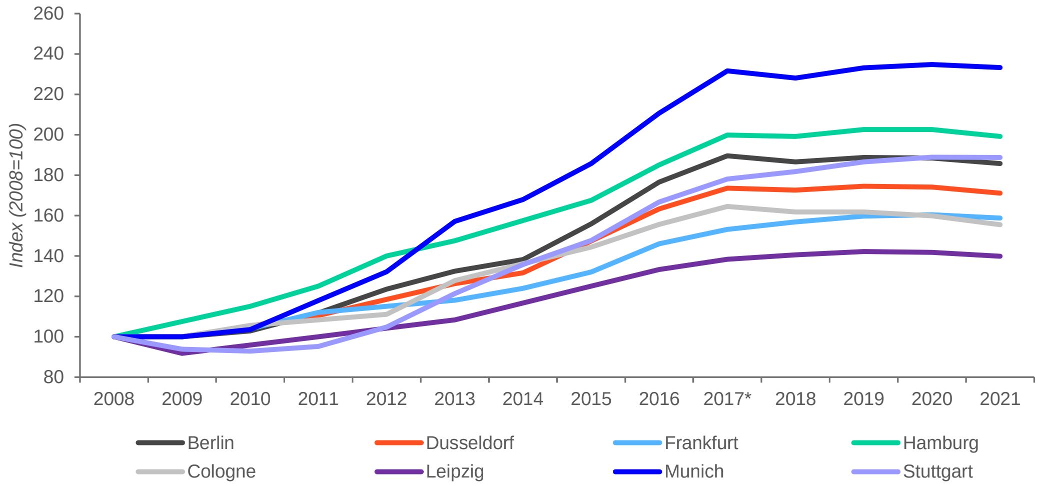
The growing demand in connection with the structural undersupply of residential units in the German key metropolitan regions has led to increasing price momentum. The following charts show price development for first time-occupation and existing units in Germany's key metropolitan regions indexed as of 2008:

Development of average purchasing prices for first-time occupation units from 2008 – 2021



*Source: bulwiengesa, *forecast starting 2017*

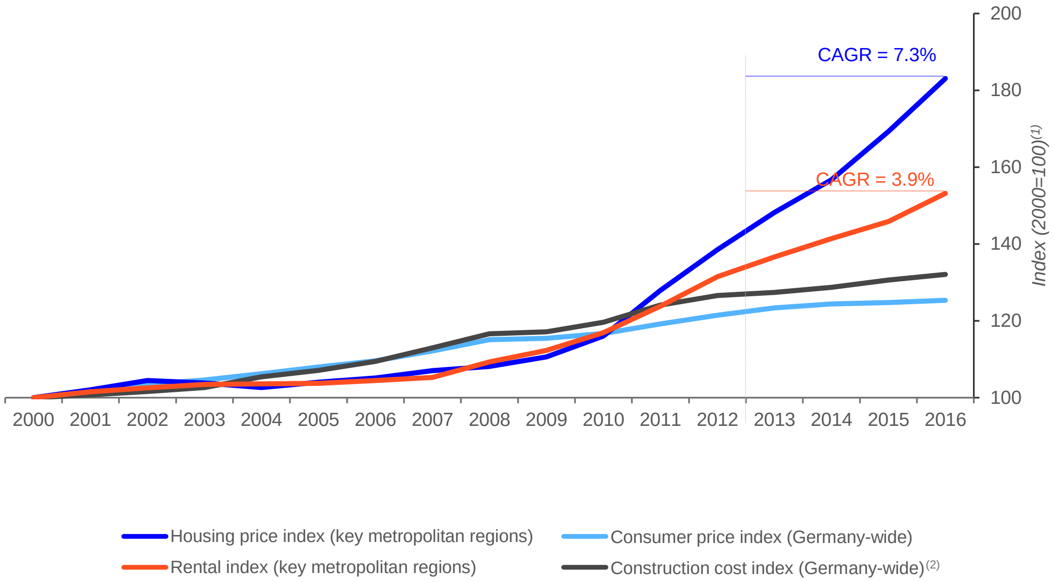
Development of average purchasing prices for existing units from 2008 – 2021



*Source: bulwiengesa, *forecast starting 2017*

In particular, the increase in house prices has by far outpaced rental and construction costs as well as inflation (as measured by the consumer price index), thereby providing strong economic incentives for further housing construction:

Development of house prices, rents, construction costs and consumer prices



Source: bulwiengesa; Destatis; Eurostat

(1) Housing price index and rental index represent new units and are calculated as averages of Germany's key metropolitan regions. Key metropolitan regions include city-level data for Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Leipzig, Munich and Stuttgart. Construction cost index and consumer price index represent data for Germany on a country-wide basis.

(2) Includes material and labor costs, excludes land costs.

Economic conditions currently incentivize new building activity, subject to certain limitations in specific areas owing to availability of land. While economic incentives aimed at encouraging new supply would likely result in increased new-build activity, demand and pricing dynamics in the current environment already favor new construction. Bulwiengesa estimates that between now and 2035, annual demand for new housing in the key metropolitan regions and 12 additional prospering medium-sized cities combined is approximately 85,000 units. Therefore, the result of further incentives, while positive on the margin, will be only incrementally beneficial to new construction with likely minimal impact on pricing.

7.1.2.3 <u>Germany's Key Metropolitan Regions</u>

Germany is characterized by particularly strong property development activity which continues to experience a trend of high levels and strong dynamics in Germany's key metropolitan regions. As of September 30, 2017, approximately 93% of Instone's portfolio (by expected sales volume for fully developed projects) was located in Germany's key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg)) and 7% in other prospering medium-sized cities.

7.1.2.3.1 Metropolitan Region of Berlin

Berlin, the capital of Germany, is a modern, innovative city and a growing technology hub. With a population of 3.67 million as of December 31, 2016, Berlin is the largest city in Germany (*Source: bulwiengesa, Potential Analysis*). The unemployment rate in Berlin published by the BfA was 8.6% as of October 2017, well above the national average of 5.4% (*Source: Federal Employment Agency, Development Unemployment Rate, Report October 2017*).

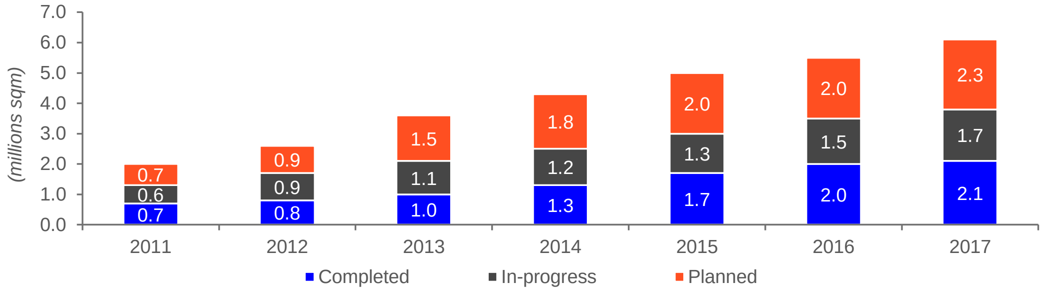
Between 2011 and 2016, the number of households in Berlin grew by 4.6% to approximately 1.96 million (*Source: JLL, Berlin Residential City Profile, H1 2017*), while the housing stock increased by 2.4% to approximately 1.92 million (*Source: bulwiengesa, Potential Analysis*). In the same period, the average rent per sqm for newly built residential units increased by 27.5% to €11.60. This development was mainly driven by a shortage of residential units, a lack of land available for development and completions falling short of building permits. Similarly, the average purchase price per sqm for newly built residential units increased by 32.3% to

€4,300 from 2011 to 2016. This development can be ascribed to a substantial supply-demand imbalance (*Source: bulwiengesa, Potential Analysis*).

In 2017, the total trading development activity across all project phases is forecast to significantly increase by approximately 560 thousand sqm, exceeding 6 million sqm for the first time (*Source: bulwiengesa, Potential Analysis*).

The below chart shows the aggregate trading development volume subdivided by project phase from 2011 to 2017:

Trading development volume by project phase



Source: bulwiengesa, Potential Analysis

The largest projects still in the planning phase are located at the border of the city center and in the outskirts of Berlin. Despite the increase in development in 2017, completions of tracked development projects fall short of the estimated average housing need of approximately 1.48 million sqm per year (calculated based on an estimated housing need of 423 thousand units at an average size of 70 sqm from 2015 to 2035, as forecasted by bulwiengesa) in the years up to and including 2021, with a significant decrease after 2019. At a margin on cost of approximately 17%, housing prices were attractive for new construction in 2016 (*Source: bulwiengesa, Potential Analysis*).

7.1.2.3.2 Metropolitan Region of Cologne

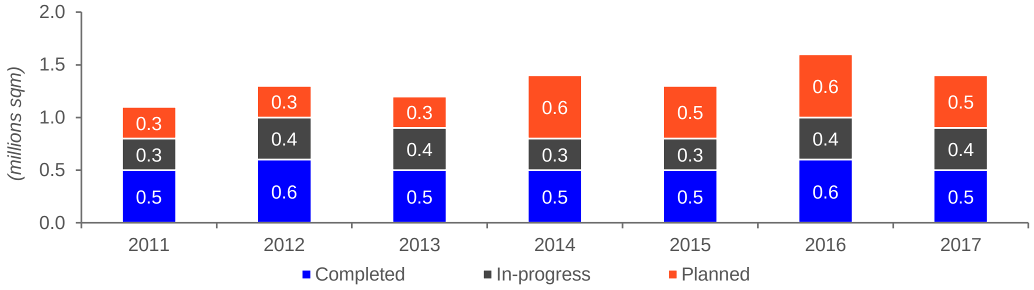
Cologne's industry is heavily focused on insurance and other services. The city of Cologne is known as a center for culture and media, as well as an important university town in the Rhine-Ruhr region, one of the largest urban agglomerations in Europe. With a population of 1.08 million as of December 31, 2016, Cologne is the fourth largest city in Germany (*Source: bulwiengesa, Potential Analysis*). The unemployment rate in Cologne published by the BfA was 8.2% as of October 2017, high above the national average of 5.4% (*Source: Federal Employment Agency, Development Unemployment Rate, Report October 2017*).

Between 2011 and 2016, the number of households in Cologne grew by 3.3% to approximately 560,000 (*Source: JLL, Cologne Residential City Profile, H1 2017*), while the housing stock also increased by 2.7% to approximately 560,000. In the same period, the average rent per sqm for new build residential units increased by 14.3% to €12.00. The average purchase price per sqm for new build residential units increased by 30.0% to €3,900 from 2011 to 2016.

In 2017, the total trading development activity across all project phases is forecast to decrease by approximately 200 thousand sqm compared to 2016, while maintaining a stable trading development volume of 1.4 million sqm (*Source: bulwiengesa, Potential Analysis*).

The below chart shows the aggregate trading development volume subdivided by project phase from 2011 to 2017:

Trading development volume by project phase



Source: bulwiengesa, Potential Analysis

Despite the projected decrease in 2017, the trading development segment remains dynamic, with a variety of residential construction projects in the pipeline. Completions of tracked development projects fall short of the estimated average housing need of approximately 480 thousand sqm per year (calculated based on an estimated housing need of 136 thousand units at an average size of 70 sqm from 2015 to 2035, as forecasted by bulwiengesa) in the years up to and including 2021, at the highest differential by approximately 72% in 2021. At a margin on cost of approximately 18%, housing prices were attractive for new construction in 2016 (*Source: bulwiengesa, Potential Analysis*).

7.1.2.3.3 Metropolitan Region of Dusseldorf

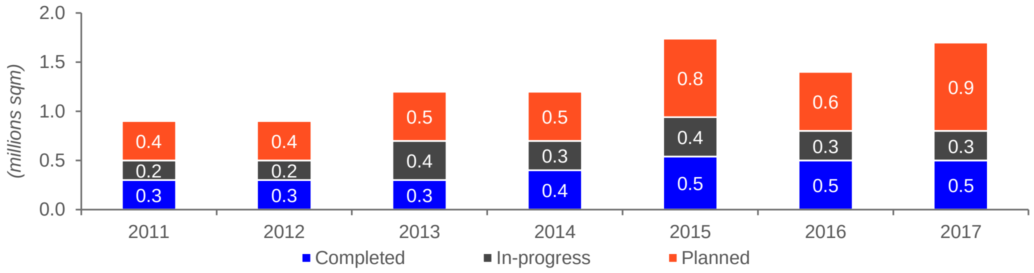
The metropolitan region of Dusseldorf is one of Germany's most important trading centers offering a healthy mix of industries and business sectors including industrial manufacturing, mobile telecoms, life sciences, business and legal consulting, fashion and advertising. With a population of 0.64 million as of December 31, 2016, Dusseldorf is the sixth largest city in Germany (*Source: bulwiengesa, Potential Analysis*). Dusseldorf's unemployment rate as published by the BfA was 7.0% as of October 2017, above the national average of 5.4% (*Source: Federal Employment Agency, Development Unemployment Rate, Report October 2017*).

Between 2012 and 2016, the number of households in Dusseldorf grew by 3.0% to over 355,000 in 2016 (*Source: JLL, Dusseldorf Residential City Profile, H1 2017*), while the housing stock increased by 2.1% to approximately 340,000 from 2011 to 2016. The average rent per sqm for new build residential units increased by 16.7% to €12.60 from 2011 to 2016. The average purchase price per sqm for new build residential units increased by 34.3% to €4,700 over the same period (*Source: bulwiengesa, Potential Analysis*).

In 2017, the total trading development activity across all project phases is forecast to increase by approximately 300 thousand sqm compared to 2016 up to a trading development volume of 1.7 million sqm (*Source: bulwiengesa, Potential Analysis*).

The below chart shows the aggregate trading development volume subdivided by project phase from 2011 to 2017:

Trading development volume by project phase



Source: bulwiengesa, Potential Analysis

Developers in Dusseldorf are generally focused on peripheral locations. Even though completions of tracked development projects are expected to exceed the estimated average annual housing need of approximately 170 thousand sqm (calculated based on an estimated housing need of 49 thousand units at an average size of 70 sqm from 2015 to 2035, as forecasted by bulwiengesa) for the years up to and including 2021, attractive development opportunities persist, evidenced also by particularly attractive housing prices at a margin on cost of approximately 33% in 2016 (*Source: bulwiengesa, Potential Analysis*).

7.1.2.3.4 Metropolitan Region of Frankfurt am Main

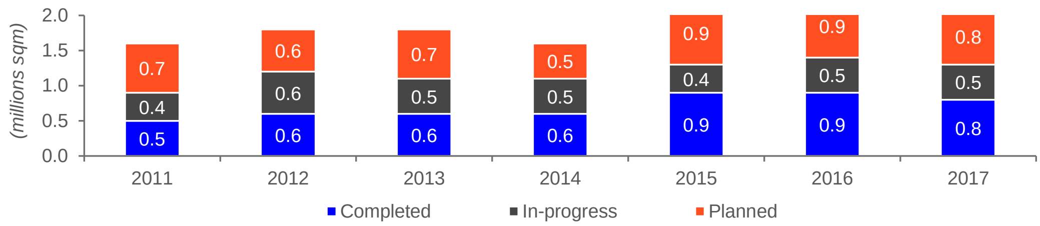
Frankfurt is firmly established global financial center and benefits from excellent infrastructure. With a population of 0.73 million as of December 31, 2016, Frankfurt is the fifth largest city in Germany (*Source: bulwiengesa, Potential Analysis*). The unemployment rate in Frankfurt published by the BfA was 5.6% as of October 2017, slightly above the national average of 5.4% (*Source: Federal Employment Agency, Development Unemployment Rate, Report October 2017*).

Between 2011 and 2016, the number of households in Frankfurt am Main grew by 10.0% to around 415,000 (*Source: JLL, Frankfurt Residential City Profile, H1 2017*), while the housing stock increased by 4.9% to approximately 385,000. The average rent per sqm for new build residential units increased by 28.7% to €14.80 from 2011 to 2016. The average purchase price per sqm for new build residential units rose to a level of €4,800 in 2016, representing an increase of 41.2% compared to 2011 (*Source: bulwiengesa, Potential Analysis*).

In 2017, the total trading development activity across all project phases is forecast to decrease by approximately 200 thousand sqm compared to 2016, while maintaining a stable trading development volume of 2.1 million sqm (*Source: bulwiengesa, Potential Analysis*).

The below chart shows the aggregate trading development volume subdivided by project phase from 2011 to 2017:

Trading development volume by project phase



Source: bulwiengesa, Potential Analysis

In Frankfurt, development projects are mostly concentrated in the central districts, with additional significant development areas in selected. Frankfurt am Main has a particularly high unmatched demand for residential units expected to amount to approximately 19,000 until 2020 (*Source: bulwiengesa, Potential Analysis*). In addition to the unmatched demand resulting from the ordinary course of demographic development, Brexit is expected to result in an additional influx to Frankfurt. This would almost double the ordinarily prevalent unmatched demand with an additional projected shortage of 10,000 residential units until 2020 (*Source: WHU-Otto Beisheim School of Management, Winning Frankfurt*). Completions of tracked development projects fall short of the estimated average housing need of approximately 450 thousand sqm per year (calculated based on an estimated housing need of 127 thousand units at an average size of 70 sqm from 2015 to 2035, as forecasted by bulwiengesa) in four of the five years up to and including 2021. At a margin on cost of approximately 10%, housing prices were attractive for new construction in 2016 (*Source: bulwiengesa, Potential Analysis*).

7.1.2.3.5 Metropolitan Region of Hamburg

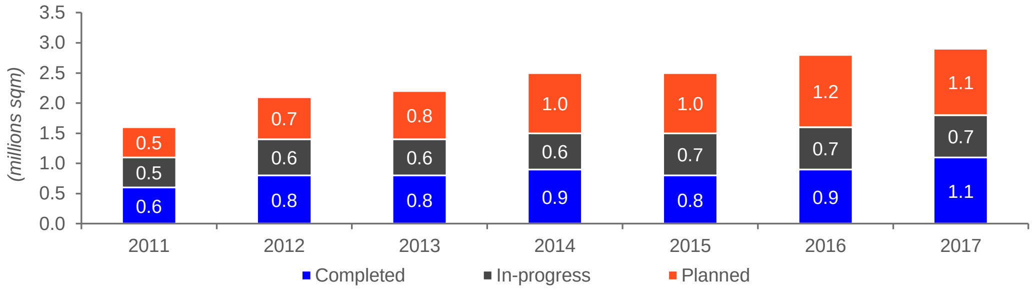
Hamburg offers a diverse economic profile comprised of companies engaged in shipping, aviation, life sciences and many other industries. Notably, one of Europe's most important deep water ports is located in Hamburg. With a population of 1.86 million as of December 31, 2016, Hamburg is the second largest city in Germany (*Source: bulwiengesa, Potential Analysis*). The unemployment rate in Hamburg published by the BfA was 6.5% as of October 2017, above the national average of 5.4% (*Source: Federal Employment Agency, Development Unemployment Rate, Report October 2017*).

Between 2011 and 2016, the number of households in Hamburg grew substantially by 3.7% since 2011 to over one million in 2016 (*Source: JLL, Hamburg Residential City Profile, H1 2017*). The housing stock increased by 3.4% to approximately 940,000 over the same period. The average rent per sqm for new build residential units increased by 7.2% since 2011, reaching €13.40 in 2016. The average purchase price per sqm for new build residential units rose to a level of €4,700 in 2016, representing an increase of 30.6% compared to 2011 (*Source: bulwiengesa, Potential Analysis*).

In 2017, the total trading development activity across all project phases is forecast to increase by approximately 100 thousand sqm compared to 2016 up to a trading development volume of 2.9 million sqm (*Source: bulwiengesa, Potential Analysis*).

The below chart shows the aggregate trading development volume subdivided by project phase from 2011 to 2017:

Trading development volume by project phase



Source: bulwiengesa, Potential Analysis

Development projects in Hamburg are focused in the central districts. Completions of tracked development projects fall short of the estimated average housing need of approximately 770 thousand sqm per year (calculated based on an estimated housing need of 221 thousand units at an average size of 70 sqm from 2015 to 2035, as forecasted by bulwiengesa) in the years up to and including 2021. At a margin on cost of approximately 3% for new construction, housing prices were at a level slightly above replacement costs in 2016 (*Source: bulwiengesa, Potential Analysis*).

7.1.2.3.6 Metropolitan Region of Leipzig

Leipzig, known for its historic baroque architecture, is one of the fastest growing cities in Germany and a major center for logistics and automobile companies. With a population of 580 thousand as of December 31, 2016, Leipzig is the tenth largest city in Germany (*Source: bulwiengesa, Potential* Analysis). The unemployment rate in Leipzig published by the BfA was 7.2% as of October 2017, above the national average of 5.4% (*Source: Federal Employment Agency, Development Unemployment Rate, Report October 2017*).

Between 2011 and 2016, the number of households in Leipzig increased by 12.3% to 331,000 (*Source: JLL, Leipzig Residential City Profile, H1 2017*) while the housing stock increased by 2.0% to around 335,000 over the same period. The average rent per sqm for new build residential units rose by 37.7% since 2011, reaching €9.50 in 2016. The average purchase price per sqm for new build residential units rose by 50.0% since 2011 to €3,000 in 2016 (*Source: bulwiengesa, Potential Analysis*).

7.1.2.3.7 Metropolitan Region of Munich

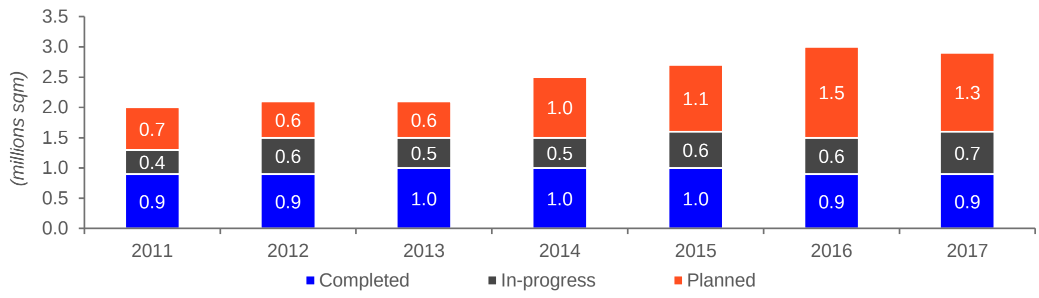
Munich is a major technology and electronics center in Germany and boasts a diversified economic structure with a mix of large multinational corporations and medium sized companies. With a population of 1.54 million as of December 31, 2016, Munich is the third largest city in Germany (*Source: bulwiengesa, Potential Analysis*). The unemployment rate in Munich published by the BfA was 4.0% as of October 2017, below the national average of 5.4% (*Source: Federal Employment Agency, Development Unemployment Rate, Report October 2017*).

Between 2011 and 2016, the number of households in Munich grew substantially by 9.1% since 2011 to over 830,000 in 2016 (*Source: JLL, Munich Residential City Profile, H1 2017*). The housing stock increased by only 3.8% to around 780,000 from 2011 to 2016, resulting in a large demand-supply gap. In the same period, the average rent per sqm for new build residential units increased by 27.8% to €17.00. The average purchase price per sqm for new build residential units rose significantly to a level of €7,300 in 2016, representing an increase of 65.9% compared to 2011 (*Source: bulwiengesa, Potential Analysis*).

In 2017, the total trading development activity across all project phases is forecast to slightly decrease by approximately 100 thousand sqm compared to 2016 to a trading development volume of 2.9 million sqm (*Source: bulwiengesa, Potential Analysis*).

The below chart shows the aggregate trading development volume subdivided by project phase from 2011 to 2017:

Trading development volume by project phase



Source: bulwiengesa, Potential Analysis

Completions of tracked development projects fall short of the estimated average housing need of approximately 800 thousand sqm per year (calculated based on an estimated housing need of 228 thousand units at an average size of 70 sqm from 2015 to 2035, as forecasted by bulwiengesa) in the years up to and including 2021. However, mainly due to increasing investor-development volumes, a significant increase in completions of residential units is projected in the coming years. At a margin on cost of approximately 8%, housing prices were attractive for new construction in 2016 (*Source: bulwiengesa, Potential Analysis*).

7.1.2.3.8 Metropolitan Region of Stuttgart

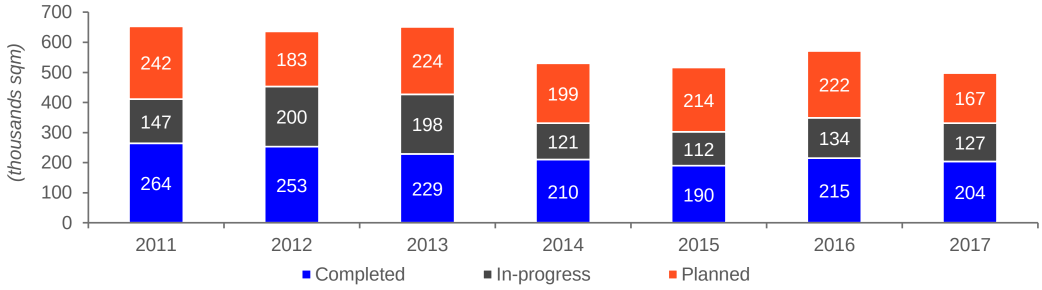
Stuttgart is known as an innovative high tech center with a particular focus on the automotive industry and has benefited from strong economic growth in recent years. With a population of 610 thousand as of December 31, 2016, Stuttgart is the seventh largest city in Germany (*Source: bulwiengesa, Potential Analysis*). The unemployment rate in Stuttgart published by the BfA was 4.4% as of October 2017, below the national average of 5.4% (*Source: Federal Employment Agency, Development Unemployment Rate, Report October 2017*).

Between 2012 and 2016, the number of households in Stuttgart increased by 5.0% to around 324,000 (*Source: JLL, Stuttgart Residential City Profile, H1 2017*). The housing stock increased by only 2.5% to around 310,000 from 2011 to 2016. The average rent per sqm for new build residential units rose by 34.0% since 2011 to €13.00 in 2016. The average purchase price per sqm for new build residential units increased by a record high of 62.5% to €5,200 from 2011 to 2016 (*Source: bulwiengesa, Potential Analysis*).

In 2017, the total trading development activity across all project phases is forecast to slightly decrease by approximately 73 thousand sqm compared to 2016 to a trading development volume of 498 thousand sqm (*Source: bulwiengesa, Potential Analysis*).

The below chart shows the aggregate trading development volume subdivided by project phase from 2011 to 2017:

Trading development volume by project phase



Source: bulwiengesa, Potential Analysis

In Stuttgart, the largest development areas are located mostly in and around the city center. Completions of tracked development projects fall short of the estimated average housing need of approximately 220 thousand sqm per year (calculated based on an estimated housing need of 62 thousand units at an average size of 70 sqm from 2015 to 2035, as forecasted by bulwiengesa) the years up to and including 2021 (*Source: bulwiengesa, Potential Analysis*).

7.2 Competition

The competitive landscape of the German residential real estate development market is very fragmented and follows the decentralized structure of the individual German property markets. There are only a few nationwide German players active in all major markets across Germany, whilst regional players tend to play an important role in their local markets.

Due to the heterogeneous competitive environment in the German residential real estate market and partially limited availability of data, a precise statement regarding the competitive position of Instone as compared to its competitors cannot be made. However, Instone's key competitors can be categorized in the following segments:

Large Real Estate Developers in Germany: Large German real estate developers, such as Bonava Deutschland GmbH (Bonava), Zech Group, BPD Immobilienentwicklung GmbH (BPD) or CG Group, which are active in most of the key metropolitan regions and prospering medium-sized cities in Germany in which Instone operates. Such development companies usually have great access to financing opportunities enabling them to acquire significant and strategic land as well as to increase production levels to further meet demand. As a result, such real estate developers compete effectively and are aggressive in pricing and margin assumptions when bidding for land.

Medium-Sized German Real Estate Developers: Medium-sized real estate developers in Germany, such as Bayerische Hausbau, Ten Brinke Group or Pandion AG, often have specialized knowledge of certain markets in the regions in which they operate. Such medium-sized developers often own a significant amount of strategic land and also have access to financial resources, but mostly focus on other regions than the regions in which Instone operates preventing them to become a more significant player in the key metropolitan regions and prospering medium-sized cities in Germany.

Local German Real Estate Developers: Local German real estate developers often have specialized knowledge of the local markets in which they operate and also often benefit from a strong local network in such markets. Local real estate developers are generally very competitive in housing prices and margins and have selective access to financing, but lack the requisite scale, experience or resources to become relevant players at a nationwide level or in Germany's key metropolitan regions.

The Company believes that due to its long-standing expertise, strong network all along the value chain and clear focus on the residential real estate market in the German key metropolitan regions, it has obtained an excellent position, allowing it to effectively compete also against sophisticated competitors. The Company believes that its development expertise provides it with a competitive advantage over many real estate investors, particularly in value-added acquisitions.

8. BUSINESS

8.1 Overview

Instone is a leading nationwide residential real estate developer in Germany as measured in terms of sqm of secured development projects not yet under construction (*Source: bulwiengesa*). Instone develops modern, urban, multifamily residential properties and redevelops listed buildings for residential use. As of September 30, 2017, Instone's project portfolio comprised 48 development projects with an aggregate expected sales volume for fully developed projects of approximately €3.4 billion. As of that date, approximately 93% of Instone's portfolio (by expected sales volume for fully developed projects) was located in Germany's key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg)) and 7% in other prospering medium-sized cities. Instone's key purchaser groups are owner-occupiers, retail buy-to-let investors and institutional investors. As of September 30, 2017, Instone had entered into purchase contracts with regard to 24% of the residential units projected to be constructed in total and with regard to 75% of the residential units that are in the pre-construction or construction development phase (in each case measured by expected sales volume). As of the same date, Instone had agreed on the sale of two-thirds of its residential units planned to be completed by 2020 (measured by expected sales volume).

Instone believes that the German residential real estate market is highly attractive. Germany is Europe's largest and most stable economy. In 2016, Germany had the highest gross domestic product (GDP) in Europe (€3.1 trillion) as well as one of the highest GDP per capita (€38.1 thousand) (*Source: Destatis, German Federal Statistical Office*). Sound structural growth in the German residential property market is expected to continue due to a combination of several factors, including modest population growth (*Source: Institut der deutschen Wirtschaft Köln* (IW)), an increasing number of households (*Source: Destatis, German Federal Statistical Office*) and the current structural undersupply of residential properties (*Source: bulwiengesa*). From 2012 until 2030, the population is expected to grow by 10.3% in Berlin, by 14.2% in Frankfurt am Main and by 4% in Munich (*Source: bulwiengesa, Potential Analysis*). In addition, Instone's business benefits from favorable German regulatory framework for project developments. MaBV enables Instone to contractually agree on significant fixed down payments based on construction milestones for residential units sold to owner-occupiers and retail buy-to-let investors which substantially reduces its development risk.

Instone is one of only a few pure play residential real estate developers in Germany with operations spanning the entire development value chain other than actual construction. Instone operates through a fully integrated nationwide platform covering the acquisition of land, land development, concept design, construction management, as well as marketing and sales. Headquartered in Essen, Instone also operates through seven branches in Berlin, Cologne, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart. Each branch has its own local teams for acquisition, planning, construction management and marketing and sales activities, while strategic decisions are coordinated and managed together with Instone's headquarters. Instone has strong risk-management processes in place and applies sophisticated reporting and planning tools to mitigate development risks. Due to these measures, for projects completed in the period between January 2015 and September 30, 2017, Instone Development successfully delivered 100% of a total of 25 projects on time and realized on average 1% more floor space than initially projected. During the same period, Instone Development's actual project construction costs were on average 0.5% lower than initially anticipated.

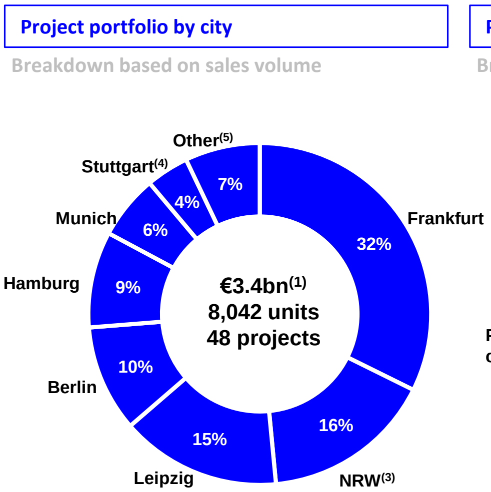
Instone has a successful acquisition track record. Since 2015, Instone has acquired land plots and properties for residential development with an aggregate expected sales volume for fully developed projects of €2,847 million at the time of acquisition. Instone also has a successful development track record. Since 1991, Instone (including its predecessors) has developed residential units comprising more than one million sqm of residential space. In 2015, Instone successfully delivered 1,112 residential units, in 2016 1,204 units, in the first nine months of 2017 270 units and in the last quarter of 2017 190 units, respectively.

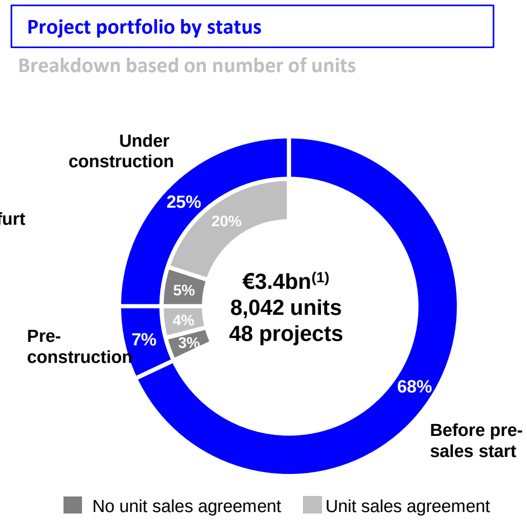
For 2018, Instone expects to deliver approximately 700 residential units, in 2019 approximately 1,450, and in 2020 approximately 1,300, respectively. Instone achieved a weighted average Historical Gross Project Margin of 23.6% over all projects completed between January 1, 2015 and September 30, 2017. Instone believes that its success is attributable to its regional focus, its nationwide regional presence, and the know-how and strong network of its experts located across Germany.

Instone's core business originates from HOCHTIEF Solutions AG's real estate development division. In 2013, HOCHTIEF Solutions AG contributed its development division into a separate entity, formart GmbH & Co. KG. In 2014, formart GmbH & Co. KG, which has since been renamed and converted into Instone Development, was acquired by the Company. In 2015, the Company acquired the former GRK-Holding GmbH, which has since been renamed Instone Leipzig, a real estate developer specialized in the redevelopment of listed buildings for residential use. In June 2017, the Company's legal name was changed to Instone Real Estate Group B.V. and Instone Real Estate became Instone's commercial name.

As of September 30, 2017, Instone owned a portfolio of 48 projects comprising 8,042 residential units with an aggregate expected sales volume for fully developed projects of approximately €3.4 billion. Instone divides its project portfolio into three categories based on the development phase. Projects in the "pre-sale" category comprise projects for which land plots or properties have been acquired or secured by Instone but for which it has not yet commenced its marketing and sales activities. In the "pre-sale" category, Instone performs its land development and concept design activities to enable it to initiate its sales activities. Once Instone starts its marketing and sales activities, projects are assigned to the "pre-construction" phase. Projects in respect of which building measures are being carried out are categorized as being "under construction". As of September 30, 2017, 68% of its project portfolio was in the "pre-sale" category, 7% was in the "pre-construction" category and 25% was "under construction" (in each case measured by expected sales volume). Out of the expected 8,042 residential units to be built, 1,994 units have already been sold.

The charts below show Instone's project portfolio broken down by city as well as by project phase:





(1) Based on expected sales volume for ongoing projects as of 30 September 2017.
(2) NRW = North Rhine-Westphalia includes Bonn, Cologne, Dusseldorf.
(3) Includes Herrenberg, Stuttgart.
(4) Includes Freiburg, Mannheim, Ulm, Wiesbaden.

The strong backlog of current projects reflects the high level of investment activity in 2015 and 2016, in which land plots and properties were acquired with an aggregate expected sales volume for fully developed projects of €1,476 million (including €550 million attributable to the acquisition of Instone Leipzig) and €995 million, respectively. This high level of investment activity followed a less active acquisition phase in the financial years 2013 and 2014, while Instone Development was still under the control of HOCHTIEF Solutions AG, in which land plots or properties were acquired with an aggregate expected sales volume for fully developed projects of €229 million. As of December 31, 2017, Instone had identified 71 additional acquisition opportunities with an aggregate potential sales volume for fully developed projects of more than €13.0 billion.

As a project developer, Instone's results are significantly affected by the method used to account for its customer contracts. Historically, Instone Development's standard customer contracts provided for a right of its customers to request that fundamental changes be made to the project during the course of construction in accordance with a policy of HOCHTIEF Solutions AG. In the new form of contract, which Instone Development introduced on August 1, 2015, this right was eliminated. For projects marketed by Instone Development under the prior form of contact, revenue and costs were recognized throughout the construction phase based on status of completion and sales progress using the percentage of completion method. For projects marketed under the new form of contract, production costs are capitalized in inventories and revenues and profits are not recognized until residential units that have been sold are actually delivered following completion. Because revenues and profits under this method are not recognized until the delivery of completed units, earnings generally remain negative until the end of the project development process. Certain types of Instone Development's project developments (e.g., micro apartments, completed apartments that had not been sold) were sold using contracts that already required application of the completed contract method prior to this contract modification. This was also true for the sale of land plots, which is accounted for under the completed contract method. Instone Leipzig's customer contracts have always required application of the completed contract method.

Consequently, the Company's results in the periods under review include projects accounted for under the percentage of completion method and projects accounted for under the completed contract method. While revenue and earnings from contracts accounted for using the percentage of completion declined over time until the final unit subject to the old form of contract was delivered in the second quarter of 2017, projects marketed using the new form of contract and accounted for under the completed contract method did not begin to contribute to revenues and earnings until 2017 as the first units from such projects began to be delivered following completion.

In 2015, 2016 and the first nine months of 2017 Instone's revenue was €358.7 million, €203.6 million and €123.8 million and its EBIT was negative €7.6 million, €0.8 million and €3.9 million, respectively. Instone's EBIT was impacted by PPA Effects and One-Off Items. Adjusted for PPA Effects and One-Off Items, Instone's Adjusted EBIT was €17.7 million in 2015, €48.4 million in 2016 and €15.8 million in the first nine months of 2017. Earnings in the strong 2016 financial year were held back by the impact of the change in customer contract on revenue recognition, while weaker performance in the first nine months of 2017 reflects the delayed effect of the lower level of acquisitions in 2013 and 2014, the use of the new contract form for almost all projects under development in the period and a higher number of units delivered to customers in the last quarter of 2017. The higher number of deliveries in the last quarter of 2017 was primarily due to the higher investment activity following Instone's acquisition of Instone Development. These effects will positively impact revenue and Adjusted EBIT in the fourth quarter of 2017. Because revenues and earnings in respect of the large volume of ongoing projects in its strong project portfolio are only recognized upon delivery of units following project completion, Instone expects significant revenue and Adjusted EBIT contribution from projects currently under development in the years to come.

8.2 Business Strengths

The Company believes that the following competitive strengths have been the primary drivers of Instone's success in the past and will continue to set it apart from its competitors in the future:

8.2.1 Exposure to Europe's largest and most stable economy with attractive housing sector fundamentals

Germany has an advanced, diversified and competitive economy. In 2016, Germany had the highest GDP in Europe, €3.1 trillion, as well as one of the highest GDP per capita (€38.1 thousand) (*Source: Destatis, German Federal Statistical Office*). The German economy further reported considerable growth in the first months of 2017. Germany's GDP continued to grow, increasing by 0.6% (after price, seasonal and calendar adjustments) in the second quarter of 2017, compared to the first quarter of 2017 (*Source: Destatis, German Federal Statistical Office*). At the same time, inflation has remained low, despite the economy being close to full employment, and the interest rate environment continues to be very benign.

Against this favorable macroeconomic background, the German real estate market has performed well. The residential real estate sector is currently in a dynamic phase with prices growing strongly in the context of robust housing demand and insufficient and relatively inelastic supply. On average, housing prices in the top seven cities in Germany have increased by 58% between 2010 and 2016 (*Source: Deutsche Bundesbank, Residential Property Index*), substantially outpacing consumer price inflation. The housing demand is expected to increase considerably until 2020 with an unmatched demand estimated at 90,000 residential units in the top seven and other prospering medium-sized cities in Germany through 2020 (*Source: bulwiengesa, Potential Analysis*). It is expected that this unmatched demand will result in an addressable market in the amount of €36 billion over the next three years (assuming a sales price of €400,000 per unit). Of the 90,000 residential units, 19,000 represent the unmatched demand in Frankfurt am Main alone (*Source: bulwiengesa, Potential Analysis*). In addition to these 19,000 residential units, an additional unmatched demand for 10,000 residential units is expected as a consequence of Brexit through 2020 *(Source: WHU-Otto Beisheim School of Management, Winning Frankfurt).* These developments have mainly resulted from a demand surge and structural supply shortages in large cities.

Given Germany's demographic profile, urbanization is expected to intensify further in the future. Between 2011 and 2015 population density in large cities increased by 3.8% and the number of households is expected to increase from 40.8 million in 2015 to 43.2 million in 2035 (*Source: Destatis, German Federal Statistical Office*). From 2012 until 2030, the population is expected to grow by 10.3% in Berlin, by 14.2% in

Frankfurt am Main and by 4% in Munich (*Source: bulwiengesa, Potential Analysis*). It is expected that these demographic developments will lead to a disproportionate increase in demand for residential properties in Germany's key metropolitan regions within the next five to ten years.

Instone believes that the highly positive development of the German economy in general and the residential real estate market in the key metropolitan regions in particular will enable Instone to maintain its strong and profitable growth in the future.

8.2.2 Market-leading nationwide platform focused on key metropolitan regions and prospering medium-sized cities in Germany with scalability potential

Instone is a leading nationwide residential real estate developer in Germany as measured in terms of sqm of secured development projects not yet under construction (*Source: bulwiengesa*). It was the first and is still one of only a few pure play residential real estate developers in Germany to have developed a fully integrated platform spanning the entire development value chain other than actual construction. Instone has a long-standing nationwide regional presence with its headquarters located in Essen supported by seven regional branches in Berlin, Hamburg, Leipzig, Cologne, Frankfurt am Main, Munich, and Stuttgart.

Instone focuses on the key metropolitan regions and prospering medium-sized cities in Germany as demonstrated in terms of housing prices, rents and GDP per capita. In conducting its development activities, Instone relies on its strong regional networks throughout Germany with more than 170 years of joint top management experience with regional focus. This network, supported by its seven regional branches, provides Instone with excellent, widespread and local access to information on potential acquisitions providing for new development possibilities, often before they are marketed to a broader investor base. In addition, Instone's network ensures its ability to properly evaluate identified acquisition opportunities in the context of local market dynamics.

Instone believes that its contract partners and purchasers particularly value Instone's deep understanding of the residential real estate market in Germany as well as its approachability, reliable execution ability, and high responsiveness to their needs. This has made Instone a trusted and reliable partner allowing it to differentiate itself from its competitors and to create value for its contract partners and purchasers throughout the value chain.

Instone believes that this platform enables it to scale up the number of its development projects with limited additional resources in a highly efficient and cost-effective manner. Instone's sophisticated project management process provides sufficient flexibility in order to allocate resources between different branches depending on the respective workload. Instone had a workforce of 240.9 full-time equivalent employees as of September 30, 2017, responsible for the development of its current project portfolio that had an expected sales volume for fully developed projects of approximately €3.4 billion. Instone's current platform costs amount to approximately €40 million, including staff costs of approximately €25 million, professional costs of approximately €4 million, property costs of €3 million and transportation costs of €2 million. The annual expected sales volume for fully developed projects amounts to approximately €400 million, based on an expected average number of 1,000 residential units (derived from its deliveries from 2014 to 2016) and an average sale price of €400,000 per residential unit.

Instone estimates that it would only require additional full-time equivalent employees at project management level (*e.g.*, project managers, sales manager, construction managers and commercial managers), but would not need to increase the top management or branch management staff. Instone expects that an increase of its workforce from 240.9 to 319 full-time equivalent employees would only increase its overall platform costs of currently estimated €40 million to approximately €50 million (without staff cost inflation) but significantly boost its annual expected sales volume of currently €400 million to approximately €900 to €1,000 million based on projected unit deliveries from its approximately €3.4 billion project portfolio and identified future acquisition opportunities.

8.2.3 Attractive project portfolio geared towards Germany's key metropolitan regions setting foundation for structural growth

Instone has an attractive project portfolio, the market value of which, as of September 30, 2017, was €867,900,623.00 as determined by BNP Paribas Real Estate. In determining the market value of Instone's project portfolio, BNP Paribas Real Estate considered 52 properties split into 86 valuation units. Not included in the valuation were a number of projects due to the fact that the required zoning or planning permissions for these projects had not been obtained as of September 30, 2017. These excluded projects have an aggregate expected sales volume of €359 million.

Instone expects an aggregate sales volume of approximately €3.4 billion for its project portfolio as of September 30, 2017. Broken-down by geography Instone's project portfolio is spread across Germany, with Frankfurt accounting for the largest share (32%), followed by North Rhine Westphalia (including Bonn, Cologne and Dusseldorf) (16%), Leipzig (15%), Berlin (10%), Hamburg (9%), Munich (6%) and Stuttgart (including Herrenberg) (4%).

Instone's success is largely due to its proven ability to successfully identify and acquire land plots and properties (including listed buildings) for residential property development at attractive prices located in its target markets. Instone focuses on the acquisition of land plots or properties without zoning or planning permission for residential development purposes at the time of acquisition which enables it to acquire land plots or properties with higher potential for value creation, increasing its returns. In this context, Instone relies on its internal sourcing network consisting of various key employees with many years of experience, extensive know-how and far-reaching contacts to municipalities and other potential sellers of attractive land plots or properties.

As of December 31, 2017, Instone had identified additional near to medium term acquisition opportunities for 40 development projects with a total land area of 1.4 million sqm and an aggregate potential sales volume for fully developed projects of more than €6.7 billion. These near to medium term acquisition opportunities are spread across Germany, with North Rhine Westphalia (including Dusseldorf, Cologne and Bonn) representing the highest potential sales volumes (34%), followed by Frankfurt am Main (25%), Berlin (14%), Hamburg (including Hanover) (11%), Stuttgart (8%), Munich (5%) and Leipzig (3%).

As of that same date, Instone had further identified additional long term acquisition opportunities for 31 development projects with a total land area of 1.4 million sqm and an aggregate potential sales volume for fully developed projects of more than €6.6 billion. These long term acquisition opportunities are spread across Germany, with Frankfurt am Main representing the highest potential sales volumes (39%), followed by North Rhine Westphalia (including Dusseldorf, Cologne and Bonn) (20%), Hamburg (including Hanover) (12%), Stuttgart (12%), Berlin (8%), Munich (5%) and Leipzig (4%).

Instone believes that the attractive acquisition opportunities identified by it, combined with its long-standing experience in sourcing land in attractive locations and on attractive terms, provides a strong foundation for continued structural growth in the future. This favorable outlook is supported by attractive market conditions, in particular, a very low housing affordability rate in Germany of 4.7 years (*Source: bulwiengesa; Deloitte, Property Index 2017*) as well as very low vacancy rates across all key metropolitan regions and other prospering-medium sized cities in Germany.

8.2.4 Favorable regulatory regime and strong risk management and sophisticated reporting tools mitigate development risk

Instone's business model benefits from the German Real Estate Agent and Commercial Contractor Regulation (*Makler- und Bauträgerverordnung* (MaBV)) which is applicable to sales contracts of residential properties to owner-occupiers and retail buy-to-let investors. In principle, the MaBV provides for a staggered payment framework which enables Instone to agree with a purchaser on significant fixed down payments to be paid by the purchaser as and when certain construction milestones are achieved. For instance, 30% of the agreed purchase price can be agreed as due and payable upon start of ground works and further 28% upon completion of the building shell. Further instalments are to be paid in accordance with the levels set forth in the MaBV which are based on the progress of construction. As a result, to the extent residential units have been sold, a total of up to 58% of the agreed purchase price can already have become payable to Instone upon completion of the building shell of the relevant development project (for further information, see "*9.5.2 German Real Estate Agent and Commercial Contractor Regulation*"). This model enables Instone to cover a substantial part of its ongoing development costs, reducing its development risk early on. It also allows Instone to repay its outstanding project-related debt once approximately 75-80% of the project has been sold (assuming construction has been approximately 75% to 80% completed). While the MaBV does not apply to sales of residential units to institutional investors, with such investors Instone typically agrees on the upfront payment of the entire purchase price before construction works begin.

The staggered payment framework provided by the MaBV constitutes a highly favorable regulatory regime as compared to other large European countries. For example, in the United Kingdom, purchasers are only required to pay 5% of the aggregate purchase price upfront and the remaining 95% at completion. In Ireland, the upfront payment amounts to 10% of the aggregate purchase price, the remaining 90% to be paid at completion. Similar frameworks exist in Spain (10% upfront payment, 10% over the construction term and 80%

at completion) and France (35% upfront payment and remaining 65% to be paid based on construction milestones).

Moreover, the recently amended German Civil Code (*Bürgerliches Gesetzbuch*) generally excludes ordinary and extraordinary termination rights, with or without cause, for residential property development contracts, purchasers may have the right to withdraw from the entire contract, including the purchase of property, if the developer significantly fails to deliver completed units in compliance with its contractual obligations, fails to rectify such non-compliance and deliver within the agreed standard and within a reasonable deadline set by such purchaser or refuses to rectify such non-compliance. In other European jurisdictions, purchasers may be entitled to withdraw from their commitments under the purchase contracts for other reasons, including as a result of a change in personal circumstances.

In addition, Instone maintains rigorous risk management and risk-controlling measures to further mitigate its risk exposure. As part of its business strategy, Instone's land acquisition strategy focuses primarily on land plots or properties without zoning or planning permission for residential development purposes at the time of acquisition, as it believes that such plots or properties typically offer a higher potential for value creation and less competition than land with full residential zoning and planning permission. While this approach involves relatively higher risk, Instone relies on its strong regional network and expertise for a thorough analysis of remaining zoning or planning issues and only acquires land plots or properties that it considers highly likely to be granted the required planning permission in the near future, generally following pre-discussions with local building authorities. To further mitigate its operational risks associated with this approach, Instone only commences the realization of regular development projects once it has sold at least 30% of the envisaged development project (measured by percentage of aggregated expected sales volume).

Furthermore, Instone relies on internal guidelines, reporting systems and a specialized internal software system for the monitoring, evaluation and control of risks related to its operating business. Instone has implemented detailed internal guidelines setting forth the process and planning for every step of the value chain. All procurement activities and other project-related costs exceeding €1,000 are filed in Instone's electronic award procedure system through which project costs are monitored and individual procurement measures are authorized throughout the project development process. Additionally, Instone's internal risk management guidelines require the respective development project team to monitor the project parameters on a monthly basis via Instone's control system "Innosys". Significant deviations must be (re-)approved by superior management levels. These tools are optimized continuously to reflect changes in market conditions and Instone's business activities. Instone, through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

Instone believes that its strong and effective risk-management process ensures the timely identification of developments that could endanger the realization of its strategic and operating goals and also enables Instone to make better-informed business decisions based on such information. For Instone, risk management therefore not only covers risk control, but also aims to optimize its decision-making process for the benefit of its business operations.

8.2.5 Capital efficient business model with attractive project margins

Instone has a capital efficient business model that generates in its opinion attractive margins. While Instone makes up-front expenditures relating to the acquisition of land plots and properties, Instone's development activities are partially funded by purchasers' fixed down payments pursuant to the staggered payment framework under the MaBV. To enhance returns and deploy its capital more efficiently, Instone focuses on projects with visible and predictable cash flow generation and expedient construction timing. Typically, Instone does not have construction carried out until at least 30% of the development project has been sold.

Instone maintains a structured and rigorous selection process for new development projects with a focus on acquiring land plots or properties for which it believes to obtain zoning and planning permission within a short period of time. As a result, Instone generally has high visibility with regard to its future earnings.

Instone is generally able to source and acquire the vast majority of its land plots and properties in off-market transactions which are characterized by a fast-paced process without multiple bidding phases. Typically, less than ten development companies are invited to participate in the bidding process in off-market transactions. From January 1, 2015 through September 30, 2017, Instone acquired approximately 92% of its land plots and properties in off-market transactions. Instone particularly benefits from its nationwide sophisticated regional network that enables it to access a large number of potential acquisition opportunities at an early stage and at attractive prices.

Instone's capital requirements benefit from the staggered payment framework under the MaBV (up to 58% of the agreed purchase price is usually already paid to Instone upon completion of the building shell) which enables Instone to cover a substantial part of its ongoing development costs. As a result, Instone's development projects have very low equity requirements of 10 to 15% (for further information please see "*8.7.5.1 Project-related Financing Agreements (Projektfinanzierungsverträge)*"). As of September 30, 2017, the pre-payments made by Instone's purchasers under sales contracts for residential units currently being realized amounted to €207.1 million.

Instone has consistently achieved attractive project level returns and Historical Gross Project Margins primarily due to by continued efficiency improvements. Between January 2015 and September 30, 2017, Instone achieved a weighted average Historical Gross Project Margin of 23.6% over all projects completed. During that period, Instone's Historical Gross Project Margins increased in accordance with an increase of the expected sales volume of the relevant development project. For projects with a sales volume of less than €10 million, Instone achieved an average Historical Gross Project Margin of 19.0%, for projects with a sales volume between €10 and €60 million, an average Historical Gross Project Margin of 21.2%, and for projects with a sales volume of more than €60 million, an average Historical Gross Project Margin of 27.9%. As of September 30, 2017, Instone owned a portfolio of 48 projects comprising 8,042 residential units with an aggregate expected sales volume for fully developed projects of approximately €3.4 billion. As of that date, Instone had entered into purchase contracts with regard to 24% of the residential units projected to be constructed in total and with regard to 75% of the residential units that are in the pre-construction or construction development phase (in each case measured by expected sales volume). Furthermore, as of September 30, 2017, Instone had agreed on the sale of two-thirds of its residential units planned to be completed by 2020 (measured by expected sales volume).

Notwithstanding the change from percentage of completion to completed contracts method, which affects the comparability of Instone's historical results, Instone benefits from high earnings visibility. In 2016, Instone's revenue was €203.6 million and Operating Performance was €362.5 million. Instone's Adjusted EBIT in 2016 was €48.4 million. Instone's strong risk-management processes result in marginal deviations from Instone's projections. In the period between January 2015 and September 30, 2017, Instone Development successfully delivered 100% of a total of 25 projects on time and realized on average 1% more floor space than initially projected. During the same period, Instone Development's actual project construction costs were on average 0.5% lower than initially anticipated.

Instone believes that its capital efficient business model enables it to realize higher margins from its developments ensuring sustainability of its growth and competitive market position in the future.

8.2.6 Industry-wide highly experienced management team with a proven track record of value generation

Instone has a highly experienced management team with significant breadth and depth of expertise in the entire development value chain. Instone's management team is familiar not only with the specific features of the German residential real estate market, but also possesses the necessary knowledge of the regional markets in which Instone operates. Instone's top management has longstanding experience in Instone's markets and in Instone's operating business. Instone's top management team, comprising the four members of the Management Board as well as the three regional chief operating officers, has more than 170 years of joint management experience in the German real estate development sector. In addition, Instone's management team is supported by strong divisional and regional management with extensive knowledge of Instone's business and the residential real estate development industry.

With their collective extensive experience, exposure and drive, Instone's management team maintains an established network of, among others, contractors, suppliers, property agents, consultants, financiers as well as long-standing relationships with the relevant local authorities. With these resources, Instone believes that it will be able to continually source for suitable development sites, achieve optimal development value from these sites, manage its construction and development processes efficiently and ensure purchaser satisfaction by delivering quality value and services.

8.3 Strategy

Instone's strategy is to create additional value for its project portfolio and to keep and further strengthen the Company's competitive position in the German residential real estate development market. To achieve this, the Company will leverage its strong platform and deep market knowledge and expand its competitive position in the German residential development sector. Also, Instone aims to fuel further growth through the realization of growth opportunities, among others in Germany's key metropolitan regions, for which Instone expects further growth potential. Instone intends to achieve this as follows:

8.3.1 Maintain and expand its competitive position in the German residential development sector with a continued focus on Germany's key metropolitan regions.

Instone's exclusive focus on modern urban mid-rise residential properties and their location in Germany's key metropolitan regions and other prospering medium-sized cities in Germany has been a key contributing factor to Instone's success in the past. Its regional approach is driven by Germany's attractive growth markets (North Rhine-Westphalia and Rhine Main, Baden-Württemberg and Bavaria, Saxony, as well as Northern and Eastern Germany) with four regional heads and seven branches.

Instone aims to continue to focus on, and seeks to strengthen its presence in, metropolitan growth regions in Germany (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart) as well as on other prospering medium-sized cities such as Darmstadt, Dresden, Freiburg, Hanover, Heidelberg, Heilbronn, Karlsruhe, Mainz, Mannheim, Potsdam, Ulm, and Wiesbaden. These metropolitan regions and prospering medium-sized cities present strong demographic growth, reinforced by the urbanization trend, sustainable household formation and supportive regionally diversified economic backgrounds.

In addition, Instone is also aiming to invest with an opportunistic approach in particularly attractive areas that are likely to benefit from incidental demand, such as Aachen, Augsburg, Baden-Baden, Erfurt, Ingolstadt, Halle, Kiel, Nuremberg, the Rhine-Main region around Frankfurt am Main, Regensburg, the Western Ruhr area, and Wurzburg.

8.3.2 Focus on land plots or properties without zoning or planning permission for residential development purposes at the time of acquisition.

Instone's acquisition strategy is driven by the aim to achieve attractive margins from project developments without taking undue risks. To this end, Instone's land acquisition strategy focuses primarily on land plots or properties without zoning or planning permission for residential development purposes at the time of acquisition, as it believes that such plots or properties typically offer a higher potential for value creation and less competition than land plots or properties with full zoning and planning permission. To manage regulatory development risk, Instone relies on its know-how and expertise to ensure it has a thorough understanding of remaining planning issues and only acquires land plots or properties that it considers highly likely to be granted the required planning permission in the near future, generally following pre-discussions with local building authorities. Accordingly, Instone does not invest in land if it does not believe it will be able to obtain zoning or planning permission within this time frame (no speculative land banking). Instone also seeks to avoid acquiring land to the extent it believes the purchase price already includes a step-up in value for future building permission.

Instone has an excellent track record in developing land plots or properties without zoning or planning permission for residential development purposes at the time of acquisition, having successfully obtained zoning and planning permission for 100% of the land plots or properties for which it has submitted an application in the period from January 1, 2015 through September 30, 2017.

8.3.3 Increase aggregate expected sales volume by (re)investing excess funds as well as net proceeds from the Private Placement to further fuel growth.

Instone intends to capitalize on its know-how and its strong regional network by reinvesting excess funds generated through the sale of its developed projects as well as approximately €100 million of the net proceeds from the Private Placement into its identified acquisition opportunities to create additional value and stable returns. In addition, to the extent required, Instone intends to make use of the full range of loans, equity capital and debt capital market financing, including, in particular, bonds, convertible bonds, promissory notes, and equity offerings to which it gains or improves access as a result of the contemplated listing on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), in each case when required and, to the extent applicable, following the expiration of the lock-up period (for more information, see "*2.3.9 Lock-up Agreements and Limitations on Disposal*").

In accordance with its acquisition criteria, Instone constantly aims to identify opportunities to acquire land plots or properties in Germany's key metropolitan regions by remaining close to the local markets through its seven branches. It focuses on the key German metropolitan residential markets while also reviewing other large and liquid markets that are also of interest for private and institutional investors. As of December 31, 2017, Instone had identified 71 acquisition opportunities with an aggregate potential sales volume for fully developed projects of more than €13.0 billion. In the medium term, Instone aims to annually acquire land plots or properties with an aggregate expected sales volume for fully developed projects of €900 million to €1.0 billion.

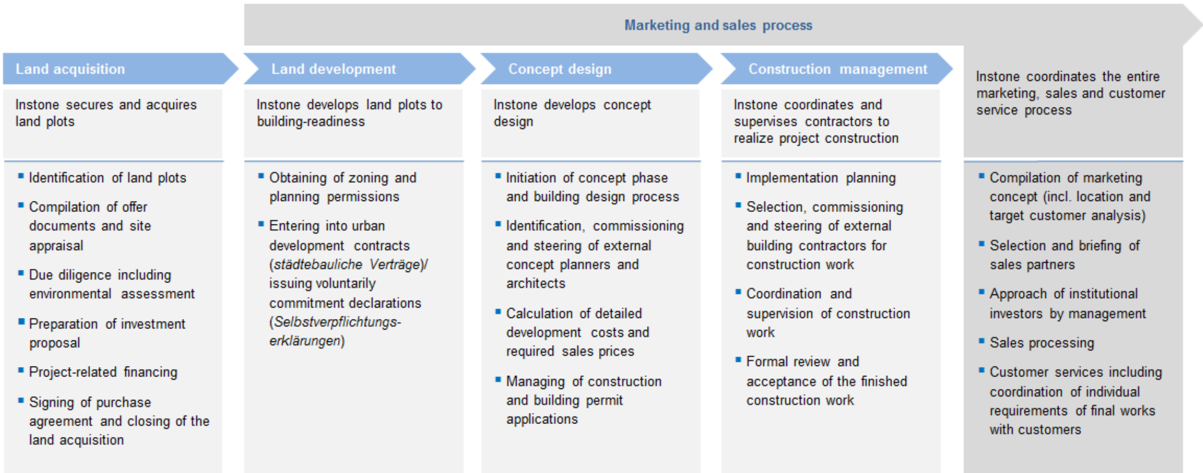
In the last quarter of 2017, Instone delivered 190 residential units with an aggregate sales volume for fully developed projects of €75.6 million. In the years to come, Instone expects to deliver residential units, subject to market and other conditions, as follows:

- In 2018, approximately 700 residential units with an aggregate expected sales volume for fully developed projects of €328 million;
- In 2019, approximately 1,450 residential units with an aggregate expected sales volume for fully developed projects of €507 million (aggregate expected sales volume of €489 million as shown in the Valuation Report and including additional condominiums in Wiesbaden-Delkenheim with an expected additional sales volume of €15 million and other condominiums with an expected additional sales volume of €3 million each of which have not been included in Valuation Report);
- In 2020, approximately 1,300 residential units with an aggregate expected sales volume for fully developed projects of €588 million; and
- From 2021 onwards, Instone expects to deliver, subject to market and other conditions, approximately 2,000 residential units with an aggregate expected sales volume for fully developed projects of €900 million to €1,000 million. Out of these 2,000 units, approximately 1,800 units relate to projects covered by the Valuation Report with an aggregate expected sales volume for fully developed projects of €874 million. Instone expects to deliver the additional 200 units based on new projects not covered by the Valuation Report with an aggregate expected sales volume for fully developed projects of €26 million to €126 million.

8.4 Business Operations

Instone's development business comprises primarily new build developments and the redevelopment of listed buildings. Instone operates through a fully integrated platform covering the acquisition of land, land development, concept design, construction management, and marketing and sales.

The following diagram sets forth the stages of a typical development project:



Headquartered in Essen, Instone is supported by its seven regional branches in Berlin, Hamburg, Leipzig, Cologne, Frankfurt am Main, Munich, and Stuttgart. Instone's success is mainly due to its regional branch structure which provides it with high levels of local market knowledge. Each branch has its own teams for its acquisition, planning, construction, and sales activities. Instone's development teams are involved at a very early stage to help assess land value and its potential for value creation.

Instone typically requires six to twelve months from initial sourcing to acquire land plots or properties for its development projects. Depending on volume and complexity of a project, Instone usually needs 12 to 40 months following land acquisition to develop a concept design and obtain the required approvals. The subsequent construction management phase, which Instone typically begins only after having sold 30% of the planned residential units, generally takes 18 to 24 months. Consequently, Instone's project developments usually take approximately 36 to 76 months from the initial sourcing of land plots or properties to delivery of completed units.

8.4.1 Land Acquisition

Instone's land acquisition process typically involves six main phases: the identification of land plots or properties based on ongoing local market screening, the compilation of offer documents and site appraisal, due diligence including environmental assessment, preparation of investment proposal, negotiating and obtaining project-related financing, as well as signing of the purchase agreement and closing of the acquisition. On average, it takes Instone six to twelve months to complete the land acquisition process from the identification of land plots or properties to the closing of the acquisition.

8.4.1.1 Identification of Land Plots and Properties

Instone's recognized expertise and reputation is a differentiating success factor when sourcing land plots and properties. Instone's strategy is to focus on the acquisition of land plots and properties without zoning or planning permission for residential development purposes at the time of acquisition, including greenfield as well as industrial and/or commercial sites or properties, with the aim of (re)developing such land plots and properties. Instone acquires such land plots and properties through several acquisition channels with a particular focus on so-called off-market transactions.

Instone is generally able to source and acquire the vast majority of its land plots and properties in off-market transactions. In off-market transactions, typically less than ten development companies are invited to participate in the bidding process for a land plot or property. Off-market transactions are characterized by a fast-paced process without multiple bidding phases. From January 1, 2015 through September 30, 2017, Instone acquired approximately 92% of its land plots and properties in off-market transactions with a small number of developers invited to bid. Instone particularly benefits from its nationwide sophisticated regional network that enables it to access a large number of potential acquisition opportunities at an early stage. Instone's regional branch structure ensures proximity to local markets and access to the most interesting potential project development sites. Typically, land acquisition opportunities are originated by Instone's regional branches, taking into account Instone's acquisition criteria. As part of its business strategy, Instone has established separate regional acquisition teams (comprising between one and three member(s)) which are in charge of identifying land plots or properties suitable for residential development purposes in accordance with Instone's business model. In addition to its regional acquisition teams, Instone also benefits from its external sourcing network which includes its contacts to municipalities, local private or commercial land owners, lawyers, and other real estate professionals.

Due to its well-known execution capacity, reliability and experience in solving complex zoning and planning situations, Instone is also often actively approached with land acquisition opportunities before they are marketed. Another major source for Instone's land acquisitions is the public sector as an owner of a large volume of land with often complex zoning and planning situations. Instone's long-standing regional network comprising, *inter alia*, city planners and other municipal real estate administration representatives often enables it to identify attractive land plots or properties available for sale at an early stage. Given its well-known execution capacity, reliability and experience, Instone is also able to exploit its long-standing regional relationships with city planners and other municipal real estate administration representatives for an early involvement in the discussion on, and generation of, complex land utilization and development plans as well as urban development contracts.

In limited cases, Instone also acquires land plots and properties in regular market transactions which are characterized by a broad and multi-phased sales process open to all real estate development companies (*e.g.*, the acquisition of Quartier Stallschreiber Straße in Berlin). In the first round typically 30 to 50 potential buyers are invited to participate in the bidding process. Typically, five to seven potential buyers are selected for the second round. In contrast to off-market transactions, in market transactions, development companies are required to submit an investment proposal to the competent sales agent. From January 1, 2015 through September 30, 2017, Instone acquired approximately 8% of its land plots and properties in regular market transactions. Due to its low cost structure and its sophisticated master planning skills, Instone has established a successful track record also in such market transactions.

Given its extensive expertise in developing land, Instone is a well-known solution provider to sellers of land. Instone acquires most of its land plots and properties from public entities (approximately 30%) and other commercial owners (approximately 55%). Public entities generally pursue the public goal of increasing housing accessibility. Instone offers tailor-made solutions for complex zoning and planning situations including neighborhood regeneration projects. Instone offers other commercial owners transaction certainty and its well-known reliability and experience. Instone acquires the remaining 15% of its land plots and properties from private owners which benefit from a fair valuation of the land plot or property to be sold as well as an efficient acquisition process.

Instone's acquisition criteria comprise:

Geographical focus. Instone focuses primarily on land plots and properties in the key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart), in other prospering medium-sized cities in Germany (Darmstadt, Dresden, Freiburg, Hanover, Heidelberg, Heilbronn, Karlsruhe, Mainz, Mannheim, Potsdam, Ulm, and Wiesbaden) and, with an opportunistic approach in case of particularly attractive project developments also in other cities (Aachen, Augsburg, Baden-Baden, Erfurt, Ingolstadt, Halle, Kiel, Nuremberg, the Rhine-Main region around Frankfurt am Main, Regensburg, the Western Ruhr area, and Wurzburg).

Project size. Instone targets development projects (including regular development projects and redevelopment projects) with an expected sales volume of at least €20 million (currently, the largest development project amounts to €300 million expected sales volume) as well as redevelopment projects that are typically smaller in size. With respect to larger development projects, Instone seeks to mitigate development risks by completion of construction in construction phases (*Bauabschnitte*).

Planning permission. Instone's land acquisition strategy focuses primarily on land plots or properties without zoning or planning permission for residential development purposes at the time of acquisition, as it believes that such plots or properties typically offer a higher potential for value creation and less competition than land or properties with full zoning and planning permission. Instone relies on its strong regional network and expertise for a thorough analysis of remaining zoning or planning issues and only acquires land plots and properties that it considers highly likely to be granted the required planning permission in the near future, generally following pre-discussions with local building authorities. Instone has a strong track record of acquiring land plots and properties at attractive terms. Instone refrains from investing in land for which it does not expect zoning permission and building permit in the near future (no speculative land banking) and from purchasing land at prices that are higher than the current market value on the basis of an estimated future value as fully permitted building land.

Financial acquisition criteria: Instone targets development projects (including regular development projects and redevelopment projects) for which it believes to be able to realize in the medium term an average Anticipated Gross Project Margins of approximately 25% (and a minimum Anticipated Gross Project Margins per individual project of 20%), a minimum required unlevered project level internal rate of return ("**IRR**") of more than 15%, a minimum required levered project level IRR of more than 20% and a stabilized return on capital employed (ROCE) of more than 30%.

8.4.1.2 Compilation of Offer Documents and Site Appraisal

Once Instone has determined that a particular land plot or property potentially meets the above criteria, it prepares a project budget for the potential development of such land as well as a sales prognosis. Instone's budget and sales analysis includes the following aspects: demand and supply in the respective area, previous sales in the area of Instone's own residential units and that of other residential real estate developers' sales in the area, demographic and socioeconomic developments, price ranges and housing stock, suitability of the planned development project, viability of construction, expected cash flows, and availability of project financing. Once the analysis of the above aspects has been completed and the potential sales volumes, Anticipated Gross Project Margins, cash flows and return ratios have been determined, Instone reaches a conclusion regarding the maximum acquisition price which would allow Instone to obtain its targeted returns. If the requested selling price for the particular land plot or property does not exceed the budgeted maximum acquisition price, offer documents are prepared, standardized due diligence measures are initiated and an investment proposal to the Management Board is prepared.

8.4.1.3 Due Diligence including Environmental Assessment

Instone's specialist teams as well as external experts undertake appropriate due diligence measures prior to entering into any legal commitment relating to the acquisition of land, taking into account zoning and planning history and status, access to infrastructure (*e.g.*, roads), environmental issues, archaeology, and legal matters. In particular, Instone generally conducts a thorough environmental assessment of the land plot or property involved covering the assessment of known, potential, and contingent environmental liabilities and obligations, such as known or potential soil or groundwater contamination from current and historic uses, the potential for contamination to migrate to the property from offsite locations, the presence of hazardous building materials, including asbestos and lead-based paints, in onsite structures, as well as compliance with other environmental requirements. In addition, there may also be a need to evaluate the land plot or property for site specific features, such as wetlands, and threatened and endangered species, or to determine the costs to remove any asbestos or lead-based paints if demolition is contemplated. The nature and extent of environmental due diligence is influenced by the current use (*e.g.*, commercial, industrial, residential) and historic use of the property, as well as by its location and the nature of the laws and regulations to which the property is subject.

8.4.1.4 Preparation of Investment Proposal

If Instone's local acquisition team determines following their due diligence that a land plot or property meets all of Instone's acquisition criteria, they prepare an investment proposal to be presented to Instone's management board. The investment proposal involves consideration of various factors relating to the proposed development, including the underlying assumptions related to value, risk, costs and expected sales prices, as well as factors such as the location, design, quality, and scale of the project. The final investment proposal is presented by the regional branch manager to Instone's Management Board which ultimately decides on such investment proposal, including the maximum price to be paid for such land plot or property. In limited circumstances, additional approval of the investment proposal by the supervisory board may be required. The preparation and presentation of the investment proposal is a key step in the land acquisition process. Once the maximum price is set by Instone's Management Board, the final negotiations on the purchase agreement and purchase price with the vendor begin.

In 2016, out of 32 top priority acquisition projects presented to Instone's Management Board, the sales process was completed for 22 such priority projects resulting in the acquisition of 9 projects by Instone, a success rate of 41%. In 2017, out of 33 top priority acquisition projects presented to Instone's Management Board, the sales process for 18 priority projects was completed resulting in the acquisition of 9 projects by Instone, a success rate of 50%. These success rates are testimony to a sophisticated selection process and significant market knowledge with an average annual acquisition volume over the last three years having an expected sales volume of €1 billion when fully developed.

8.4.1.5 Negotiating and Obtaining Project-Related Financing

Concurrently with the preparation of the investment proposal, Instone's headquarters, supported by the regional project teams, negotiate with banking and/or other financing institutions in order to obtain necessary project-related financing. Instone thereby relies on its extensive, well-established network and typically approaches two to four local banks with respect to each development project. In order to obtain indicative term sheets from these banks, Instone submits an information memorandum outlining the respective development project. Following the submission of such information memorandum, Instone and the banks usually enter into detailed discussions and negotiations of the terms and conditions of the indicative term sheet. It usually takes Instone between two and four weeks to obtain an indicative term sheet from each bank, depending on its respective internal compliance and approval procedures.

Instone typically selects the financing based on the most favorable indicative term sheet. Following its decision, Instone enters into negotiations with respect to the definitive financing agreement. Depending on the size of the project and the amount of the credit facility, it may take up to eight weeks until a final draft of the financing agreement has been agreed between Instone and the bank. Before Instone is able to enter into the definitive financing agreement, the financing needs to be approved by the Management Board. The final draft of the financing agreement often forms part of the investment proposal submitted and presented to the Management Board. In certain cases, however, the approval of the financing agreement is obtained at a later stage.

Once the draft financing agreement has been approved by the Management Board, Instone usually enters into the financing agreement at the same time it enters into the purchase agreement relating to the land acquisition. Closing of the financing usually takes place about four weeks after the execution of the financing agreement.

8.4.1.6 Signing of the Purchase Agreement and Closing of the Land Acquisition

Finally, following the approval of the investment proposal and acceptance of Instone's offer by the relevant seller, Instone acquires the land plot or property by signing the respective purchase agreement followed by the registration as owner of the respective land plot or property in the land register (*Grundbuch*). Since January 1, 2015 until September 30, 2017, Instone has processed absolutely target acquisition projects with an aggregate expected sales volume of approximately €6.7 billion. Approximately 43% of these projects have been acquired by Instone (including Instone Leipzig).

8.4.1.7 *Example of Acquisition "Niederkasseler Lohweg"*

One of Instone's most significant projects in Dusseldorf is project "NKL" located at Niederkasseler Lohweg, in Seestern, a business district in Dusseldorf, which illustrates Instone's excellent sourcing capabilities. Instone's local acquisition team had monitored potential development possibilities at this location since 2007. In the past years, the former land owner had to find a solution as the existing rental contract for this location had expired and considered repurposing the land plot to residential use. However, the building density based on the former land owner's plan was unattractive compared to the residual book value of the property. Instone's in-house experts therefore developed a viable planning concept and had its planning concept approved by local authorities. As set out in its respective planning concept, Instone expects to achieve much higher building density through its extensive in-house know-how which allowed a one-on-one engagement with the former land owner instead of participating in a competitive bidding process. Finally, Instone was able to acquire the land plot at a very attractive purchase price significantly under the residual book value (*i.e.*, acquisition price of €554 per sellable sqm based on an aggregate sellable area of approximately 16,000 sqm). Since the acquisition of the land plot, the price per sqm increased by €62 per sqm, or 11.3%, to €616 per sqm (*Source: bulwiengesa*) while the current market value of the land plot, as determined by BNP Paribas Real Estate in the Valuation Report, amounted to €836 per sqm. For further information on project "NKL", see "*8.5.2.3 Metropolitan Region of Dusseldorf*".

8.4.2 Land Development

Instone typically acquires land plots or properties for which no zoning or planning permission for residential development purposes exists at the time of acquisition or for which the existing planning permission could be optimized. Concurrently with and in particular following the acquisition of land plots or properties, Instone's regional management teams use their experience and long-standing relationships in a direct dialogue with local authorities to obtain required zoning and land-use plans.

In some cases, Instone's project development concepts may require that a new or amended zoning plan (*Flächennutzungsplan*) be adopted by the competent municipality. The zoning plans stipulate, with respect to the entire municipal territory, a basic classification of land uses according to urban development objectives and the needs of the municipality. They may, for example, determine for which purpose specific areas should be used in the future, *e.g.*, building areas and traffic areas, but do not create or affect individual rights. Frequently, in order to implement its project development concepts, Instone has to obtain a new or an amended land-use plan (*Bebauungsplan*). Land-use plans are based on zoning plans and establish the legally binding rules with respect to matters such as the size of plots and the height, housing density and specific use of buildings erected on a plot and may also designate land as being reserved for public purposes, industrial use, mixed use, social housing, infrastructure, open spaces, and protected areas.

Under certain circumstances, Instone may need to perform (or make a commitment to perform) specified urban planning and development activities before a land-use plan is approved by the competent municipality. Urban planning and development requirements can be complex and are normally undertaken in close cooperation with local authorities. For example, Instone regularly enters into urban development contracts (*städtebauliche Verträge*) with local authorities that require Instone, for example, to construct kindergartens and school facilities, landscape adjacent land, improve roads or provide utilities access. To obtain a building permit (*Baugenehmigung*) with regard to land plots for which no land-use plan exists, Instone is often required to voluntarily commit itself (*Selbstverpflichtungserklärung*) vis-à-vis the respective municipality to conduct certain urban planning and development activities. As a result of such obligations under urban development contracts or voluntary self-commitments, Instone is sometimes required to enter into lease agreements with such facility providers for a limited period of time to the extent such properties have not been sold at the time upon which the provision of such facility is due.

In addition to commitments made under urban development contracts (*städtebauliche Verträge*) or voluntarily (*Selbstverpflichtungserklärung*), most German cities also require real estate developers to dedicate a certain number of residential units for social housing purposes. The required minimum percentage of social housing units within a new development differs between Germany's cities, but the key aspect is typically a quota requirement per new development. Whereas Stuttgart (20% of rental apartments) and Dusseldorf (40% of total units, 20-30% of subsidized rental units) mark the low and high end of the scale, respectively, most other cities have set the social housing quota at 30% of the units in new build rental apartments (Berlin, Frankfurt, Cologne, Munich, Hamburg (33%)).

Instone's progress on its development activities is highly dependent on the decisions of the competent local authorities. Instone has a highly experienced local network, enabling it to present attractive solutions to local authorities' urban planning requirements that are compliant with Instone's development targets. Instone was successful in obtaining approval for its zoning and land-use applications for each of its development projects completed in the three-year period from 2015 to 2017. For instance, Instone's most significant development project in Berlin is located in Berlin-Mitte at Stallschreiberstraße. Instone initially acquired the building site in 2016 in a public bidding process from the German Federal Republic. Pursuant to an initial assessment, the potential gross floor space amounted to 33,000 sqm. However, through Instone's efficient master planning abilities, Instone was able to obtain additional gross space in the amount of 7,400 sqm, resulting in an increase of approximately 22% of gross floor space. In September 2017, Instone acquired a neighboring plot with potential for an additional of 4,600 sqm of gross space. In July 2017, Instone obtained a building permit (*Baugenehmigung*) for an aggregate of 45,000 sqm of gross space, an increase of approximately 36% of gross floor space against its initial assessment of 33,000 sqm. As of September 30, 2017, construction works for Instone's development project at Stallschreiberstraße were still ongoing. Delivery and handover of units is expected to be completed by June 2020 (for further information see "*8.5.2.1 Metropolitan Region of Berlin*").

In limited cases, Instone sells land plots after completion of the land development phase. This primarily applies to the very few land developments for commercial buildings that Instone has been engaged in in the course of its residential land development.

8.4.3 Concept Design

Once zoning and land-use plans suitable for Instone's envisaged residential development project have been obtained, Instone initiates the concept design phase. In a first step, Instone commissions operational contractors such as architects and concept planners with respect to the preparation of the building design concept. Such concepts are usually developed by the regional management teams in coordination with external concept planners.

In the course of its concept design analysis, Instone also develops a marketing concept and conducts a viability analysis taking into account demand and supply, including an analysis of sales of residential units by other real estate developers in the area, price range and housing stock. Instone further develops a detailed calculation of the sales prices that serve as a basis for Instone's selling strategy. At this stage, the sales process target is to achieve sales of around 30% of the expected sales volume of the development, which is a prerequisite to proceed to the construction phase of the development project.

Once the building design as well as the marketing and sales concepts have been finalized, Instone prepares, together with the architects and other concept planners commissioned by it, a construction application in order to obtain the building permit (*Baugenehmigung*) required to start construction of the project. Instone has a strong track record in obtaining the relevant building permits for its development projects as 100% of its building permit applications for development projects completed during the three-year period from 2015 through 2017 were successful. After the building permit has been obtained, Instone launches the marketing and sales process and selects external real estate brokers in order to prepare and conduct the sale of its residential units.

8.4.4 Construction Management

After having obtained the required building permit and having completed sales for at least 30% of the expected sales of the development project, Instone commences the next phase of the value chain: the actual realization and construction of the development project.

Instone's construction process is highly systematized. In conducting its construction activities, Instone relies on its strong established network of regional and supra-regional construction partners in order to manage its construction processes efficiently and ensure purchaser satisfaction by delivering quality products and services. Following internal approval of the start of construction works, Instone's regional project managers invite selected third-party suppliers, contractors and other service providers to tender for each individual construction phase in a competitive bidding process. In general, Instone's selection of bidders invited to tender is based on a number of factors, such as experience with similar developments, technical know-how, quality of performance, solvency, reference projects, capacity and location. With respect to major construction works (*Hauptgewerke*), such as the building shell (including façade works (*Fassadenarbeiten*)), technical building installations or roof construction, Instone usually obtains offers from the contractors with which it has worked in the past. In some cases, Instone also enters into construction contracts with some of its long-standing partners covering a series of development projects, which enables Instone to benefit from lower prices, synergies and a well-experienced and coordinated construction team. Instone also regularly conducts site visits at bidders' manufacturing sites or their reference projects in order to be able to assess bidders' manufacturing conditions as well as the quality of their work. Instone's selection process is designed to ensure that the selected contractors get a complete understanding of the development project and all detailed steps that need to be executed in order to mitigate any cost deviation risk. The final decision to which contractor the project is to be awarded is made by the respective project managers together with the purchase manager. The decision is based on several factors including, among other things, the presentation during the tendering process, strategic factors (*e.g.*, new vs. trusted partners), possibility of bundling orders across projects or branches, profitability, solvency, agreed securities and/or guarantees and proof of compliance with social security regulations. Once the project manager together with the purchase manager have made their final decision, further internal approvals may be required depending on the amount of the awarded contract. Instone has a strong track record of recurring business relationships with 1,200 regional contractors. In the last five years, 150 national contractors have bid or completed orders for Instone. Its technology infrastructure provides access to information on approximately 40,000 contractors.

In most cases, Instone does not employ a general contractor for conducting its development activities. Instead, internal project managers are in charge of continuously supervising on site the individual progress of each construction phase in order to ensure that Instone's quality criteria and the envisaged time frame is met. Instone includes very precise and detailed building descriptions in its construction contracts and also establishes guarantees and penalties to ensure the fulfillment of the established partial milestones and completion dates without cost overruns. Instone typically enters into construction contracts with its contractors based on a fixed price per unit arrangement (*Detailpauschalvertrag*). Under such arrangement, contractors review the construction tender documents, which typically include a determination of the amount required (*benötigte Menge*), and calculate a fixed price based on the unit price for the specific type of work (*Einzelpreis für die Leistungsposition*) multiplied by the respective amount required (*benötigte Menge*). Based on this calculation, Instone and the contractor then agree on an aggregate fixed price and amount for the specific type of work (*Leistungsposition*) for a trade (*Gewerk*), avoiding risks relating to prices (*Preisrisiko*) or the actual required amount of such type of work (*Mengenrisiko*). In addition, the contractor typically also assumes the functional risk (*Funktionsrisiko*) for the respective trade (*Gewerk*); accordingly, construction works that were not apparent from or not specifically described in the construction tender documents but which are absolutely necessary for the function of the respective trade (*Gewerk*) are deemed to be included in the fixed price agreed between Instone and the contractor. Any change in the scope or type of work to be performed due to incomplete work specifications (*Vollständigkeitsrisiko*), however, generally results in an adjustment of such fixed price per unit arrangement (*Detailpauschalvertrag*).

In very few cases Instone enters into global fixed price contracts (*Globalpauschalverträge*) which also cover the risk of incomplete building specifications (*Vollständigkeitsrisiko*) in the construction tender documents and require the contractor to nevertheless deliver the agreed final work without triggering additional fees. In view of this additional risk for the contractors, such global fixed price contracts typically contain a risk premium (*Risikozuschlag*) protecting the contractor from any cost overruns and other conditions that will not be recoverable from the developer. Given such risk premium (*Risikozuschlag*), global fixed price contracts are typically more costly and reduce margins. Instead the local teams operate a constant and direct oversight of costs, thereby enabling Instone to achieve lower prices under its fixed price per unit arrangements (*Detailpauschalverträge*) than with global fixed price contracts (*Globalpauschalverträge*) whilst ensuring cost control based on its longstanding experience in cost monitoring.

During the construction phase, the project managers regularly meet with the contractors to closely monitor the construction process and also issue regular reports (on, among other things, timing, quality and cost compliance) to anticipate and correct any potential deviations. Instone pursues a highly precise cost monitoring approach, on property level and with regard to the building cost categories in accordance with the standards of cost planning in building construction issued by the Building and Civil Engineering Standards Committee (German Industry Norm 276 (DIN 276). To the limited extent that cost overruns occur, the reasons are taken into account in the calculation of costs for new projects. The project managers are also responsible for formally accepting the final completion of the works after verifying that all works have been properly carried out according to Instone's standards and requirements. This approach provides Instone with better control over costs and timing of construction and allows it to efficiently allocate resources across its projects.

Instone's success in its construction management activities is mainly based on two pillars: its long-term relationships with contractors and its thorough solvency checks and guarantees. In particular, its long-term contractor relationships enable Instone to maintain its high quality standards and, at the same time, to reduce any construction deficiencies. Through its risk assessment, Instone is able to achieve lower administrative costs (*e.g.*, from framework agreements). Time and costs of development projects are optimized through recurring processes and Instone's planning activities are optimized through early partner integration. In addition, its solvency checks include the review of balance sheet ratios and solvency ratings for up to four years performed by established credit solvency agencies. Instone further conducts an assessment of the average sector default risk and a comprehensive assessment of its contractors' stakeholders. Prior to selecting a particular contractor, Instone also obtains information from third parties on such contractor's balance sheet and profit and loss statement for the last two years and considers past payment experiences and requests such contractor's commitment to Instone's code of conduct. In case of potential contractors with limited information available, Instone conducts a closer evaluation than usual. In any case, Instone obtains guarantees and warranties for contractual obligations in its contractor agreements. In particular, any failure to pay taxes and social security contributions or to comply with mandatory minimum wage laws is covered by such contracts. Instone's sophisticated selection and management process aims to significantly reduce contractor risk resulting in low default rates among its contractors. If companies nevertheless default or violate its obligations under the contractor agreement, such companies may be blocked and may therefore not be awarded a contract in the future.

Due to its diligent risk management, with respect to projects completed in the period between January 2015 and September 30, 2017, Instone Development successfully delivered 100% of a total of 25 projects on time and realized on average 1% more floor space than initially projected. During the same period, Instone Development's actual project construction costs were on average 0.5% lower than initially anticipated. An example for Instone's diligent risk management is Instone's flagship project "Lahn'sche Hoefe", a residential building project located in Frankfurt's upcoming Gallus district comprising 351 residential units. Instone's project manager was actively involved since the beginning of the planning phase and closely monitored quality, costs and timing of the development project to ensure cost efficiency. Through Instone's detailed and efficient planning concept and the close monitoring of the construction management process Instone was able to optimize planned costs and timing of the project. As a result, final construction costs (including 300 and 400 German Industry Norm 276 (DIN 276) cost groups, before VAT) were 5% lower (€1,287 per sqm) than initially planned (€1,349 per sqm) and delivery was four months ahead of the actual contractual deadline.

8.4.5 Marketing and Sales

8.4.5.1 Marketing and Sales Concept

Instone's comprehensive marketing approach adds value throughout all stages of the value chain. As part of Instone's land acquisition strategy and concept design activities, Instone's project team conducts market research on the preferences of potential purchasers, assists with the concept design analysis, performs viability studies based on market analysis and determines appropriate marketing and sales strategies for each development project. In order to be able to develop a well-informed marketing and pricing strategy, Instone obtains and collects data on demand trends from in-house and third party sources including, among other matters, agent and expert opinions, purchaser feedback and online platforms. In some cases, Instone also assesses and evaluates potential competition from neighboring development projects. Instone believes that a high granularity of "project-related data" allows optimization of the sales price for each unit to maximize pricing outcome. Such project-related data particularly include external factors (*e.g.*, reputation of the area, noise of surroundings), micro position in the project (*e.g.*, illumination, view out of the window), floor plan quality (*e.g.*, unit outline and size), as well as general facilities (*e.g.*, energy systems, technical features).

Once a development project is ready to enter the marketing and sales phase, Instone's sales team generally establishes on-site sales offices for the respective development project and commissions external real estate brokers, which are typically selected based on several factors, such as their qualification, experience, size, and solvency. Instone typically also enters into framework agreements with its sales partners to secure its Anticipated Gross Project Margins.

In the course of its marketing and sales activities, Instone (whether through its internal sales team or external real estate brokers) generally provides prospective purchasers with a presentation of the architectural, design and construction aspects of the project, as well as with information on the surrounding community and amenities, recommends appropriate units based on their purchase criteria and accompanies prospective purchasers on tours of the model residential units and project amenities.

In addition to external real estate brokers, Instone uses multiple other channels to market its residential units, such as on-site billboards and sales points, Instone's website, third-party websites (*e.g.*, Immobilienscout or Immoworld), corporate sponsorship of events as well as general and specialized press. Instone's marketing professionals attend commercial exhibitions and are frequent speakers at seminars and conferences related to real estate. In general, Instone's marketing and sales activities, such as the preparation of marketing materials and the corporate sponsorship of events, are conducted in line with defined design guidelines consistent with Instone's corporate identity.

After the launch of the sales process, Instone continuously monitors and tests the market to gauge pricing adequacy of its units. At the beginning, Instone only releases a discreet number of units for sale and tracks sales speed and price outcome in order to be able to adapt and optimize its pricing strategy based on market feedback. An example for the successful optimization of Instone's pricing strategy is Instone's project "Living Leo", a residential building project located at Leonardo-da-Vinci-Allee in Frankfurt, comprising 167 residential units and 169 car parking spots, with an aggregate sales volume of €63 million. The project started in October 2012 and was completed in the end of 2016. Prior to its marketing and sales activities, Instone conducted a comprehensive market analysis. The pricing range was determined unit by unit as proposed by the project team and the branch manager with adjustments based on purchaser feedback. Due to its continuous monitoring of market feedback Instone was able to significantly increase the pricing range of its units. Initially, the estimated average sales price amounted to €3,538 per sqm. Following seven price increases the achieved average sales price amounted to €4,102 per sqm, resulting in an overall increase of 16% compared to the initial average sales price and an Anticipated Gross Project Margin of 32% after completion of the project.

Another example is Instone's "Wilhelms IX" project, a residential building project located in Wiesbaden. Pursuant to the initial price list for project Wilhelms IX issued in June 2017, the average sales price amounted to €5,442 per sqm and the aggregate expected sales volume was €81 million. Due to the continuous monitoring of market feedback Instone was able to significantly increase the pricing range of its units. Since the launch of its marketing and sales activities Instone was able to significantly increase the price per sqm by 10% up to €5,989 (as of November 13, 2017). As of that date, the aggregate expected sales volume for project Wilhelms IX amounted to €89 million, an increase by €8 million.

Following completion of the construction process, Instone proceeds to deliver its units to its clients and provides them with post-sale assistance, in order to ensure that their degree of satisfaction meets their expectations.

8.4.5.2 Sale to Private Investors

Instone primarily sells its new-build units as well as its redevelopment units to private investors, such as owner-occupiers and retail buy-to-let investors. Owner-occupiers comprise singles and families from the mid to upper income wealth range. Retail buy-to-let investors include private buy-to-let investors, small institutional investors and clients of tax offices and banks. While owner-occupiers have limited price sensitivity as they benefit from a good availability of mortgage financing, the attractive market conditions appeal to an even wider base of private investors including a significant portion of retail buy-to-let investors. Between January 2015 and September 2017, Instone sold approximately 89% (weighted average) of its residential units to private investors.

In marketing and selling its new-build units to private investors, Instone also benefits from the staggered purchase price payment framework provided by the MaBV. In principle, the staggered payment framework enables Instone to receive significant fixed down payments to be paid by private investors as and when construction milestones are achieved. The MaBV provides for 13 construction milestones out of which the respective real estate developer may select up to seven to be included in the individual payment schedule agreed under the sales contract. As a result, to the extent residential units have been sold, a total of up to 58% of the agreed purchase price can already have become payable to Instone upon completion of the building shell of the relevant development project. However, Instone may not request payment of the first instalment from the purchaser unless Instone has satisfied several conditions including, *inter alia*, the registration of a priority notice (*Auflassungsvormerkung*) in the land register (*Grundbuch*) with respect to the respective purchaser's title of ownership. If the process of registering such priority notice (*Auflassungsvormerkung*) is delayed, Instone can instead issue to the purchaser a surety covering the respective pre-payment amount (also known as "**MaBV Aval**"; for further information see "*9.5.2 German Real Estate Agent and Commercial Contractor Regulation*"). Once either the priority notice (*Auflassungsvormerkung*) has been registered in the land register or a corresponding MaBV Avale has been issued, Instone is entitled to request the instalment payments under the agreed payment schedule from the purchaser. However, Instone is also required to issue another surety with respect to 5% of the aggregate purchase price upon beginning of construction works (*i.e.*, when the first instalment under the MaBV is due and payable) to these private purchasers. This requirement was introduced by the Act to Secure Contractor Claims and Improve the Enforcement of Payment Claims (*Forderungssicherungsgesetz* (FoSiG)). The issuance of such FoSiG Surety (as defined in Section "*9.5.1 Applicable Provisions in the BGB*") is mandatory and can only be avoided if such private purchasers withhold an amount corresponding to 5% of the aggregate purchase price from their instalment payments. The purpose of the FoSiG Surety is to secure contractual performance in a timely and adequate manner and to protect purchasers from the consequences of an insolvency of project developers.

With respect to the marketing and sale of its redevelopment units, Instone primarily works with partners from its strong regional distribution network, comprising small institutional investors, specialized real estate marketing agencies. Instone, however, uses different distribution channels with respect to the marketing and sale of Instone Development's and Instone Leipzig's residential units. For instance, Instone Leipzig often works together with nationwide financial service providers for the marketing and sale of its redevelopment properties. Due to these differences commission fees and other distribution costs with respect to Instone Leipzig's units are significantly higher than the ones for Instone Development. Instone usually works with many different marketing and sales partners to avoid any dependencies and, at the same time, to strengthen and expand its sophisticated network of distribution partners. As part of its sales and marketing strategy, Instone conducts and/or attends workshops, site visits, launch events as well as trade shows. In addition, Instone Leipzig uses and manages an online reservation system (*TeamProQ*) in which all sold or reserved residential units are registered on a regular basis and which is accessible online for every distribution partner. To a lesser extent, Instone also uses this sales channel with respect to the sale of its new-build units.

8.4.5.3 Sale to Institutional Investors

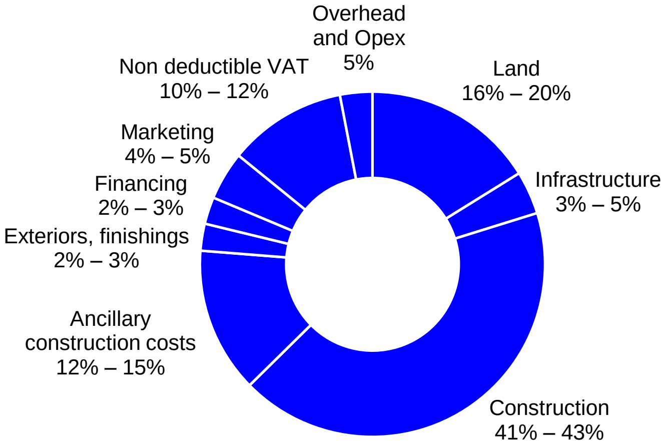
In limited cases, Instone sells a larger share of its new-build units to institutional investors including specialized real estate funds, insurances companies, pension funds and family offices. Between January 2015 and September 2017, Instone sold approximately 11% (weighted average) of its residential units to institutional investors. Historical Gross Project Margins of sales to institutional investors were comparable to Historical Gross Project Margins of residential units sold to private investors.

Institutional investors are usually approached separately by the members of the Management Board and the regional chief operating officers pursuing a more personal and direct marketing strategy. As a result of, among other things, the low interest rate environment, institutional investors have an incentive to invest in yielding residential real estate. With institutional investors, Instone typically agrees on an upfront payment of the full purchase price before construction work begins.

8.4.6 Project Development Cost Structure and Profitability of Projects

On a project level, Instone's cost structure is typically characterized by a high share of construction costs amounting to approximately 41% to 43% followed by costs for the acquisition of land of 16% to 20%. Costs for the acquisition of land vary significantly by region, micro location and type of project. Marketing costs generally amount to 4% to 5% while commission fees and other distribution costs with respect to Instone Leipzig's units are significantly higher than the ones for Instone Development due to different distribution channels. Costs for third party debt financing typically amount to 2% to 3% and overhead and operating expenses to 5%.

The chart below illustrates the breakdown of total development costs on a project level:



Based on this cost structure, Instone targets a minimum required unlevered project level IRR of more than 15%, a minimum required levered project level IRR of more than 20% and a stabilized return on capital employed (ROCE) of more than 30%. To achieve these targets, Instone pursues a strict funding policy for its project developments comprising own cash funding, third party debt financing as well as customers' instalment payments under the MaBV.

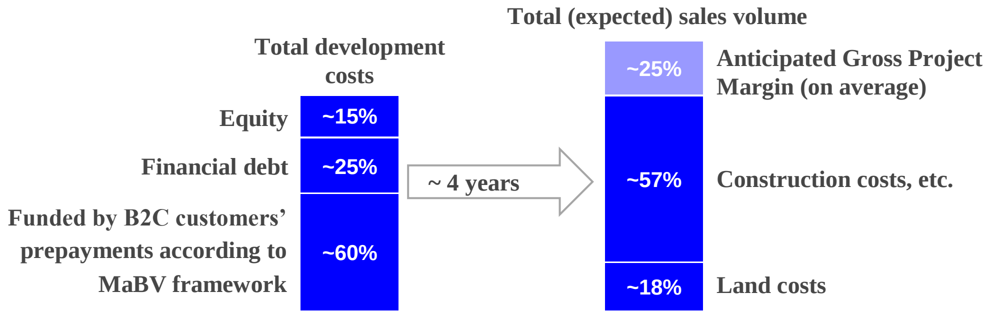
Typically, Instone aims to limit own cash funding to approximately 15% of the expected total development costs for fully developed projects. As of September 30, 2017, Instone had cash and cash equivalents in an amount of €110.7 million on its balance sheet primarily resulting from its development activities. Instone aims to reinvest these excess funds and also intends to use net proceeds from the Private Placement of about €100.3 million (assuming that the New Shares are finally placed at the mid-point of the Price Range) to fund its acquisition and development activities to create additional value and stable returns from its development business.

With respect to third party debt financing, Instone generally aims to obtain project-related third party debt financing for the entire development project, covering both land acquisition and building construction financing. Instone primarily negotiates with banks and/or other financing institutions in order to obtain necessary project-related financing. In the past, Instone has also used limited portions of debt funding provided under the promissory note loans (*Schuldscheindarlehen*). The Shareholder Loans (as defined below) which were granted to the Company were generally provided for acquisitions by the Company and not used for purposes of financing its ongoing project developments.

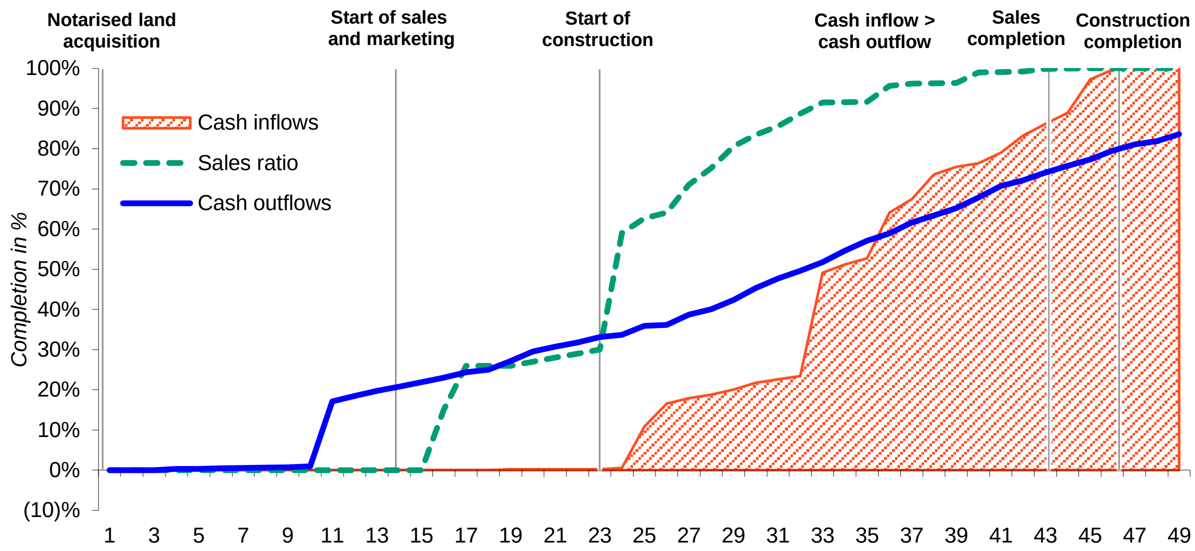
Due to the favorable regulatory framework in Germany, Instone benefits from the staggered payment framework provided by the MaBV which enables it to agree with a purchaser on significant fixed instalment payments to be paid by the customer for sold residential units as and when certain construction milestones are achieved. Under the project-related third party financing agreements, such instalment payments serve as kind of a collateral and are thus offset against the amount drawn under the respective financing agreement resulting in only the difference of these amounts being subject to interest (for further information please see "*8.7.5.1 Project-related Financing Agreements (Projektfinanzierungsverträge)*"). This effect is furthermore enhanced by the fact that Instone does not begin construction until at least 30% of the projected residential units have been sold and, thus, already obtains a significant amount of cash inflow upon start of construction. This model, however, not only allows Instone to cover a substantial part of its ongoing development costs, but also enables it to repay its outstanding project-related third party debt once the respective project turns "cash positive" (this typically occurs when approximately 75% to 80% of a project has been sold and construction has been approximately 75% to 80% completed).

In addition to its own cash funds typically amounting to 15%, Instone seeks to limit its third party debt investments to approximately 25% of the expected total development costs for fully developed projects while the remaining 60% of the expected total development costs is targeted to be funded by the incoming cash flow resulting from customers' instalment payments. Instone estimates its expected total sales volume for fully developed projects to be comprised of approximately 18% land costs, approximately 57% construction and other costs and an average Anticipated Gross Project Margin of approximately 25%.

The chart below illustrates a typical project investment breakdown and expected sales volume breakdown for fully developed projects:



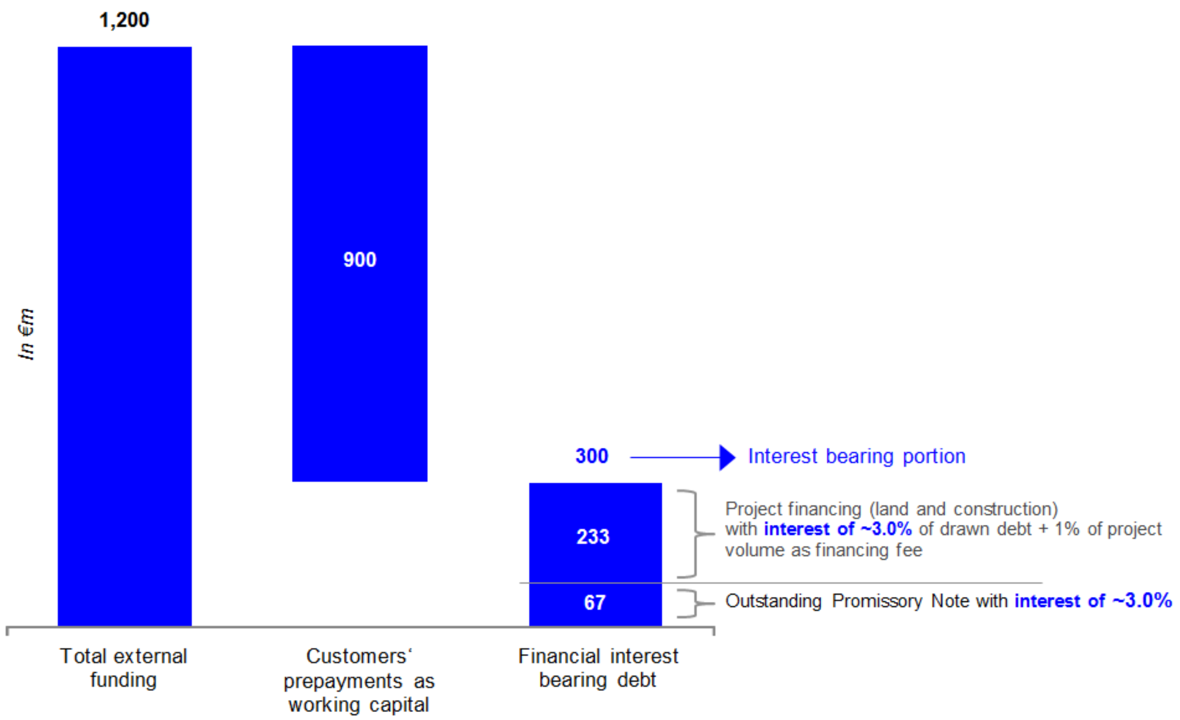
The chart below illustrates the typical project cash flow profile of a development project from land acquisition until completion of construction:



Based on an annual expected sales volume of €900 million to €1.0 billion and a medium term target inventory of €1.5 billion Instone expects an aggregate third party funding requirement of €1.2 billion. Instone further estimates that the majority of this external funding requirement will be covered by customer's instalment payments in the amount of approximately €900 million. This would result in the remaining amount of €300 million being subject to interest. Based on its current financing structure and interest rates, the Company assumes that out of this amount, approximately €67 million will be covered by the promissory note loans (*Schuldscheindarlehen*) subject to an interest rate of approximately 3%. Instone expects to finance the remaining amount of approximately €233 million by third party financing including both building construction financing and land acquisition financing subject to an interest rate of approximately 3% of the drawn debt plus 1% of the expected sales volume for fully developed projects as financing fee.

This expected financing structure of Instone's medium term target sales volume and target inventory is illustrated by the following chart:

Based on target sales volume of €0.9–1.0bn and target inventory of €1.5bn



8.5 Project Portfolio

8.5.1 Overview

As of September 30, 2017, Instone's project portfolio comprised 48 projects with an aggregate expected sales volume of approximately €3.4 billion for fully developed projects. All of these projects are accounted for under the completed contract method. As of that date, Instone had entered into purchase contracts with regard to 24% of the residential units projected to be constructed in total and with regard to 75% of the residential units which are in the pre-construction or construction development phase (in each case measured by expected sales volume). Furthermore, as of September 30, 2017, Instone had agreed on the sale of two-thirds of its residential units planned to be completed by 2020 (measured by expected sales volume).

Instone divides its project portfolio into three categories based on the development phase. Projects in the "pre-sale" category comprise projects for which land plots or properties have been acquired or secured by Instone but for which it has not yet commenced its marketing and sales activities. In the "pre-sale" category, Instone performs its land development and concept design activities to enable it to initiate its sales activities. Once Instone starts its marketing and sales activities, projects are assigned to the "pre-construction" phase. Once building measures are being carried out, projects are categorized as being "under construction".

The following three tables provide an overview of Instone's project portfolio to the extent subject to the Valuation Report split into the three development phases as of September 30, 2017:

Projects pre-sale start

Project / City	Total expected units to be sold	% of units sold	ASP[1] of units sold	ASP of sqm sales agreed	Expected total sales volume[2]	Construction start[3]	Expected completion[4]
		(%)	(in €/unit)	(in €/sqm)	(in € million)		
Friedberger Landstr. / Frankfurt................	596	–	n/a	n/a	305	Q3 2019	Q1 2025
St. Marienkranken-haus/ Frankfurt.....	182	–	n/a	n/a	179	Q1 2018	Q3 2021
QStall3 / Berlin.........	238	–	n/a	n/a	126	Q2 2018	Q2 2020

Projects pre-sale start

Project / City	Total expected units to be sold	% of units sold	ASP[1] of units sold	ASP of sqm sales agreed	Expected total sales volume[2]	Construction start[3]	Expected completion[4]
Parkresidenz Leipzig-Altbau / Leipzig	360	–	n/a	n/a	120	Q4 2018	Q2 2021
City-Prag (Theaterviertel) / Stuttgart.............	264	–	n/a	n/a	115	Q1 2019	Q3 2021
Niederkasseler Lohweg / Düsseldorf...........	217	–	n/a	n/a	72	Q1 2019	Q4 2020
Wendenschloss Neubau / Berlin	128	–	n/a	n/a	71	Q1 2019	Q1 2021
Siemens 5 / Frankfurt	135	–	n/a	n/a	67	Q1 2021	Q4 2022
Parkresidenz Leipzig-Neubau / Leipzig	240	–	n/a	n/a	63	Q2 2019	Q3 2021
Siemens 4 / Frankfurt	120	–	n/a	n/a	60	Q3 2020	Q4 2021
Elisabethen Areal/ Frankfurt	77	–	n/a	n/a	60	Q3 2019	Q3 2021
Siemens 2 / Frankfurt	108	–	n/a	n/a	54	Q1 2019	Q4 2020
west.side MW2 / Bonn.....................	161	–	n/a	n/a	48	Q2 2018	Q1 2020
Siemens 6 / Frankfurt	91	–	n/a	n/a	46	Q1 2021	Q1 2023
Grdst. Bonn BF D/E/F / Bonn	125	–	n/a	n/a	45	Q1 2019	Q4 2020
West.side ETW1 / Bonn.....................	136	–	n/a	n/a	44	Q4 2020	Q4 2022
Steinbacher Hohl / Frankfurt	163	–	n/a	n/a	41	Q2 2019	Q2 2021
D-Unterb. GHL 71/75 / Düsseldorf...........	100	–	n/a	n/a	39	Q2 2019	Q1 2021
Siemens 1 / Frankfurt	76	–	n/a	n/a	38	Q1 2019	Q4 2020
West.side MW1./ Bonn.....................	121	–	n/a	n/a	36	Q3 2018	Q2 2020
Top 20 projects before pre-sale start	**3,638**	**–**	**n/a**	**n/a**	**1,629**		
Other projects pre-sale start	1,104	–	n/a	n/a	410		
Total sum of projects pre-sale start.............	**4,742**	**–**	**n/a**	**n/a**	**2,039**		

(1) ASP refers to average sales price.
(2) Expected sales volume is based on the Valuation Report.
(3) Construction start is based on the Valuation Report.
(4) Expected completion is based on the Valuation Report.

Projects in pre-construction phase

Project / City	Total expected units to be sold	Units sold	ASP[1] of units sold	ASP of sqm sales agreed	Expected total sales volume[2]	Construction start[3]	Expected completion[4]
		(%)	(in €/unit)	(in €/sqm)	(in € million)		
Wiesbaden Wilhelmstraße / Wiesbaden...........	150	22,0	548,185	6,209	94	Q4 2017	Q4 2019
QStall 1 / Berlin	180	62,8	421,768	6,384	91	Q4 2017	Q2 2019
Rebstock BF 1.2 / Frankfurt	123	100,0	400,204	3,004	49	Q4 2017	Q4 2019
MA Franklin ETW / Mannheim	96	0,0	0	0	33	Q1 2018	Q4 2019
MA Franklin MWB / Mannheim	106	100,0	295,390	3,632	31	Q1 2018	Q4 2019
Heeresbäckerei 4. BA / Leipzig	76	100,0	332,837	3,725	27	Q4 2017	Q1 2020

Projects in pre-construction phase

Project / City	Total expected units to be sold	Units sold	ASP[1] of units sold	ASP of sqm sales agreed	Expected total sales volume[2]	Construction start[3]	Expected completion[4]
Heeresbäckerei 5. BA-Neubau / Leipzig	74	14,9	327,780	3,486	27	Q4 2017	Q2 2019
Heeresbäckerei 3. BA / Leipzig	40	85,0	289,810	3,794	13	Q4 2017	Q4 2019
Schwesternwohn-heim Marie / Frankfurt	56	100,0	201,466	2,937	11	Q2 2018	Q4 2020
Grundstücksverkau f / Bürgerhospital Frankfurt	1	100,0	7,006,017	5,623	7	-	-
Heeresbäckerei 6. BA-Neubau / Leipzig	28	100,0	238,393	3,200	7	Q1 2018	Q2 2020
Theodor-Neubauer-Str. 1 / Leipzig	15	0,0	0	0	5	-	-
MA Franklin Bestand / Mannheim	36	100,0	105,689	1,095	4	-	-
Total sum of projects pre-construction	**981**	**62,9**	**346,530**	**3,787**	**399**		

(1) ASP refers to average sales price.
(2) Expected sales volume is based on the Valuation Report.
(3) Construction start is based on the Valuation Report.
(4) Expected completion is based on the Valuation Report.

Projects under construction

Project / City	Total expected units to be sold	% of units sold	ASP[1] of units sold	ASP of sqm sales agreed	Expected total sales volume[2]	Construction start[3]	Expected completion[4]
		(%)	(in €/unit)	(in €/sqm)	(in € million)		
Theresienstr. BA II / München	66	95.5	932,290	10,005	75	Q4 2016	Q4 2018
Theresienstr. BA I / München	52	94.2	1,066,466	10,543	63	Q1 2016	Q4 2018
NMA BF5 / Hamburg	111	94.6	536,540	5,732	60	Q4 2016	Q1 2019
NMA BF6 / Hamburg	115	100.0	477,646	5,362	55	Q4 2015	Q4 2017
Ulm Wohnen am Safranberg / Ulm	120	100.0	408,284	4,623	49	Q3 2016	Q4 2018
Heeresbäckerei 1. BA / Leipzig........	90	100.0	365,003	3,637	35	Q3 2017	Q2 2019
Halle 17 – Clouth Areal/ Köln..........	50	96.0	602,175	4,842	31	Q3 2016	Q3 2018
NMA BFhalb 7 / Hamburg	57	100.0	517,306	5,607	29	Q2 2016	Q1 2018
Mühle-Haupt und Inselgebäude / Leipzig	57	100.0	406,630	3,499	23	Q3 2016	Q4 2018
Güterbahnhof (Eugen-Martin-Str.) / Freiburg.....	60	95.0	339,375	4,562	20	Q3 2016	Q1 2018
QStall4/ Berlin	142	100.0	112,318	2,283	16	Q3 2017	Q2 2019
Heeresbäckerei 2. BA / Leipzig........	39	100.0	358,217	3,648	15	Q3 2017	Q2 2019
Bleichert Werke, Haus 13 und Parkhaus / Leipzig	46	100.0	205.958	3,594	10	Q1 2017	Q4 2018
Sporthalle TKK / Leipzig	23	100.0	433,763	3,371	10	Q2 2016	Q1 2018
Bleichert Werke, Haus 1 und Parkhaus / Leipzig	34	100.0	259,147	3,863	9	Q2 2017	Q4 2018

Projects under construction

Project / City	Total expected units to be sold	% of units sold	ASP[1] of units sold	ASP of sqm sales agreed	Expected total sales volume[2]	Construction start[3]	Expected completion[4]
Gohlis Carré 4-Neubau /Lepizig	1	100.0	5,369,049	2,687	6	Q2 2016	Q4 2017
Rohbau/Leifra / Leipzig	12	100.0	416,668	3,737	5	Q2 2017	Q3 2018
Kolonnadenstraße 9 / Leipzig	16	100.0	214,370	3,488	3	Q2 2016	Q4 2017
Mühle-Remise / Leipzig	11	100.0	280,487	3,486	3	Q1 2017	Q4 2018
Total sum of projects under construction	**1,102**	**98.5**	**442,470**	**4,974**	**517**		

(1) ASP refers to average sales price.
(2) Expected sales volume is based on the Valuation Report.
(3) Construction start is based on the Valuation Report.
(4) Expected completion is based on the Valuation Report.

The aggregate expected sales volume of Instone's project portfolio as subject to the Valuation Report prepared by the independent appraiser BNP Paribas Real Estate and presented above amounts to €2,955 million.

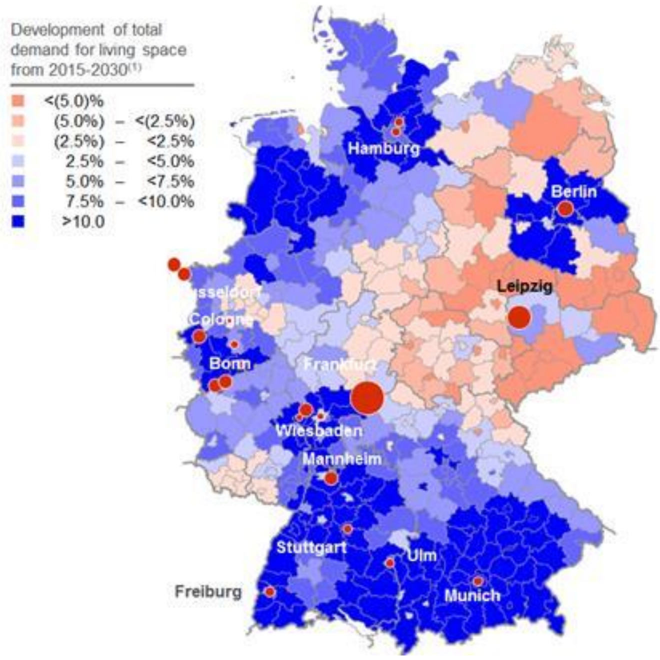
Not included in the valuation were a number of projects due to the fact that the required zoning or planning permissions for these projects had not been obtained as of September 30, 2017. The Valuation Report states that Instone expects an aggregate sales volume of €359 million for the excluded projects. Following the issuance of the Valuation Report, Instone's master planning processes enabled Instone to develop an additional residential development project on a property that was already included in its project portfolio as of September 30, 2017 (but one of the projects excluded in the Valuation Report). Instone expects for the additional residential units in Wiesbaden-Delkenheim an aggregate additional sales volume of €50 million when fully developed.

Accordingly, Instone's aggregate expected sales volume for its project portfolio owned as of September 30, 2017 amounted to €3,364 million (rounded to €3.4 billion).

8.5.2 *Top Geographic Locations*

The vast majority of Instone's project portfolio is located in Western Germany. As of September 30, 2017, approximately 93% of Instone's portfolio (by expected sales volume for fully developed projects) was located in Germany's key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg)) and 7% in other prospering medium-sized cities.

The following graphic shows the distribution of Instone's locations across Germany, the majority of which are located in the aforementioned cities, in which Instone expects continuing growth potential:



Source: BBSR, Wohnungsmarktprognose 2030

8.5.2.1 <u>*Metropolitan Region of Berlin*</u>

As of September 30, 2017, Instone's project portfolio in the metropolitan region of Berlin comprised two projects, representing 10.1% of Instone's total project portfolio by expected sales volume. In addition, Instone had identified acquisition opportunities in the metropolitan region of Berlin which correspond to an additional expected sales volume of more than €1.5 billion as of September 30, 2017.

Instone's most significant development project in Berlin is located in Berlin-Mitte at Stallschreiberstraße ("**Project QStall**") which has an expected sales volume of €232.5 million and an Anticipated Gross Project Margin of 34.3%. Project QStall features several residential buildings built in three building phases comprising a total of 553 residential units, 172 car parking spots as well as 7 commercial units, one of which will be a daycare facility for children to be constructed by Instone which shall also ensure its operation for at least 20 years. Instone acquired the building site in 2016. In October 2016, Instone entered into an urban development contract (*städtebaulicher Vertrag*) with the State of Berlin according to which, among other matters, Instone is required to construct the daycare facility, to reserve 139 residential units for subsidized housing purposes (*soziale Wohnraumförderung*) as well as to provide a substantial cash contribution to the municipality for the expansion of the elementary school (*Grundschule*) located in that area. Furthermore, Instone had to provide a significant guarantee as collateral for the fulfillment of its obligations under the development contract. Following the filing of the application for the three building permits in late 2016, Instone obtained the building permits, subject to certain typical conditions, in July 2017. Instone started marketing and selling Project QStall in March 2017 (with respect to the first building) and December 2017 (with respect to second building), respectively. The building to be constructed in the third building phase comprises the 139 residential units for subsidized housing purposes (*soziale Wohnraumförderung*) and was sold to a Berlin housing association in June 2016. As of September 30, 2017, 52% of the first building and 100% of the third building had been sold while marketing and selling for the second building had not yet started. Instone expects to complete construction work for the first building by May 2019, for the second building by April 2020 and for the third building by May 2019. Delivery and handover of units is expected to be completed by March 2020.

8.5.2.2 Metropolitan Region of Cologne

As of September 30, 2017, Instone's project portfolio in the metropolitan region of Cologne comprised one project, representing 0.9% of Instone's total project portfolio by expected sales volume.

Instone's most significant development project in Cologne is located in Cologne Nippes at Xantener Straße 25 ("**Project Halle 17**") which has an expected sales volume of €30.7 million and an Anticipated Gross Project Margin of 22.5%. Project Halle 17 features three building complexes comprising 47 residential units, three commercial units and 77 car parking spots. Instone started with marketing and selling Project Halle 17 in February 2016 and obtained the building permit in March 2016 (which was amended in August 2017). As of September 30, 2017, 94% of the units of Project Halle 17 had been sold. Instone expects to complete construction work by July 2018. Delivery and handover of units is expected to be completed by September 2018.

8.5.2.3 Metropolitan Region of Dusseldorf

As of September 30, 2017, Instone's project portfolio in the metropolitan region of Dusseldorf comprised two projects, representing 5.4% of Instone's total project portfolio by expected sales volume. In addition, Instone had identified acquisition opportunities in North Rhine Westphalia (including the metropolitan regions of Bonn, Cologne and Dusseldorf) which correspond to an additional expected sales volume of more than €3.29 billion as of September 30, 2017.

One of Instone's most significant projects in Dusseldorf is located at Niederkasseler Lohweg 20 ("**Project NKL**") which has an expected sales volume of €72.3 million and an Anticipated Gross Project Margin of 17.4%. Project NKL comprises four building complexes A, B, C and D, featuring 216 residential units, one commercial unit (a daycare facility for children) and 120 car parking spots. Out of the total of 216 residential units, 40 units are classified as price reduced housing (*preisgedämpfter Wohnungsbau*), 50 units as subsidized housing (*öffentlich geförderter Wohnungsbau*) and the remaining 126 units are reserved for privately financed housing (*freifinanzierter Wohnungsbau*). Instone expects to be able to file the application for approval of a land-use plan in July 2018. The building permit is expected to be filed thereafter and expected to be granted in February 2019 and start of construction work is envisaged for March 2019. Delivery and handover of units is expected to be completed by March 2021.

8.5.2.4 Metropolitan Region of Frankfurt am Main

As of September 30, 2017, Instone's project portfolio in the metropolitan region of Frankfurt am Main comprised ten projects, representing 32.0% of Instone's total project portfolio by expected sales volume. In addition, Instone had identified acquisition opportunities in the metropolitan region of Frankfurt am Main which correspond to an additional expected sales volume of more than €4.1 billion as of September 30, 2017.

Instone's most significant project in Frankfurt am Main is located in Nordend at Richard-Wagner Straße Nr. 14 ("**Project St. Marienkrankenhaus**") which has an expected sales volume of €197.1 million and an Anticipated Gross Project Margin of 29.7%. Project St. Marienkrankenhaus will feature 181 residential units, one commercial unit (a daycare facility for children) as well as 235 car parking spots. By means of a self-commitment declaration (*Selbstverpflichtungserklärung*) Instone has voluntarily committed itself to dedicate a certain number of residential units to social housing purposes. Instone acquired the relevant land plots for Project St. Marienkrankenhaus in 2015. The demolition permit was granted in December 2017 and relevant building permits are expected to be obtained in March 2018. Instone envisages to start marketing and selling Project St. Marienkrankenhaus in January 2018. Instone expects construction work on Project St. Marienkrankenhaus to begin in March 2018. Delivery and handover of units is expected to be completed by 2021.

8.5.2.5 Metropolitan Region of Hamburg

As of September 30, 2017, Instone's project portfolio in the metropolitan region of Hamburg (including Hanover) comprised three projects, representing 9.0% of Instone's total project portfolio by expected sales volume. In addition, Instone had identified acquisition opportunities in the metropolitan region of

Hamburg (including Hanover) which correspond to an additional expected sales volume of more than €1.4 billion as of September 30, 2017.

Instone's most significant development project in Hamburg is located in Hamburg Altona ("**Project NMA**") which has an expected sales volume of €144.1 million and an Anticipated Gross Project Margin of 33.2%. Project NMA features three building complexes comprising 283 residential units and 191 car parking spots. In connection with Project NMA, Instone assumed the rights and obligations under the respective urban development contract (*städtebaulicher Vertrag*) initially entered into by and between, among others, PANTA Neunundsechzigste Grundstücksgesellschaft SONNE m.b.H. & Co. and the City of Hamburg in May 2014. Pursuant to the contract, Instone is required to implement certain urban development measures including, *inter alia*, the construction of a daycare facility, the sale of certain land plots for subsidized housing purposes (*geförderter Wohnbau*) as well as the development and implementation of a mobility concept (*Mobilitätskonzept*). The building permits for the three complexes were obtained separately for each complex between October 2015 and June 2016. Marketing and selling of the three building complexes started between September 2015 and July 2016. As of September 30, 2017, 94% of the first building and 100% of the second and third building were already sold. Instone completed construction work with regard to the second building in September 2017 and expects to complete construction work with respect to the first and the third building by September 2018 and by March 2018, respectively. Delivery and handover of units is expected to be completed by September 2018.

8.5.2.6 Metropolitan Region of Leipzig

As of September 30, 2017, Instone's project portfolio in the metropolitan region of Leipzig comprised 18 projects, representing 15.3% of Instone's total project portfolio by expected sales volume. In addition, Instone had identified acquisition opportunities in the metropolitan region of Leipzig which correspond to an additional expected sales volume of more than €490.6 million as of September 30, 2017.

Instone's most significant development project in Leipzig is located on former barracks grounds in Gohlis-North at Olbrichtstraße ("**Project Heeresbäckerei**") which has an expected sales volume of €123.2 million and an Anticipated Gross Project Margin of 29.5%. Project Heeresbäckerei will feature 13 residential buildings to be built in six building phases and comprising 347 residential units as well as 345 car parking spots. Instone obtained the building permits for building phases one and five, subject to certain typical conditions, in August 2017. As of September 30, 2017, the applications for building permits with respect to the remaining four building phases were still pending. In May 2017, Instone entered into an urban development contract (*städtebaulicher Vertrag*) with the City of Leipzig according to which, among other matters, Instone is required to conduct various urban planning measures including, *inter alia*, with respect to certain environmental issues and had to provide a bank guarantee as collateral regarding the fulfillment of its obligations. Instone started marketing and selling Project Heeresbäckerei with respect to the buildings to be built in building phases one and two in October 2016 and with respect to the remaining building phases between March and July 2017. Instone expects to complete construction work for the building phase one by May 2019, building phase two by June 2019, building phase three by November 2019, building phase four by March 2020, building phase five by May 2019 and building phase six by April 2020. Delivery and handover of units is expected to be completed by December 2019.

8.5.2.7 Metropolitan Region of Munich

As of September 30, 2017, Instone's project portfolio in the metropolitan region of Munich comprised two projects, representing 6.4% of Instone's total project portfolio by expected sales volume. In addition, Instone had identified acquisition opportunities in the metropolitan region of Munich which correspond to an additional expected sales volume of more than €568 million as of September 30, 2017.

Instone's most significant development project in Munich is located in Maxvorstadt at Theresienstraße 71a and 75 ("**Project Theresienstraße**") which has an expected sales volume of €137.4 million and an Anticipated Gross Project Margin of 15.8%. The development project will feature two residential buildings built in two building phases comprising 117 residential units, 153 car parking spots, 55 bicycle parking spots as well as one daycare facility. Following the filing of the application for the building permit in April 2014, Instone obtained the building permit, subject to certain typical conditions, in September 2015. Instone started marketing and selling Project Theresienstraße in October 2015 (with respect to the first building) and April 2016 (with respect to second building). As of September 30, 2017, more than 94% of the residential units of both properties had been sold. Instone expects to complete construction work for both buildings by November 2018. Delivery and handover of units is expected to be completed by December 2018.

8.5.2.8 Metropolitan Region of Stuttgart

As of September 30, 2017, Instone's project portfolio in the metropolitan region of Stuttgart (including Herrenberg) comprised two projects, representing 4.1% of Instone's total project portfolio by expected sales volume. In addition, Instone had identified acquisition opportunities in the metropolitan region of Stuttgart (including Herrenberg) which correspond to an additional expected sales volume of more than €1.2 billion as of September 30, 2017.

One of Instone's most significant projects in the metropolitan region of Stuttgart is located at Schwarzwaldstrasse in Herrenberg ("**Project Herrenberg**") which has an expected sales volume of €34.5 million and an Anticipated Gross Project Margin of 22.5%. Project Herrenberg will feature 123 residential units, 125 car parking spots as well as two commercial units. In July 2017, Instone entered into an urban development contract (*städtebaulicher Vertrag*) with the City of Herrenberg pursuant to which, among other matters, Instone is required to remove the existing building on the property in compliance with environmental regulations, to construct a certain amount of residential units for social housing purposes, and to contribute an amount of €200,000 for exterior development measures to be carried out by the City of Herrenberg. Instone expects to be able to obtain approval of a land-use plan in the third quarter of 2018 as well as the corresponding building permit in the fourth quarter of 2018. Instone intends to begin marketing and selling Project Herrenberg in November 2018 and expects to begin construction work in June 2019. Delivery and handover of units is expected to be completed by May 2021.

8.5.2.9 Other Prospering Medium-Sized Cities

As of September 30, 2017, Instone's project portfolio in other prospering medium-sized cities in Germany, including Freiburg, Mannheim, Ulm and Wiesbaden, comprised eight projects, representing 16.8% of Instone's total project portfolio by expected sales volume. In addition, Instone had identified acquisition opportunities of 598,000 sqm in other medium-sized cities which correspond to an additional expected sales volume of more than €2,750 million as of September 30, 2017.

8.5.3 Identified Acquisition Opportunities

Instone has identified well-diversified attractive acquisition opportunities across all of its core markets. As of December 31, 2017, Instone had identified near to medium term acquisition opportunities for 40 projects with a total land area of approximately 1.4 million sqm, an aggregate potential sales volume for fully developed projects of more than €6.7 billion. These near to medium term acquisition opportunities have a broad regional scope and considerable diversification across land plot sizes.

Broken-down by geography these near to medium term acquisition opportunities are spread across Germany, with North Rhine Westphalia (including Bonn, Cologne and Dusseldorf) showing the most growth potential (34%), followed by Frankfurt am Main (25%), Berlin (14%), Hamburg (including Hanover) (11%), Stuttgart (8%), Munich (5%) and Leipzig (3%).

Out of the 40 near to medium term acquisition opportunities, 35% of the projects cover a total land area of approximately up to 20,000 sqm, 22.5% of the projects a total land area between 21,000 and 30,000 sqm, 12.5% of the projects a total land area between 31,000 to 40,000 sqm and the remaining 25% of the projects cover a total land area between 41,000 to 100,000 sqm (or more sqm). As of December 31, 2017, for 32% of the 40 projects there is a pre-existing masterplan in place which, in most cases, is however not suitable for Instone's development purposes. For the remaining 68% of the projects there is no masterplan in place as of that date.

Furthermore, Instone has maintained its long-term approach to its core markets, complemented by the strategic expansion into other attractive cities and regions in Germany. As of December 31, 2017, Instone had furthermore identified additional long term acquisition opportunities for 31 projects with a total land area of approximately 1.4 million sqm, an aggregate potential sales volume for fully developed projects of more than €6.6 billion.

Broken-down by geography these long term acquisition opportunities are spread across Germany, with Frankfurt am Main showing the most growth potential (39%), followed by North Rhine Westphalia (including Bonn, Cologne and Dusseldorf) (20%), Hamburg (including Hanover) (12%), Stuttgart (12%), Berlin (8%), Munich (5%) and Leipzig (4%). In particular, a significant amount of such long term acquisition opportunities was identified in North Rhine Westphalia (ten sites) and Frankfurt am Main (five sites).

Out of the 31 long term acquisition opportunities, 39% of the projects cover a total land area of approximately up to 20,000 sqm, 10% of the projects a total land area between 21,000 and 30,000 sqm, 10% of the projects a total land area between 31,000 to 40,000 sqm and the remaining 42% of the projects cover a total land area between 41,000 to 100,000 sqm. As of December 31, 2017, for 13% of the 31 projects there is a pre-existing masterplan in place. For the remaining 87% of the projects there is no masterplan in place as of that date.

8.6 Employees

The following table provides a breakdown of the number of employees of Instone, in terms of headcount and geographic location, for the periods presented (in each case as of the end of the period) and including the members of the Company's Management Board:

	As of December 31,						As of September 30,	
	2014		2015		2016		2017	
	Headcount	FTEs(1)	Headcount	FTEs(1)	Headcount	FTEs(1)	Headcount	FTEs(1)
Headquarters	142	n/a	49	47.7	54	48.4	43	38.9
Berlin	25	n/a	21	18.4	22	18.9	24	22.0
Cologne	28	n/a	42	39.6	35	29.1	40	34.8
Frankfurt am Main	17	n/a	31	30.3	31	29.0	37	33.9
Hamburg	15	n/a	28	23.8	27	25.0	25	23.1
Leipzig(2)	n/a	n/a	53	47.5	57	47.5	55	46.6
Munich	13	n/a	17	15.0	16	13.3	16	14.4
Stuttgart	13	n/a	26	25.1	24	21.8	25	23.8
Luxembourg	66	n/a	5	4.0	2	2.0	2	2.0
Austria / Vienna	91	n/a	12	11.0	3	3.0	1	1.4
Total(3)	410	n/a	296	262.4	290	238.0	286	240.9

(1) FTE refers to full-time employees. Taken or derived from the Company's accounting records or internal management reporting systems, respectively.
(2) Numbers for the Instone Leipzig branch include a certain number of employees with HQ function.
(3) Total number of headcounts as of December 31, 2015, 2016 and 2017 include 11, 19 and 19 trainees and/or working students, respectively.

8.7 Material Agreements

The following section provides a summary of any material agreements to which Instone is a party:

8.7.1 Promissory Note Loans (Schuldscheindarlehen)

In July 2017, Instone Development (formerly Instone Real Estate Development GmbH & Co. KG) entered into five promissory note loan agreements (*Schuldscheindarlehensverträge*) with IKB Deutsche Industriebank AG as arranger, initial lender and paying agent for an aggregate loan amount of €66.9 million. These loans were all, at least partially, transferred to other institutional lenders.

The loans under the promissory note loans agreements have a maturity of either three years (€47 million) or five years (€19.9 million). All loans shall not be amortized over the term but are repayable at their final maturities. €38.9 million of the loans bear interest at fixed rates, and €28 million at floating rates of 6 month EURIBOR (but at least 0% p.a.) plus a margin.

The loan agreements contain various dividend restrictions at the Instone Development level, including, among others: Distributions of up to 30% of the net profit of the last financial year are admissible during the term of the loans as well as distributions from dissolved reserves in following financial years under certain further conditions (compliance with financial ratios and sufficient liquidity) to the extent distributions of 30% of the net profit have not been made in a or more financial years but reserves in a corresponding amount have been established instead.

Instone Development has to maintain certain financial figures and ratios ((i) minimum (adjusted) equity of at least €80.0 million up to at least €100.0 million (depending on relevant time period), (ii) equity ratio (*i.e.*, the ratio of an adjusted equity figure to the total assets) of more than 20% up to more than 30% (depending on relevant time period), (iii) interest coverage ratio (*i.e.*, the ratio of (adjusted) EBITDA to the financial result) of at least 1.2x up to at least 4.0x (depending on relevant time period), and (iv) loan-to-value ratio (*i.e.*, the ratio of certain financial indebtedness to certain assets) of at most 85% to 70% (depending on relevant time period)) during the term of the promissory note loans. If such financial covenants are breached, either the interest rate increases or the lenders are entitled to declare the loans due and payable and call for immediate repayment, depending on the type of the breached financial covenant(s) and the extent of the breach.

The loan agreements contain customary termination rights for the lenders, in particular if payments are not made when due, financial covenants are not complied with, in case of a cross-default or enforcement measures, subject to certain thresholds, respectively, or if a majority stake by a third party or by several jointly acting third parties in Instone Development is sold, terminated or re-established.

8.7.2 Shareholder Loans

Coöperatieve Activum III, Coöperatieve Formart and Steffen Göpel extended the following shareholder loans to the Company.

8.7.2.1 Financing in Relation to the Acquisition of Instone Development

With respect to the acquisition of Instone Development, Coöperatieve Activum III and Coöperatieve Formart granted the Company shareholder loans in an aggregate amount of €60 million (the "**ID Shareholder Loans**").

For this purpose, on September 29, 2014, Coöperatieve Activum III (as lender) and the Company (as borrower) entered into an intercompany loan agreement for an aggregate loan amount of €40.0 million. On the same date, Coöperatieve Formart (as lender) and the Company (as borrower) entered into a further intercompany loan agreement for an aggregate loan amount of €20.0 million. Under both intercompany loan agreements, Instone Development is entitled to draw down the respective loan amounts in one or more tranches subject to the relevant terms and conditions. Pursuant to the intercompany loan agreements, such tranches shall only be used for the purpose of paying the purchase price under the sale and purchase agreement relating to the acquisition of Instone Leipzig. Both intercompany loans accrue interest at a rate of 7.0% per annum which shall be paid once Instone Development has been released from its obligations under the Facility Agreement (as defined in "*8.7.3 Upstream Loan and Pledge of Shares*" below). Under these intercompany loan agreements, the parties agreed that each loan, to the extent drawn, together with all accrued but unpaid interest shall be repaid on the day following the fifth anniversary of the date of the respective first tranche. However, Instone Development is entitled to prepay at any time without premium or penalty the entire drawn loan amount or parts thereof.

As of the date of this Prospectus, the aggregate remaining loan amount under the ID Shareholder Loan amounted to €39.7 million. The Company intends to fully repay the outstanding loan amount and any accrued interest thereon from the net proceeds from the Private Placement.

8.7.2.2 Financing in Relation to the Acquisition of Instone Leipzig

With respect to the acquisition of Instone Leipzig, Coöperatieve Activum III and Coöperatieve Formart granted the Company shareholder loans in an aggregate amount of €24 million (the "**IL Shareholder Loans**").

For this purpose, on November 30, 2015, Coöperatieve Activum III (as lender) and the Company (as borrower) entered into an intercompany loan agreement for an aggregate loan amount of €16.0 million. On the same date, Coöperatieve Formart (as lender) and the Company (as borrower) entered into a further intercompany loan agreement for an aggregate loan amount of €8.0 million. The terms and conditions of the IL Shareholder Loans correspond to those of the ID Shareholder Loans (for further information see "*8.7.2.1 Financing in Relation to the Acquisition of Instone Development*").

The Company intends to fully repay the outstanding loan amount and any accrued interest thereon under the IL Shareholder Loan amounting to €15.9 million as of February 19, 2018 from a portion of the net proceeds from the Private Placement in connection with the settlement of the Private Placement. Together with the repayment of the ID Shareholder Loan, the Company intends to use a portion of an aggregate of €55.5 million to repay all outstanding shareholder loans.

8.7.2.3 Financing Provided by Steffen Göpel

On October 2, 2015, former shareholder Steffen Göpel (as lender) and the Company entered into a shareholder loan agreement for an aggregate loan amount of approximately €5.1 million (the "**SG Shareholder Loan**" and, together with the ID Shareholder Loan and the IL Shareholder Loan, the "**Shareholder Loans**"). In connection with the acquisition of the shares held by former shareholder Steffen Göpel by Coöperatieve Activum V (the closing of which took place in November 2017), Coöperatieve Activum V acquired and assumed all rights and obligations under such shareholder loan agreement together with Steffen Göpel's shares in the Company.

As of the date of this Prospectus, the SG Shareholder Loan was fully converted and contributed into the Company's share premium.

8.7.2.4 Shareholder Loan Conversion and Pre–Placement Share Capital Increases

On December 28, 2017, shareholder loans extended to the Company were partially converted in an amount of €48.0 million and contributed into the Company's share premium (the "**Shareholder Loan Conversion**").

On February 13, 2018, shortly after determination of the placement price and prior to listing and settlement, the Existing Shareholders will convert €41,930.00 of the Company's share premium into share capital of the Company (the "**Pre–Conversion Share Capital Increase**"). Following the Pre–Conversion Share Capital Increase and prior to the Post–Conversion Share Capital Increase (as defined below) and the Placement Capital Increase, the Company's share capital will amount to €50,316.00.

On February 13, 2018, upon Effectiveness of the N.V. Conversion, the Existing Shareholders will convert €29,938,020.00 of the Company's share premium into share capital of the Company (the "**Post–Conversion Share Capital Increase**" and, together with the Pre–Conversion Share Capital Increase, the "**Pre–Placement Share Capital Increases**"). Following the Post–Conversion Share Capital Increase and prior to the Placement Capital Increase, the Company's share capital will amount to €29,988,336.00.

8.7.3 Upstream Loan and Pledge of Shares

In July 2014, the Company as borrower, Coöperatieve Activum III as guarantor, Stornoway Finance S.à r.l. as lender, Solutus Advisors Limited as agent and as security agent entered into a facility agreement with respect to a mezzanine loan (the "**Mezz-Loan**") in the amount of €50.0 million (the "**Facility Agreement**"). In connection with the Mezz-Loan, all present and future shares of the Company were encumbered with a first ranking right of pledge (the "**Pledged Shares**") in favor of Solutus Advisors Limited by virtue of a deed of pledge executed in September 2014 (the "**Deed of Pledge I**"). In February 2015, Instone Development assumed all present and future primary liabilities of the Company under the Facility Agreement by way of a debt assumption with discharging effect (*befreiende Schuldübernahme*) (the "**Debt-push-down**"). In order to enable the Company to pay the consideration for the Debt-push-down to Instone Development, Instone Development granted an upstream loan to the Company in the corresponding amount of the consideration for the Debt-push-down (the "**Upstream Loan**") in October 2014. In connection with the Upstream Loan, the Pledged Shares were encumbered with a second ranking right of pledge in favor of Instone Development as security for the Upstream Loan by virtue of a deed of pledge executed in October 2014 (the "**Deed of Pledge II**").

In July 2017, the Mezz-Loan was refinanced by the promissory note agreements (*Schuldscheindarlehen*) (for further information, see "*8.7.1 Promissory Note Loans (Schuldscheindarlehen)*"). In the course of the refinancing in August 2017, the parties to the Facility Agreement, the Deed of Pledge I, the Deed of Pledge II, the Debt-push-down as well as the refinancing parties under the promissory note loan agreements entered into a security release agreement which provided, among other things, for the release of various securities following the repayment of the Mezz-Loan. As a result, the pledge in favor of Solutus Advisors Limited pursuant to the Deed of Pledge I has been terminated by means of the security release agreement.

The pledge in favor of Instone Development as security for the Upstream Loan under the Deed of Pledge II, however, is still in place as of the date of this Prospectus. Instone Development has, however, released the pledge under the Deed of Pledge II subject to and contingent upon the conclusion of the pricing agreement. The outstanding loan amount and any accrued interest of the Upstream Loan amounting to €71.0 million as of February 19, 2018 will be repaid from the net proceeds of the Private Placement by way of a direct payment by the settlement agent to Instone Development in connection with the settlement of the Private Placement on February 19, 2018.

8.7.4 Loan Agreement relating to the Acquisition of Instone Leipzig

In December 2015, Instone Leipzig (formerly GRK-Holding GmbH) as borrower entered into a syndicated loan agreement (*Konsortialkreditvertrag*) with WGZ Bank AG Westdeutsche Genossenschafts-Zentralbank ("**WGZ Bank**") as arranger, underwriter, paying agent, security agent and initial lender for a loan amount of €30.0 million (the "**IL Loan**") with respect to the acquisition of 94% of the outstanding share capital of Instone Leipzig (the "**IL Loan Agreement**"). Instone Leipzig's subsidiaries, Gartenhöfe GmbH, GRK Immobilien GmbH, GRK Real Estate GmbH & Co. KG, GRK Wohnbau GmbH, OPUS Wohnbau GmbH and

Parkresidenz Leipzig GmbH, acted as guarantors under the IL Loan Agreement. In 2016, however, GRK Immobilien GmbH ceased to be an affiliate of Instone Leipzig and was consequently released from its guarantee obligation under the IL Loan Agreement.

The IL Loan Agreement contains various restrictions and covenants, including, among others, the undertaking not to make any payments or grant any benefits to shareholders or affiliated persons apart from defined exceptions, including, *inter alia*, salary payments (*Gehaltszahlungen*) to shareholders acting as managing directors (*geschäftsführende Gesellschafter*) or remuneration for advisory board members (*Beiratsvergütungen*). Furthermore, Instone Leipzig has to maintain three financial figures and ratios with respect to the Instone Leipzig group including a marketing rate (*Vermarktungsquote*) (85% of the total floor space and an Anticipated Gross Project Margin of €2,575 per sqm as per June 30, 2018), minimum EBITDA (negative €550,000 as per June 30, 2018) as well as a minimum amount of €2.5 million as freely available cash (the "**Available Cash Amount**") during the term of the IL Loan Agreement. If certain restrictions and covenants under the IL Loan Agreement are breached, WGZ Bank (as agent) is entitled to (i) terminate the IL Loan Agreement, declare the loan amount due and payable and call for immediate repayment, and/or (ii) refuse the payout of any loan instalments, and/or (iii) demand payment of damages (*Schadensersatz*) including loss of profit (*entgangener Gewinn*), and/or (iv) in case of a payment default (as defined under the IL Loan Agreement), realize the related collateral under the respective collateral agreements (including a share pledge of the shares in Parkresidenz Leipzig GmbH). With respect to the financial covenants under the IL Loan Agreement, WGZ Bank is only entitled to take any of the above-mentioned actions if Instone Leipzig has failed to comply with (a) the marketing rate (*Vermarktungsquote*) and the Available Cash Amount at any semi-annual review or (b) minimum EBITDA for the second consecutive semi-annual review.

The IL Loan bears interest in the amount of floating EURIBOR rates (but at least 0.0% p.a.) plus a margin of 2.25% p.a. subject to adjustments up to an additional 1.0% (0.5% if Instone Leipzig has not complied with the minimum EBITDA requirement for the first time (*i.e.*, no event of default has occurred) or 1.0% if an event of default has occurred). In addition, the agreement provides for additional underwriting, agency and administrative fees.

The IL Loan Agreement furthermore contains a change of control clause requiring Instone Leipzig to notify WGZ Bank about a change of control immediately upon becoming aware of this circumstance. Following such notification, Instone Leipzig and WGZ Bank have to negotiate about the continuation of the IL Loan Agreement in light of the change of control. If no agreement can be reached within 30 days following the initiation of negotiations, the IL Loan becomes immediately due for repayment and the corresponding loan commitment under the IL Loan Agreement will be reduced to the full extent. A change of control under the IL Loan Agreement has occurred if (i) a company (other than the Company or an affiliate of the Company within the meaning of Section 15 of the German Stock Corporation Act) has acquired control of Instone Leipzig, or (ii) the Company has lost control of Instone Leipzig.

The parties agreed to repay an amount of €2.5 million in calendar year 2016, €5 million in 2017 and €7.5 million in 2018. Any outstanding debt is to be repaid by November 30, 2018, with an option for recurring extensions. In case of an inflow of funds to Instone Leipzig or one of its subsidiaries resulting from, *inter alia*, the sale of shares in its subsidiaries or certain other defined events, Instone Leipzig is obliged to make early repayments (*Pflichtsondertilgung*) under the IL Loan Agreement.

8.7.5 Financing of the Project Developments

8.7.5.1 Project-related Financing Agreements (Projektfinanzierungsverträge)

Instone follows a two-tiered financing strategy for its development activities comprising equity and third party debt financing. In general, Instone aims to obtain third party debt financing for the entire development project, covering both land acquisition (*Grundstücksankauffinanzierung*) and building construction financing (*Hochbaufinanzierung*). In the past, Instone was able to obtain all necessary permits and start construction within two to six months following closing of the third party financing. However, in certain cases, Instone requires more than six months to be able to start construction of the project. In order to avoid any additional costs due to the commitment fees (*Bereitstellungsprovision*) requested by some banks, Instone occasionally only obtains land acquisition financing in a first step. In such case, Instone obtains the necessary additional building construction financing (*Hochbaufinanzierung*) usually from the same bank from which it has already obtained the land acquisition financing once all necessary permits have been obtained and construction is ready to be started. Land plot or property acquisition (*Grundstücksankauffinanzierung*) is generally financed through upfront equity investments between 30% to 50%, depending on the relevant building law, while the remaining 50% to 70% are financed by third party debt. Building construction financing (*Hochbaufinanzierung*) usually comprises equity investments in the amount of 15% of the expected sales volume and third party debt financing for the remaining 85%. Typically, the third party financing provided for the land acquisition already partially covers certain finances planning expenses.

Development financing (*Bauträgerfinanzierung*) usually provides several types of financings. The vast majority of Instone's financing agreements comprise money market financing (*Geldmarktfinanzierung*), current account facilities (*Kontokorrentfinanzierung*) and other types of financing (*e.g.*, surety facilities (*Avallinien*) fixed receivable credit (*gebundener Sollzinskredit*), fixed term deposit credit (*Kredit auf Termingeldbasis*) and fixed rate loans (*Festkredite*)).

While Instone usually may choose between variable money market financing or fixed-interest loans, most of its current financing arrangements for land acquisition purposes contain variable interest rates. With respect to building construction financing (*Hochbaufinanzierung*), Instone again benefits from the staggered payment framework provided by the MaBV as the amount drawn under the credit facility (*ausgenützter Kreditrahmen*) is offset against purchasers' instalments which significantly reduces the drawn credit amount under the respective financing agreement resulting in a lower interest burden (*Zinslast*). This possibility to offset, however, depends on whether the credit is due on a daily basis (*täglich fällig*) in case of which Instone is entitled to repay the drawn credit amount under the respective current account facility daily. Money market financing with a variable interest rate (*e.g.*, three months EURIBOR) is not due daily and can therefore not be offset until due. Current account facilities (*Kontokorrentfinanzierung*), however, are due on a daily basis (*täglich fällig*) but are also more expensive than money market financing as interest rates for current account facilities typically range between 1.5% to 6.5%. In order to be able to benefit from the MaBV instalment payments during the course of construction, the bank sets up two accounts, the current account facility and the account for collection of MaBV purchase price payments, both in the name of Instone. First, Instone draws a certain amount under the current account facility in order to meet its construction costs. Upon achieving certain milestones, Instone's purchasers are required to pay a certain portion of the purchase price which is accounted on Instone's second account, the account for collection of MaBV purchase price payments. While this account is blocked until either the development project is completed or the financing facility is terminated, Instone is only required to pay interest on the difference between the current account balance and the collection account balance. Instone therefore continuously monitor payments under the MaBV in order to determine which credit facility to choose. Due to the expensive interest rate, current account financing is only used when MaBV payments are expected to be paid in the near future.

Instone rarely uses special purpose vehicles for its development projects (*e.g.*, project "west.side" in Bonn) and therefore takes out most of its project-related financing on the level of Instone Development or Instone Leipzig. Typically, Instone's financing is exclusively secured by the underlying real estate property (so-called "non-recourse loan"). Instone typically provides mortgages in favor of its lenders, pledges project-related bank accounts and assigns claims against purchasers and tenants of the residential units, against the land sellers, general and other construction-related contractors as well as project-related insurance claims to its lenders. Any further liability of Instone is usually excluded. In certain cases, however, Instone is not able to obtain such non-recourse financing due to certain circumstances. For instance, in cases of the financing for the acquisition of greenfield development sites, banks generally pursue a conservative approach in terms of collaterals. In such cases, banks often require Instone to commit to a limited recourse, at least until Instone has obtained the necessary building permit (*Baugenehmigung*) for the respective greenfield land acquired. In general, development financing (*Bauträgerfinanzierung*) usually requires certain conditions to be met before Instone can draw funds under the relevant credit facility. Such conditions typically include the use of equity capital (*Eigenkapital*), a sales quote within the range of 30% to 50% and a minimum price per sqm, cost overrun-guarantees (typically limited to up to 20% of pure construction costs) and a loan-to-cost ratio of 75% to 90%.

8.7.5.2 Surety Insurance Contracts (Kautionsversicherungsverträge)

Usually, Instone's third party financing agreements provide that the credit line may also be used for the purpose of issuing certain sureties. Instone, however, aims to repay its third party debt as early as possible (*e.g.*, once the project is cash positive due to the staggered pre-payments by Instone's purchasers under the MaBV). Any credit lines which are still open due to the issuance of sureties under a project-related third party financing would, however, prevent Instone from terminating such third party financing resulting in ongoing costs. Instone therefore prefers to issue any necessary sureties under separate surety insurance contracts (*Kautionsversicherungsverträge*) which are independent from the respective project-related financing. The issuance of sureties under such separate insurance contracts is usually also less expensive than the sureties provided by the relevant banks under their project financing agreements.

As of September 30, 2017, Instone has entered into a total of nine surety insurance contracts (*Kautionsversicherungsverträge*) with regional and nationwide German and Swiss (German branch) insurance companies with respect to the issuance of certain sureties in connection with its development activities. Each contract covers different kinds of sureties, but the majority include such as performance surety (*Vertragserfüllungsbürgschaften*), prepayment sureties (*Vorauszahlungsbürgschaft*), sureties for claims arising from defects (*Mängelansprüchebürgschaft*), sureties under the MaBV, sureties under the FoSiG, contractor sureties (*Bauhandwerkersicherung*) and other general payment sureties pursuant to the German Civil Code (*Bürgerliches Gesetzbuch*). Depending on the respective surety to be issued, Instone has to pay an annual premium rate (*Prämiensatz*) in the range of approximately 0.45% and 2.0% of the respective amount, whereby certain contracts also provide for a mandatory annual minimum premium fee per surety. The surety insurance contracts generally do not contain any security obligations for Instone. However, a few contracts provide for stringent reporting obligations with respect to the issued sureties as well as change of control clauses pursuant to which Instone is either required to notify or obtain consent from its contracting party in case of a change of control.

8.8 Material Litigation

8.8.1 Overview of Material Litigation

In the course of Instone's business operations, the Company and its subsidiaries are regularly parties to legal disputes. As of the date of this Prospectus, Instone is not involved in any material litigation, other than the following:

- Instone Development is the defendant in an independent proceeding for the taking of evidence (*selbständiges Beweisverfahren*) initiated by the homeowner association of Schlosshotel Heidelberg before the Heidelberg District Court (*Landgericht Heidelberg*) claiming various material defects (*Sachmängel*) relating to the property. As of the date of this Prospectus, most deficiencies were settled separately apart from those relating to outdoor sun shades. While the aggregate amount in dispute was estimated to amount to approximately €400,000 as of September 30, 2017, Instone Development has made a provision in the amount of €75,000.

- DURST-BAU GmbH, a wholly-owned Austrian subsidiary of Instone Development, and ARGE Mischek Bau AG are being sued by the homeowner association of the development project located at Forsthausgasse 10-14 in Vienna before the Commercial Court in Vienna (*Handelsgericht Wien*) with respect to allegedly defective windows. As of September 30, 2017, the aggregate amount in dispute was estimated to amount to €639,000. DURST-BAU GmbH made a provision for legal costs in the amount of €90,000. As of that same date, the parties were involved in settlement negotiations led by ARGE Mischek Bau AG.

- Instone Development is the plaintiff in a pending court proceeding against Haskamp GmbH & Co. KG; Kröger Dach & Wand and Vorwald & Sohn GmbH before the Hamburg District Court (*Landgericht Hamburg*) claiming damages on the grounds of inadequate performance of construction works, in particular relating to the roof renovation of the property in Lönsstraße, Hannover. Instone Development filed the claim in April 2014. As of September 30, 2017, the aggregate amount in dispute was estimated to amount to €667.000. The most recent hearing in this regard took place on September 18, 2017.

- Instone Development is the plaintiff in a pending court proceeding against the architectural office of Robert Witt before the Hannover District Court (*Landgericht Hannover*) claiming damages on the grounds of inadequate planning services (especially the structural planning) of the property in Lönsstraße, Hannover. As of September 30, 2017, the aggregate amount in dispute was estimated to amount to €580,000. The proceeding is currently pending awaiting finalization of the expert opinion (*Sachverständigengutachten*).

- Instone Development is the defendant in a pending court proceeding initiated by ST77 Julian GmbH in September 2016. The plaintiff claims various material defects (*wesentliche Sachmängel*) relating to the property. The most recent hearing in this regard took place on November 29, 2017. While the aggregate amount in dispute was estimated to amount to approximately €470,120 as of September 30, 2017, Instone Development has made a provision in the amount of €170,000.

Apart from the proceedings described in Section 8.8, Instone's group companies are not and have not been party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings) during the past twelve months, which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

8.8.2 Litigation with Respect to Formart Luxembourg

In addition to the general material litigation described above, formart Luxembourg is subject to various material legal proceedings in Luxembourg for which special provisions in the acquisition agreement relating to the acquisition of Instone Development ("**Formart SPA**") and other post transaction agreements were agreed. Pursuant to the Formart SPA, HOCHTIEF Solutions AG is obliged to hold the Company or the relevant Instone group entity harmless from any direct financial damage suffered as a consequence of certain legal proceedings listed in the Formart SPA including, but not limited to, the pending proceedings with respect to project "Centre Sportif" and project at Place de l'Étoile in Luxembourg. For this purpose, HOCHTIEF Solutions AG was also granted the right to assume and control the defense of such legal proceedings in accordance with the provisions of the Formart SPA.

In September 2015, the Company entered into a supplement agreement with HOCHTIEF Solutions AG with respect to the three pending legal proceedings relating to Place de l'Étoile (the "**Place de l'Étoile Proceedings**"). Pursuant to this supplement agreement, the parties carved-out the Place de l'Étoile Proceedings from the general risk allocation provision under the sale and purchase agreement relating to the acquisition of Instone Development. Accordingly, HOCHTIEF Solutions AG is no longer obliged to hold the Company harmless from and against any direct financial damage arising out of these legal proceedings. In exchange, the Company is entitled to any proceeds arising out of the Place de l'Étoile Proceedings. The parties furthermore agreed on a commercial settlement in the amount of €400,000 to be paid by HOCHTIEF Solutions AG to the Company as compensation for the accrued legal fees at that time.

In April 2016, the Company entered into a settlement agreement with HOCHTIEF Solutions AG pursuant to which, among other things, HOCHTIEF Solutions AG will indemnify the Company or the relevant Instone group entity for any net taxes paid in cash in relation to any proceeds from certain proceedings in Luxembourg to the extent such taxes were not provisioned for in the financial statements and (i) after all tax losses available had been used, and (ii) after the deduction of all tax benefits received by the relevant Instone group entity.

8.8.2.1 Centre Sportif

In October 2007, formart Luxembourg filed a claim against the Grand Duchy of Luxembourg with respect to the repayment of a certain amount of default interest paid by formart Luxembourg in connection with project "Centre Sportif" in Luxembourg. Pursuant to a judgment issued in October 2015, the Grand Duchy of Luxembourg is required to pay an amount of approximately €1.4 million to formart Luxembourg. The respective amount was paid into an escrow account in January 2016. The Grand Duchy of Luxembourg, however, filed a cassation appeal in December 2016. The amount was paid to the Company while a loan receivable of formart Luxembourg vis-à-vis the Company was reduced in the corresponding amount.

In addition, formart Luxembourg filed a claim in November 2007 against the Grand Duchy of Luxembourg with respect to outstanding payments relating to project "Centre Sportif". As of September 30, 2017, the aggregate amount in dispute was estimated to amount to approximately €4.9 million plus interest accrued. The Grand Duchy of Luxembourg, however, filed counterclaims with a total value of approximately €4.7 million. As of September 30, 2017, the legal proceeding was still pending.

In connection with project "Centre Sportif" a subcontractor filed a claim against formart Luxembourg with respect to outstanding payments in the amount of €849,000 plus interest accrued. In 2012, formart Luxembourg filed an appeal with respect to the judgment of the court of first instance. As of September 30, 2017, the legal proceeding was still pending.

Pursuant to the Formart SPA, HOCHTIEF Solutions AG assumed all claims relating to "Centre Sportif" and agreed to pay an amount of approximately €2.2 million out of the net payments received in relation to the pending litigation with regard to "Centre Sportif" to Instone Development. This payment will, however, only become due and payable if and when all pending proceedings relating to "Centre Sportif" have been settled. Out of this amount, an amount of approximately €460 thousand was already paid in accordance with the settlement agreement entered into between HOCHTIEF Solutions AG and the Company. Under this settlement agreement, *inter alia*, the claim of HOCHTIEF Solutions AG against the Company under the Formart SPA corresponding to the amount received from The Grand Duchy of Luxembourg of approximately €1.4 million out of the above described proceeding was offset against certain claims the Company had vis-à-vis HOCHTIEF Solutions AG.

8.8.2.2 *Place de l'Étoile*

In April 2011, formart Luxembourg filed a claim against several project development companies of the Hein-group and a private individual concerning the abusive filing of claims and the obstruction of the realization of the development project at Place de l'Étoile in Luxembourg. As of September 30, 2017, the aggregate amount in dispute was estimated to amount to approximately €30.2 million. In November 2015, the court of first instance dismissed the claim following which formart Luxembourg filed an appeal with the 15th Chamber of the Court d'Appel in Luxembourg in January 2016 which was still pending as of the date of this Prospectus.

The respective project development companies of the Hein-group and the private individual being sued by formart Luxembourg filed two counterclaims with a total value of approximately €27.3 million. These proceedings can be summarized as follows:

- The project development companies of the Hein-group and the private individual filed a claim against formart Luxembourg and other individuals (joint defendants) in April 2013 with respect to the consolidation of meadow land (*Flurzusammenlegung*) relating to the envisaged project development at Place de l'Étoile in Luxembourg and alleged damages resulting therefrom. As of September 30, 2017, the aggregate amount in dispute was estimated to amount to approximately €20 million. In November 2015, the court of first instance dismissed the claim following which project development companies of the Hein-group and the private individual filed an appeal in January 2016 which was still pending as of the date of this Prospectus. formart Luxembourg has made a provision for legal costs in the amount of €300,000 as per September 30, 2017.
- The private individual has furthermore filed a claim against formart Luxembourg claiming payment of fees and reimbursement of expenses resulting from alleged project work relating to the envisaged development project at Place de l'Étoile in Luxembourg. As of September 30, 2017, the aggregate amount in dispute was estimated to amount to approximately €7.3 million. In June 2015, the court of first instance dismissed the claim following which the private individual filed an appeal in August 2016 which was still pending as of the date of this Prospectus.

8.9 Intellectual Property

Given the nature of Instone's business, intellectual property rights are of no special significance to Instone. It does not depend on any patents or licenses.

Among others, the trademark "Instone Real Estate" has been registered on behalf of the Company with the German Patent and Trade Mark Office (*Deutsches Patent- und Markenamt* (DPMA)) under the register number 302016033028 and with the European Union Intellectual Property Office (EUIPO) under the filing number 016753097.

Furthermore, Instone predominantly uses the internet domain "instone.de", which is registered in the Company's name.

8.10 Insurance

Instone has purchased various operating insurance policies, including, among others, a special insurance policy for the real estate industry that includes insurance coverage against fire, explosions, war damage, vehicle accidents, smoke, water damage, natural hazards (*e.g.*, storm, hail and flood), as well as losses or damages from unidentified risks mainly up to an amount of €20 million per project.

Instone has also purchased a third-party liability insurance policy that provides insurance coverage for personal injury and damage to property. In addition, Instone is covered by an insurance policy against damages to its construction sites and third-party damages arising from any construction planning and construction work. Other operating insurance coverages include criminal defense insurance against damages and losses resulting from crimes committed by Instone's employees and employee accident insurance.

On February 9, 2018, Instone has increased the total coverage under the directors and officers ("**D&O**") insurance policy taken out by it for the current and future members of its Management Board, its Supervisory Board, and equivalent bodies of the Company and its subsidiaries, as well as for other managerial staff, to €50 million per claim and in total per period of insurance.

Instone's insurance policies contain market-standard exclusions and deductibles. Instone regularly reviews the adequacy of its insurance coverage. Instone believes that its insurance coverage is in line with market standards in the residential real estate industry. However, there can be no assurance that it will not suffer any losses for which no insurance coverage is available or that the losses will not exceed the amount of insurance coverage under existing insurance policies.

9. REGULATORY AND LEGAL ENVIRONMENT

Instone's real estate project portfolio and business activities are subject to a variety of civil and public laws and regulations in Germany. If Instone fails to comply with any of these laws and regulations, it may be subject to civil liability, administrative orders, fines or even criminal sanctions.

The following provides a brief overview of selected federal, state and municipal regulations that are applicable to Instone's project portfolio and business operations.

9.1 Land use Regulations

9.1.1 German Planning Law

Under German construction planning law (*Bauplanungsrecht*), formal urban planning is conducted by municipalities in accordance with the provisions of the German Building Code (*Baugesetzbuch* (BauGB)). Municipalities prepare urban development plans (*Bauleitpläne*) in their own responsibility by means of a two-tiered approach consisting of zoning plans (*Flächennutzungsplan* or *vorbereitender Bauleitplan*) and land-use plans (*Bebauungsplan* or *verbindlicher Bauleitplan*). Municipal planning authorities have a considerable amount of discretion (*Planungsermessen*) in exercising their planning competence (*planerische Gestaltungsfreiheit*). They are, however, required by law to take into account private and public interests as well as to pursue a number of prescribed objectives, including sustainable urban development, the protection of natural resources and a socially fair use of soil serving the well-being of the community. All relevant private and public interests must be identified and evaluated by the planning authority before balancing them against and among each other (*Abwägung*). In addition, material effects on the environment must be identified by an environmental audit (*Umweltprüfung*) as well as described and evaluated in an environmental report (*Umweltbericht*). The results of the environmental audit shall be taken into account when balancing all relevant private and public interests.

In order to ensure compliance with their development plans, municipalities are granted pre-emptive rights with respect to property sales under certain conditions defined in the German Building Code (*Baugesetzbuch* (BauGB)), which they may exercise for the benefit of the common good (*Wohl der Allgemeinheit*) on a case-by-case basis. Further, municipalities may issue development freezes (*Veränderungssperren*) regarding a future plan area (*Planbereich*) for the duration of a planning process.

In May 2017, amendments to the German Building Code (*Baugesetzbuch* (BauGB)) and the German Building Use Ordinance (*Baunutzungsverordnung* (BauNVO)) came into effect, which provide municipalities enhanced freedom with regard to urban planning and thereby aim to address the current housing shortage in urban areas in many parts of Germany.

9.1.1.1 <u>*Zoning Plan (Flächennutzungsplan)*</u>

On the first level, each municipality can issue a zoning plan that represents, with respect to the entire municipal territory, a basic classification of land uses according to urban development objectives and the needs of the municipality. As a general rule, a zoning plan must apply to the entire area of the municipality. However, certain areas of a municipality may be left out if the main characteristics of the zoning plan will not be affected thereby and a separate zoning plan for such area will be adopted at a later stage.

A zoning plan may, for instance, describe for which purpose specific areas should be used in the future, *e.g.*, building areas and traffic areas, but, in principle, does not create individual rights. In particular, the classification of land uses to be determined in the zoning plan can be divided into several categories: areas designated for development, public and private infrastructure, traffic and transportation, and other uses (including, among others, areas for public utilities, green areas). With respect to areas designated for development, the municipality may further differentiate between residential building areas, mixed building areas, commercial building areas or special building areas.

In general, municipalities must inform the public about their intention to issue a zoning plan in order to give the public the opportunity to provide comments and express their concerns. For this purpose, the respective municipality has to issue a notification comprising the objectives, effects and alternatives of the plan which must be made as early as possible (*e.g.*, as soon as the plan is sufficiently detailed to be discussed). Participation may take place in the form of a public hearing. Following the first round of public participation, the municipality may amend the zoning plan if necessary. In order to proceed, the municipality has to formally disclose the (amended) draft zoning plan with a statement setting forth the underlying considerations therefor. Formal disclosure of the zoning plan requires a public announcement and public display of the draft plan for one month.

The announcement of the display is intended to encourage the public to further participate in the planning procedure and to express their concerns and ideas.

Following the expiration of the one month period, the local town or municipal council of the respective town or municipality adopts the draft zoning plan in a meeting open to the public. The final zoning plan then needs to be submitted to relevant higher authority for examination and approval. However, the higher authority is only authorized to examine the legality of the zoning plan, including its conclusion. Thus, approval may only be denied if the zoning plan was not prepared formally and materially in compliance with applicable laws.

Besides the participation of the public, municipalities must also involve public authorities and other bodies of public interest (*sonstige Träger öffentlicher Belange*) if their respective area of responsibilities is affected by a zoning plan. After due information, the municipality requests a statement which must generally be submitted within one month.

After formal approval of the zoning plan by the relevant higher authority, the zoning plan has to be officially enacted by way of public announcement by the municipality in the locally customary manner.

9.1.1.2 Land-use Plan (Bebauungsplan)

On the second level, land-use plans may determine the use of land in designated areas. As a general rule, a land-use plan is developed from the descriptions in the applicable zoning plan and therefore has to comply with the zoning plan. In particular, a land-use plan establishes the legally binding rules with respect to matters such as the size of plots and the height, density and specific use of buildings erected on a plot and may also designate land as being reserved for public purposes, industrial use, mixed use, social housing, infrastructure, open spaces, and protected areas.

In principle, there are three different types of land-use plans which differ in their contents. German law differentiates between the qualified land-use plan (*qualifizierter Bebauungsplan*), the non-qualified land-use plan (*einfacher Bebauungsplan*) and the project-related land-use plan (*vorhabenbezogener Bebauungsplan*). The qualified development plan must include stipulations on the type and extent of use of the building, the land areas which can be built on as well as local public traffic areas. Building projects in an area covered by a qualified land-use plan are generally admissible provided that they do not conflict with the stipulations of the applicable land-use plan. A land-use plan that does not include the above mentioned minimum requirement only qualifies as a non-qualified land-use plan. Hence, building projects in an area only covered by a non-qualified land-use plan require additional criteria to be met in order to be admissible (depending on whether the project will be realized in unplanned inner areas (*unbeplanter Innenbereich*), which are also called built up districts (*im Zusammenhang bebauter Ortsteil*), or in outlying areas (*Außenbereich*).

German planning law, however, also provides for a project-related land-use plan which is of particular interest for real estate developers. The project-related land-use plan is used for particular building projects, including large-scale projects and mainly comprises three stages: At the initial stage, the real estate developer prepares a project and infrastructure development plan (*Vorhaben- und Erschließungsplan*) on its own responsibility and at its own expense. For this purpose, a planning or architect's office is usually commissioned which is responsible for drafting such plan in close collaboration with the municipality. This project and infrastructure development plan then becomes subject of the project-related land-use plan on the basis of the resolution of the municipality. The real estate developer and the municipality enter into a so-called performance contract (*Durchführungsvertrag*) which provides for the preparation and/or implementation of the respective urban development measures by the municipality's contract partner at its own expense. The municipality passes the project-related land-use plan as by-law (*Satzung*) within the meaning of applicable German law. The performance contract entered into in connection with a project-related land-use plan is a special type of an urban development contract (*städtebaulicher Vertrag*) (for further information, see "*9.2 Urban Development Contracts/Commitments*").

The process of establishing a land-use plan basically follows the same procedures as for the zoning plan. The process of preparing a land-use plan is usually initiated by the relevant local council or planning committee or following an inquiry of local residents or an investor. As opposed to the zoning plan, the land-use plan does not require approval by a higher authority where the land-use plan is based on the zoning plan for which such approval has already been obtained. However, the land-use plan additionally needs to be enacted as a municipal by-law which requires the municipality to publish the final land-use plan by way of public announcement and to display it for inspection by the public. As a municipal by-law, a land-use plan stipulates legally binding provisions determining whether a building project is permissible, whereas a zoning plan has no direct binding legal effect.

Where no qualified land-use plan exists, the question whether a building project (including amendments to existing buildings) is permissible depends on whether the building project should be realized in unplanned inner areas (*unbeplanter Innenbereich*), which are also called built up districts (*im Zusammenhang bebauter Ortsteil*), or in outlying areas (*Außenbereich*). 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 residential use as outlying areas shall generally be kept clear of buildings of any kind, especially of residential buildings.

9.1.2 Special Urban Planning Zones

Municipalities may designate special urban planning zones (*Gebiete des Besonderen Städtebaurechts*) in order to remediate specific planning deficiencies or facilitate specific urban developments. These planning zones are also regulated by the German Building Code (*Baugesetzbuch* (*BauGB*)). The act provides for different types of special urban planning zones, for instance, such as restructuring areas (*Sanierungsgebiete*), conservation areas (*Erhaltungsgebiete*) or development areas (*Entwicklungsgebiete*). Properties (including hereditary building rights) located in special urban planning zones or areas which will be designated as such special urban planning zones may be subject to certain restrictions.

For instance, in restructuring areas, the sale and encumbrance of properties as well as the conclusion of a fixed term lease agreement exceeding one year or reconstruction and redevelopment measures are generally subject to special consent by the competent municipal authorities. Most importantly, such properties may only be sold at sales prices approved by the competent municipal authorities, and approval is generally only granted if the proposed price excludes any value gains from restructuring measures. Property owners may, however, negotiate the lifting of such limitations, which is usually granted in exchange for compensatory payments. Municipalities are also granted pre-emptive rights with respect to property sales, as well as the right to impose restrictions with regard to the construction of building projects or the demolition of buildings. Additionally, municipalities may annul existing rental and lease agreements in coordination with property owners.

9.1.3 Building Permit

In general, German public construction law (*öffentliches Baurecht*) requires developers to obtain a building permit (*Baugenehmigung*) for the construction, alteration, demolition, or change in use of a building (or parts thereof) by passing a permit procedure (*Baugenehmigungsverfahren*). A building permit is to be granted in accordance with state building regulations (*Bauordnungen der Länder*) which vary from federal state to federal state and provide, among other, for different approval structures. Despite local differences, the lower building control authority is always responsible for the enforcement of the building regulations, and therefore also for the issuance of the building permit. For this purpose, developers must file a building application (*Bauantrag*) in writing with the competent building control authority. In principle, every applicant is entitled to be granted a building permit if the building project complies with the provisions of the construction planning law, in particular with the stipulations of a land-use plan, as well as with the respective state building regulations. Aside from regular permit procedure, state building regulations may provide for simplified procedures under certain circumstances. Some projects therefore only require a notification or exemption procedure or merely a simplified permit procedure (*vereinfachtes Baugenehmigungsverfahren*) whereas other projects do not require a building permit at all (*verfahrensfreie Bauvorhaben*). However, building projects that benefit from such simplified procedures have to comply to the same extent with the provisions of the construction planning law, in particular with the stipulations of the land-use plan, and the respective state building regulations as regular building projects.

9.2 Urban Development Contracts/Commitments

Competent municipal authorities may enter into agreements with individuals or with private or public companies regarding urban development measures (*städtebauliche Verträge*). For instance, a municipality may assign the development of local public infrastructure for land plots (*e.g.*, the construction of paved ways, utility supply lines, waste disposal, street lighting, park areas, etc.) to a third party by entering into an urban development contract (*Erschließungsvertrag*). Without such contract, the municipality would have to perform the respective urban development measures itself and also pre-finance all urban development expenses. While the municipality would be able to recover most of its development expenses from the owner of the respective property, it would ultimately have to bear a share of at least 10% of the development costs eligible for contribution (*beitragsfähiger Erschließungsaufwand*) under the German Building Code (*Baugesetzbuch*

(BauGB)) as well as all non-contributory costs. However, if the municipality enters into an urban development contract with a third party all such costs may be imposed on the investor under the contract.

In addition, expenses or other expenditures associated with the provision of development measures such as, for example, expenses or other expenditures for municipal amenities (*e.g.*, expenses for kindergartens, children's playgrounds, hospitals, sewage plants, green areas) or for costs of urban planning may be contractually imposed upon investors (*Folgekostenvertrag*). In order for such expenses to be borne by a private investor, there must be a direct link between the construction projects and the costs imposed. Instone is party to both development contracts and contracts imposing consequential costs on it.

To obtain a building permit with regard to land plots for which no land-use plan exists, Instone is often required to voluntarily commit itself (*Selbstverpflichtungserklärung*) to conduct certain urban planning and development activities.

9.3 Building Regulations

German building laws and regulations of the German Federal States (*Bauordnungsrecht der Länder*) are very comprehensive and contain numerous provisions including, but not limited to, permissible types of buildings, building materials, statics, proper workmanship, stability, heating, minimum required distance from other buildings, fire safety, means of warning and escape in case of emergency, access and facilities for the fire service, hazardous and offensive substances, noise protection, parking spaces, ventilation and access and facilities for disabled people.

9.4 Standardized Agreements and Applicable German Law

Standardized contract terms under German law have to comply with the rules of the German Civil Code (*Bürgerliches Gesetzbuch* ("**BGB**")) applying on general terms and conditions (*Allgemeine Geschäftsbedingungen*). This means that standardized contract terms are subject to a certain fairness control by the competent courts regarding their content and the way they are presented to the respective other contractual party. As a general rule, standardized terms are invalid if they are not transparent, unclear, unbalanced or inappropriately discriminatory.

9.4.1 Fee Regulations for Architects and Engineers

The German Fee Regulations for Architects and Engineers (*Honorarordnung für Architekten und Ingenieure* ("**HOAI**")) imposes mandatory fee rules (based on chargeable costs) on architects and engineers and their respective counterparties. The HOAI applies to contracts regarding certain planning services provided by architects and engineers in the construction industry. It does, however, not contain any provisions regulating the type of work to be provided under such contracts and/or the rights or obligations arising therefrom, *i.e.*, the services listed in the HOAI are only relevant for price-law purposes.

The HOAI divides the services covered by it into so-called scopes of work (*Leistungsbilder*) which include, among others, the planning of a building project, engineering structures and traffic systems, structural engineering as well as technical equipment. These scopes of work are again sub-divided into individual work phases. Services which are not typically provided by architects and engineers (*e.g.*, real estate agent services, designer services) and other services which may include such services covered by the HOAI (*e.g.*, construction services which include the provision of certain services under the HOAI) are, however, not covered by the HOAI. The application and amount of the mandatory fee rules provided by the HOAI therefore depends on the respective type, scope and difficulty of work to be provided as agreed upon in the underlying contract.

In 2003, the German Supreme Court (*Bundesgerichtshof*) held that the HOAI also applies to foreign architects and engineers if the respective building site is situated in Germany. In 2016, the European Commission has launched infringement procedures against, among others, Germany on the grounds that its domestic legal provisions include excessive and unjustified obstacles in the area of professional services. The European Commission considers that the mandatory fee rules provided by the HOAI contradict European law, in particular the Services Directive (Directive 2006/123/EC). The European Commission has therefore brought an action against the Federal Republic of Germany on June 23, 2017 (Case C-377/17) which, as of the date of this Prospectus, was still pending.

9.4.2 German Construction Contract Procedures

Part B of the German Construction Contract Procedures (*Vergabe- und Vertragsordnung für Bauleistungen* ("**VOB/B**")) has been introduced to complement the law on general terms and conditions set forth in the BGB. The VOB/B is not statutory German law but rather qualifies as general terms and conditions which need to be explicitly agreed upon in the relevant construction contract in order to become effective. The provisions of the VOB/B contain numerous regulations on contract law for work and services (*e.g.*, with respect to performance delays, claims for defects, limitation of defects claims or acceptance of works (*Abnahme*)) which differ from those in the BGB. If the VOB/B is incorporated into the construction contract without any changes and the counterparty is an entrepreneur (*i.e.*, not a consumer), the VOB/B is not subject to the fairness control review as provided for in the BGB. However, most construction contracts do not incorporate the VOB/B in its entirety but also provide for provisions deviating from the VOB/B. Hence, in the vast majority of the cases, the agreed provisions relating to the VOB/B are subject to fairness control by the competent courts regarding their content and the way they are presented to the other contractual party. Provisions which do not stand up to such fairness control review are deemed ineffective and replaced by corresponding provisions of the BGB.

9.5 Construction and Property Development Contracts

9.5.1 Applicable Provisions in the BGB

On January 1, 2018, an amendment to the BGB relating to construction contracts came into effect that codifies a range of new types of contracts hitherto not explicitly regulated along with a number of additional amendments to the BGB some of which are briefly summarized below. The BGB now differentiates, in particular, between construction contracts (*Bauverträge*), consumer construction contracts (*Verbraucherbauverträge*) as well as the property development contracts (*Bauträgerverträge*).

In principle, a property development contract is a mixed contract (*gemischter Vertrag*) covering both aspects of a sales contract (*Kaufvertrag*) and of a work contract (*Werkvertrag*). The newly applicable law now explicitly stipulates that the property development contract is a contract with respect to the construction (*Errichtung*) or reconstruction (*Umbau*) of a house or a comparable building and by which the developer is obliged to transfer ownership to the property to be developed. The BGB further includes additional provisions for consumer construction contracts, including property development contracts concluded with private purchasers, such as owner-occupiers and retail buy-to-let investors. Prior to entering into a property development with a private purchaser, the respective real estate developer is required to provide such purchaser with a written description of the building specifications (*Baubeschreibung*). Such description needs to be provided in good time before entering into the property development contract and also needs to fulfil the requirements set forth in the BGB. In addition, the developer has to inform the purchaser bindingly about the time of completion of the development project or, if such information is not possible at the conclusion of the contract, the estimated time needed for realizing the respective development project. Furthermore, the developer also needs to describe in detail the specifications of the building, which include, for instance, a general description of the building to be built, the type and extent of the services offered, general data on the building (including floor plans and information on square footage), potentially information on the energy, fire safety and sound proofing standard. Except where a consumer construction contract was notarized, the consumer has a statutory right to rescind the agreement within the statutory periods and the contractor is obligated to duly inform the consumer of such right. Aside from these provisions relating to property development and consumer construction contracts, general rules relating to sales contracts (*Kaufverträge*) and work contracts (*Werkverträge*) as well as the German Real Estate Agent and Commercial Contractor Regulation ((*Makler- und Bauträgerverordnung* (MaBV)) apply.

In the context of property development contracts (*Bauträgerverträge*), the BGB provides for additional requirements with respect to the issuance of certain sureties which were introduced by the Act to Secure Contractor Claims and Improve the Enforcement of Payment Claims (*Forderungssicherungsgesetz* ("**FoSiG**")). In case the recipient of such works is a consumer and instalment payments have been agreed by the parties, real estate developers building or remodeling a house or similar construction structure are required to issue a surety (the "**FoSiG Surety**") with respect to 5% of the agreed remuneration upon beginning of construction works (*i.e.*, when the first instalment under the MaBV is due and payable). The purpose of the FoSiG Surety is to secure contractual performance in a timely and adequate manner and to protect purchasers from the consequences of an insolvency of the respective project developer. The issuance of the FoSiG Surety is mandatory and can only be avoided if such purchasers withhold an amount corresponding to 5% of the aggregate purchase price from their instalment payments.

9.5.2 German Real Estate Agent and Commercial Contractor Regulation

MaBV is, *inter alia,* applicable to property development contracts relating to the development and sale of residential properties to owner-occupiers (*Selbstnutzer*) and retail buy-to-let investors in Germany. The MaBV provides for certain regulations to be complied with by, *inter alia*, real estate developers in connection with the conclusion of property development contracts (*Bauträgerverträgen*). In particular, the MaBV provides for a staggered payment framework which entitles a real estate developer to significant fixed down payments in line with the completion of construction milestones, provides for respective collateralization of such down payments and imposes an obligation on the developer to separate funds received from purchasers from private assets. The real estate developer may request up to seven instalment payments subject to specific construction progress to be included in the individual payment schedule agreed under the property development contract (*Bauträgervertrag*). Such instalment payments may, however, only be requested if the amount of an instalment payment corresponds to the actual value of the work performed by the real estate developer at the time such instalment payment becomes due and payable.

The first construction milestone is the start of ground works (*Beginn der Erdarbeiten*). Upon the achievement of this milestone, the real estate developer is entitled to request the first instalment in the amount of 30% of the agreed contractual sum in case ownership of a real property is to be transferred and 20% of the agreed contractual sum in case a hereditary building right is to be created or transferred. The second instalment in the amount of 40% of the remaining agreed contractual sum is due and payable upon completion of the building shell (including carpentry work) (*Rohbaufertigstellung, einschließlich Zimmererarbeiten*). As a result, a total of 58% of the aggregate agreed contractual sum under the respective property development contract (*Bauträgervertrag*) is due and payable upon completion of the building shell if ownership of a real property is to be transferred. Further instalments can be requested in up to seven partial payments in accordance with the following milestones set forth in the MaBV: installation of roof surfaces (*Herstellung der Dachflächen*), basic installation of heating systems, sanitary and electrical facilities (*Rohinstallation der Heizungs-, Sanitär- und Elektroanlagen*), window installation (*Fenstereinbau*), interior plaster work (*Innenputzarbeiten*), screed work (*Estricharbeiten*), tiling work in the sanitary area (*Fliesenarbeiten im Sanitärbereich*), readiness for occupancy and concurrently with the transfer of possession (*Bezugsfertigkeit und Zug um Zug gegen Besitzübergabe*), façade works (*Fassadenarbeiten*) and final completion (*vollständige Fertigstellung*).

However, a real estate developer must not request payment of the first instalment from the purchaser unless the following conditions are met: (i) the underlying purchase contract is binding and all necessary approvals have been granted, the notary public has confirmed these requirements in writing and no cancelation rights have been granted to the purchaser, (ii) a priority notice (*Auflassungsvormerkung*) has been registered in the land register (*Grundbuch*) with respect to the respective purchaser's title of ownership, (iii) all mortgages have been subordinated to the purchaser's priority notice (*Auflassungsvormerkung*), and (iv) the building permit (*Baugenehmigung*) has been obtained (or it has been confirmed that a building permit is not required). In practice, real estate developers often face significant delays when dealing with the competent land register authorities. As a result, the process of registering of such priority notice (*Auflassungsvormerkung*) can be delayed significantly. In such case, the real estate developer can request instalment payments subject to issuing to the purchaser a surety covering the respective pre-payment amount (referred to as MaBV Aval). Once either all of the above conditions are met or a corresponding MaBV Aval has been issued, the real estate developer is entitled to request the instalment payments under the agreed payment schedule from the purchaser.

9.6 Protection of Listed Buildings

Protection of listed buildings is generally regulated by the federal states through so called heritage protection laws (*Denkmalschutzgesetze*) which apply with different degrees of limitations. In some federal states, a building is only deemed a listed building if specified in a list of listed buildings, whereas in most federal states the listing has no constitutive effect. If the building is under listed building protection, the owner is obligated to preserve (*erhalten*) the building using reasonable efforts. Partial or total demolition or any change in the appearance of a protected building generally requires the consent of the competent authority. In some federal states, such consent is also required for any change of 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 protected building is further required to notify the competent authority of an intended sale of the property. In such case, some federal states reserve a pre-emptive right for the municipality.

As of the date of this Prospectus, a limited number of Instone's properties were subject to some form of protection of listed buildings. Some properties were subject to individual protection, meaning that parts of such properties (*e.g.*, roofs, facades, installations, etc.) are considered to be of cultural value and may only be altered, modernized or demolished with prior written approval from the competent authorities, if at all. Instone also has a number of properties that are subject to ensemble protection, whereby whole ensembles of buildings are considered of cultural value. Alterations to the appearance of such buildings may only be made with the prior written approval from the competent authorities. Also, the modification (*e.g.*, construction, alteration or demolishment) of properties adjacent to a listed building may require approval if such modification can affect the condition or appearance of the listed building (*Umgebungsschutz*).

9.7 German Income Tax Incentives with respect to Listed Buildings

Current German income tax law allows purchasers to apply a special depreciation rate (*Sonderabschreibung*) on the portion of the purchase price that relates to the redevelopment of listed buildings. In particular, investors are entitled to depreciate 9% of their redevelopment costs over a period of eight years and additional 7% over a subsequent period of four years, resulting in the possibility to depreciate the total redevelopment costs over a period of twelve years in total. Investors occupying the property are entitled to depreciate 9% of their redevelopment costs over a period of ten years.

9.8 Public Easements

In most of the German federal states, compliance with statutory requirements (*Bauordnungen*) for the erection and use of buildings may be ensured by public easements (*Baulasten*). For example, public easements ensure adherence to the minimum spacing prescribed by law. In this context, the owner of a property may assume an obligation to tolerate, perform or omit specific acts on the property. The building authorities maintain specific registers of such public easements (*Verzeichnis öffentlicher Baulasten*). Once registered, a public easement will also be effective for the legal successors of the owner (*e.g.*, the purchaser of the respective property). A public easement may be cancelled only upon the consent of the local building authority. Public easements may restrict the use of a property and especially future modifications and, therefore, affect its commercial value.

9.9 Public Improvement and Development Charges

The owner of a property may be obliged to pay certain public charges related to the property. Development charges (*Erschließungsbeiträge*) are levied for the initial construction and improvement charges (*Ausbaubeiträge*) for the subsequent improvement of development installations (*Erschließungsanlagen*), *e.g.*, public roads. Once the development charges have been fully paid, no further development charges can be imposed. Regarding improvement charges, they are incurred for each improvement of development installations. As a consequence, such charges may be imposed repeatedly in the future.

Both development and improvement charges may be levied on the owner of a property which benefits from initially constructed or improved development installations. However, some German federal states allow municipalities to divide their territory into sub districts and levy improvement charges on all owners of properties in these sub districts and not only on the owners of properties directly adjacent to the specific development installation that has been improved, so called recurring road charges (*wiederkehrende Straßenbeiträge*). Such improvement charges are levied on all owners on a periodic basis and cover the improvement costs occurring in the entire area. This system is intended to evenly distribute the costs amongst all owners in one sub district as they are deemed to benefit mutually from the improvements regardless of the specific location. For example, municipalities in the State of Hesse can decide to levy such periodic improvement charges by law.

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 wastewater disposal or utility lines and for expanding and modifying such lines.

9.10 Regulation Relating to Environmental Damage and Contamination

Instone's residential real estate project portfolio is further subject to various rules and regulations relating to the remediation of environmental damage and contamination.

9.10.1 *Soil Contamination and Disposal of Contaminated Material*

Under German law, liability for environmental contamination is mainly governed by the German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz* (BBodSchG)). It applies to currently existing and future soil contaminations (*Altlasten*) and/or harmful soil alterations on soil functions that are able to emit hazards, considerable disadvantages or considerable nuisances for individuals or the general public, such as excessive compression or dehydration of the soil (*schädliche Bodenveränderungen*) (together "**Contamination**"). The ensuing remediation liability (*Sanierungsverantwortung*), without generally requiring involvement, fault or knowledge of such Contamination, lies with, among others, the actual polluter, the polluter's universal successor, the current owner of the property, the party in actual control of the property and, if the title was transferred after March 1, 1999, the previous owner of the property if he knew or should have known about the Contamination. There is no general statutory ranking as to which of the aforementioned parties is primarily liable. Rather, this decision is made at the discretion of the competent local authority (*Bodenschutzbehörde*) guided by the principle of effective hazard prevention (*Prinzip effektiver Gefahrenabwehr*). Thus, the current owner of the contaminated property is usually the first party to be held responsible because the owner is generally in the best position to undertake the necessary remediation work. However, a former owner may be ordered to carry out remediation work, for example, if the current owner's financial condition appears to be unsound. Other responsible parties may be required to indemnify the party that carried out the remediation work under a statutory provision. This provision can, however, be waived by way of an express contractual agreement. Furthermore, as liability is not based on fault, the German Federal Soil Protection Act does not require the relevant local authority to prove negligence or intent on the part of the liable parties.

Administrative powers arising from the German Federal Soil Protection Act authorize the relevant local authority to require risk inspections, investigations, remedial measures and other measures necessary for the prevention of residual pollution or harmful changes in the soil.

Civil law liability for Contaminations can arise from contractual warranty provisions or statutory law. Warranty obligations can generally be waived or can be limited by contract. According to statutory provisions, the polluter can be held liable for damages or for the remediation of the Contamination and its consequences. Instone could be subject to such liability if a property that Instone currently owns or formerly owned is detrimentally affecting the property of one or more third parties. This civil liability exists irrespective of official action taken under the German Federal Soil Protection Act.

As soon as contaminated soil is excavated in the course of construction or remediation works, it no longer falls within the scope of the Federal Soil Protection Act. Instead, it may qualify as waste pursuant to the Waste Management Act (*Kreislaufwirtschaftsgesetz*), which may result in additional disposal costs.

9.10.2 *Asbestos Regulation*

German law imposes obligations to remediate asbestos contamination under certain circumstances. Under the asbestos guidelines (*Asbest Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any health threat. The law distinguishes between friable asbestos, which is capable of releasing asbestos fibers into the air as it ages or breaks, and non-friable asbestos, from which asbestos fibers are usually not released and which therefore poses a limited risk to human health. Except in the event of structural alterations, there is generally no obligation to remove non friable asbestos under the asbestos guidelines.

Friable asbestos is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation and thermal protection. The asbestos guidelines set out criteria used in assessing the urgency of remedying contamination, ranging from immediate action (including demolition, removal or coating of the asbestos) to risk assessments at intervals of no more than five years. The removal and disposal of asbestos containing materials requires specific safety measures and may trigger elevated costs.

9.10.3 *Regulation Relating to Dichlorodiphenyltrichloroethane ("DDT"), Lindane, Polychlorinated Biphenyl ("PCB"), and Pentachlorophenol ("PCP")*

DDT and Lindane are synthetic pesticides, which were used in wood preservatives. DDT is suspected to cause cancer and be genotoxic, while Lindane is suspected to harm the nervous system and may cause cancer. Since PCB may cause fetal damage in pregnant women and is suspected to have carcinogenic effects, its production was prohibited in Germany in 1983. However, PCB may still exist in buildings, such as in wood preservatives, synthetic materials, insulations or joints. PCP was used as a fungicide against mold and is also suspected to negatively affect human health.

Under various legal provisions, the owner of a building may be required to remedy PCB sources through the elimination or sealing of construction elements that contain PCB. In particular, remediation measures may become necessary if the PCB concentration in rooms that are designed for human use exceeds 300 nanograms per cubic meter of air. Moreover, the remediation of rooms or buildings may be required where DDT, PCP or Lindane concentrations exceed certain thresholds. The removal and disposal of DDT, Lindane, PCB, and PCP containing materials may require specific safety measures and trigger elevated costs.

9.10.4 Protection of Groundwater and Maintenance of Sewage Systems

Pursuant to the German Federal Water Management Act (*Wasserhaushaltsgesetz* (WHG)), all sewage systems must be constructed, operated and maintained according to the generally accepted Rules of Technology (*anerkannte Regeln der Technik*) or, regarding sewage systems for wastewater treatment, state of the art (*Stand der Technik*). Property owners are required to check, among other things, the sewage system's condition, operability, maintenance and the amount and quality of wastewater and the substances contained therein. In the case of deficiencies, property owners must repair the sewage system. The German Federal Water Management Act authorizes the German Federal Government (*Bundesregierung*), with approval of the German Federal Council (*Bundesrat*), to enact an ordinance specifying the above mentioned obligations concerning sewage systems. Therefore, more detailed and specific requirements are set out in the Waste Water Ordinance (*Verordnung über Anforderungen an das Einleiten von Abwasser in Gewässer* (AbwV)). For a total of 53 sectors, appendices to the Waste Water Ordinance set uniform federal requirements for the discharge of wastewater into water bodies. Waste water disposal of private households is a municipal responsibility.

9.10.5 War Ordnance

In Germany, the federal states are responsible for the clearance of ordnance and other remnants of war. Substantial differences exist with respect to the organization, competencies and financing of clearance operations. Most federal states have installed public services charged with the clearance of war ordnance, while other federal states leave such clearance to private specialized firms. All federal states assume, and dispose of, the unexploded ordnance themselves. However, the extent to which a private investor or an owner of contaminated real estate incurs liabilities in connection with the clearing of remnants of war, including preparatory measures like the disposal of plants and layers of soil or preventive search measures, where the initial suspicions prove unfounded, varies from federal state to federal state.

9.11 Heritable Building Rights

Heritable building rights under the Heritable Building Rights Act (*Erbbaurechtsgesetz*) make it possible to create ownership rights to buildings that are independent of the ownership of the land on which they are erected. While a heritable building right can be created for and held by the owner of the relevant land (*Eigentümererbbaurecht*), for the most part heritable building rights are created by the conclusion of a heritable building right agreement between the owner of the property and the heritable building right owner. The heritable building right is effective with its registration in the land register for the relevant property (*Grundstücksgrundbuch*) as the most senior encumbrance of the relevant land. In addition to the provisions of the Heritable Building Rights Act, the legal relationship between the owner of a property and the heritable building right owner is governed by the heritable building rights agreement. A heritable building right is a right that is equivalent to real property ownership (*grundstücksgleiches Recht*) which is usually created for a fixed period of time. Hence, heritable building rights can be sold and transferred in the same way as real property and, depending on what is agreed in the heritable building right agreement, can also be mortgaged or made subject to other encumbrances (*e.g.*, for financing).

Furthermore, a heritable building right may be extended or renewed. Otherwise, it expires upon the end of its term and the owner of the land also becomes the owner of any building on that land, possibly subject to compensation being payable by the land owner in this respect. In principle, a heritable building right cannot be terminated during its agreed term, which also holds true if the owner of the land becomes insolvent. Land subject to a heritable building right may, however, be recovered by its owner before the end of the agreed term of the heritable building right if a reversion of property (*Heimfall*) occurs. The conditions for a reversion of property (*Heimfall*) are largely subject to the freedom of contract between the parties.

9.12 Energy Saving Regulation

Under the Energy Saving Act (*Energieeinsparungsgesetz* (EnEG)) and the Energy Saving Ordinance (*Energieeinsparverordnung* ("**EnEV**")), owners of buildings are subject to various energy efficiency requirements.

For instance, under the EnEV, owners are, in case of an intended sale or letting of a property, building or unit, obliged to provide potential purchasers with an energy certificate (*Energieausweis*), *i.e.*, a special certificate that discloses the property's energy efficiency. The energy certificate must be handed over during the first viewing of the property at the latest. In case there is no inspection of the property and the other party does not request the energy certificate, it must nonetheless be handed over immediately after the conclusion of the sale and purchase or lease agreement. Further, real estate advertisements in commercial media must include specific information from the energy certificate. The energy certificate is generally valid for ten years.

The EnEV also includes various regulations regarding reconstruction works designed to improve energy efficiency. In general, the owner of a residential property must comply with various requirements under the EnEV in case modification measures, such as modernization measures and expansions of existing properties, are carried out. Certain requirements, relating, for instance, to the insulation of ceilings and to boilers, must be complied with regardless of whether any modification measures are implemented. Also, the EnEV includes various energy saving requirements which must be complied with in case new buildings are erected or new installations are put into operation. Operators of cooling systems with cooling power in excess of twelve kilowatt hours must regularly inspect their energy efficiency. Failure to comply with the EnEV can be sanctioned as an administrative offense. It may be expected that the EnEV and comparable regulations will be modified further and increase requirements on energy consumption by buildings, particularly in case of new buildings and modernizations.

The Renewable Energies Heat Act (*Eneuerbare Energien Wärmegesetz*) intends to reduce the primary energy demand (*Primärenergiebedarf*) in Germany. The act requires that part of the heat energy demand of newly constructed buildings must be covered with renewable energies.

9.13 Real Estate Transfer Tax, Notary Costs and Land Registry Office Fees

Purchasers of real estate located in Germany are required to bear certain costs. It is market practice that the purchaser of real estate is required to pay real estate transfer tax (RETT). While the statutory RETT framework falls within the competency of the federal lawmakers, the RETT tax rate is determined on the state level. Accordingly, RETT varies across Germany, currently ranging from 3.5% (Bavaria and Saxony) to 6.5% (*e.g.*, North Rhine Westphalia), which is levied on the purchase value of the property in case of an asset deal.

Under current tax laws, the acquisition of a participation reaching or exceeding 95% in an entity that owns German real estate is subject to RETT; in such case, the tax basis is a special tax value which is supposed to reflect the property's fair market value. In the case of partnerships, RETT could be triggered even if a participation of less than 95% is acquired but where other partnership interests have been transferred in the last five consecutive years. Following the Act for the Implementation of the EU Directive on Mutual Assistance (*Amtshilferichtlinie-Umsetzungsgesetz*), RETT is now also triggered if an acquisition or transaction results in an entity holding an economic participation of at least 95% in an entity that owns a piece of German real estate property, regardless of whether this is held (partly) directly and/or (partly) indirectly. The economic participation shall equal the sum of direct or indirect participations in the respective entity's capital or assets. To determine participations, the percentages of participations in the capital or assets of the entities are multiplied. Thus, RETT is triggered if the overall effective ownership, taking into account direct and indirect participation (economic ownership), is or exceeds 95% when accumulation is determined based on economic interest calculated on a look through basis.

It cannot be excluded that the current RETT regime for sale and transfer of shares or interests will be amended in near future. There is a discussion about a change of the 95% ceiling and to implement a substantial lower ceiling. At the moment a reduction to 50% (which shall cause RETT on a pro rata basis) and to 75% (which shall cause 100% RETT) is discussed. The outcome of the current discussion cannot be foreseen at the moment.

Additional costs are incurred for notary fees and land registry office (*Grundbuchamt*) fees, depending on the value of the transaction. These additional costs are usually also paid by the purchaser.

9.14 Restitution Rights and Transfer Approval

Under the Law on the Settlement of Open Property Issues (*Gesetz zur Regelung offener Vermögensfragen* ("**VermG**")), former owners of assets that (i) were dispossessed either by the national socialist government between January 30, 1933 and May 8, 1945 or by the former German Democratic Republic or (ii) otherwise lost ownership of their respective assets without adequate compensation subject to the conditions and exceptions set out in the VermG can, generally, demand the restitution of such assets.

With regard to properties located in the former German Democratic Republic (*Deutsche Demokratische Republik*), the German Real Estate Transfer Ordinance (*Grundstücksverkehrsordnung* ("**GVO**")) generally requires owners of properties to obtain approval from the competent authorities prior to agreeing on the disposal and disposing of any properties or hereditary building rights, unless such agreement or disposal is exempted as set out in the GVO. Primarily, this is the case where an approval has been granted already for a prior completed transfer after September 28, 1990. If any restitution claims have been filed for a property or hereditary building right, such approval will not be granted before the claim has been settled.

10. INFORMATION ON THE EXISTING SHAREHOLDERS

The Existing Shareholders are:

- Coöperatieve Activum SG Fund III Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), registered in the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under registration number 59216239, having its registered offices at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, which holds 59.6% of the shares in the Company;
- Coöperatieve Formart Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), registered in the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under registration number 61216275, having its registered offices at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, which holds 33.3% of the shares in the Company; and
- Coöperatieve Activum SG Fund V Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), registered in the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under registration number 67273300, having its registered offices at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, which holds 7.1% of the shares in the Company.

The following table sets forth the shareholding of the Existing Shareholders immediately prior to the Private Placement, and their expected shareholding, together with the expected shareholding of the public float, upon completion of the Private Placement:

	Actual (direct) Ownership		
	Immediately prior to the Private Placement	**Upon completion of the Private Placement (assuming placement of all Placement Shares and no exercise of the Greenshoe Option)**	**Upon completion of the Private Placement (assuming placement of all Placement Shares and full exercise of the Greenshoe Option)**
		(in %)	
Coöperatieve Activum III	59.6	26.8	21.9
Coöperatieve Formart	33.3	15.0	12.2
Coöperatieve Activum V	7.1	3.2	2.6
Public float	–	55.0	63.3

The Company is a controlled undertaking of Coöperatieve Formart, Coöperatieve Activum III, and Coöperatieve Activum V, due to their joint ownership of 100% of the voting rights in the Company, the parallel control structure, and as a result of their power to jointly govern the financial and operating policies of the Company through their power to appoint the Company's directors.

The Existing Shareholders, in turn, are ultimately indirectly controlled by Saul Abram Goldstein. Saul Abram Goldstein is the sole shareholder of Activum SG Capital Management Limited.

Activum SG Capital Management Limited is the sole shareholder of Activum SG III GP Limited, and Activum SG V GP Limited. Activum SG III GP Limited is the sole shareholder of Activum SG formart GP L.P. Limited. Activum SG formart GP L.P. Limited is the general partner of Activum SG Fund III LP, the sole member of Coöperatieve Activum III. In addition, Activum SG III GP Limited is the general partner of Activum SG formart Co-Invest LP, the sole member of Coöperatieve Formart.

Activum SG Capital Management Limited is also the sole shareholder of Activum SG V GP Limited. Activum SG V GP Limited is in turn the general partner of Activum SG Fund V L.P. and of Activum SG Feeder Fund V L.P. Activum SG Fund V L.P. is the sole member of Coöperatieve Activum V and Activum SG Feeder Fund V L.P. is a feeder fund pooling beneficial interests of non-controlling beneficial owners in Coöperatieve Activum V.

11. GENERAL INFORMATION ON THE COMPANY AND INSTONE

11.1 Formation, Incorporation, Commercial Name and Registered Office

The Company was formed as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*, (B.V.)), governed by the laws of the Netherlands, on April 16, 2014. Its legal name was "Formart Holding B.V.".

Pursuant to a resolution of the General Meeting on June 9, 2017, and by means of a notarial deed of amendment, the Articles of Association were revised and the Company's legal name was changed to "Instone Real Estate Group B.V.". The change in legal name was registered in the commercial register of the Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) on June 9, 2017. The Company's commercial name is "Instone Real Estate". Its corporate seat is in Amsterdam, the Netherlands, its place of effective management and registered business address is Baumstraße 25, 45128 Essen, Germany. It is registered with the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) in the Netherlands under number 60490861.

11.1.1 N.V. Conversion

As of the date of this Prospectus, the Company is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands. On February 13, 2018, shortly after the determination of the placement price of the Placement Shares and before listing or payment for, and delivery of, the Placement Shares, the Company's legal form will be converted into a public company with limited liability (*naamloze vennootschap (N.V.)*), incorporated under the laws of the Netherlands.

On February 13, 2018, shortly after determination of the placement price and prior to listing and settlement, the General Meeting will resolve upon the Pre–Conversion Share Capital Increase. Following the Pre–Conversion Share Capital Increase and prior to the Post–Conversion Share Capital Increase and the Placement Capital Increase, the Company's share capital will amount to €50,316.

On February 13, 2018, and shortly following the Pre-Placement Share Capital Increase, the General Meeting will resolve upon the N.V. Conversion and the N.V. Conversion will be effected by a notarial deed of conversion and amendment of its Articles of Association to be recorded on the same day in accordance with the resolution of the General Meeting. The legal name of the Company will then become "Instone Real Estate Group N.V." and its commercial name will remain unchanged. It will remain registered with the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) in the Netherlands under number 60490861.

11.1.2 Envisaged AG Conversion

Given Instone's history and focus on the German residential real estate development market, the Company plans to propose to its annual General Meeting in 2018 to resolve upon the AG Conversion, thereby converting the Company into a German stock corporation (*Aktiengesellschaft*) named "Instone Real Estate Group AG", governed by the laws of the Federal Republic of Germany, and to change its registered seat to Essen, Germany. The plan to convert the Company into a German stock corporation (*Aktiengesellschaft*) reflects the Company's self-perception as a German business undertaking and the Company believes that the AG Conversion would also (i) reduce future administrative effort of Instone triggered by the adherence to the legal framework of two jurisdictions, (ii) simplify Instone's corporate and organizational structure, (iii) increase customer and market perception of Instone in Germany as a German real estate development company.

In preparation of the envisaged AG Conversion, and following the commencement of trading of the Company's shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (Prime Standard), the Company will apply for the Favorable Binding Tax Rulings with the competent German tax authorities.

Following receipt of the Favorable Binding Tax Rulings, and provided the assumptions contained therein regarding Dutch legal and tax matters are sufficiently confirmed by Dutch legal advisors or Dutch binding tax rulings, the Management Board and the Supervisory Board plan to propose to the annual General Meeting by way of a joint proposal of the Management Board and the Supervisory Board to resolve upon the AG Conversion. If any of the elements of the Favorable Binding Tax Rulings should not have been obtained prior to the publication of the convocation notice for the annual General Meeting that will have to be held by end of June 2018, the Management Board and the Supervisory Board may propose to the General Meeting to resolve upon the AG Conversion, conditional upon, and subject to, receipt of the Favorable Binding Tax Ruling, or may decide to convene a later extraordinary general meeting to resolve upon the AG Conversion once the Favorable Binding Tax Rulings have been obtained.

In the convocation notice, the Company will provide the shareholders with all information that is legally required and customary for a conversion of a Dutch public company with limited liability (*naamloze vennootschap (N.V.)*), and conversion into a German stock corporation (*Aktiengesellschaft*), including a customary conversion report.

As a joint proposal, the resolution of the General Meeting will require a simple majority (50%) of the votes cast in the General Meeting. The Existing Shareholders have committed (i) to vote in favor of such conversion, subject to receipt of Favorable Binding Tax Rulings prior to the consummation of the AG Conversion, and (ii) not to dispose of their shareholdings until the end of the lock-up period (August 15, 2018). Following the settlement of the Private Placement, the Existing Shareholders will continue to hold at least 36.7% of the Company's share capital (assuming a placement of all Placement Shares and full exercise of the Greenshoe Option). Consequently, the Company expects that the General Meeting will adopt the resolution regarding the AG Conversion.

Each shareholder voting against the resolution to effect the AG Conversion in the General Meeting (a "**Dissenting Shareholder**") may demand within one month following the date of such General Meeting by submitting a request to that effect with the Dutch Enterprise Chamber of the Amsterdam Court of Appeal (*ondernemingskamer van het gerechtshof te Amsterdam*) (the "**Enterprise Chamber**") or, if the Enterprise Chamber declares itself incompetent to adjudicate such request, by means of a written notice sent by registered mail to the Company, that the Company acquire such Dissenting Shareholder's shares in the Company's share capital, against payment by the Company to such Dissenting Shareholder of a cash compensation per share held by such Dissenting Shareholder. Such cash compensation to be paid by the Company will be equal to the higher of (i) the closing price per share in the Company's capital on the Frankfurt Stock Exchange on the date of the General Meeting resolving upon the AG Conversion, or (ii) as relevant, upon a request to that effect submitted by the relevant Dissenting Shareholder with the Enterprise Chamber and provided that the Enterprise Chamber does not declare itself incompetent to adjudicate such request, a price per share in the Company's capital determined by the Enterprise Chamber as being the value thereof on the date of the General Meeting resolving upon the AG Conversion, based on a valuation performed by one or three experts designated by the Enterprise Chamber, provided that such price per share, if so determined by the Enterprise Chamber, shall be increased with Dutch statutory interest from the date of the determination by the Enterprise Chamber of the price per share until the date of the transfer of the shares concerned to the Company. The Company has, however, the right in each case not to implement the AG Conversion if the Management Board determines that the Company is unwilling, or not allowed under applicable law, to acquire shares in the Company from any such Dissenting Shareholder against payment of the relevant price. Any such Dissenting Shareholder may also demand, that the Company provide security or other safeguards for the satisfaction of such Dissenting Shareholder's claim for payment of the above-mentioned price per share in the Company's capital held by such Dissenting Shareholder.

The Company will only initiate the consummation of the AG Conversion if (i) the General Meeting resolves in favor of the AG Conversion, (ii) the Company obtains the Favorable Binding Tax Rulings and provided the assumptions contained therein regarding Dutch legal and tax matters are sufficiently confirmed by Dutch legal advisors or Dutch binding tax rulings, (iii) no creditor has opposed the AG Conversion, unless such opposition has been revoked or lifted by the competent District Court (*rechtbank*) of Amsterdam, the Netherlands, (iv) the Management Board has not determined that the Company is unwilling, or not allowed under applicable law, to acquire shares in the Company from any Dissenting Shareholder requesting such acquisition by the Company against payment of the relevant price, and (v) no governmental opposition has been filed and not been revoked or lifted by the competent District Court (*rechtbank*) of Amsterdam, the Netherlands.

The consummation will be initiated by the issuance of a certificate of a Dutch civil law notary (*notaris*), no earlier than one month after the General Meeting has adopted the resolution to effect the AG Conversion, certifying that the procedural formalities (*vormvoorschriften*) regarding all resolutions required by applicable Dutch law and the Articles of Association to effect the AG Conversion, and all other formalities (*voorschriften*) stipulated by applicable Dutch law in respect of the AG Conversion have been observed (the "**Pre-Conversion Certificate**").

Subject to the issuance of the Pre-Conversion Certificate, the Cross-Border Conversion will become effective upon registration of the Company as a German stock corporation (*Aktiengesellschaft*) under German law with the commercial register of the local court (*Amtsgericht*) of Essen, Germany.

Upon Effectiveness of the AG Conversion, the Company will have its registered seat in Essen, Germany, and be registered with the commercial register (*Handelsregister*) of the Essen District Court (*Amtsgericht Essen*) under a registration number issued by such commercial register.

The Company expects the AG Conversion to become effective in the course of 2018, provided that the aforementioned requirements are satisfied.

11.2 Financial year and Duration

The Company's financial year is the calendar year. The Company has been established for an unlimited period.

11.3 History of Instone

Instone's core residential development business originates from HOCHTIEF Construction AG's (today HOCHTIEF Solution AG) residential real estate development division "formart". While the business division "formart" was only established in 2008, HOCHTIEF group had been actively engaged in the residential real estate development business since 1991.

In August 2013, HOCHTIEF Solutions AG transferred its residential development division by means of a spin-off (*Ausgliederung zur Aufnahme*) under German law into a separate limited partnership, namely formart GmbH & Co. KG). While HOCHTIEF Solutions AG acted as limited partner (*Kommanditist*), a subsidiary of HOCHTIEF Solutions AG, formart Management GmbH, acted as general partner (*Komplementär*) of formart GmbH & Co. KG.

In October 2014, the Company (former Formart Holding B.V.) acquired a majority of HOCHTIEF Solutions AG's limited partnership interests (*Kommanditanteil*) in formart GmbH & Co. KG as well as all of the outstanding shares of its general partner (*Komplementär*), formart Management GmbH. The Company, a private limited liability company incorporated under the laws of the Netherlands, was formed in April 2014 and served as acquisition vehicle for both Activum funds Coöperatieve Activum III and Coöperatieve Formart. After the Company had acquired additional limited partnership interests from HOCHTIEF Solutions AG in several tranches based on various put and call option arrangements agreed upon in the original share purchase agreement, HOCHTIEF Solutions AG ceased to be a limited partner of formart GmbH & Co. KG in March 2017. As a result thereof, the Company became the sole limited partner.

In December 2015, the Company further acquired 94% of the outstanding share capital of former GRK-Holding GmbH (today Instone Real Estate Leipzig GmbH), a real estate developer specialized on the redevelopment of listed buildings for residential use. GRK-Holding GmbH was originally formed by Steffen Göpel, Wolfgang Reinhardt and Svend-Gunnar Kirmes in December 1995 under the legal name GRK Immobilien & Baubetreuungs GmbH. In July 2006, GRK Immobilien & Baubetreuungs GmbH was transformed into the legal form of a stock corporation under German law with the legal name GRK-Holding AG. Immediately prior to its acquisition by the Company, GRK-Holding AG was again transformed into a limited liability company under German law under the name GRK-Holding GmbH in November 2015. By resolution of the general meeting in May 2017, its articles of association were amended and its legal name was changed to Instone Real Estate Leipzig GmbH.

In June 2017, the Company's legal name was changed to Instone Real Estate Group B.V. At the same time, formart GmbH & Co. KG's legal name was changed to Instone Real Estate Development GmbH & Co. KG. Furthermore, its general partner, formart Management GmbH, also changed its legal name to Instone Real Estate Management GmbH in June 2017. Following the change of legal names, in August 2017, the Company transferred its shares in Instone Real Estate Management GmbH to Instone Real Estate Development GmbH. Following this transfer, Instone Real Estate Development GmbH & Co. KG was converted into a German private limited liability company under the legal name Instone Real Estate Development GmbH. After this conversion, Instone Real Estate Management GmbH, as the transferring entity, was merged with Instone Real Estate Development GmbH, as the surviving company. The upstream merger became effective by registration with the competent commercial register in August 2017.

11.4 Corporate Purpose

Upon Effectiveness of the N.V. Conversion, Section 3 of the Articles of Association will define the Company's corporate purpose as follows:

a. to acquire, to encumber, to manage, to rent, to lease, to exploit, to finance and to dispose of movable assets, real estate, registered property and other assets, and to exploit, administer and exercise all rights and obligations attached thereto;

b. to develop, to realize and to coordinate real estate projects;

c. to incorporate, to participate in, to finance, to hold any other interest in and to conduct the management or supervision of other entities, companies, partnerships and businesses;

d. to provide advice and services to companies of Instone group or other parties;

e. to borrow, to lend and to raise funds, including by means of the issuance of bonds or other financial instruments and to enter into agreements relating thereto;

f. to trade in currencies, financial instruments and other assets;

g. to acquire, to manage, to invest, to exploit, to encumber and to dispose of assets, including patents, trademarks, licenses, knowhow and other intellectual property rights;

h. to furnish guarantees, to provide security, to warrant performance in any other way and to assume liability, whether jointly and severally or otherwise, in respect of obligations of companies of Instone group or other parties; and

i. to perform any other type of industrial, financial, commercial or other activities, which in the widest sense, are connected with or may be conducive to the objects described above.

11.5 Corporate Purpose upon Effectiveness of the AG Conversion

Upon Effectiveness of the AG Conversion, Section 2 of the AG Articles of Association will define the Company's corporate purpose as follows:

2.1. The purpose of the Company is the acquisition, development, construction, rental, management, sale or other utilization of properties and buildings as well as the participation in other companies active in the industry.

2.2. The Company is entitled to engage in any business and take measures that relate to the corporate purpose pursuant to § 2.1 or measures that indirectly serve that purpose. To this effect, it may acquire or sell developed and undeveloped properties as well as rights equivalent to real property.

2.3. The Company is entitled to start, sell or participate in other businesses, particularly those whose corporate purpose fully or partially covers the corporate purpose of the Company pursuant to § 2.1. The Company may establish branches domestically and abroad.

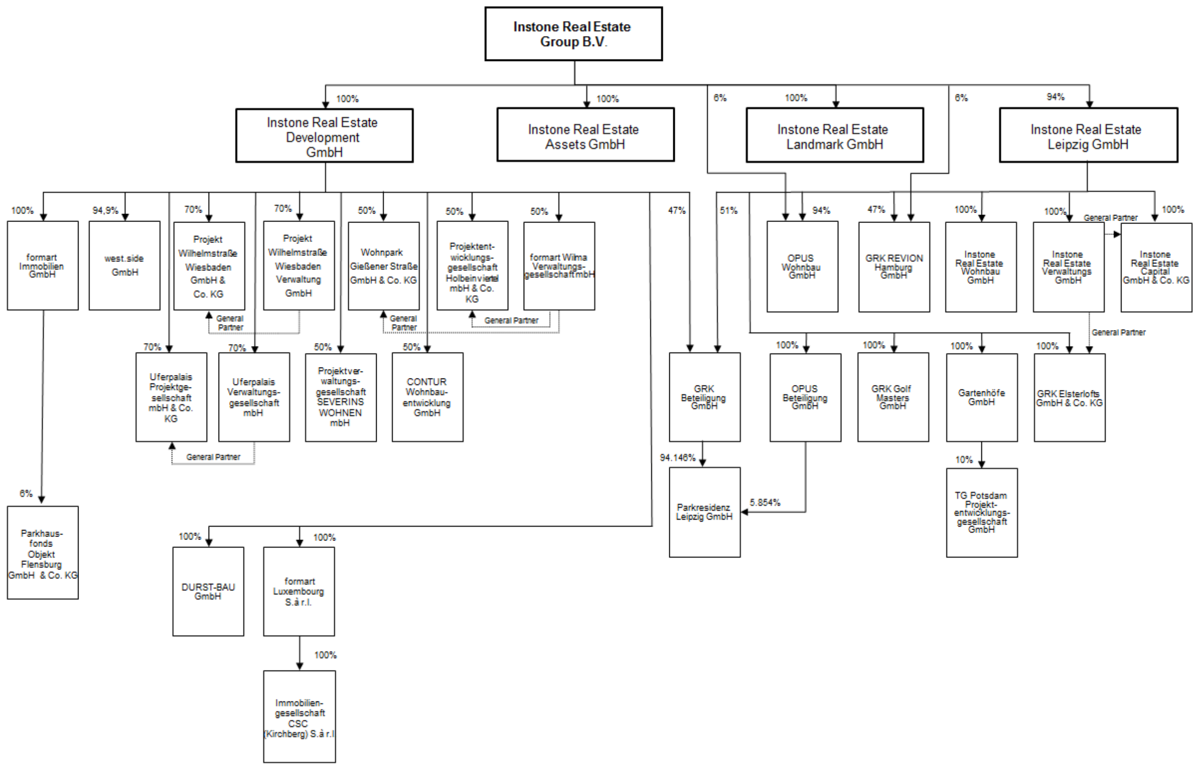
2.4. The Company may dispose of any of its participations and may, in whole or in part, split or transfer to affiliates its business or assets. Further, the Company is entitled to combine under its direction companies in which it holds an interest and/or restrict its activities to the management of the interest(s) and to conclude business agreements (*Unternehmensverträge*) of any kind as well as to spin off or transfer its business, in whole or in part, to companies in which it has a majority interest.

2.5. The Company may restrict its activities to only the partial performance of the corporate purpose.

11.6 Group Structure

The Company is the holding company of Instone. Instone's business is conducted by the Company and its various subsidiaries. The Company's consolidated financial statements include all companies whose financial and business policy can be controlled by the Company, either directly or indirectly, and whose financial and business policy can be influenced by the Company to a significant extent. As of the date of this Prospectus, Instone comprises 32 companies (including minority shareholdings). In the Company's consolidated financial statements for the financial year ended December 31, 2016, 21 companies were consolidated.

The following chart provides an overview of the Company and its subsidiaries as of the date of the Prospectus:



On December 10, 2013, Instone Development (as receiving entity) entered into a profit and loss transfer agreement (*Gewinnabführungsvertrag*) with its subsidiary formart Immobilien GmbH ("**formart Immobilien**") (as transferring entity) for an indefinite term (the "**Profit and Loss Transfer Agreement**"). The purpose of the Profit and Loss Transfer Agreement was to establish a tax group within the meaning of the German Corporate Income Tax Act and the German Trade Tax Act (*Organschaftsverhältnis im Sinne des Körperschaftsteuergesetzes und des Gewerbesteuergesetzes*). Under the agreement, formart Immobilien is obliged to transfer its entire profit to Instone Development. The Profit and Loss Transfer Agreement was registered with the commercial register (*Handelsregister*) on December 13, 2013.

The Profit and Loss Transfer Agreement may be terminated for the first time with effect as of the expiration of the fifth year (60 months) following the financial year in which the Profit and Loss Transfer Agreement became effective (*i.e.*, the financial year 2013) subject to a three months' notice period, provided that the financial year of formart Immobilien ends as of such day. Otherwise, the Profit and Loss Transfer Agreement may be terminated subject to the same notice period for the first time with effect as of the end of the financial year of formart Immobilien which is current at that day. However, the right to terminate for good cause (*aus wichtigem Grund*) without notice and immediate effect as well as the termination by mutual consent remain unaffected. In case of termination of the Profit and Loss Transfer Agreement, Instone Development is obliged to provide security to the creditors of formart Immobilien GmbH pursuant to Section 303 German Stock Corporation Act (*Aktiengesetz*).

On the same day, Instone Development (as dominating entity) entered into a domination agreement (*Beherrschungsvertrag*) with its subsidiary formart Immobilien (as controlled entity) for an indefinite term (the "**Domination Agreement**") in order to establish a tax group within the meaning of the German Value Added Tax Act (*Organschaftsverhältnis im Sinne des Umsatzsteuergesetzes*). The Domination Agreement was registered with the commercial register (*Handelsregister*) on December 13, 2013. Under the Domination Agreement, Instone Development is obliged to compensate any balance sheet loss of formart Immobilien. With respect to the loss absorption, the provisions of the Profit and Loss Transfer Agreement apply accordingly.

The Domination Agreement has been entered for an indefinite term and may be terminated subject to a three months' notice period to the end of the financial year of formart Immobilien. Otherwise, the Domination Agreement may be terminated subject to the same notice period with effect from the end of a financial year of formart Immobilien. However, the right to terminate for good cause (*aus wichtigem Grund*) without notice and immediate effect as well as the termination by mutual consent remain unaffected. In case of termination of the Domination Agreement, Instone Development is obliged to provide security to the creditors of formart Immobilien pursuant to Section 303 German Stock Corporation Act (*Aktiengesetz*).

The Effectiveness of the AG Conversion will not have any impact on the Profit and Loss Transfer Agreement or the Domination Agreement.

11.7 Significant Subsidiaries

The following table presents an overview of the Company's material subsidiaries:

	As of and for the financial year ended December 31, 2016						
Legal name and country of incorporation	**Company's share of capital**	**Issued capital**	**Capital reserves**	**Other comprehensive income**	**Net income/loss**	**Payables to the Company**	**Receivables from the Company**
	(in %)	**(in € million)**					
Instone Real Estate Development GmbH	88.4[1)]	(70.1)	(38.9)	2.9	(36.8)	(2.8)	73.9
Instone Real Estate Leipzig GmbH	94.0	(1.0)	(0.1)	–	(21.2)	–	24.3

(1) On February 28, 2017, the Company acquired from HOCHTIEF Solutions AG the remaining 11.58% of the shares of Instone Development.

As of the date of this Prospectus, Steffen Göpel owns a share in Instone Leipzig in the nominal amount of €60,000, or 6%. In connection with the Company's acquisition of 94% of the shares in Instone Leipzig, Steffen Göpel was granted a put option with respect to his remaining shares in Instone Leipzig. Pursuant to the put option agreement, Steffen Göpel was entitled to exchange his 6% shareholding in Instone Leipzig against new shares of the Company. In October 2017, the Company, Coöperatieve Activum III, Coöperatieve Formart and Steffen Göpel entered into a further put option agreement (the "**Put Option**") replacing the initial put option. Pursuant to the Put Option, Steffen Göpel is entitled to sell its shares in Instone Leipzig to the Company against a cash consideration based on the fair market value of Instone Leipzig, subject to a floor of €2 million and a cap of €4 million. Steffen Göpel therefore no longer has the right to receive shares in the Company as consideration under the initial put option agreement. The Put Option can be exercised at any time after January 1, 2021.

11.8 Auditor

Deloitte Accountants B.V., Gustav Mahlerlaan 2970, 10811 LA Amsterdam, the Netherlands, was appointed as auditor for the audited consolidated and company financial statements of the Company for the financial years ended December 31, 2016, December 31, 2015 and December 31, 2014 prepared in accordance with IFRS issued an unqualified auditor's report.

Deloitte is a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

11.9 Auditor upon Effectiveness of the AG Conversion

Following Effectiveness of the AG Conversion, the General Meeting will appoint a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany as auditor for the audited consolidated financial statements of the Company for the financial year ended December 31, 2018.

11.10 Announcements

This Prospectus, as well as any supplements thereto, will be published on the Company's website www.instone.de under the section "Going Public". Printed copies of this Prospectus are available at the Company free of charge during normal business hours at the following address: Instone Real Estate Group B.V. (to be converted into Instone Real Estate Group N.V., Baumstraße 25, 45128 Essen, Germany.

12. DESCRIPTION OF THE COMPANY'S SHARE CAPITAL AND APPLICABLE REGULATIONS

The following paragraphs summarize certain information concerning the Company's share capital and certain material provisions of the Articles of Association and applicable Dutch law. It is based on relevant provisions of Dutch law as in effect on the date of this Prospectus and the Articles of Association as these will be in effect upon the Effectiveness of the N.V. Conversion.

Upon Effectiveness of the AG Conversion, applicable German law and the AG Articles of Association will provide for the legal framework of the share capital. In the following paragraphs, in those instances where German law or the AG Articles of Association deviate from the Articles of Association and applicable Dutch law, such deviation will also be briefly summarized.

This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the Articles of Association (as they may be read from time to time) and the relevant provisions of Dutch law to the extent referring to the Company upon Effectiveness of the N.V. Conversion and prior to the Effectiveness of the AG Conversion. The current Articles of Association in the governing Dutch language and in an unofficial English translation thereof are available on the Company's website (www.instone.de under the section "Going Public"). See also "*14 Certain Relationships and Related-Party Transactions*" for a summary of certain material provisions of the Articles of Association, Management Board, Supervisory Board Charter and Dutch law relating to the Management Board and the Supervisory Board.

12.1 Share Capital

12.1.1 Current Share Capital; Shares

As of the date of this Prospectus, the share capital of the Company amounts to €8,386.00 and is divided into 8,386 shares, each such share having a nominal value of €1.00. The Company's shares are in registered form (*op naam*). Upon Effectiveness of the N.V. Conversion, the Company's shares will be converted into bearer form (*aandelen aan toonder*). The share capital has been fully paid up. The Company's shares were created pursuant to the laws of the Netherlands. Upon Effectiveness of the AG Conversion, the Company's share capital will be converted into shares of a German stock corporation (*Aktiengesellschaft*) pursuant to applicable German law.

All currently existing bearer shares of the Company are held by the Existing Shareholders.

12.1.2 Development of the Share Capital

The Company's share capital has developed as follows:

- At the time of its foundation, the Company's share capital amounted to €500.00.
- On August 19, 2014, the Company's share capital was increased by €250.00 to €750.00.
- On December 8, 2015, the General Meeting resolved upon a share split dividing each share into ten new shares, resulting in a share capital of €7,500.00.
- On December 8, 2015, the Company's share capital was increased by €886.00 to €8,386.00 in the course of the acquisition of Instone Leipzig.
- On February 13, 2018, shortly after determination of the placement price and prior to listing and settlement, the General Meeting will resolve upon the Pre–Conversion Share Capital Increase to convert €41,930.00 of the Company's share premium into share capital of the Company. Following the Pre–Conversion Share Capital Increase and prior to the Placement Capital Increase, the Company's share capital will amount to €50,316.00.
- On February 13, 2018, upon Effectiveness of the N.V. Conversion, the General Meeting will resolve upon the Post–Conversion Share Capital Increase to convert €29,938,020.00 of the Company's share premium into share capital of the Company. Following the Post–Conversion Share Capital Increase and prior to the Placement Capital Increase, the Company's share capital will amount to €29,988,336.00.
- Upon the resolution to adopt the Placement Capital Increase, the Company's share capital will be increased from €29,988,336.00 by €7,000,000.00 to €36,988,336.00.

The Effectiveness of the AG Conversion will not affect the Company's share capital.

12.1.3 Issue of Shares and Granting of Rights to Subscribe for Shares

Under the Articles of Association as they will read upon completion of the Private Placement, new shares, or rights to subscribe for new shares, may only be issued or granted pursuant to a resolution of the General Meeting upon a proposal of the Management Board, which proposal is subject to the approval of the Supervisory Board. The Articles of Association provide that the General Meeting may delegate the authority to issue shares, or grant rights to subscribe for shares, to the Management Board, which resolution is subject to the approval of the Supervisory Board. Pursuant to Dutch law, the period of delegation may not exceed five years. Such authority may be renewed by a resolution of the General Meeting for a subsequent period of up to five years, respectively. If not otherwise determined in the resolution, such authority is irrevocable.

See "*15 Taxation*" for a discussion of certain aspects of taxation of the issuance of the shares.

12.1.4 Issue of Shares and Granting of Rights to Subscribe for Shares upon Effectiveness of the AG Conversion

Under the German Stock Corporation Act (*Aktiengesetz*), a German stock corporation (*Aktiengesellschaft*) requires a general shareholders' meeting resolution passed by a majority of at least 75% of the share capital represented at the vote to increase its share capital. However, pursuant to the AG Articles of Association, capital measures may be adopted by a simple majority of the registered share capital represented at the voting, unless a higher majority is required by mandatory law (*e.g.*, in case of capital increases with a dilutive effect without shareholders' subscription rights) or the AG Articles of Association. Shareholders can also create authorized capital. This requires a resolution passed by a majority of at least 75% of the share capital represented at the vote, authorizing the management board to issue a specific quantity of shares within a period not exceeding five years. The nominal amount may not exceed half of the share capital existing at the time the authorization is granted.

In addition, shareholders can create contingent capital by a resolution passed with a majority of at least 75% of the share capital represented at the vote for the purposes of (i) issuing shares to holders of convertible bonds or other securities granting a right to subscribe for shares; (ii) issuing shares as consideration in a merger with another company; or (iii) issuing shares offered to managers and employees. The nominal amount of contingent capital may not exceed 10% of the share capital at the time the resolution is passed in cases where it is created to issue shares to managers and employees, and may not exceed 50% in all other cases.

12.1.5 Pre-emptive Rights

Under Dutch law and the Articles of Association as they will read upon completion of the Private Placement, each shareholder has a pre-emptive right in proportion to the aggregate nominal value of its shareholding upon the issue of new shares (or the granting of rights to subscribe for shares). Exceptions to this pre-emptive right are the issue of new shares (or the granting of rights to subscribe for shares): (i) against payment in kind (contribution other than in cash), (ii) to employees of the Company or employees of another member of Instone as a group and (iii) to persons exercising a previously granted right to subscribe for shares.

Upon a proposal of the Management Board, subject to the approval of the Supervisory Board, the General Meeting may resolve to limit or exclude the pre-emptive rights. The respective resolution requires a majority of at least two-thirds of the votes cast, if less than half of the Company's issued share capital is represented at the General Meeting. The General Meeting may, subject to the approval of the Supervisory Board, also designate the Management Board to resolve on the limitation or exclusion of the pre-emptive rights. Pursuant to Dutch law, this designation may be granted to the Management Board for a specified period of time not exceeding five years and only if the Management Board has also been designated or is simultaneously designated the authority to resolve to issue new shares.

On February 13, 2018, the General Meeting will resolve to designate the Management Board, with the approval of the Supervisory Board, as the competent body to limit or exclude the preemptive rights upon the issuance of shares and granting of rights to subscribe for shares pursuant to the authorization granted to the management Board (see "*12.1.3 Issue of Shares and Granting of Rights to Subscribe for Shares*") for a period of five years following the date of execution of the Deed of Amendment.

12.1.6 Pre-emptive Rights upon Effectiveness of the AG Conversion

In principle, Section 186 of the German Stock Corporation Act (*Aktiengesetz*) grants to all shareholders the right to subscribe for new shares to be issued in a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. However, shareholders do not have a right to request admission to trading for subscription rights.

The general shareholders' meeting of a German stock corporation (*Aktiengesellschaft*) may, subject to a majority of at least 75% of the share capital represented at the vote, resolve to exclude subscription rights. The It may also authorize the Management Board, subject to the Supervisory Board, to resolve to exclude subscription rights. Exclusion of shareholders' subscription rights also requires a report from the management board of the Company that justifies and demonstrates that the company's interest in excluding subscription rights outweighs the interest of the shareholders being granted subscription rights.

Excluding shareholders' subscription rights when new shares are issued is specifically permissible where:

- the company is increasing share capital against cash contributions;
- the amount of the capital increase does not exceed 10% of the share capital at issue; and
- the price at which the new shares are being issued is not materially lower than the stock exchange price.

12.1.7 Acquisition of Shares in the Company's Capital

The Company may acquire its own fully paid up shares at any time for no consideration (*om niet*). The Company may acquire fully paid up shares in its share capital against consideration (*anders dan om niet*), subject to authorization of the General Meeting and approval of the Supervisory Board and due observance of certain provisions of Dutch law and the Articles of Association and if (i) its shareholders' equity less the payment required to make the acquisition does not fall below the sum of the aggregate of the nominal value of the paid in and called up share capital plus the reserves required to be maintained by Dutch law, (ii) the Company and its subsidiaries would thereafter not hold shares or (in respect of the Company) hold a pledge over the shares with an aggregate nominal value exceeding 50% of the Company's issued share capital and (iii) the Management Board has been authorized thereto by the General Meeting.

As indicated above, the acquisition of shares by the Company against consideration (*anders dan om niet*) requires authorization by the General Meeting. Such authorization may be granted for a period not exceeding 18 months and shall specify the number of shares, the manner in which shares may be acquired and the price range within which shares may be acquired. The authorization is not required for the acquisition of shares for employees of the Company or another member of its group under a scheme applicable to such employees as long as such shares are quoted on the official list of a stock exchange.

These rules apply *mutatis mutandis* to the acquisition by the Company of depository receipts for shares in its capital.

On February 13, 2018, the General Meeting will resolve to designate the Management Board, with the approval of the Supervisory Board, as the competent body to decide on the acquisition of shares (or depository receipts for shares) issued by the Company, for a period of 18 months following February 13, 2018. In its resolution, the General Meeting will resolve to restrict the competency of the Management Board to acquire shares (or depository receipts for shares) up to a maximum of 10% of the issued share capital of the Company (determined as at close of business on the date of the book-entry delivery of the Placement Shares against payment of the placement price (settlement and closing)") for a price per share which is higher than nil and does not exceed 110% of the average market price of the Company's shares on the Frankfurt Stock Exchange (such average market price being the average of the closing prices on each of the five consecutive trading days preceding the date the acquisition is agreed upon by the Company).

See "*15 Taxation*" for a discussion of certain aspects of taxation of a reduction of the share capital.

12.1.8 Acquisition of Shares in the Company's Capital upon Effectiveness of the AG Conversion

The Company may acquire its own fully paid up shares under certain requirements. In particular, (i) if the acquisition is necessary to avert severe and imminent damage to the company; (ii) if the shares are to be offered for purchase to the employees or former employees of the Company or of an affiliated enterprise; (iii) if the acquisition is made to compensate shareholders pursuant German Transformation Act (*Umwandlungsgesetz*); (iv) if the acquisition is made without consideration or made by a credit institution in execution of a purchase order; (v) by universal succession; (vi) on the basis of a resolution of the General Meeting's resolution to redeem shares pursuant to the provisions governing a reduction of share capital; or (vii) on the basis of an authorization from the General Meeting lasting no more than five years that sets the lowest and highest price and may not exceed 10% of the share capital. Trading in own shares shall be excluded as the purpose.

The shares acquired for the purposes under (iii) and (vii) together with other company shares that the company has already acquired may not represent more than 10% of the share capital.

12.1.9 Reduction of Share Capital

Under the Articles of Association as they will read upon completion of the Private Placement, upon a proposal from the Management Board, subject to the approval by the Supervisory Board, the General Meeting may resolve to reduce the Company's issued share capital by (i) cancelling shares held by the Company, or (ii) amending the Articles of Association to reduce the nominal value of the shares. Under Dutch law, the resolution to reduce the issued share capital of the Company must specifically state the shares concerned and lay down rules for the implementation of the resolution. The resolution to cancel shares may only concern shares which are held by the Company. A resolution to reduce the Company's share capital requires a majority of at least two-thirds of the votes cast, if less than half of the issued share capital is present or represented at the General Meeting.

12.1.10 Reduction of Share Capital upon Effectiveness of the AG Conversion

Upon Effectiveness of the AG Conversion, resolutions to reduce the Company's share capital require a 75% majority of the share capital represented at the vote.

12.1.11 Transfer of Shares

Upon Effectiveness of the N.V. Conversion, there will be no restrictions on the transferability of the shares under the Articles of Association.

As of the date of the Prospectus, the Company's shares are in registered form (*op naam*). Upon Effectiveness of the N.V. Conversion, the Company's shares will be converted into bearer form (*aandelen aan toonder*). The shares are and will be held in custody with Clearstream for safe-keeping for and on behalf of the parties entitled to the shares. Clearstream will be irrevocably assigned with the administration of the shares.

The Effectiveness of the AG Conversion will not affect the transferability of shares under the AG Articles of Association.

12.1.12 Dividends and Other Distributions

The Company may only make distributions to the extent that its shareholders' equity (*eigen vermogen*) exceeds the aggregate of the paid up and called up part of the share capital and the reserves that should be maintained according to Dutch law and the Articles of Association.

The Company may, pursuant to a resolution of the General Meeting, only make a distribution of profit on its shares after the adoption of the statutory annual accounts demonstrating that such distribution is legally permitted. The Management Board is permitted however, subject to approval of the Supervisory Board, to declare interim dividends. The Management Board, subject to the approval of the Supervisory Board, may resolve to reserve the profits or a part of the profits.

Each of the shares entitles its holder to equal ranking rights to dividends and other distributions.

Claims to dividends and other distributions not made within five years from the date that such dividends or distributions became payable will lapse and any such amounts will be considered to have been forfeited to the Company.

See “*15 Taxation*” for a discussion of certain aspects of taxation of a reduction of the share capital.

12.1.13 Distribution of Dividends upon Effectiveness of the AG Conversion

Upon Effectiveness of the AG Conversion, German law will apply to the distribution of dividends. Please refer to Section “*3.2 General Provisions Relating to Profit Allocation and Dividend Payments upon Effectiveness of the AG Conversion*”.

12.2 Authorized Capital

12.2.1 Current Authorized Capital

On February 13, 2018, the General Meeting will resolve to designate the Management Board, with the approval of the Supervisory Board, as the competent body to issue shares and grant rights to subscribe for shares up to 50% of the Company’s issued share capital for a period of five years following the date of execution of the Deed of Amendment.

12.2.2 Authorized Capital upon Effectiveness of the AG Conversion

Upon Effectiveness of the AG Conversion, the Management Board will be authorized, subject to the consent of the Supervisory Board and the approval of the General Meeting resolving upon the AG Conversion, to increase the Company’s share capital by up to 50% of the registered share capital through one or more issuances for up to five years following the date of the General Meeting resolving upon the AG Conversion, by issuing new no-par value bearer shares (*Stückaktien*) against cash contributions and/or contributions in kind. Under the newly authorized capital, shareholders are to be granted subscription rights. However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the subscription rights of the shareholders for one or more capital increases from the authorized capital: (i) in order to exclude fractional amounts from the pre-emptive rights of the shareholders; (ii) to the extent required to grant a pre-emptive right to subscribe for new shares to the holders of warrants, bonds with warrants, convertible bonds, profit-participation rights or profit-linked bonds or creditors of convertible bonds with conversion requirements (or a combination of these instruments) issued or to be issued by the Company (or dependent companies or companies in which the Company holds a majority interest) to the extent that holders of such instruments would be entitled to such rights after exercising their option or conversion rights or after fulfillment of the option or conversion obligations; (iii) if a share capital increase is made against cash contributions pursuant to § 186 para. 3 sent. 4 of the German Stock Corporation Act (*Aktiengesetz*), if the issuing price of the new shares is not significantly below the market price of the shares of the same kind already listed on the stock exchange and the portion of the share capital attributable to the new shares issued with an exclusion of pre-emptive rights does not exceed a pro-rata amount of 10% of the share capital at the time the authorized capital takes effect, provided that this 10% limit shall also include the pro-rata amount of the share capital attributable to (a) shares sold during the term of the authorized capital on the basis of an authorization regarding the sale of own shares and excluding pre-emptive rights pursuant to Sections 71 para. 1 no. 8 sent. 5, 186 para. 3 sent. 4 of the German Stock Corporation Act (*Aktiengesetz*); (b) shares issued or issuable to satisfy convertible bonds or bonds with warrants or bonds with a conversion or option obligation, to the extent that these bonds were issued during the term of the authorized capital and with an exclusion of pre-emptive rights of the shareholders in analogous application of Section 186 para. 3 sent. 4 of the German Stock Corporation Act (*Aktiengesetz*); or (c) shares issued during the term of the authorized capital on the basis of other capital measures under which the pre-emptive rights of the shareholders are excluded in analogous application of § 186 para. 3 sent. 4 of the German Stock Corporation Act (*Aktiengesetz*); (iv) in the case of capital increases against contributions in kind for the issuance of shares especially for – but not limited to – the purpose of acquiring (directly or indirectly) enterprises, parts of enterprises, participations in enterprises, and other assets in connection with a planned acquisition (including receivables), real estate and real estate portfolios, or to satisfy convertible bonds and/or bonds with warrants, or a combination of such instruments which are issued against contributions in kind; or (v) or to issue a share dividend under which shares of the Company are used (including partially or optionally) to satisfy shareholder dividend claims.

12.3 General Meeting

12.3.1 Annual General Meeting and Voting Rights

An annual General Meeting must be held within six months from the end of the preceding financial year of the Company (the "**Annual General Meeting**"). The purpose of the Annual General Meeting is to discuss, among other things, the annual report, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends) if relevant, release of members of the Management Board and members of the Supervisory Board from liability for their management and supervision, respectively, and other proposals brought up for discussion by the Management Board or the Supervisory Board.

12.3.2 General Meeting and Place of Meetings

Other General Meetings will be held if requested by the Management Board or the Supervisory Board.

One or more persons with meeting rights who collectively represent at least 10% of the Company's issued share capital may request the Management Board and the Supervisory Board in writing to convene a General Meeting, setting out in detail the matters to be discussed. If neither the Management Board nor the Supervisory Board (each in that case being equally authorized for this purpose) has taken the steps necessary to ensure that the General Meeting could be held within the relevant statutory period after the request, the requesting person(s) with meeting rights may be authorized, at his/their request, by the court in preliminary relief proceedings to convene a General Meeting. General Meetings will be held (i) in the municipality where the Company has its corporate seat (*i.e.*, Amsterdam, the Netherlands), or (ii) the places in the Netherlands listed in the Articles of Association, at the discretion of the person convening the meeting.

If a person with meeting rights has the intention to request the convening of a General Meeting of the Company, the Management Board should be given the opportunity to stipulate a reasonable period in which to respond if the General Meeting may result in a change in the Company's strategy, for example, as a result of the dismissal of one or more Managing Directors or Supervisory Directors. The relevant person with meeting rights should respect the response time stipulated by the Management Board (for further details on this response period, see "*12.3.3 Convocation Notice and Agenda*").

12.3.3 Convocation Notice and Agenda

General Meetings can be convened by a notice, specifying the subjects to be discussed, the place and the time of the meeting and the admission and participation procedure, and all other matters required under applicable law, issued at least 42 days before the date of the meeting. All convocations, announcements, notifications and communications to shareholders and others with meeting rights have to be made in accordance with the relevant provisions of Dutch law. Shareholders and others with meeting rights individually or jointly representing at least 3% of the issued share capital have the right to request the Company to place items on the agenda of the General Meeting. Requests must be made in writing, substantiated or including a proposal for a resolution, and received by the Company at least 60 days before the day of the meeting.

The response time as stipulated above (see "*12.3.2 General Meeting and Place of Meetings*") can also be applied if one or more persons with meeting rights intend to request that an item be put on the agenda that may result in a change in the Company's strategy, for example as a result of the dismissal of one or more members of the Management Board or Supervisory Board.

If the Management Board stipulates a response time, this should be a reasonable period that does not exceed 180 days from the moment the Management Board is informed by one or more shareholders of their intention to put an item on the agenda to the day of the General Meeting at which the item is to be dealt with. The Management Board should use the response time for further deliberation and constructive consultation, in any event with the relevant shareholder(s), and should explore the alternatives. At the end of the response time, the Management Board should report on this consultation and the exploration to the General Meeting. This should be monitored by the Supervisory Board. The response time may be stipulated only once for any given General Meeting and should not apply to an item in respect of which the response time had been previously stipulated, or to meetings where a shareholder holds at least three-quarters of the issued capital as a consequence of a successful public bid.

12.3.4 Admission and Registration

Each shareholder entitled to vote, and others with meeting rights under Dutch law, shall be authorized to attend the General Meeting, to address the General Meeting and, if relevant, to exercise his or her voting rights. The Management Board shall set a registration date on the 28th day prior to the date of the General Meeting so as to establish which shareholders and others with meeting rights under Dutch law, are entitled to attend and, if relevant, vote in the General Meeting. Only holders of the shares and others with meeting rights under Dutch law at such registration date are entitled to attend and, if relevant, vote in the General Meeting, regardless of who would have been entitled to attend the General Meeting if no registration date would apply. The convocation notice for the meeting shall state the registration date and the manner in which the persons entitled to attend the General Meeting may register and exercise their rights. Those entitled to attend a General Meeting may be represented at a General Meeting by a proxy authorized in writing. The Company must be notified in writing of the intention to attend the General Meeting. This notice must be received by the Company ultimately on the seventh day prior to General Meeting unless indicated otherwise when the meeting is being convened. In case of non-compliance with this notification provision, the person who wants to attend the meeting may be refused. Managing Directors and Supervisory Directors may attend a General Meeting. In these General Meetings, they have an advisory role.

12.3.5 Voting Rights

Each share confers the right on the holder to cast one vote at a General Meeting. Shareholders may vote by proxy. Resolutions are passed by a simple majority of the votes cast, unless Dutch law or the Articles of Association prescribe a larger majority (such as a resolution to reduce the issued share capital or a resolution to restrict or exclude pre-emptive rights, which requires at least two-thirds of the votes cast, in a meeting if less than half of the issued share capital is present or represented).

No vote may be cast at a General Meeting in respect of treasury shares of the Company held by itself or by one of its subsidiaries, or in respect of a share for which any of them holds depository receipts. Usufructuaries and pledgees of shares of the Company or its subsidiaries are not, however, precluded from exercising their voting rights if the usufruct or pledge was created before the relevant share belonged to the Company or a subsidiary. Neither the Company nor a subsidiary may vote shares in respect of which it holds a usufruct or a pledge.

12.3.6 Voting Rights upon Effectiveness of the AG Conversion

Upon Effectiveness of the AG Conversion, each share will continue to confer the right on the holder to cast one vote at a General Meeting. Shareholders may vote by proxy. Resolutions are passed by a simple majority of the votes cast, unless German law or the Articles of Association prescribe a larger majority (such as a resolution to reduce the issued share capital or a resolution to restrict or exclude pre-emptive rights, which requires at least three-quarters of the share capital represented in the General Meeting (*des vertretenen Grundkapitals*)).

No vote may be cast at a General Meeting in respect of treasury shares of the Company held by itself, by one of its subsidiaries or by a third party for the account of the Company or one of its subsidiaries, or certain economically equivalent situations. If a shareholder fails to file a notice or provides false information with regard to shareholdings pursuant to Sections 33 and 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), voting rights attached to shares held by or attributed to such shareholder do not exist for the duration of the failure (for further information see "*12.14 Shareholder Notification Requirements; Mandatory Takeover Bids; Directors' Dealings upon Effectiveness of the AG Conversion*").

12.4 General Meeting upon Effectiveness of the AG Conversion

Pursuant to Section 175 of the German Stock Corporation Act (*Aktiengesetz*) and pursuant to Section 18 of the AG Articles of Association, the annual general shareholders' meeting takes place within the first eight months of each fiscal year and must be held, as the convening body shall decide, at the Company's registered seat, at the place of a German stock exchange or in a German city with at least 100,000 inhabitants. Except where other persons are authorized to do so by law and by the AG Articles of Association, the general shareholders' meeting shall be convened by the Management Board. Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days before the end of the day on which shareholders must register to take part; the day of the meeting itself and the last day of the period of notice not being included when calculating this period.

A general shareholders' meeting may also be convened by the Management Board, the Supervisory Board, or may be requested by shareholders whose shares in aggregate account for 5% of the capital stock. Shareholders or shareholder associations may solicit other shareholders to make such a request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request made by shareholders whose shares in aggregate account for 5% of the capital stock, a general shareholders' meeting is not held in due time, the competent local court (*Amtsgericht*) may authorize the shareholders who have requested it or their representatives to convene a general meeting.

Pursuant to the AG Articles of Association, all shareholders who have duly submitted notification of attendance shall be entitled to attend the general meeting and exercise their voting rights. The registration for participation must be received by the Company at the address specified in the convening notice by the end of the sixth day prior to the date of the shareholders' meeting, unless a shorter period of time was set forth in the convocation of the shareholders' meeting. When calculating this period, the day of the shareholders' meeting itself and the day of the receipt of the notice shall not be included. The shareholder's registration must be in text form in German or English. Voting rights may be exercised by proxy. The granting of the proxy, its revocation and the evidence of authority to be provided to the Company must be in text form unless the convening notice provides for a less strict form. Details on the granting of the proxy, its revocation and the evidence to be provided to the Company shall be provided together with the notice convening the general meeting. The Management Board is authorized to provide that shareholders may cast their votes in writing or by electronic communication without attending the shareholders' meeting (absentee vote). The Management Board is further authorized to provide that shareholders may participate in the shareholders' meeting without being present in person at the place of the shareholders' meeting or being represented and may exercise all or specific shareholders rights in total or in part by electronic communication (online participation). The Management Board is authorized to allow an audio-visual transmission of the general meeting.

The general meeting is chaired by the chairman of the Supervisory Board or by another member of the Supervisory Board appointed by the chairman (chairman of the general meeting). In the event that neither the chairman of the Supervisory Board nor another member of the Supervisory Board appointed by the chairman takes over the position of the chairman of the general meeting, the chairman of the general meeting is to be elected by the Supervisory Board. In the event that the Supervisory Board does not elect the chairman of the general meeting, the chairman of the general meeting shall be elected by the general meeting. The chairman of the shareholders' meeting chairs the proceedings of the meeting and directs the course of the proceedings. He may determine the sequence of speakers and the consideration of the items on the agenda as well as the form, the procedure and the further details of voting. He may also, to the extent permitted by law, decide on the bundling of factually related items for resolution into a single voting item. He is further authorized to impose a reasonable time limit on the right to ask questions and to speak. In particular, he may establish at the beginning of or at any time during the shareholders' meeting, a limit on the time allowed to speak or ask questions or on the combined time to speak and ask questions, determine an appropriate time frame for the course of the entire shareholders' meeting, for individual items on the agenda or individual speakers; he may also, if necessary, close the list of requests to speak and order the end of the debate.

Each share carries one vote in the general meeting. Unless otherwise stipulated by mandatory statutory provisions or provisions of the AG Articles of Association, resolutions of the general shareholders' meeting are adopted by a simple majority of the votes cast or, if a capital majority is required in addition to a majority of votes, a simple majority of the registered share capital represented at the meeting is sufficient, to the extent that this is legally possible.

According to the German Stock Corporation Act (*Aktiengesetz*), resolutions of fundamental importance (*grundlegende Bedeutung*) require both a majority of votes cast and a majority of at least 75% of the registered share capital represented at the vote on the resolution. Resolutions of fundamental importance include:

- approval of contracts within the meaning of Section 179a of the German Stock Corporation Act (*Aktiengesetz*) (transfer of the entire assets of the company) and management actions of special significance that require the approval of the shareholders' meeting in compliance with legal precedents;
- capital increases, including the creation of conditional or authorized capital;
- issuance of, or authorization to issue, convertible and profit-sharing certificates and other profit-sharing rights;
- exclusion of subscription rights as part of an authorization on the use of treasury stock;

- capital reductions;
- liquidation of the company;
- continuation of the liquidated company after the resolution on liquidation or expiry of the time period;
- approval to conclude, amend or terminate affiliation agreements (*Unternehmensverträge*);
- integration of a stock corporation into another stock corporation and squeeze-out of the minority shareholders; and
- action within the meaning of the German Transformation Act (*Umwandlungsgesetz* (UmwG)).

Neither the laws of the Federal Republic of Germany nor the AG Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares in the Company or exercise the voting rights associated therewith.

12.5 Amendment of the Articles of Association

The General Meeting may resolve to amend the Articles of Association, upon a proposal of the Management Board, which requires the approval of the Supervisory Board. A resolution by the General Meeting to amend the Articles of Association requires a simple majority of the votes cast.

12.6 Amendment of the AG Articles of Association

The General Meeting may resolve to amend the AG Articles of Association, upon a proposal of the Management Board, the Supervisory Board or a shareholders' quorum holding at least 5% or €500,000 of the Company's share capital. A resolution by the General Meeting to amend the AG Articles of Association requires a simple majority of the votes cast.

12.7 Annual Accounts

The Company must publish its annual accounts within four months after the end of each financial year and its half-yearly reports within three months after the end of the first six months of each financial year. Although there is no longer an obligation under Dutch law to publish interim management statements or quarterly financial statements, the Company still intends, on a voluntary basis, to prepare and publish selected financial information for investor relation purposes. Within five calendar days after adoption of the Company's annual accounts, the Company must submit its adopted annual accounts to the AFM and publish them on its own website.

The financial year of the Company coincides with the calendar year. The Management Board prepares the Company's annual accounts, which must include a management report, and makes these available for inspection at the Company's business address. All Managing Directors and Supervisory Directors sign the annual accounts and if a member does not so sign, the reason for this must be stated.

At the General Meeting, the General Meeting may adopt the annual accounts. In such General Meeting the discharge of liability of the Managing Directors in respect of their management and the Supervisory Directors in respect of their supervision thereon during the relevant financial year, insofar as this appears from the annual accounts, shall also be discussed and resolved upon. The annual accounts, the management report and the independent auditor's report are made generally available at the office of the Company to the shareholders for review, and published on the Company's website, as from the day of the notice convening the General Meeting.

12.8 Annual Accounts upon Effectiveness of the AG Conversion

The Company must publish its annual accounts within four months after the end of each financial year and its half-yearly reports within three months after the end of the first six months of each financial year. The regulation of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) for issuers listed on the sub-segment with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) requires the Company to publish quarterly financial notices in the first 90 days after the end of the first three and the first nine months of each financial year.

The financial year of the Company coincides with the calendar year. The Management Board prepares the Company's annual accounts, which must include a management report. All Managing Directors sign the annual accounts and the Supervisory Board adopts the annual accounts, unless it decides to have the General Meeting adopt the annual accounts.

In such General Meeting the discharge of liability of the Managing Directors in respect of their management and the Supervisory Directors in respect of their supervision thereon during the relevant financial year shall also be discussed and resolved upon. The annual accounts, the management report and the independent auditor's report are made generally available at the office of the Company to the shareholders for review, and published on the Company's website, as from the day of the notice convening the General Meeting.

12.9 General Provisions Governing a Liquidation of the Company

The General Meeting may, at the proposal of the Management Board and with the approval of the Supervisory Board, resolve to dissolve the Company. In the event of dissolution, the Company's business will be liquidated in accordance with Dutch law and the Articles of Association and the liquidation shall be arranged by members of the Management Board under supervision of the Supervisory Board. During liquidation, the provisions of the Articles of Association will remain in force as far as possible.

The balance of the Company's remaining equity after payment of debts and liquidation costs will be distributed to the shareholders in proportion to the nominal amount of the shares held by each of them.

After completion of the liquidation, the books, papers and other data material of the Company shall be kept for the term as stipulated by Dutch law by the person designated for this purpose by the liquidators.

12.10 General Provisions Governing a Liquidation of the Company upon Effectiveness of the AG Conversion

Apart from liquidation as a result of insolvency proceedings, the Company may be liquidated only with a vote of 75% or more of the share capital represented at the general shareholders' meeting at which such vote is taken. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), in the event of the Company's liquidation, any assets remaining after all of the Company's liabilities have been settled will be distributed among the shareholders in proportion to their shareholdings. The German Stock Corporation Act (*Aktiengesetz*) provides certain protections for creditors that must be observed in the event of liquidation.

12.11 Obligations of Shareholders to Make a Public Offer and Squeeze-out Proceedings

Holders of the shares may be subject to notification obligations under the DFSA. Shareholders are advised to consult with their own legal advisers to determine whether the disclosure obligations apply to them.

12.11.1 Public Offer

Pursuant to Section 5:70 of the DFSA, and in accordance with the European Directive 2004/25/EC (the Takeover Directive), any (legal) person who, alone or acting in concert with others, directly or indirectly obtains control of a Dutch public company with limited liability whose shares or depositary receipts for shares issued with the cooperation of the Dutch company are listed on a regulated market is required to make a public offer for all shares and/or depositary receipts for shares of that Dutch company. Such control is deemed present if such person is able to exercise, alone or acting in concert with others, at least 30% of the voting rights in the general meeting of shareholders of that Dutch company. It is not allowed to make a public offer, whether or not obliged or voluntarily, for the shares of that Dutch company unless an offer memorandum which has been approved by the competent authority has been published. As the shares are expected to be admitted to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), BaFin will be the competent authority. The Dutch public takeover rules contained in the DFSA and the related Decree on Public Offers (*Besluit openbare biedingen Wft*) will only apply in relation to certain matters, including those as further set out in Section 5:70 of the DFSA with respect to acquiring predominant control, Section 27 of the Decree on Public Offers (*Besluit openbare biedingen Wft*) with respect to information that must be provided to the Company's shareholders and employees as well as in relation to certain corporate law matters, including the convening of a shareholders meeting in the event of a public offer and Sections 2:92a and 2:359c of the Dutch Civil Code (*Burgerlijk Wetboek*, the "**DCC**") with respect to initiating squeeze-out proceedings. The German Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz, WpÜG*) will apply to the matters relating to the offer consideration, the bid procedure, the contents of the offer document and the procedure of the bid. The German Regulation on the Applicability of the Takeover Code (*WpÜG-Anwendbarkeitsverordnung*) specifies the applicable provisions in more detail.

12.11.2 Squeeze-out

Pursuant to Section 2:92a of the DCC a shareholder who, for his/her own account, holds at least 95% of the issued share capital of the Company may institute proceedings against the other shareholders jointly for the transfer of their shares to him/her. The same applies in case two or more group companies provide at least 95% of the issued share capital of the Company and they collectively institute such proceedings. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for the squeeze-out in relation to all minority shareholders and will determine the price to be paid for the Shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares must give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him or her. Unless the addresses of all of them are known to him or her, he or she must also publish the same in a Dutch daily newspaper with a national circulation.

In addition, pursuant to Section 2:359c of the DCC, the offeror under a public offer is also entitled to start a squeeze-out procedure if, following the public offer, the offeror holds at least 95% of the issued share capital of the Company and representing at least 95% of the total voting rights. The same applies in case two or more group companies provide at least 95% of the issued share capital of the Company and represent at least 95% voting rights and they collectively institute such proceedings. The claim of a takeover squeeze-out must be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the public offer. The Enterprise Chamber may grant the claim for a takeover squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. In principle, the offer price is considered reasonable if the offer was a mandatory offer or if at least 90% of the shares to which the offer related were received by way of voluntary offer. Article 2:359d of the DCC entitles those minority shareholders that have not previously tendered their shares under a public offer to transfer their shares to the offeror, provided that the offeror has acquired at least 95% of the issued share capital and represents at least 95% of the total voting rights. In regard to price, the same procedure as for takeover squeeze-out proceedings initiated by an offeror applies. This claim must also be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the public offer.

12.12 Squeeze-out Proceedings upon Effectiveness of the AG Conversion

Under Section 327a et seq. of the German Stock Corporation Act (*Aktiengesetz*), which governs the so-called "squeeze-out under stock corporation law", upon the request of a shareholder holding 95% of the share capital ("**Principal Shareholder**"), the shareholders' meeting of a stock corporation may resolve to transfer the shares of minority shareholders to the Principal Shareholder against payment of adequate compensation in cash. The amount of the cash payment that must be offered to minority shareholders has to reflect "the circumstances of the Company" at the time the shareholders' meeting passes the resolution. The amount of the cash payment is based on the full value of the company, which is generally determined using the capitalized earnings method. The minority shareholders are entitled to file for a valuation proceeding (*Spruchverfahren*), in the course of which the appropriateness of the cash payment is reviewed.

Under Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), in the case of a so-called "squeeze-out under takeover law", an offeror holding at least 95% of the voting share capital of a target company (as defined in the German Securities Acquisition and Takeover Act) after a takeover bid or mandatory offer, may, within three months of the expiry of the deadline for acceptances, petition the Regional Court (*Landgericht*) of Frankfurt am Main for a court order transferring the remaining voting shares to it against the payment of adequate compensation. A resolution passed by the shareholders' meeting is not required. The consideration paid in connection with a takeover offer or a mandatory bid is considered adequate if the offeror has obtained at least 90% of the share capital that was subject to the offer based on the offer. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer; a cash alternative must always be offered. In addition, after a takeover bid or mandatory offer, shareholders in a target company who have not accepted the offer may do so up to three months after the deadline for acceptances has expired, provided the offeror is entitled to petition for the transfer of the outstanding voting shares in accordance with Section 39a of the German Securities Acquisition and Takeover Act (Section 39c of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*)). The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

In addition, under the provisions of Section 62(5) of the German Reorganization and Transformation Act (*Umwandlungsgesetz*), within three months after the conclusion of a merger agreement, the shareholders' meeting of a transferring company may pass a resolution pursuant to Section 327a(1) sentence 1 of the German Stock Corporation Act (*Aktiengesetz*), *i.e.*, a resolution on the transfer of the shares held by the remaining shareholders (minority interests) to the transferee company (*Principal Shareholder*) in exchange for an adequate cash settlement if the Principal Shareholder has at least 90% of the share capital. The result of this "squeeze-out under reorganization law" is the exclusion of the minority shareholders in the transferring company. The entitlement to consideration is based on the provisions of Section 327a et seq. of the German Stock Corporation Act (*Aktiengesetz*).

Under Section 319 et seq. of the German Stock Corporation Act (*Aktiengesetz*), the shareholders' meeting of a stock corporation may vote for integration (*Eingliederung*) with another stock corporation that has its registered office in Germany, provided the prospective parent company holds at least 95% of the shares of the company to be integrated. The former shareholders of the integrated company are entitled to adequate compensation, which must generally be provided in the form of shares in the parent company. Where the compensation takes the form of own shares in the parent company, it is considered appropriate if the shares are issued in the same proportion as shares of the parent company would have been issued per share in the integrated company if a merger had taken place. Fractional amounts may be paid out in cash.

For information on mandatory takeover bids upon Effectiveness of the AG Conversion, see section "*12.14 Shareholder Notification Requirements; Mandatory Takeover Bids; Directors' Dealings upon Effectiveness of the AG Conversion*".

12.13 Obligations of Shareholders, Members of the Management Board and the Supervisory Board to Disclose Holdings

12.13.1 Shareholders

Shareholders may be subject to notification obligations under the DFSA. Pursuant to Section 5.3 of the DFSA, any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest and/or voting rights in the Company must immediately give notice to the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "**AFM**") of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. In addition, any person whose capital interest and/or voting rights reaches, exceeds or falls below one of the abovementioned thresholds due to a change in the Company's outstanding share capital or in the votes that can be cast on the Shares, as notified to the AFM by the Company, should notify the AFM no later than on the fourth trading day after the AFM has published the Company's notification of the change in the Company's outstanding share capital or in the votes that can be cast on the Shares. Furthermore, any person whose capital interest or voting rights reaches, exceeds or falls below one of the abovementioned thresholds due to a change in the composition of his/her capital interest or voting rights as a result of (i) exercising any option or other right to acquire shares or exchanging shares in depositary receipts for shares and/or (ii) exercising any right to acquire voting rights, should notify the AFM no later than the fourth trading day after the date on which that person became aware, or should have become aware, of reaching, exceeding or falling below the abovementioned thresholds.

Each person holding an interest in the Company's share capital or voting rights of 3% or more at the time of admission of the shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) must immediately notify the AFM.

For the purpose of calculating the percentage of capital interest and/or voting rights, the following interests must, among others, be taken into account: (i) shares and/or voting rights directly held (or acquired or disposed of) by any person, (ii) shares and/or voting rights held (or acquired or disposed of) by such person's controlled entities, (iii) voting rights held (or acquired or disposed of) by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement, (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment and (v) shares and/or voting rights which such person, or any controlled entity or third party referred to above, may acquire pursuant to any option or other right to acquire shares and/or the attached voting rights.

Special rules apply to the attribution of shares and/or voting rights which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of shares can also be subject to notification obligations, if such person has, or can acquire, the right to vote on the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the shares and/or voting rights.

Furthermore, when calculating the percentage of capital interest, a person is also considered to be in possession of shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the shares or any distributions associated therewith and which does not entitle such person to acquire any shares, (ii) such person may be obliged to purchase shares on the basis of an option, or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding a share.

Under the DFSA, the Company is required to file a report with the AFM promptly after the date of listing the shares setting out its issued and outstanding share capital and voting rights. The AFM must be notified of other changes in the Company's issued and outstanding share capital or voting rights, insofar this has not been done simultaneously with the related capital change of more than 1%, within eight days after the end of the quarter in which the change occurred. The AFM will publish all the Company's notifications of its issued and outstanding share capital and voting rights in a public register.

12.13.2 Short Positions

Each person holding a net short position attaining 0.2% of the issued share capital of a Dutch listed company must report it to the AFM. Each subsequent increase of this position by 0.1% above 0.2% will also have to be reported. Each net short position equal to 0.5% of the issued share capital of a Dutch listed company and any subsequent increase of that position by 0.1% will be made public via the AFM short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located. There is also an obligation to notify the AFM of gross short positions. The notification thresholds are the same as the ones that apply in respect of the notification of actual or potential capital interests and/or voting rights, as described above.

12.13.3 Members of the Management Board and the Supervisory Board

Pursuant to the DFSA, any Managing Director and Supervisory Director must notify the AFM by means of a standard form of all shares and voting rights in the Company held by him/her at the time of admission of the shares to listing on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and thereafter of any change in his/her holding of shares and voting rights in the Company. For further details, see "*12.13.6 Market Abuse Regime*".

12.13.4 Non-compliance

Non-compliance with the notification obligations under the DFSA could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with some of the notification obligations under the DFSA may lead to civil sanctions, including suspension of the voting rights relating to the shares held by the offender for a period of not more than three years, voiding of a resolution adopted by the General Meeting in certain circumstances and ordering the person violating the disclosure obligations to refrain, during a period of up to five years, from acquiring the shares and/or voting rights in the Shares.

12.13.5 Public registry

The AFM does not issue separate public announcements of these notifications. It does, however, keep a public register of all notifications under the DFSA on its website (www.afm.nl). Third parties can request to be notified automatically by email of changes to the public register in relation to a particular company's shares or a particular notifying party.

12.13.6 Market Abuse Regime

The MAR provides for specific rules on market abuse, such as the prohibition on insider dealing, unlawful disclosure of inside information, tipping and market manipulation. The MAR is supplemented by the Market Abuse Directive (Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse (together with the MAR, the "**EU Market Abuse Rules**")). The EU Market Abuse Rules apply as of July 3, 2016. The EU Market Abuse Rules have been implemented in the DFSA and various other Dutch laws. The Company is subject to the EU Market Abuse Rules, and non-compliance with these rules may lead to criminal sanctions, administrative (financial) sanctions, fines or other sanctions or measures.

If the Company has inside information directly concerning the Company, it is required, as a general rule, to disclose immediately such information to the public. Inside information is knowledge of concrete information directly or indirectly relating to the Company or the trade in its securities which has not yet been made public and publication of which could significantly affect the market price of the Company's securities. Under the MAR, the Company is permitted, on its own responsibility, to delay disclosure of inside information if certain conditions are satisfied. If the Company delays disclosure of inside information, it must notify the AFM that disclosure was delayed promptly after the delayed inside information has been publicly disclosed. The Company must provide the AFM with a written explanation justifying the delay only if the AFM requests this. The Company must without delay publish the inside information on its website and keep it available on the website for at least five years. In addition, the Company must issue a press release which contains a statement identifying that the information in the announcement is inside information.

The MAR may restrict the Company's ability to buy back Shares. In certain circumstances, the Company's investors can also be subject to the EU Market Abuse Rules.

Pursuant to the MAR, members of the Management Board or of the Supervisory Board, or any other senior executive of the Company who has regular access to inside information relating directly or indirectly to the Company and has the power to take managerial decisions affecting the future developments and business prospects of the Company (the "**PDMRs**") must notify the AFM of all transactions conducted for their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto.

In addition, persons closely associated with a PDMR must also notify the AFM of any transactions conducted for their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto. The foregoing obligation applies to the following categories of persons: (i) the spouse or a partner considered to be equivalent to a spouse in accordance with national law, (ii) a dependent child in accordance with national law, (iii) other relatives who have shared the same household for at least one year on the date of the transaction concerned and (iv) any legal person, trust or partnership, the managerial responsibilities of which are discharged by a PDMR or a person closely associated with a PDMR or which is set up for the benefit of a PDMR or a person closely associated with a PDMR or the economic interests of which are substantially equivalent of a PDMR or a person closely associated with a PDMR.

PDMRs and persons closely associated with a PDMR must make the notifications on managers' transactions to the AFM promptly and no later than three business days after the date of the transaction. Notifications on managers' transactions are only required to be made on any subsequent transaction once a total amount of €5,000 has been reached within one calendar year. The AFM will publish the notified transaction in a register.

The Company will maintain a list of persons working for the Company who could have access to inside information in accordance with the MAR and will update such insider list when necessary. The Company will take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information. The Company will adopt an internal code of conduct relating to the possession of insider information and on managers' transactions.

12.13.7 Transparency Directive

On admission of the shares to listing on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company will be a public company with limited liability (*naamloze vennootschap*) incorporated and existing under the laws of the Netherlands. The Netherlands is the home member state of the Company for the purposes of Directive 2004/109/EC (as amended by Directive 2013/50/EU, the "**Transparency Directive**") as a consequence of which the Company will be subject to certain on-going transparency and disclosure obligations under the DFSA and the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*, the "**FRSA**").

12.13.8 Dutch Financial Reporting Supervision Act

The FRSA applies to financial years starting from January 1, 2006. On the basis of the FRSA, the AFM supervises the application of financial reporting standards by, among others, companies whose corporate seat (*statutaire zetel*) is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange. Pursuant to the FRSA, with regard to the Company's annual accounts and half-yearly reports the AFM has an independent right to (i) request an explanation from the Company regarding its application of the applicable financial reporting standards and (ii) recommend to the Company making available further explanations. If the Company does not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber orders the Company to (i) provide an explanation of the way it has applied the applicable financial reporting standards to the Company's financial reports, or (ii) prepare its financial reports in accordance with the Enterprise Chamber's instructions.

12.14 Shareholder Notification Requirements; Mandatory Takeover Bids; Directors' Dealings upon Effectiveness of the AG Conversion

Once the Company's shares are admitted to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), it will be subject to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*) governing disclosure requirements for significant shareholdings, the MAR governing, among other things, directors' obligations to disclose transactions in the Company's shares, debt instruments, or related financial instruments, and the provisions of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

Pursuant to Section 33 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), anyone who acquires, sells or whose shareholding in any other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company, as an issuer whose country of origin (*Herkunftsstaat*) is Germany, is required to notify the Company and BaFin at the same time. Notifications must be submitted without undue delay, and no later than within four trading days. The four-day notification period starts at the time the person or entity subject to the notification requirement has knowledge of or, in consideration of the circumstances, should have had knowledge of his proportion of voting rights reaching, exceeding or falling below the aforementioned thresholds. The German Securities Trading Act (*Wertpapierhandelsgesetz*) contains a conclusive presumption that the person or entity subject to the notification requirement has knowledge two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares pursuant to Section 33 para. 3 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). In the case that a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Further, any coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in an attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting in concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company. Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting in concert. Coordination in individual cases, however, is not considered as acting in concert.

Similar obligations to notify the Company and the BaFin apply pursuant to Section 38 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) to anyone who reaches, exceeds or falls below the aforementioned thresholds, except for the 3% threshold, by directly or indirectly holding instruments either (i) giving their holder the unconditional right or discretion to acquire already issued shares of the Company to which voting rights are attached, or (ii) relating to such shares and having a similar economic effect, whether or not conferring a right to a physical settlement. Pursuant to Section 38 para. 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), such instruments include, in particular, transferable securities, options, futures, swaps, forward rate agreements and contracts of difference.

In addition, anyone whose aggregate number of voting rights and instruments pursuant to Sections 33 para. 1 and 38 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) reaches, exceeds or falls below the aforementioned thresholds, except for the 3% threshold, has to notify the Company and the BaFin pursuant to Section 39 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

If any of the aforementioned reporting obligations are triggered, the notifying person or entity is required to fully complete the notification form set forth as an annex to the Securities Trading and Insider List Regulation (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*). The notice can be submitted either in German or English, in writing or via fax. The notice must include, irrespective of the event triggering the notification, (i) the number and proportion of voting rights, (ii) the number and proportion of instruments and (iii) the aggregate number and proportion of voting rights and instruments held by or attributed to the notifying person or entity. In addition, the notice must include certain attribution details, among other things, the first name and surname of the notifying individual or the legal name, seat and state of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and, if voting rights or instruments are attributed.

As a domestic issuer, the Company must publish such notices without undue delay, but no later than three trading days of receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the entire EU and in the non-EU member states that are parties to the agreement in the EEA. The Company must also transmit the publication to the BaFin, specifying the time of publication and the media used and to the German Company Register (*Unternehmensregister*) for storage.

There are certain exceptions to the notice requirements. For example, a company is exempt from its notification obligation if its parent company, or if its parent company is itself a subsidiary, the parent's parent company, has filed a group notification pursuant to Section 37 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Moreover, shares or instruments held by a credit institution or a credit securities services company with a registered seat in the EU or in a non-EU member state that is a party to the Agreement in the EEA are not taken into account for determining the notification obligation or proportion of voting rights held, provided (i) they are held in such credit institution's or credit securities services company's trading book, (ii) they amount to no more than 5% of the voting shares, do not grant the right to acquire more than 5% of the voting shares, or do not have a similar economic effect and (iii) it is ensured that the voting rights held by them are not exercised or otherwise made use of.

If a shareholder fails to file a notice or provides false information with regard to shareholdings pursuant to Sections 33 and 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the rights attached to shares held by or attributed to such shareholder, particularly voting and dividend rights, do not exist for the duration of the failure. This does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted willfully and have since been made. If the shareholder fails to disclose the correct proportion of voting rights held and the shareholder acted willfully or was grossly negligent, the rights attached to shares held by or attributed to such shareholder do not exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation in the proportion of the voting rights notified in the preceding incorrect notification was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds pursuant to Section 33 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) was omitted. The same rules apply to shares held by a shareholder, if such shareholder fails to file a notice or provides false information with regard to holdings in instruments or aggregate holdings in shares and instruments pursuant to Sections 38 para. 1, 39 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). In addition, a fine may be imposed for failure to comply with notification obligations.

A shareholder who reaches or exceeds the threshold of 10% of the voting rights, or a higher threshold, is obligated to notify the Company within 20 trading days regarding the objective being pursued through the acquisition of voting rights, as well as regarding the source of the funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. The AG Articles of Association the Managing Directors and the Supervisory Directors are planning to propose to the General Meeting for adoption in connection with the resolution on the AG Conversion will not make use of the option to release shareholders from this disclosure obligation. In calculating whether the 10% threshold has been reached or exceeded, the attribution rules mentioned above apply.

Furthermore, pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30% of the voting shares of the Company is obligated to publish this fact on the internet and by means of an electronically operated system for disseminating financial information, unless an exemption from this obligation has been granted by the BaFin. If no exemption has been granted, this publication has to be made within seven calendar days and include the total amount of voting rights held by and attributed to such person and, subsequently, such person is further required to submit a mandatory public tender offer to all holders of shares in the Company. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights attached to the shares, comparable to the attribution rules described above for shareholdings pursuant to Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). If a bidder fails to give notice of reaching or exceeding the 30% threshold or fails to submit the mandatory tender offer, the bidder is barred from exercising the rights associated with these shares, including voting rights, for the duration of the delinquency. In case of willful failure to publish the notice of acquisition of control over another company or submission of a mandatory tender offer or willful failure to subsequently send those notices in a timely fashion, the bidder is also not entitled to dividends. A fine may also be imposed in case of non-compliance with the notification obligations described above.

Persons discharging managerial responsibilities at the Company within the meaning of the MAR, such as the members of the Management Board and the Supervisory Board, have to notify the Company and the BaFin promptly and no later than three business days following transactions exceeding a total of €5,000 per annum in the Company's shares, debt instruments, or in related financial instruments undertaken for their own account (so-called managers' transactions). This also applies to persons or entities that are closely associated with such executives within the meaning of the MAR. The Company shall ensure that such managers' transactions notifications are made public promptly and no later than three business days after the transaction. Persons discharging managerial responsibilities are not permitted to conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the Company is obliged to make public according to (i) the rules of the trading venue where the issuer's shares are admitted to trading; or (ii) national law.

13. DESCRIPTION OF THE GOVERNING BODIES OF THE COMPANY

This Section summarizes certain information concerning the Company's Management Board and the Supervisory Board. Among other things, it briefly summarizes, but does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the Articles of Association as they will read upon completion of the Private Placement, the rules of procedure of the Management Board and the Supervisory Board, in conjunction with the relevant provisions under Dutch corporate law.

13.1 Management Structure

The Company has a two-tier board structure consisting of the Management Board and the Supervisory Board. The Management Board is the statutory executive body and is responsible for the day-to-day management of the Company, which includes, among other things, formulating the Company's strategies and policies and setting and achieving the Company's objectives. The Supervisory Board supervises and advises the Management Board.

13.2 Management Structure upon Effectiveness of the AG Conversion

Upon Effectiveness of the AG Conversion, the Company will remain a two-tier board structure consisting of the Management Board and the Supervisory Board. The powers and responsibilities of these corporate bodies are governed by the German Stock Corporation Act (*Aktiengesetz*), the AG Articles of Association and the rules of procedure of the Management Board and the Supervisory Board.

13.3 Management Board

13.3.1 Powers, Responsibilities and Function

The Management Board is responsible for the management of the Company's operations, as well as the operations of the group, subject to the supervision of the Supervisory Board. The Management Board's responsibilities include, among other things, the day-to-day management of the Company's operations.

The Management Board may perform all acts necessary or useful for achieving the Company's objectives, with the exception of those acts that are prohibited by law, the Articles of Association or the Management Board Rules (as defined below). In performing its duties, the Management Board is required to be guided by the interests of the Company and the group, taking into consideration the interests of the Company's stakeholders (which include but are not limited to its business partners, its employees and the shareholders). The Management Board is required to keep the Supervisory Board informed, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board and/or the General Meeting for approval, as more fully described below (see "*13.3.4 Board Meetings and Decision Making*"). The absence of such approval, however, does not affect the authority of the Management Board or its members to represent the Company.

The Management Board as a whole is authorized to represent the Company. Additionally, pursuant to the Articles of Association, any two members of the Management Board are jointly authorized to represent the Company. Subject to the approval of the Supervisory Board, the Managing Directors may determine which duties in particular will concern each Managing Director. Pursuant to the Articles of Association, the Management Board is authorized to appoint authorized representatives (*procuratiehouders*) who are authorized to represent the Company within the limits of the specific delegated powers provided to them in the authorization.

13.3.2 Rules of Procedure of the Management Board

Pursuant to the Articles of Association, the Management Board has adopted a set of rules of procedure that regulate internal matters concerning its functioning and internal organization (the "**Management Board Rules**"). The Management Board Rules may be amended from time to time by resolution of the Management Board and are subject to the approval of the Supervisory Board. The Management Board Rules will also be available on the Company's website.

Certain resolutions of the Management Board identified in the Articles of Association and the Management Board Rules require the approval of the Supervisory Board. Furthermore, the Management Board requires the approval of the General Meeting for resolutions having an important impact on the identity or nature of the Company or its business. See “*13.3.4 Board Meetings and Decision Making*”.

13.3.3 Composition, Appointment, Dismissal and Suspension

The Articles of Association, as they will read upon completion of the Private Placement, provide that the Supervisory Board determines the number of Managing Directors. As of the date of this Prospectus, the Management Board consists of four Managing Directors.

The General Meeting appoints the Managing Directors. When a Managing Director is to be appointed, the Supervisory Board shall make a binding nomination. The nomination must be included in the notice of the General Meeting at which the appointment will be considered.

The General Meeting may at any time resolve to render such nomination to be non-binding by a majority of at least two-thirds of the votes cast representing more than half of the issued share capital. If a nomination is rendered non-binding, a new nomination shall be made by the Supervisory Board. If the nomination comprises one candidate for a vacancy, a resolution concerning the nomination shall result in the appointment of the candidate, unless the nomination is rendered non-binding.

The General Meeting may at any time suspend and dismiss a member of the Management Board. The Supervisory Board may at all times suspend a Managing Director. The General Meeting may only adopt a resolution to suspend or dismiss a Managing Director by absolute majority of the votes cast representing at least one-third of the issued share capital. Such majority does not apply if the dismissal or suspension has been proposed by the Supervisory Board. If either the General Meeting or the Supervisory Board has suspended a Managing Director, the General Meeting is required within three months after the suspension has taken effect to resolve to dismiss such member, failing which the suspension shall cease.

A Managing Director shall be appointed for a maximum period of four years and unless such member resigns earlier, his or her appointment shall end at the end of the first General Meeting to be held four years after his or her appointment. The Supervisory Board may adopt a rotation schedule for the Managing Directors. A retiring Managing Director can be re-appointed immediately for a term of not more than four years at a time.

13.3.4 Board Meetings and Decision Making

Pursuant to the Articles of Association, as they will read upon Effectiveness of the N.V. Conversion, the Management Board can adopt resolutions with a simple majority of votes cast. Where there is a tie in any vote of the Management Board, the Chief Executive Officer (“**CEO**”) shall have a casting vote, provided that there are at least three Managing Directors in office. Otherwise, the relevant resolution shall not have been passed. Meetings of the Management Board can be held through audio-communication facilities, unless a Managing Director objects thereto.

Pursuant to the DCC and the Articles of Association, the approval of the General Meeting is required for resolutions of the Management Board concerning a material change to the identity or the character of the Company or the business, including in any event:

transferring the business or materially all of the business to a third party;

entering into or terminating a long-lasting alliance of the Company or of a subsidiary either with another entity or company, or as a fully liable partner of a limited partnership or general partnership, if this alliance or termination is of significant importance for the Company; and

acquiring or disposing of an interest in the capital of a company by the Company or by a subsidiary with a value of at least one third of the value of the assets, according to the balance sheet with explanatory notes or, if the Company prepares a consolidated balance sheet, according to the consolidated balance sheet with explanatory notes in the Company’s most recently adopted annual accounts.

Resolutions of the Management Board identified in the Management Board Rules (as defined below) or notified to the Management Board by the Supervisory Board from time to time on the basis of the relevant provisions in the Articles of Association, require the approval of the Supervisory Board. See below “*13.6 Supervisory Board*“ and *“13.6.4 Board Meetings and Decision Making*“ for a description of the Supervisory Board’s decision-making process.

The lack of approval referred to in the two paragraphs above does not affect the authority of the Management Board or the Managing Directors to represent the Company.

13.4 Management Board upon Effectiveness of the AG Conversion

13.4.1 Powers, Responsibilities and Function

Upon Effectiveness of the AG Conversion, the Management Board will conduct the Company's business in accordance with the law, the AG Articles of Association and the AG Management Board Rules (as defined below), taking into account the resolutions of the shareholders' meeting. The Management Board represents the Company in its dealings with third parties. The Management Board is required to introduce and maintain appropriate risk management and risk-controlling measures, in particular setting up a monitoring system in order to ensure that any developments potentially endangering the continued existence of the Company may be identified early. Furthermore, the Management Board must report regularly to the Supervisory Board the performance and the operations of the Company. In addition, the Management Board is required to present to the Supervisory Board certain matters of business planning for the following fiscal year for approval by the Supervisory Board. Furthermore, as regards all matters of particular significance to the Company, each member of the Management Board who becomes aware of such matters must immediately report these matters, verbally or in writing, to the chairperson of the Supervisory Board or to all members of the Supervisory Board. Significant matters also include any development or event at an affiliated company of which the Management Board has become aware and that could have a material influence on the Company's position.

13.4.2 Rules of Procedure of the Management Board

Pursuant to the AG Articles of Association, the Supervisory Board will adopt a set of rules of procedure that regulate internal matters concerning the Management Board's functioning and internal organization (the "**AG Management Board Rules**"). The Management Board Rules may be amended from time to time by resolution of the Supervisory Board.

Certain resolutions of the Management Board require the approval of the Supervisory Board. Furthermore, the Management Board requires the approval of the General Meeting for resolutions having an important impact on the identity or nature of the Company or its business. See "*13.3.4 Board Meetings and Decision Making*".

13.4.3 Composition, Appointment, Dismissal and Suspension

Pursuant to Section 8.1 of the AG Articles of Association, the Management Board must consist of at least two members and the Supervisory Board determines the exact number of the members of the Management Board. Pursuant to Section 8.2 of the Articles of Association, the Supervisory Board may appoint a Management Board member as chairperson of the Management Board and another member as vice chairperson.

Reappointment or extension, each for a maximum period of up to five years, is permissible. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of his or her term for good cause, such as a gross breach of fiduciary duty, or if the shareholders' meeting passes a vote of no confidence with respect to such member, unless the no-confidence vote was clearly unreasonable. The Supervisory Board is also responsible for entering into, amending and terminating employment agreements with Management Board members and, in general, for representing the Company in and out of court against Management Board members.

Pursuant to Section 10 of the AG Articles of Association, in case the Management Board consists of several members, the Company is represented vis-à-vis third parties and in court proceedings by two members of the Management Board or a member of the Management Board jointly with an authorized signatory (*Prokurist*), and in case only one member is appointed to the Management Board, such member solely represents the Company. The Supervisory Board may determine that one or all members of the Management Board is authorized to represent the Company alone and is entitled to enter into transactions on behalf of the Company with himself/herself as representative of a third party (release from the restrictions of multiple representation pursuant to Section 181 second alternative of the German Civil Code (BGB).

13.4.4 Board Meetings and Decision Making

Pursuant to the AG Management Board Rules, matters shall be resolved upon by the Management Board by simple majority of the votes cast unless otherwise provided for by law or by the AG Articles of Association or by AG Management Board Rules. In case of a tie of votes, the chairman of the Management Board, if any, has a casting vote.

13.5 Composition of Management Board

At the date of this Prospectus, the Management Board is composed of the following four Managing Directors:

Name	Date of birth	First appointment	Appointment until(1)	Position
Kruno Crepulja ..	September 19, 1971	June 9, 2017	n/a	Chief Executive Officer (CEO)
Andreas Gräf......	July 19, 1966	June 9, 2017	n/a	Chief Development Officer (CDO)
Torsten Kracht ...	October 4, 1967	June 9, 2017	n/a	Chief Sales Officer (CSO)
Oliver Schmitt....	May 22, 1964	June 9, 2017	n/a	Chief Financial Officer (CFO)

(1) As the Company is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid* (B.V.)) until the N.V. Conversion, there has been no mandatory requirement to provide for an end-term of the appointment of the individual members of the Management Board. Once the N.V. Conversion has been effected, the Company intends to comply with the relevant best practice provisions of the Dutch Corporate Governance Code, pursuant to which directors may be appointed for a maximum term of four years each, without limitation on the number of consecutive terms which a director may serve.

The Company's registered business address at Baumstraße 25, 45128 Essen, Germany serves as the business address for all members of the Management Board.

Kruno Crepulja was born in 1971 in Ratanje, Bosnia-Herzegovina. Mr. Crepulja received his Master's degree in Construction Engineering from the Frankfurt University of Applied Sciences in 1996. Mr. Crepulja has comprehensive experience as an engineer, site manager and project developer and looks back on 14 years of experience in managing large development companies. He began his career as a general contractor at JMP GmbH in 1996. From 1998 to 2008, he held various positions at Wilma Wohnen Süd GmbH, including head of project development from 2001 to 2002 and managing director (*Geschäftsführer*) from 2003 to 2008. In 2008, Mr. Crepulja joined the management team (as chairman) of HOCHTIEF Construction AG's (today Solution AG) "formart" business unit until, in 2013, this business unit was contributed to a separate entity, formart GmbH & Co. KG (today Instone Real Estate Development GmbH). Following this reorganization, Mr. Crepulja was appointed Chief Executive Officer (CEO) and managing director (*Geschäftsführer*) of former formart GmbH & Co. KG's general partner, formart Management GmbH (following internal reorganizations both succeeded by Instone Real Estate Development GmbH), in 2013. At the same time, from 2008 to 2013, he was general manager of HOCHTIEF Solutions AG (previously HOCHTIEF Construction AG), where he managed, beginning in 2011, the segment Real Estate Solutions. In June 2017, Mr. Crepulja was appointed managing director and Chief Executive Officer (CEO) of the Company.

Alongside his office as managing director and CEO of the Company, Mr. Crepulja is not, and was not within the last five years, a member of any administrative, management or supervisory bodies of and/or a partner of companies or partnerships outside Instone.

Andreas Gräf was born in 1966 in Essen, Germany. Mr. Gräf began his career at HOCHTIEF Aktiengesellschaft, the former ultimate holding company of Instone Real Estate Development GmbH (previously formart GmbH & Co. KG) in 1987. He completed his vocational training as an industrial clerk at HOCHTIEF Aktiengesellschaft in 1990 and his subsequent occupational-accompanying studies with a degree in Construction Economics in 1992. During his time at HOCHTIEF Aktiengesellschaft, Mr. Gräf was responsible for establishing residential development as a standalone business model at HOCHTIEF group. From 1990 to 2008, he held various positions within HOCHTIEF Aktiengesellschaft and its subsidiary HOCHTIEF Construction AG (today HOCHTIEF Solution AG), which include, amongst others, commercial project leader of various consortia (1990-2004), member of the management board for HOCHTIEF Aktiengesellschaft's Wuppertal branch (1996-1999) and member of the management board of HOCHTIEF Construction AG's Düsseldorf branch (2000-2002), member of the management board of the North Rhine-Westphalia branch of HOCHTIEF Construction AG (today HOCHTIEF Solutions AG) (2002-2007) and chairman of the management board of the North Rhine-Westphalia branch of HOCHTIEF Construction AG (today HOCHTIEF Solutions AG) (2007-2008). From 2008 to 2013, Mr. Gräf was a member of the management team of HOCHTIEF Construction AG's (today HOCHTIEF Solution AG) "formart" business unit until, in 2013, this business unit was contributed to a separate entity, formart GmbH & Co. KG (today Instone Real Estate Development GmbH). Following this reorganization, Mr. Gräf was appointed managing director (*Geschäftsführer*) of former formart GmbH & Co. KG's general partner, formart Management GmbH (following internal reorganizations both succeeded by Instone Real Estate Development GmbH), in 2013. In June 2017, Mr. Gräf was appointed managing director and Chief Development Officer (CDO) of the Company.

Alongside his office as managing director and CDO of the Company, Andreas Gräf is not, and was not within the last five years, a member of any administrative, management or supervisory bodies of and/or a partner of companies or partnerships outside Instone.

Torsten Kracht was born in 1967 in Grimma, Germany. With more than 14 years of comprehensive practical experience, Torsten Kracht is an industry expert in the construction and real estate segment. Mr. Kracht completed his vocational training as an industrial clerk in the real estate sector at GRK-Holding-GmbH (subsequently reorganized into GRK-Holding AG and today Instone Real Estate Leipzig GmbH) in 2003 and continued to hold various positions in the GRK-Holding group, such as, amongst others, member of the executive board of GRK-Holding AG from 2006 to 2015, where he was responsible for the areas of sales and project development. Following the conversion of GRK-Holding AG into GRK-Holding GmbH, Mr. Kracht was appointed managing director (*Geschäftsführer*) and CEO of GRK-Holding GmbH (today Instone Real Estate Leipzig GmbH) in 2015. In June 2017, Mr. Kracht was appointed managing director and Chief Sales Officer (CSO) of the Company.

Alongside his office as managing director and CSO of the Company, Mr. Kracht is not, and was not within the last five years, a member of any administrative, management or supervisory bodies of and/or a partner of companies or partnerships outside Instone.

Oliver Schmitt was born in 1964 in Bottrop, Germany. Mr. Schmitt began his career at HOCHTIEF Aktiengesellschaft, the former ultimate holding company of Instone Real Estate Development GmbH (previously formart GmbH & Co. KG) in 1984. He completed his vocational training as an industrial clerk in 1986 and his subsequent studies at the Academy for Administration and Business in Cologne with a degree in Business Administration in 1992. Mr. Schmitt looks back at 33 years of professional experience in the construction and real estate industry. From 1986 to 2013, he held various positions within HOCHTIEF Aktiengesellschaft, such as, amongst others, the management of important branches in North Rhine-Westphalia, where he was responsible for the development of residential and commercial projects as well as for construction activities. In 2010, he joined the management team of HOCHTIEF Construction AG's (today HOCHTIEF Solution AG) "formart" business unit until, in 2013, this business unit was contributed to a separate entity, formart GmbH & Co. KG (today Instone Real Estate Development GmbH). Following this reorganization, Mr. Schmitt was appointed Chief Financial Officer (CFO) and managing director (*Geschäftsführer*) of former formart GmbH & Co. KG's general partner, formart Management GmbH (following internal reorganizations both succeeded by Instone Real Estate Development GmbH), in 2013. In June 2017, Mr. Schmitt was appointed managing director and Chief Financial Officer (CFO) of the Company.

Alongside his office as managing director and CFO of the Company, Oliver Schmitt is not, and was not within the last five years, a member of any administrative, management or supervisory bodies of and/or a partner of companies or partnerships outside Instone.

13.6 Supervisory Board

The Supervisory Board supervises the conduct and policy of the Management Board and the general course of affairs of the Company and the enterprise connected therewith. The Supervisory Board may also, on its own initiative, provide advice to the Management Board and may request any information from the Management Board that it deems appropriate. In performing their duties, the Supervisory Directors are required to be guided by the interests of the Company and the enterprise connected therewith and to take into account the relevant interests of all those involved in the Company (including the Company's shareholders). The Supervisory Board is responsible for the quality of its own performance. The Supervisory Board may, at the Company's expense, seek advice which it deems desirable for the correct performance of its duties. The Supervisory Directors are generally not authorized to represent the Company in dealing with third parties. The Supervisory Board is collectively responsible for carrying out its duties.

13.6.1 Supervisory Board Rules

Pursuant to the Articles of Association, the Supervisory Board has adopted rules of procedure concerning the division of its duties and its working method, its decision-making process and the relationship with the Management Board and the General Meeting (the "**Supervisory Board Rules**"). The AG Supervisory Board Rules may be amended from time to time by resolution of the Supervisory Board to that effect. The Supervisory Board Rules will also be available on the Company's website.

13.6.2 Composition, Appointment, Dismissal and Suspension

The Articles of Association provide that the number of Supervisory Directors will be determined by the Supervisory Board itself. Only natural persons (not legal entities) may be appointed as Supervisory Directors.

The General Meeting appoints the Supervisory Directors. When a Supervisory Director is to be appointed, the Supervisory Board shall make a binding nomination, which nomination must specify the reasons for the nomination. The nomination must be included in the notice of the General Meeting at which the appointment will be considered.

The General Meeting can only appoint a Supervisory Director upon a nomination by the Supervisory Board. The General Meeting may at any time resolve to render such nomination to be non-binding by a majority of at least two-thirds of the votes cast representing more than half of the issued share capital. If a nomination is rendered non-binding, a new nomination shall be made by the Supervisory Board. A second meeting as referred to in Section 2:120(3) DCC cannot be convened.

The Supervisory Board appoints a chairperson and a vice-chairperson from among its members, and a secretary whether or not from its members.

The General Meeting may suspend and dismiss a Supervisory Director at all times. A Supervisory Director may be suspended and dismissed by the General Meeting only on the basis of a resolution passed by an absolute majority of the votes cast representing at least one-third of the issued share capital. Such majority does not apply if the dismissal or suspension has been proposed by the Supervisory Board.

If the General Meeting has suspended a Supervisory Director, the General Meeting is required within three months after the suspension has taken effect to resolve to dismiss such member, failing which the suspension shall cease.

13.6.3 Term of Appointment

Supervisory Directors are in principle appointed for a term of four years and unless such member resigns earlier, his or her appointment shall end at the end of the first General Meeting to be held four years after his or her appointment. A Supervisory Director may be reappointed once for another four-year period. The Supervisory Director may then subsequently be reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the Company's annual report. The Supervisory Board retires periodically in accordance with a rotation schedule adopted by the Supervisory Directors.

13.6.4 Board Meetings and Decision Making

Pursuant to the Articles of Association, a meeting of the Supervisory Board shall take place whenever a Supervisory Director requests for a meeting. Resolutions of the Supervisory Board must be adopted by an absolute majority of the votes cast.

Meetings of the Supervisory Board can be held through audio-communication facilities, unless a Managing Director objects thereto.

13.7 Supervisory Board upon Effectiveness of the AG Conversion

13.7.1 Supervisory Board Rules

Upon Effectiveness of the AG Conversion, the Supervisory Board will adopt rules of procedure concerning the division of its duties and its working method, its decision-making process and the relationship with the Management Board and the General Meeting (the "**AG Supervisory Board Rules**"). The Supervisory Board Rules may be amended from time to time by resolution of the Supervisory Board to that effect.

13.7.2 Composition, Appointment, Dismissal and Suspension

Pursuant to Section 11.1 of the AG Articles of Association, the Supervisory Board will consist of five members. The Supervisory Board will not be subject to employee codetermination as provided by the German One-Third Employee Representation Act (*Drittelbeteiligungsgesetz*) or the German Codetermination Act (*Mitbestimmungsgesetz*) unless it would exceed 500 or 2,000 employees, respectively, on a regular basis. Therefore, the members of the Supervisory Board are all elected by the shareholders' meeting as representatives of the shareholders.

The general shareholders' meeting may appoint substitute members for one or more Supervisory Board members, who, in accordance with specific determinations by the general shareholders' meeting, may become members of the Supervisory Board if the elected Supervisory Board members leave office before the end of their term.

Supervisory Board members elected by the general shareholders' meeting may be removed by a resolution of the general shareholders' meeting if such resolution is approved by at least 75% of the votes cast. In addition, regular and substitute members of the Supervisory Board may resign, without good cause, by giving two weeks' notice to the Company, represented by a member of the Management Board. The right to resign for good cause without any notice period remains unaffected by the foregoing. Following the general shareholders' meeting, in the course of which the members of the Supervisory Board are elected by the general shareholders' meeting for a new term, the Supervisory Board will elect a chairman and a deputy chairman from among its members to serve for the duration of those members' terms. Should the chairman or deputy chairman leave office prior to the expiration of his or her term, the Supervisory Board must elect a new chairman or a deputy chairman from among its members without delay, to complete the remaining term of the departing chairman or deputy chairman.

13.7.3 Term of Appointment

Unless the general shareholders' meeting has set a shorter term, the Supervisory Board members, as well as the term of each substitute member, if any, are elected for a period terminating at the end of the annual general shareholders' meeting discharging the members of the Supervisory Board for the fourth year following the commencement of the member's term of office. The year in which the term of office begins shall be included in this calculation. The appointment of a successor for a member leaving his or her office before the end of his or her term of office is valid for the remainder of the term of office of the departing member, provided that the general shareholders' meeting has not determined a different term of office for the successor.

13.7.4 Board Meetings and Decision Making

The Supervisory Board shall adopt internal rules of procedure in accordance with the law and the provisions of the AG Articles of Association. It can further set up committees in accordance with the law. To the extent permitted by law or by the AG Articles of Association, the Supervisory Board may delegate any of its duties, decision-making powers and rights to its chairman, to one of its members or to committees established from among its members. The Supervisory Board shall determine the composition, competences and procedures of the committees. The Supervisory Board is entitled to resolve amendments to the AG Articles of Association if such amendments only relate to the wording. The Supervisory Board must hold at least two meetings in each calendar half-year. Meetings of the Supervisory Board are usually called at least fourteen days in advance by the chairman of the Supervisory Board, not including the day on which the invitation is sent and the day of the meeting itself. Notice of meetings may be given in writing, by telefax, by email or any other customary means of communication (including electronic communication). In urgent cases the chairman may shorten this period and may call the meeting orally or by telephone.

The AG Articles of Association and the internal rules of procedure of the Supervisory Board will provide that resolutions of the Supervisory Board shall generally be passed in meetings. At the order of the chairman or with the consent of all Supervisory Board members, the meetings of the Supervisory Board may also be held in the form of a telephone conference or by other electronic means of communication (especially by video conference); individual members of the Supervisory Board may be connected to the meetings via telephone or by other electronic means of communication (especially by video conference); in such cases resolutions may also be passed by way of telephone conference or by other electronic means of communication (especially by video conference). Absent members of the Supervisory Board or members who do not participate in, or are not connected to the telephone or video conference can also participate in the passing of resolutions by submitting their votes in writing through another Supervisory Board member. In addition, they may also cast their vote prior to or during the meeting or following the meeting within a reasonable period as determined by the chairman of the Supervisory Board in oral form, by telephone, by telefax, by email or any other customary means of communication (including electronic means of communication). Objections to the form of voting determined by the chairman are not permitted. Resolutions may also be adopted outside of meetings in writing, orally, by telephone, by telefax or by email or any other comparable means of communication, whereas the aforementioned forms may also be combined, including by way of circular resolution, or in combination with adopting the resolution in a meeting at the order of the chairman of the Supervisory Board if preceded by reasonable notice or if all members of the Supervisory Board participate in the adoption of the resolution. Members who abstain from voting are considered to take part in the resolution. Objections to the form of voting determined by the chairman are not permitted.

The AG Articles of Association and the rules of procedure of the Supervisory Board will provide that the Supervisory Board has a quorum if at least half of the members of which it has to consist in total take part in the voting. Absent members of the Supervisory Board or members who neither participate nor are connected via telephone or via other electronic means of communication (especially via video conference) who cast their vote in the aforementioned ways as well as members who abstain from voting are considered to take part in the voting for purposes of the required quorum. Unless otherwise provided by mandatory law, resolutions of the Supervisory Board are passed with a simple majority of the votes cast. For purposes of passing a resolution, abstentions do not count as votes cast. If a vote in the Supervisory Board results in a tie, the vote of the chairman is decisive. In the absence of the chairman of the Supervisory Board, the deputy chairman's vote shall be decisive.

13.8 Supervisory Directors

At the date of this Prospectus, the Supervisory Board is composed of the following five members:

Name	Date of birth	First appointment	Appointment until	Position	Principal occupation outside of Instone
Stefan Brendgen........	January 14, 1964	February 13, 2018	General Meeting 2022	Chairman	Consultant
Stefan Mohr.............	October 22, 1967	February 13, 2018	General Meeting 2022	Deputy Chairman	Head of Corporate Real Estate at Activum SG Advisory GmbH
Marija Korsch...........	July 16, 1948	February 13, 2018	General Meeting 2022	Member	Chairperson of the Supervisory Board at Aareal Bank AG
Dr. Jochen Scharpe ...	March 19, 1959	February 13, 2018	General Meeting 2022	Member	Managing Director at AMCI GmbH
Richard Wartenberg..	January 17, 1968	February 13, 2018	General Meeting 2022	Member	Managing Director at Activum SG Advisory GmbH

Stefan Brendgen was born in 1964 in Mönchengladbach, Germany. Mr. Brendgen has more than 25 years of experience in the real estate development and investment industry in Germany and Europe. He graduated from the University of Cologne in 1990 with a degree in Economics. Mr. Brendgen started his career at Jones Lang Wootton Internationale Immobilien Consultants GmbH (today Jones Lang LaSalle) where he worked as a consultant from 1990 until 1994. In 1994, he became managing director of DTZ Immobilienberatung GmbH, a real estate consulting firm. In 1998, Mr. Brendgen co-founded the consulting firm Brendgen & Kulzer GmbH where he focused on real estate investment and asset management. In 1999, he joined Tishman Speyer Properties Deutschland GmbH, a subsidiary of the global developer and fund manager Tishman Speyer, as senior director and became the firm's Head of Germany in 2003. From January 2009 until March 2009, he was Chief Investment Officer (CIO) of Allianz Real Estate Germany GmbH before being appointed to the position of Chief Executive Officer (CEO), which he held until August 2014. From 2015 until 2017, Mr. Brendgen was chairman of the supervisory board of Triuva Kapitalverwaltungsgesellschaft mbH. He currently serves as chairman of the supervisory board of aamundo Asset Management GmbH & Co. KGaA, is a member of the supervisory board of Climeon AB and HAHN-Immobilien-Beteiligungs AG, and also works as a consultant.

Alongside his office as a member of the Supervisory Board of the Company, Mr. Brendgen is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies or partnerships outside Instone:

Currently:

- aamundo Asset Management KGaA (chairman of the supervisory board);
- Climeon AB (member of the supervisory board); and
- HAHN-Immobilien-Beteiligungs AG (member of the supervisory board).

Previously:

- Allianz Real Estate Germany GmbH (CEO);
- Allianz Suisse Immobilien AG (member of the management board);
- IVG Immobilien AG (member of the supervisory board); and
- TRIUVA Kapitalverwaltungsgesellschaft mbH (chairman of the supervisory board).

Stefan Mohr was born in 1967 in Frankfurt am Main. Mr. Mohr looks back on 14 years of experience as an M&A advisor for leading European financial institutions, private equity houses and real estate investors. He graduated from Albert-Ludwig University in Freiburg with a diploma in Economics and received a M.S. in Finance from the University of Wisconsin, Madison. Mr. Mohr held positions at Bankhaus Metzler and PwC. He also worked at Sal. Oppenheim, where he headed the Financial Institutions M&A business, and at HSH Nordbank AG, where he was Head of M&A and Corporate Investments managing the corporate equity investments portfolio of 150 subsidiaries and divestment of the "non-core" subsidiaries. Mr. Mohr joined Activum SG Advisory GmbH in 2012 and currently is Head of Corporate Real Estate.

Alongside his office as a deputy chairman of the Supervisory Board of the Company, Mr. Mohr is currently not a member of any administrative, management or supervisory bodies of and/or a partner of companies or partnerships outside Instone. He was, within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies or partnerships outside Instone:

Previously:

- Chairman of the supervisory board of fairvesta Group AG;
- Chairman of the supervisory board of fairvesta Holding Aktiengesellschaft; and
- Several managing director (*Geschäftsführer*) positions at various subsidiaries (primarily special purpose vehicles) of HSH Nordbank AG.

Marija Korsch was born in 1948, in Zadar, Croatia, and moved to the U.S. in 1963. She looks back on more than 40 years of experience in international banking and finance. She obtained a degree in Mathematics from St. Peters College, New Jersey, followed by a one year post graduate course in economics and business at Sapienza University of Rome, Italy. Ms. Korsch began her career in 1973 at European American Bank, New York, Los Angeles and San Francisco before joining Bankers Trust, New York. Having moved to Germany in 1981, she was responsible for the North American and Latin America business segments of Vereins- und Westbank AG, Hamburg. From 1987 to 1994 Ms. Korsch was a Managing Director at Bankers Trust, Frankfurt, responsible for the bank's corporate finance and merchant banking activities in Germany, Austria and Switzerland. From 1994 to 1998 she was Managing Director and thereafter Partner until 2008 of Bankhaus Metzler seel. Sohn & Co. AG, Frankfurt, responsible for the bank's corporate finance business.

Ms. Korsch has been a member of the supervisory board of Aareal Bank AG, Wiesbaden, since 2012 and serves as its chairperson since 2013. She also chairs the bank's executive and nomination committee and remuneration control committee, is deputy chair of its technology & innovation committee and further serves as member of its risk committee and of its audit committee.

Ms. Korsch serves on the board of trustees of Städel Museum as well as the vice chairperson of the executive committee of the Society of Friends – Alte Oper Frankfurt and is the chairperson of the board of trustees of the Stiftung Centrale für private Fürsorge, Frankfurt. Ms. Korsch is also a member of the advisory boards of the IBF Institut für Bank- und Finanzgeschichte (Institute for Banking and Finance History) and the Frankfurt International School.

Alongside her office as a member of the Supervisory Board of the Company, Ms. Korsch is currently a member of the administrative, management or supervisory bodies of and/or a partner of the following companies or partnerships outside Instone within the last five years:

Currently:

- Aareal Bank AG (chairperson of the supervisory board);
- FAZIT Stiftung Gemeinnützige Verlagsgesellschaft mbH (member of the board of trustees); and
- Just Software AG (member of the supervisory board).

Ms. Korsch was not a member of the administrative, management or supervisory bodies of or a partner in any other company or partnerships outside Instone within the last five years.

Dr. Jochen Scharpe was born in 1959 in Werdohl, Germany. He graduated from the University of Münster in 1984 with a degree in Economics and earned his doctorate in Economics from the University of Siegen in 1992. In 1989, he started his professional career with the accounting firm KPMG Peat Marwick GmbH in Frankfurt/Main in the areas of audit and corporate finance. From 1996 through 1999, Dr. Scharpe was a managing director of Eisenbahnimmobilien GmbH (today CA Immo Deutschland GmbH), and from 1999 to 2004 he was a managing director of Siemens Real Estate GmbH. Since 2004, Dr. Scharpe is a shareholder and managing director of AMCI GmbH and ReTurn Immobilien GmbH. In addition, he served as chairman of the supervisory board of LEG NRW GmbH in the period from 2008 to 2014 and also as chairman of the supervisory board of LEG Wohnen NRW GmbH between 2010 and 2015. Further, he was appointed to the supervisory board of LEG Immobilien AG in 2013.

Alongside his office as a member of the Supervisory Board of the Company, Dr. Scharpe is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies or partnerships outside Instone:

Currently:

- AMCI GmbH (managing director);
- FFIRE AG (deputy chairman of the supervisory board);
- LEG Immobilien AG (member of the supervisory board); and
- ReTurn Immobilien GmbH (managing director).

Previously:

- GENEBA N.V. (member of the supervisory Board);
- GSW Immobilien AG (deputy chairman of the supervisory board);
- Jade Beteiligungs-Management GmbH (managing director);
- LEG NRW GmbH (chairman of the supervisory board); and
- LEG Wohnen NRW GmbH (chairman of the supervisory board).

Richard Wartenberg was born 1968 in Stuttgart, Germany. He looks back on 27 years of experience in real estate. Mr. Wartenberg completed a postgraduate study in Real Estate at the European Business School (EBS) and he is a Member of the Royal Institution of Chartered Surveyors (MRICS). Early in his career, he worked for HIH Hamburgische Immobilien Handlung and RSE Projektmanagement AG, followed by a position as Managing Director at Polis and Bouwfonds Asset Management Germany, responsible for acquisition, letting and sale of commercial assets. Subsequently he worked at apellas Asset Management and was responsible for acquisitions, asset management, lease-up and sales. Mr. Wartenberg joined Activum SG Advisory GmbH in 2011 as a Managing Director, where he currently is Head of Acquisition & Sales.

Alongside his office as a member of the Supervisory Board of the Company, Mr. Wartenberg is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies or partnerships outside Instone:

Currently:

- Activum SG Advisory GmbH, Berlin, Germany (Managing Director (*Geschäftsführer*)).

Mr. Wartenberg was not a member of the administrative, management or supervisory bodies of or a partner in any other company or partnerships outside Instone within the last five years.

13.9 Maximum Number of Supervisory Positions of Managing Directors and Supervisory Directors

Restrictions apply to the overall number of supervisory positions that a managing director or supervisory director (including a one-tier board) of "large Dutch companies" may hold. The term "large Dutch companies" applies to Dutch public limited liability companies, Dutch private limited liability companies and Dutch foundations that at two consecutive balance sheet dates meet at least two of the following three criteria: (i) the value of the company's/foundation's assets according to its balance sheet together with explanatory notes, on the basis of the purchase price or manufacturing costs, exceeds €20.5 million; (ii) its net turnover in the applicable year exceeds €40.0 million; and (iii) its average number of employees in the applicable year is 250 or more. A person cannot be appointed as a managing or executive director of a "large Dutch company" if he/she already holds a supervisory position at more than two other "large Dutch companies" or if he/she is the chairman of the supervisory board or one-tier board of another "large Dutch company." Also, a person cannot be appointed as a supervisory director or non-executive director of a "large Dutch company" if he/she already holds a supervisory position at five or more other "large Dutch companies", whereby the position of chairman of the supervisory board or one-tier board of another "large Dutch company" is counted twice. The Company meets the criteria of a large Dutch company; all Managing Directors and Supervisory Directors comply with these rules.

13.10 Maximum Number of Supervisory Positions of Managing Directors and Supervisory Directors Upon Effectiveness of the AG Conversion

Upon Effectiveness of the AG Conversion, the maximum number of supervisory directors will be 21 as the Company's share capital exceeds €10 million. There are no restrictions for the number of managing directors. Under the German Stock Corporation Act (*Aktiengesetz*), a person may not be a member of the supervisory board who: (i) is already a member of the supervisory board in ten commercial enterprises which are required by law to form a supervisory board; (ii) is the legal representative of a controlled enterprise of the company; (iii) is the legal representative of another corporation whose supervisory board includes a member of the management board of the company (iv) was a member of the management board of the same listed company during the past two years, unless he is elected upon nomination by shareholders holding more than 25% of the voting rights in the company.

13.11 Management Board Remuneration

The current members of the Management Board were only appointed to the Management Board in June 2017. In the financial year ended December 31, 2016, all of the current members of the Management Board were managing directors of Instone Development or Instone Leipzig, respectively. In this function, the members of the Management Board received an aggregate remuneration amounting to €3.1 million in the financial year ended December 31, 2016, consisting of fixed remuneration, benefits in kind and other additional remuneration, success-oriented remuneration, variable remuneration components with long-term incentive effect and risk character, old-age provision and additions to the pension provision. No share-based remuneration was paid. Except for the service fees disclosed in Section "*14.2 Relationships with Members of the Management Board and Supervisory Board*" and in the in consolidated financial statements included in Section "*16. Financial Information*" of the Prospectus, the persons appointed as members of the Management Board in the financial year ended December 31, 2016, did not receive a remuneration.

Under the service agreements of the members of the current Management Board, the total maximum annual target compensation (not including ancillary benefits) is €1.0 million per fiscal year (of which €550 thousand is variable) for Mr. Crepulja, €740 thousand per fiscal year (of which €440 thousand is variable) for Mr. Gräf, €550 thousand per fiscal year (of which €350 thousand is variable) for Mr. Kracht, and €720 thousand per fiscal year (of which €420 thousand is variable) for Mr. Schmitt. The compensation consists of an annual base salary amounting to €450 thousand for Mr. Crepulja, €300 thousand for Mr. Gräf, €200 thousand for Mr. Kracht, and €300 thousand for Mr. Schmitt and a variable bonus for each of them.

The variable bonus is divided in two components: a short term incentive and a long-term incentive. Upon the commencement of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Commencement of Trading**"), a short-term incentive program previously agreed with the members of the Management Board (the "**Pre-Placement STI**") will be replaced by a new short-term incentive program (the "**New STI"**) in which the members of the Management Board and up to four additional key executives (the “**Participating Management**”) are entitled to participate. The New STI provides for an annual payment dependent upon certain performance targets including (i) results from ordinary business activities weighted with 80%, and (ii) personal criteria weighted with 20% of the New STI. The results from ordinary business activities are measured by performance against two financial figures, EBT (weighted at 66%) and ROCE (weighted at 34%), which are provided and defined in the business plan approved by the Supervisory Board. Provided that the minimum hurdle rate of 80% of the combined target achievement can be reached, any over- or underachievement of EBT and ROCE targets leads to a respective increase or reduction of the target pay-out. If the minimum hurdle rate is not reached, there will be no pay-out under the New STI. The New STI is subject to a cap of 150% of the New STI. Assuming the aforementioned performance targets are fully achieved (100%), the New STI would amount to €250 thousand for Mr. Crepulja, €260 thousand for Mr. Gräf, €225 thousand for Mr. Kracht, and €250 thousand for Mr. Schmitt per annum.

In addition, a new long-term incentive cash plan (the “**New LTIP”**) has been established and the Participating Management will be entitled to participate. The New LTIP will potentially also be available for new senior management members joining the Company following the Private Placement which will be decided by the Supervisory Board. Under the New LTIP, each member of the Participating Management will be allocated a virtual participation in the Company subject to certain terms and conditions.

The New LTIP provides for an annual base allocation of virtual shares (the “**Allocated Amount**”) depending on performance measured by EBT for the three years preceding such allocation defined in the business plan approved by the Supervisory Board. The annual allocation will be measured in correspondence with the performance measured by EBT and will be capped at approximately 150% of the base allocation.

The Allocated Amount will be invested over a period of three years. After the expiration of the three years period, the Allocated Amount will vest and the Participating Management will receive a cash payment from their respective share of the Allocated Amount (the “**Payout Amount**”). The Payout Amount for each annual tranche depends on the total shareholder return (share price plus dividend payment) of the Company’s shares over such period, subject to a cap of 200% of the Allocated Amount. The Payout Amount is determined after the expiration of the three years period of each tranche and will be paid out at the latest following the approval of the Company’s annual financial statements for the performance period. The target amount in per cent of the base salary amounts to approximately 57% to 67%. Assuming the aforementioned performance targets are fully achieved (100%), the long-term incentive component under the New LTIP amounts to €300 thousand for Mr. Crepulja, €180 thousand for Mr. Gräf, €125 thousand for Mr. Kracht, and €170 thousand for Mr. Schmitt per annum.

The following table provides an overview of the elements of compensation for the Management Board:

	Kruno Crepulja	**Andreas Gräf**	**Oliver Schmitt**	**Torsten Kracht**
		(in € thousand)		
Base salary	450	300	300	200
New STI	250	260	250	225
New LTIP	300	180	170	125
Total	**1,000**	**740**	**720**	**550**

Under the Pre-Placement STI, the members of the management board and three managing directors of at Instone Development and Instone Leipzig re-invested certain amounts received. In addition to the Allocated Amount, the total value of any amounts re-invested under the Pre-Placement STI with respect to the financial years 2015 to 2017 (the “**Re-Invested STI Amounts**”). Thereafter, the value of the virtual shares will be subject to the Company’s share price performance to be determined based on the number of virtual shares multiplied with the share price at a given point in time.

The successful sale of shares by the Existing Shareholders in the Private Placement will constitute a trigger event under the long-term incentive plan (the “**Pre-Placement LTIP**”) previously agreed between the Company and (i) the four members of the Management Board as well as (ii) two managing directors of Instone Development and (iii) one managing director of Instone Leipzig (the “**Pre-Placement LTIP Beneficiaries**”). In accordance with addenda to the Pre-Placement LTIP agreements, all Pre-Placement LTIP Beneficiaries will receive the aggregate amounts payable under their respective Pre-Placement LTIP agreements upon settlement of the Private Placement (currently expected to occur on February 19, 2018).

The payout amount under the Pre-Placement LTIP will be determined on the basis of the placement price of the Private Placement (with the Private Placement placement price used to determine the relevant multiple and to determine the value created for the Existing Shareholders). The total payout amount under the Pre-Placement LTIP is expected to range from approximately €9.4 million to approximately €11.9 million for Mr. Crepulja, from approximately €5.9 million to approximately €7.6 million for Mr. Gräf, from approximately €5.6 million to approximately €7.2 million for Mr. Schmitt, and from approximately €1.9 million to approximately €2.3 million for Mr. Kracht, assuming a placement at the low and at the high end of the Price Range.

The members of the Participating Management have irrevocably committed to invest 70% of the net payments received after tax under the Pre-Placement LTIP into purchases of shares of the Company from the Existing Shareholders *pro rata* to the Existing Shareholders' current shareholding in the Company (after tax). Immediately, at the latest within five bank working days after the Pre-Placement LTIP Beneficiary has received the payment under the Pre-Placement LTIP, the Pre-Placement LTIP Beneficiary and the Shareholders are obligated to enter into a share purchase agreement to implement the share purchase. The share price at which one share shall be purchased is equal to the placement price (*Platzierungspreis*) of the Company's shares in the Private Placement.

The shares acquired by the Pre-Placement LTIP Beneficiaries under their re-investment obligation will be locked-up for a period of up to three years as follows: (i) one-third of the until the first anniversary of the Commencement of Trading, (ii) an additional one-third of the virtual shares following the second anniversary of the Commencement of Trading, and (iii) the remaining one-third of the virtual shares following the third anniversary of the Commencement of Trading.

Each of the Existing Shareholders, each as partial debtor (*als Teilschuldner*) *pro rata* to its respective shareholding in the Company, has agreed to indemnify (*freistellen*) the Company in relation to any payments made by Instone under the Pre-Placement LTIP by way of a contribution to the equity of the Company, if and when such payments become due, upon first demand of the Company (the "**LTIP Indemnification**"). According to IFRS 2.2, this indemnification will have to be reflected as administrative expenses of the Company and as a corresponding increase in equity as additional share premium. Further, the Company will be responsible for certain wage tax payments relating also to the Pre-Placement LTIP, which will ultimately be borne by the Pre-Placement LTIP Beneficiaries.

13.12 Supervisory Board Remuneration

The members of the Supervisory Board shall receive an annual fixed remuneration in the amount of €60,000. The chairman of the Supervisory Board shall receive twice the amount, a vice chairman shall receive one and a half times this amount. The members of the audit committee shall receive an additional annual fixed remuneration in the amount of €15,000 and members of other committees of the Supervisory Board receive an additional annual compensation of €1,500. The respective chair of the committee receives twice the corresponding fixed compensation.

13.13 Shareholding Information

As of the date of this Prospectus, no Managing Director or Supervisory Director directly holds any shares in the Company or options for shares in the Company. The members of the Participating Management have, however, irrevocably committed to invest 70% of the net payments received after tax under the Pre-Placement LTIP into purchases of shares of the Company from the Existing Shareholders immediately after receipt of their payments under the Pre-Placement LTIP at the placement price of the Company's shares in the Private Placement, resulting in aggregate shareholdings of the Managing Directors not exceeding 1% of the Company's share capital.

13.14 Employment, Service and Severance Agreements

The provision of services by the members of the Management Board are governed by management board service agreements. The service agreements applicable for the Management Board following the N.V. Conversion will become effective on February 13, 2018 promptly following the Effectiveness of the N.V. Conversion. The management board service agreements will expire on December 31, 2021 for Mr. Crepulja and Mr. Gräf, on December 31, 2020 for Mr. Kracht and on June 30, 2020 for Mr. Schmitt.

The management board service agreements may generally only be terminated for cause within the meaning of Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch*). The Company can, however, release a member of the Management Board from his duties under the relevant management board service agreement for the remaining term of such agreement without cause. If a Managing Director is released from his duties without cause, the service agreement will end with a six-months notice period to the end of a month with an entitlement to (i) the contractual remuneration during this period and (ii) to a severance payment amounting to 1.5 years' annual gross remuneration (base salary, New STI and New LTIP) in the following month, reduced, however, *pro rata* in accordance with a potentially shorter remaining term of such Managing Director's service agreement.

Under the terms of the management board service agreements, the members of the Management Board are subject to non-compete and non-solicitation obligations for the term of their respective management board service agreement.

13.15 Supervisory Board Committees

Under the Articles of Association and, upon Effectiveness of the AG Conversion, the AG Articles of Association, the Supervisory Board may form committees from among its members. According to the Supervisory Board's rules of procedure, the Supervisory Board shall form an Audit Committee and a Nomination Committee from among its members. Other committees may be formed, if necessary. The Supervisory Board's decision-making authority may be delegated to these committees to the extent permitted by law. The following committees have been established by the Supervisory Board:

The **Audit Committee** (*Prüfungsausschuss*) is concerned, in particular, with the oversight of the Company's accounting process and the efficiency of its internal control system, risk management system, internal auditing system and compliance, as well as the audit of the annual financial statements including required independence of the auditor and additional services provided by the auditor, the conclusion of audit agreements with the auditor and – as the case may be – the auditor for the interim financial report, and, where applicable, setting focus points for the audit and agreeing audit fees. It shall prepare the Supervisory Board's resolutions on the annual financial statements (including group statements) and the Supervisory Board's proposal to the Genera Meeting on the election of the auditor, and the instruction of the auditor. The chairman of the Audit Committee shall have specialist knowledge and experience in the application of accounting standards and internal control processes. Furthermore, the chairman of the Audit Committee shall be independent and may not be a former member of the Company's Management Board whose appointment ended less than two years prior to his appointment as chairman of the Audit Committee. Moreover, it verifies the interim financial statements and the half-yearly financial statements and discusses the report on the audit with the auditor. It monitors the Company's risk management system and internal audit and compliance system.

The current members of the Audit Committee are:

Name	Responsibilities
Dr. Jochen Scharpe	Chairman
Stefan Mohr	Deputy Chairman
Stefan Brendgen	Member

Upon Effectiveness of the AG Conversion, Section 107 para 4 of the German Stock Corporation Act requires the Company to have at least one independent member of the audit committee with expertise in the fields of accounting or auditing in the meaning of Section 100 para 5 of the German Stock Corporation Act. Members of the Supervisory Board and the audit committee are considered as independent if such members have no business or personal relations with the Company, its Management Board, controlling shareholders or related parties which could cause a conflict of interest. As concerns the Supervisory Board and Audit Committee of the Company, Dr. Scharpe and Mr. Brendgen are considered to possess the respective expertise and independence.

The **Remuneration Committee** (*Vergütungsausschuss*) assists the Supervisory Board and handles the preparation of resolutions of the Supervisory Board in particular with regard to the remuneration system for the Management Board, the determination of remuneration packages on the basis of the tasks of the individual members of the Management Board, their personal performance and the economic situation, the performance and outlook of the enterprise, as well as all remuneration matters which are subject to approval of the Supervisory Board.

The current members of the Remuneration Committee are:

Name	Responsibilities
Richard Wartenberg	Chairman
Stefan Brendgen	Deputy Chairman

Marija Korsch	Member

The **Nomination Committee** (*Nominierungsausschuss*) makes recommendations to the Supervisory Board for Supervisory Board proposals to the shareholders' meeting with respect to the election of Supervisory Board members. Before making the recommendation, the Nomination Committee determines the requirements for the specific Supervisory Board office to be filled. It explains the requirements as well as the suitability of the recommended candidates to the Supervisory Board.

The current members of the Nomination Committee are:

Name	**Responsibilities**
Stefan Brendgen	Chairman
Richard Wartenberg	Deputy Chairman
Marija Korsch	Member

13.16 Board Conflicts of Interest

Under Dutch law, a member of the Management Board or the Supervisory Board who has a conflict of interest must abstain from participating in the deliberation and the decision-making process with respect to the relevant matter. If any such member was nevertheless involved in the decision-making process, then such decision may be nullified.

Pursuant to Dutch law, if all members of the Management Board have a conflict of interest, the Supervisory Board will have the authority to decide on the matter. Pursuant to the Articles of Association, if all members of the Supervisory Board have a conflict of interest with the Company, the resolution may nevertheless be passed by the Supervisory Board as if none of the Supervisory Directors has a conflict of interests as described in the previous sentence.

Decisions to enter into transactions in which there are conflicts of interest with a Managing Director or a Supervisory Director that are of material significance to the Company and/or to the relevant Managing Director or Supervisory Director require the approval of the Supervisory Board.

13.17 Board Conflicts of Interest upon Effectiveness of the AG Conversion

Upon Effectiveness of the AG Conversion, a member of the Management Board or the Supervisory Board who has a conflict of interest must abstain from participating in the deliberation and the decision-making process with respect to the relevant matter. If any such member was nevertheless involved in the decision-making process, then such decision may be nullified.

13.18 Certain Information Regarding the Members of the Management Board, Senior Management and the Supervisory Board

In the last five years, no member of the Management Board or the Supervisory Board has been convicted of fraudulent offences or has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body. 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 or Supervisory Board, nor have sanctions been imposed by the aforementioned authorities.

No court has ever disqualified any of the members of either board 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. No conflicts of interest or potential conflicts of interest exist between the members of the Management Board or Senior Management as regards the Company on the one side and their private interests, membership in governing bodies of companies, or other obligations on the other side.

No member of the Management Board or the Supervisory Board has entered into a service agreement with a group company that provides for benefits upon termination of employment or office. There are no family relationships between the members of the Management Board and the Supervisory Board, either among themselves or in relation to the members of the other body.

13.19 Potential Conflicts of Interest and Other Information

The Underwriters are acting exclusively for the Company and the Existing Shareholders and for no one else and will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Private Placement and will not be responsible to anyone other than the Company and the Existing Shareholders for providing the protections afforded to clients, giving advice in relation to the Private Placement and for the listing and trading of the Company's shares and/or any other transaction or arrangement referred to in this Prospectus.

Certain of the Underwriters and/or their respective affiliates have from time to time been engaged, and may in the future engage, in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or the Existing Shareholders (or any parties related to the Company) for which they have received or may in the future receive customary compensation, fees and/or commission.

In connection with the Private Placement, each of the Underwriters and any of their respective affiliates may take up Placement Shares in the Private Placement as a principal position and in that capacity may retain, purchase or sell for its own account such securities and any Placement Shares or related investments and may offer or sell such Placement Shares or other investments otherwise than in connection with the Private Placement. Accordingly, references in this Prospectus to Placement Shares being offered or placed should be read as including any offering or placement of Placement Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of ordinary shares. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than pursuant to any legal or regulatory obligation to do so.

As a result of acting in the capacities described above, the Underwriters may have interests that may not be aligned, or could potentially conflict, with investors' and/or the Company's interests.

Two members of the Company's Supervisory Board, Mr. Mohr and Mr. Wartenberg, are managing directors at Activum SG Advisory GmbH. The interests of Activum SG Advisory GmbH as advisory company to the Existing Shareholders may be different from the Company's interests or those of other members of the Supervisory Board, as well as other stakeholders.

13.20 Liability of Members of the Management Board and the Supervisory Board

Under Dutch law, the Managing Directors and the Supervisory Directors may be liable toward the Company for damages in the event of improper or negligent performance of their duties to the extent they are seriously culpable (*ernstig verwijtbaar*) for such acts or omission to act. They may be jointly and severally liable for damages toward the Company and toward third parties for infringement of the Articles of Association or of certain provisions of the DCC. In certain circumstances, they may also incur additional specific civil and criminal liabilities.

13.21 Liability of Members of the Management Board and the Supervisory Board Upon Effectiveness of the AG Conversion

Under German law, each member of the Management Board and Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. Each member of these bodies must consider a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors. In addition, the Management Board must also take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be individually or jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Company for compensatory damages, as the case may be.

13.22 Insurance

The Managing Directors, the Supervisory Directors and certain other officers are insured under a liability insurance provided for by the Company against damages resulting from their conduct when acting in their capacities as directors or officers (see "*8.10 Insurance*").

13.23 Indemnification

Pursuant to the Articles of Association, and unless and to the extent Dutch law provides otherwise, the following will be reimbursed by the Company to current and former members of the Management Board and the Supervisory Board: (i) any financial losses or damages incurred by the Managing Director or Supervisory Director and (ii) any expense reasonably paid or incurred by the Managing Director or Supervisory Director in connection with any threatened, pending or completed suit, claim, action or legal proceeding of a civil, criminal, administrative or other nature, formal or informal, in which he becomes involved, to the extent this relates to the current or former position with the Company and/or a group company and in each case to the extent permitted by applicable law.

No indemnification shall be given:

if a competent court or arbitral tribunal has established, without possibility for appeal, that the acts or omissions of such Managing Director or Supervisory Director that led to the financial losses, damages, expenses, suit, claim, action or legal proceeding are of an unlawful nature (including acts or omissions which are considered to constitute malice, gross negligence, intentional recklessness and/or serious culpability attributable to such Managing Director or Supervisory Director);

to the extent that his financial losses, damages and expenses are covered under insurance and the relevant insurer has settled, or has provided reimbursement for, these financial losses, damages and expenses (or has irrevocably undertaken to do so);

in relation to proceedings brought by such Management Director or Supervisory Director against the Company, except for proceedings brought to enforce indemnification to which he is entitled pursuant to these Articles of Association, pursuant to an agreement between such Managing Director or Supervisory Director and the Company which has been approved by the Management Board or pursuant to insurance taken out by the Company for the benefit of such Managing Director or Supervisory Director;

for any financial losses, damages and expenses incurred in connection with a settlement of any proceedings effected without the Company’s prior consent.

13.24 No Indemnification upon Effectiveness of the AG Conversion

Under German law, no indemnification comparable to the principles described above exists.

13.25 Diversity Policy

Pursuant to Dutch gender diversity requirements for management and supervisory boards, certain large Dutch companies must pursue a policy of having at least 30% of the seats on both the management board and the supervisory board be held by men and at least 30% of those seats be held by women, each to the extent these seats are held by natural persons.

The Company currently does not meet the applicable gender diversity targets, but the Company’s aim is to achieve a well-balanced allocation in the future.

The Supervisory Board shall draw up a diversity policy for the composition of the Management Board and the Supervisory Board. The policy shall address the targets relating to diversity and the diversity aspects relevant to the Company, such as nationality, age, gender and education and work background.

13.26 Diversity Policy upon Effectiveness of the AG Conversion

Pursuant to the German Stock Corporation Act (*Aktiengesetz*), German companies listed on a stock exchange that are subject to employee codetermination as provided by the German One-Third Employee Representation Act (*Drittelbeteiligungsgesetz*) or the German Codetermination Act (*Mitbestimmungsgesetz*) must pursue a policy of having at least 30% of the seats on the supervisory board be held by men and at least 30% of those seats be held by women. These principles do not apply to the Company.

The German Code (as defined below) recommends that the Supervisory Board shall draw up a diversity policy for the composition of the Management Board and the Supervisory Board. The policy shall address the targets relating to diversity and the diversity aspects relevant to the Company age and gender.

13.27 Dutch Corporate Governance Code

The Dutch Corporate Governance Code (the "**Dutch Code**") contains both principles and best practice provisions that regulate relations between a company's management board, supervisory board, its shareholders (*i.e.*, the general shareholders' meeting) and audit and financial reporting. All companies whose registered offices are in the Netherlands and whose shares are listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Code and, in the event that they do not apply a certain provision, to explain the reasons why. The Dutch Code was most recently amended in December 2016 on the recommendation of the Dutch Corporate Governance Code Monitoring Committee. The amended Dutch Corporate Governance Code 2016 must be applied as of January 1, 2017. The Dutch Code applies to the Company and the Company acknowledges the importance of good corporate governance. The Company has reviewed the Dutch Code and supports the best practice provisions thereof. Therefore, except as noted below or in the case of any future deviation, subject to explanation thereof at the relevant time, the Company intends to comply with the relevant best practice provisions of the Dutch Code. The Company acknowledges the importance of good corporate governance and agrees with the principles of the Dutch Code and has taken and will take further steps it considers appropriate to implement the Dutch Code.

The Company's members of the Management Board and the Supervisory Board are appointed by the General Meeting upon the binding nomination by the Supervisory Board. In deviation from what the Dutch Code recommends, the General Meeting may only overrule the binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, provided such majority represents more than half of the issued share capital. If the General Meeting overrules a binding nomination for a director, the Supervisory Board will promptly make a new binding nomination to be submitted to a subsequent General Meeting.

In deviation from the applicable recommendation of the Dutch Code, the Managing Directors are entitled to severance payments of 1.5 years' annual gross remuneration (base salary, New STI and New LTIP), reduced, however, *pro rata* in accordance with a potentially shorter remaining term of their service agreements. Such severance payment becomes due if a Managing Director is released from his duties under the relevant management board service agreement for the remaining term of such agreement without cause. In this event, such Managing Director's service agreement will end with a six-months notice period to the end a month with an entitlement (i) to the contractual remuneration during this period and (ii) to the severance payment in the following month. This severance payment entitlement is in compliance with German market practice and the corresponding recommendation of the German Code (as defined below) and was agreed upon taking into account the Company's focus on the German market, the appointment of a German team of Managing Directors and the planned AG Conversion.

As of the date of this Prospectus, the Company is not aware of other material deviations from the Dutch Code but cannot exclude the possibility of deviating from one or more provisions of the Dutch Code after the date of this Prospectus, including in order to follow market practice or governance practices in Germany.

13.28 German Corporate Governance Code

The German Corporate Governance Code as amended on February 7, 2017 (the "**German Code**") contains recommendations and suggestions for the management and supervision of German companies listed on a stock exchange. The German Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the German Code is to make the German system of corporate governance and supervision transparent for investors. The German Code includes recommendations and suggestions for management and supervision with regard to shareholders and shareholders' meetings, management and supervisory boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the German Code. However, the German Stock Corporation Act (*Aktiengesetz*) requires that the management board and supervisory board of a German listed company declare, every year, either that the recommendations have been or will be applied, or which recommendations have not been or will not be applied and explain why the management board and the supervisory board do not/will not apply the recommendations that have not been or will not be applied. This declaration is to be made permanently accessible to shareholders. However, deviations from the suggestions contained in the German Code need not be disclosed.

Upon Effectiveness of the AG Conversion, Instone will have to declare, every year, either that the recommendations have been or will be applied, or which recommendations have not been or will not be applied and explain why the management board and the supervisory board do not/will not apply the recommendations that have not been or will not be applied.

The Company expects to comply with all recommendations in the German Code upon Effectiveness of the AG Conversion.

14. CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as the Company or that are in control of or controlled by the Company must be disclosed unless they are already included as consolidated companies in the Company's audited consolidated financial statements. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below is a summary of such transactions with related parties for the financial years ended December 31, 2014, 2015 and 2016, the nine-month period ended September 30, 2017 and up to and including the date of this Prospectus. Further information, including quantitative amounts, of related-party transactions are contained in the notes to Instone's audited consolidated financial statements as of and for the financial years ended December 31, 2016, 2015 and 2014, and the unaudited interim condensed consolidated financial statements as of and for the nine-month period ended September 30, 2017, which are all included in the Section "16. Financial Information" on pages F-3 et seq. of this Prospectus. Business relationships between companies of Instone are not included.

14.1 Relationships and Transactions with Related Parties

For an overview of the relationship to the Existing Shareholders please refer to Section "*10 Information on the Existing Shareholders*" and to the notes to the audited consolidated financial statements, which are included in Section "*16. Financial Information*" of the Prospectus that also describe the transactions with such related parties in the periods under review.

The Existing Shareholders have granted the Company various shareholder loans in an aggregate amount of €84.0 million.

On December 28, 2017, the Shareholder Loans were partially converted in an amount of €48.0 million and contributed into the Company's share premium through the Shareholder Loan Conversion. For further information, please refer to "*8.7.2 Shareholder Loans*" and to "*8.7.2.4 Shareholder Loan Conversion and Pre–Placement Share Capital Increases*".

14.2 Relationships with Members of the Management Board and Supervisory Board

For an overview regarding the compensation, shareholding and stock incentives of the Managing Directors and Supervisory Directors, please refer to Sections "*13.11 Management Board Remuneration*" and "*13.12 Supervisory Board Remuneration*" as well as to the notes to the audited consolidated financial statements, which are included in Section "*16. Financial Information*" of the Prospectus.

One of the Supervisory Directors, Mr. Stefan Mohr, received €104,888.01 for consulting services in the financial year 2015 and €156,488.35 in 2014, respectively. For further information, please refer to the notes to the audited consolidated financial statements, which are included in Section "*16. Financial Information*" of the Prospectus. Representatives of the Existing Shareholders appointed to the Supervisory Board (i) have a beneficial interest in the Company representing less than 1.0% of the Company's share capital and (ii) indirectly benefit from the sale of Existing Shares in the Private Placement.

There were no other transactions, such as rendering of services or granting loans, between the entities of Instone and the members of the Managing Directors or Supervisory Directors and its direct and indirect subsidiaries, as well as their close family members, in the financial years under review.

15. TAXATION

15.1 The Netherlands

15.1.1 General

The following is a general summary of certain material Dutch tax consequences of the acquisition, holding and disposal of shares. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. In view of its general nature, this general summary should be treated with corresponding caution. Holders or prospective holders of shares should consult with their own tax advisors with regard to the tax consequences of investing in the shares in their particular circumstances. The discussion below is included for general information purposes only.

Please note that this summary does not describe the tax considerations for:

(i) holders of shares if such holders, and in the case of individuals, his or her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Company under the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*, or "**Dutch Income Tax Act"**). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his or her partner (as defined in the Dutch Income Tax Act, directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;

(ii) holders of shares if the shares held by such holders qualify or qualified as a participation (*deelneming*) for purposes of the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969,* or "**Dutch Corporate Income Tax Act"**). Generally, a taxpayer's shareholding of 5% or more in a company's nominal paid-up share capital qualifies as participation. A holder may also have a participation if such holder does not have a 5% shareholding but a related entity (statutorily defined term) has a participation or if the company in which the shares are held is a related entity (statutorily defined term);

(iii) holders of shares who are individuals for whom the shares or any benefit derived from the shares are a remuneration or deemed to be a remuneration for work activities or services performed by such holders or certain individuals related to such holders, whether within or outside an employment relation, that provides the holder, economically speaking, with certain benefits that have a relation to the relevant work activities or services (as defined in the Dutch Income Tax Act); and

(iv) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Dutch Corporate Income Tax Act) and other entities that are, in whole or in part, not subject to or exempt from corporate income tax in the Netherlands, as well as entities that are exempt from corporate income tax in their country of residence, such country of residence being another state of the European Union, Norway, Liechtenstein, Iceland or any other state with which the Netherlands have agreed to exchange information in line with international standards.

Except as otherwise indicated, this summary only addresses Dutch national tax legislation and published regulations, whereby the Netherlands means the part of the Kingdom of the Netherlands located in Europe, as in effect on the date hereof and as interpreted in published case law (of the Dutch Supreme Court (*Hoge Raad der Nederlanden*) until this date, without prejudice to any amendment introduced (or to become effective) at a later date and/or implemented with or without retroactive effect.

Certain provisions of this Section 15.1 will continue to be applicable following the Effectiveness of the AG Conversion depending on the residency of holders or prospective holders of shares in the Company.

15.1.2 Withholding Tax

Instone is required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by Instone (which withholding tax will not be borne by Instone, but will be withheld by Instone from the gross dividends paid on the shares). However, as long as Instone continues to have its place of management in Germany, and not in the Netherlands, under the convention between the Federal Republic of Germany and the Netherlands for the avoidance of double taxation with respect to taxes on income of 2012, Instone will be considered to be exclusively tax resident in Germany and Instone will not be required to withhold Dutch dividend withholding tax. This exemption from withholding does not apply to dividends distributed by Instone to a holder who is resident or deemed to be resident in the Netherlands for Dutch income tax purposes or Dutch corporation tax purposes or to holders of shares that are neither resident nor deemed to be resident of the Netherlands if the shares are attributable to a Dutch permanent establishment of such non-resident holder, in which events the following applies. See "*1.2.8 Instone may withhold tax on dividends in Germany and the Netherlands.*".

Dividends distributed by Instone to individuals and corporate legal entities who are resident or deemed to be resident in the Netherlands for Dutch tax purposes ("Dutch Resident Individuals" and "Dutch Resident Entities" as the case may be) or to holders of shares that are neither resident nor deemed to be resident of the Netherlands if the shares are attributable to a Dutch permanent establishment of such non-resident holder are subject to Dutch dividend withholding tax at a rate of 15%.

The expression "dividends distributed" includes, among other things:

distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital not recognized for Dutch dividend withholding tax purposes;

liquidation proceeds, proceeds of redemption of shares, or proceeds of the repurchase of shares by us or one of our subsidiaries or other affiliated entities to the extent such proceeds exceed the average paid-in capital of those shares as recognized for purposes of Dutch dividend withholding tax, unless in case of a repurchase, a particular statutory exemption applies;

an amount equal to the par value of shares issued or an increase of the par value of shares, to the extent that it does not appear that a contribution, recognized for purposes of Dutch dividend withholding tax, has been made or will be made; and

partial repayment of the paid-in capital, recognized for purposes of Dutch dividend withholding tax, if and to the extent that we have net profits (*zuivere winst*), unless the holders of shares have resolved in advance at a general meeting to make such repayment and the par value of the shares concerned has been reduced by an equal amount by way of an amendment of the Articles of Association.

Dutch Resident Individuals and Dutch Resident Entities can generally credit the Dutch dividend withholding tax against their income tax or corporate income tax liability. The same applies to holders of shares that are neither resident nor deemed to be resident of the Netherlands if the shares are attributable to a Dutch permanent establishment of such non-resident holder.

Pursuant to legislation to counteract "dividend stripping", a reduction, exemption, credit or refund of Dutch dividend withholding tax is denied if the recipient of the dividend is not the beneficial owner as described in the Dutch Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965*). This legislation generally targets situations in which a shareholder retains its economic interest in shares but reduces the withholding tax costs on dividends by a transaction with another party. It is not required for these rules to apply that the recipient of the dividends is aware that a dividend stripping transaction took place. The Dutch State Secretary of Finance takes the position that the definition of beneficial ownership introduced by this legislation will also apply in the context of a double taxation convention.

15.1.3 Taxes on income and capital gains

15.1.3.1 <u>Dutch Resident Entities</u>

Any benefit derived or deemed to be derived from the shares held by a Dutch Resident Entity, including any capital gains realized on the disposal thereof, will generally be subject to Dutch corporate income tax at a rate of 20 percent with respect to taxable profits up to €200,000 and 25 percent with respect to taxable profits in excess of that amount (rates and brackets for 2018).

15.1.3.2 <u>Dutch Resident Individuals</u>

If a holder of shares is a Dutch Resident Individual, any benefit derived or deemed to be derived from the shares is taxable at the progressive income tax rates (with a maximum of 51.95 percent in 2018), if:

i. the shares are attributable to an enterprise from which the holder of shares derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth (*medegerechtigd tot het vermogen*) of such enterprise, without being an entrepreneur or a shareholder; or

ii. the holder of shares is considered to perform activities with respect to the shares that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the shares that are taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual holder of shares, such holder will not be subject to Dutch income tax over actual income, gains or losses in respect of the shares. Such holder will be taxed annually on a deemed, variable return (with a maximum of, currently, 5.39 percent) of his or her net investment assets for the year at an income tax rate of 30 percent.

The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on January 1 of the relevant calendar year. The shares are included as investment assets. A tax free allowance may be available.

For the net investment assets on January 1, 2018, the deemed return ranges between 2.02 percent and 5.38 percent (depending on the aggregate amount of such holder's net investments assets). The deemed, variable return will be adjusted annually on the basis of historic market yields.

15.1.3.3 <u>Non-residents of the Netherlands</u>

A holder of shares that is neither a Dutch Resident Entity nor a Dutch Resident Individual will not be subject to Dutch taxes on income or capital gains in respect of any payment under the shares or in respect of any gain or loss realized on the disposal or deemed disposal of the shares, provided that:

i. such holder does not have an interest in an enterprise or a deemed enterprise (as defined in the Dutch Income Tax Act and the Dutch Corporate Income Tax Act) which, in whole or in part, is either effectively managed in the Netherlands or is carried out through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the shares are attributable; and

ii. in the event such holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the shares that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) and does not derive benefits from the shares that are taxable as benefits from other activities in the Netherlands (*resultaat uit overige werkzaamheden*).

15.1.4 Gift and inheritance tax

15.1.4.1 <u>Residents of the Netherlands</u>

Gift and inheritance taxes will arise in the Netherlands with respect to a transfer of the shares by way of a gift by, or on the death of, a holder of shares who is resident or deemed to be resident in the Netherlands at the time of the gift or his/her death.

15.1.4.2 <u>Non-residents of the Netherlands</u>

No Dutch gift or inheritance taxes will arise on the transfer of the shares by way of gift by, or on the death of, a holder of shares who is neither resident nor deemed to be resident in the Netherlands, unless in the case of a gift of shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in the

Netherlands if such person has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Furthermore, for purposes of Netherlands gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

15.1.4.3 *Other Taxes and Duties*

No Dutch VAT and no Dutch registration tax, stamp duty or any other similar documentary tax or duty will be payable by a holder of shares on any payment in consideration for the holding or disposal of the shares.

15.2 Federal Republic of Germany

The following Section outlines certain key German tax principles that may be relevant with respect to the acquisition, holding or transfer of shares in the Company. It is important to note that the legal situation may change, possibly with retroactive effect. This summary is not and does not purport to be a comprehensive or exhaustive description of all German tax considerations under non-German tax law that may be relevant to shareholders of the Company. In particular, this summary does not cover tax considerations under non-German tax law that may be relevant to a shareholder that is a tax resident of a jurisdiction other than Germany. This presentation is based upon domestic German tax laws in effect as of the date of this Prospectus and the provisions of double taxation treaties currently in force between Germany and other countries.

This Section does not replace the need for individual shareholders of the Company to seek personal tax advice. It is therefore recommended that shareholders consult their own tax advisors regarding the tax implications of acquiring, holding or transferring shares of the Company and what procedures are necessary to secure the repayment of German withholding tax (Kapitalertragsteuer), if possible. Only qualified tax advisors are in a position to adequately consider the particular tax situation of individual shareholders.

15.2.1 Taxation of the Company

Even though the Company has its statutory seat in Amsterdam, the Netherlands, Company is subject to tax with its worldwide income (unlimited tax liability; *unbeschränkte Steuerpflicht*) in Germany due to its place of management being in Germany.

The Company's taxable income, whether distributed or retained, is generally subject to German corporate income tax at a uniform rate of 15% plus the solidarity surcharge of 5.5% thereon, resulting in a total tax rate of 15.825%.

Dividends and other shares in profits which the Company receives from domestic and foreign corporations are generally not subject to corporate income tax; however, 5% of this type of income are deemed to be a non-deductible business expense and are thus taxable resulting in an effective tax-exemption of 95%. The same generally applies to capital gains realized by the Company from the sale of shares in another domestic or foreign corporation. Losses incurred from the sale of such shares are not deductible for tax purposes, regardless of the percentage of shares held. Different rules apply to free-floating dividends (*i.e.*, dividends earned on direct shareholdings in a distributing corporation amounting to less than 10% of its share capital at the start of the respective calendar year ("**Portfolio Dividends**")). Portfolio Dividends are fully taxed at the corporate income tax rate (plus solidarity surcharge (*Solidaritätszuschlag*) thereon). The acquisition of a shareholding of at least 10% is deemed to have occurred at the beginning of the calendar year.

Participations in the share capital of other corporations which the Company holds through partnerships, including co-entrepreneurships (*Mitunternehmerschaften*), are attributable to the Company only on a *pro rata* basis at the ratio of the interest share of the Company in the assets of relevant partnership.

In addition, the Company is subject to trade tax with respect to its taxable trade profits from its permanent establishments in Germany. The trade tax rate depends on the local municipality/municipalities in which the Company maintains its permanent establishment(s). For the Company, the trade tax burden currently amounts to 16.8% of the taxable trade profit based on an assessment rate of 480% for the municipality of Essen.

For trade tax purposes, dividends received from domestic and foreign corporations and capital gains from the sale of shares in other corporations are treated in principle in the same manner as for corporate income tax purposes. However, shares in profits received from domestic and foreign corporations are effectively 95% exempt from trade tax only if, *inter alia*, the company that is receiving the dividends has held or holds a stake of at least 15% in the share capital of the company making the distribution at the beginning or – in the case of foreign corporations – since the beginning of the assessment period. In the case of distributing companies domiciled in another member state of the European Union, a stake of 10% at the beginning of the assessment period is sufficient. Additional limitations apply with respect to shares in profits received from foreign corporations domiciled outside the European Union.

The provisions of the interest barrier (*Zinsschranke*) restrict the extent to which interest expenses are tax deductible. Under these rules, net interest expenses (interest expenses minus interest income in any given financial year) are generally only deductible up to 30% of the taxable EBITDA (taxable earnings adjusted for, in particular, interest costs, interest income, and certain depreciation and amortization), although there are certain exceptions to this rule. The interest barrier rules do not apply in any given financial year (i) if the annual net interest expense is less than €3.0 million, (ii) if the respective entity is not or only partially part of a consolidated group, or (iii) if the respective entity is part of a consolidated group but its equity ratio is no more than 2 percentage points below the equity ratio of the consolidated group. For the eligibility of exemption (ii), the entity must prove that it did not pay more than 10% of the net interest expense to shareholders with a (direct or indirect) shareholding in the entity of more than 25% or to an associated person (as defined in the German Foreign Tax Act (*Außensteuergesetz*)). For the eligibility of exemption (iii), the entity must prove that the entity itself and any other company of the consolidated group did not pay more than 10% of the net interest expense to shareholders with a (direct or indirect) shareholding in a group company of more than 25% or to an associated person. Interest expense that is not deductible in any given financial year may be carried forward to subsequent financial years of the Company (interest carryforward) and will increase the interest expense in those subsequent years. Under certain conditions, non-offsettable EBITDA may also be carried forward to subsequent financial years (EBITDA carryforward). For the purpose of trade tax, however, the deductibility of interest expenses is further restricted to the extent that the sum of certain trade taxable add back items exceeds €100,000.00. In such cases 25% of the interest expenses, to the extent they were deducted for corporate income tax purposes, are added back for purposes of the trade tax base; consequently, in these cases the deductibility is limited to 75% of such interest expenses.

Losses of the Company can be carried forward to subsequent financial years and used to fully offset taxable income for corporate income tax and trade tax purposes only up to an amount of €1.0 million. If the taxable income for the year or taxable profit subject to trade taxation exceeds this threshold, only up to 60% of the amount exceeding the threshold may be offset by tax loss carryforwards. The remaining 40% are subject to taxation (minimum taxation). The rules also provide for an optional tax loss carryback in an amount of up to €1.0 million to the previous year with regards to corporate income tax. Unused tax loss carryforwards may generally be carried forward for an unlimited period of time.

If more than 50% of the subscribed capital or voting rights of the Company are directly or indirectly transferred to an acquirer (including parties related to the acquirer) within five years or comparable circumstances occur, all tax loss carryforwards and interest carryforwards expire. A group of acquirers with aligned interests is also considered to be an acquirer for these purposes. In addition, any current annual losses incurred prior to the acquisition will not be deductible. If more than 25% up to and including 50% of the subscribed capital or voting rights of the Company are transferred to an acquirer (including parties related to the acquirer) or comparable circumstances occur, a proportional amount of tax loss carryforwards, unused current losses and interest carryforwards expire. The specific elements of the clause in the German Corporate Tax Act (*Körperschaftsteuergesetz*) and their consequences are subject to several court decisions (Federal Constitutional Court (*Bundesverfassungsgericht*) on March 29, 2017 and Lower Fiscal Court of Hamburg on August 29, 2017) with respect to its compliance with German Constitutional Law as well as general tax principles.

The rules on the forfeiture of tax loss carryforwards, unused current losses and interest carryforwards do not apply to share transfers where (i) the acquirer directly or indirectly holds a participation of 100% in the transferring entity, (ii) the seller directly or indirectly holds a participation of 100% in the receiving entity, or (iii) the same natural or legal person or commercial partnership directly or indirectly holds a participation of 100% in the transferring and the receiving entity. Furthermore, tax loss carryforwards, unused current losses and interest carryforwards taxable in Germany will not expire to the extent that they are covered by built in gains, which are taxable in Germany at the time of such acquisition.

In accordance with legislation enacted on December 23, 2016, a new rule was introduced to the German Corporate Tax Act (*Körperschaftsteuergesetz*) with retroactive effect from January 1, 2016. Based upon this legislation and its respective application, any share transfer that would otherwise be subject to the aforementioned rules does not result in forfeiture of tax loss carryforwards resulting from current business operations (*Geschäftsbetrieb*) of the Company, if, in addition to other circumstances, the current business operations of the Company remained the same (i) from the time of its establishment; or (ii) during the last three business years prior to the share transfer and such business operations are maintained after the transfer. The determination of whether the business operations have been maintained is assessed on the basis of qualitative factors (*e.g.*, produced goods and services, target markets, client and supplier bases). However, the relevant retained tax loss carryforwards will be subject to a special regime, providing, *inter alia*, that they will expire in any event if, after the share transfer, the business operations of the Company become dormant or are amended, the Company becomes a partner in a co-entrepreneurship (*Mitunternehmerschaft*), the Company becomes a parent of a fiscal unity (*Organschaft*), or assets are transferred from the Company and accounted for at a value lower than the fair market value. Whether any of the aforementioned detrimental circumstances occur is monitored until the retained tax loss carryforwards have been fully utilized.

15.2.2 Taxation of Shareholders

Shareholders are taxed in particular in connection with the holding of shares (taxation of dividend income), upon the sale of shares (taxation of capital gains) and the gratuitous transfer of shares (inheritance and gift tax).

15.2.2.1 Taxation of Dividend Income

In the future, the Company may pay dividends out of a tax recognized contribution account (*steuerliches Einlagenkonto*). To the extent that the Company pays dividends from the tax-recognized contribution account (*steuerliches Einlagenkonto*), the dividends are not subject to withholding tax, personal income tax (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if any) or corporate income tax, as the case may be. However, dividends paid out of a tax-recognized contribution account (*steuerliches Einlagenkonto*) lower the acquisition costs of the shares, which may result in a higher amount of taxable capital gains upon the shareholder's sale of the shares. Special rules apply to the extent that dividends from the tax-recognized contribution account (*steuerliches Einlagenkonto*) exceed the then lowered acquisition costs of the shares (the details are outlined below).

15.2.2.2 Withholding Tax

Dividends distributed by the Company that are not paid out of the tax-recognized contribution account (*steuerliches Einlagenkonto*) are (due to the place of management of the Company in Germany) subject to a deduction at source (withholding tax) in Germany at a 25% rate plus a solidarity surcharge (*Solidaritätszuschlag*) of 5.5% on the amount of withholding tax (amounting in total to a rate of 26.375%) and church tax (*Kirchensteuer*), if applicable. The basis for determining the dividend withholding tax is the dividend approved for distribution by the Company's General Meeting.

In general, dividend withholding tax is withheld regardless of whether and, if so, to what extent the shareholder must report the dividend for tax purposes and regardless of whether the shareholder is a resident of Germany or of a foreign country.

As the Company's shares are admitted to be held in collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective safe custody in Germany, the Company is generally not responsible for withholding the withholding tax. Instead, one of the following entities in Germany is responsible and authorized to collect withholding tax and to remit it to the relevant tax authority for the account of the relevant shareholder: (i) a domestic bank or financial service institution, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks or financial service institutions) that holds the shares in custody or that manages such shares and that pays out or credits the shareholder's investment income or that pays the investment income to a foreign entity, or (ii) the central securities depository (*Wertpapiersammelbank*) holding the collective deposit shares in custody if it pays the investment income to a foreign entity, or (iii) the Company itself if and to the extent shares held in collective safe custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) are not subject to the market claim procedure (*Dividendenregulierung*) (*e.g.*, because the shares are treated as stock being held separately (*abgesetzte Bestände*).

The Company assumes responsibility for the withholding of taxes on distributions at source, in accordance with statutory provisions. This means that the Company is released from liability for the violation of its legal obligation to withhold and transfer the taxes at source if it provides evidence that it has not breached its duties intentionally or grossly negligently.

Where dividends are distributed to a company resident in another member state of the European Union within the meaning of Article 2 of the Council Directive 2011/96/EU of November 30, 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states, as amended (the "**Parent-Subsidiary Directive**"), withholding of the dividend withholding tax may not be required, upon application, provided that additional requirements are met (withholding tax-exemption). This also applies to dividends distributed to a permanent establishment located in another member state of the European Union of such parent company or of a parent company that is tax resident in Germany, if the interest in the dividend-paying subsidiary is part of the respective permanent establishment's business assets. An important prerequisite for the exemption from withholding at the source under the Parent-Subsidiary Directive is that the shareholder has directly held at least 10% of the Company's registered share capital continuously for one year and that the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*), with its registered office in An der Küppe 1, 53225 Bonn, Germany, has certified to the creditor of the dividends, based upon an application filed by such creditor on the officially prescribed form, that the prerequisites for exemption have been met.

The dividend withholding tax rate for dividends paid to shareholders without a tax residence in Germany will be reduced in accordance with any applicable double taxation treaty between Germany and the relevant shareholder's country of residence, provided that the shares are neither held as part of the business assets of a permanent establishment or a fixed place of business in Germany nor as part of the business assets for which a permanent representative in Germany has been appointed. The reduction in the dividend withholding tax is generally obtained by applying to the Federal Central Office of Taxation, with its registered office in An der Küppe 1, 53225 Bonn, Germany, for a refund of the difference between the dividend withholding tax withheld, including the solidarity surcharge, and the amount of withholding tax actually owed under the applicable double taxation treaty, which usually amounts to between 5% and 15%. Depending on the applicable double taxation treaty, a reduced withholding tax rate may be applicable, if the shareholder has applied for an exemption from the Federal Central Office of Taxation. The applicable double taxation treaty may also provide for a full exemption from the German dividend withholding tax, if the relevant shareholder has directly held at least 10% of the Company's registered share capital and if further prerequisites are met. Forms for the refund and exemption procedure may be obtained from the Federal Central Office of Taxation, as well as German embassies and consulates.

Corporations that are not tax residents in Germany will upon application receive a refund of two fifths of the dividend withholding tax that was withheld and remitted to the tax authorities subject to certain requirements. This applies regardless of any further reduction or exemption provided for under the Parent-Subsidiary Directive or a double taxation treaty.

Foreign corporations will generally have to meet certain stringent substance criteria in order to receive an exemption from, or (partial) refund of, German dividend withholding tax.

Pursuant to a special rule on the restriction of withholding tax credit, the aforementioned relief in accordance with applicable double taxation treaties as well as the credit of withholding tax described for shares held as private and as business assets (see "*15.2.3 Taxation of Dividends of Shareholders with a Tax Residence in Germany*") is subject to the following three cumulative prerequisites: (i) the relevant shareholder must qualify as beneficial owner of the shares in the Company for a minimum holding period of 45 consecutive days occurring within a period of 45 days prior and 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the shares in the Company during the minimum holding period without being directly or indirectly hedged, and (iii) the shareholder is not required to fully or largely, directly or indirectly, transfer the dividends to third parties.

Should any of the three prerequisites not be met, the following applies:

As regards the taxation of dividends of shareholders with a tax residence in Germany, three fifths of the withholding tax imposed on the dividends may not be credited against the shareholder's (corporate) income tax liability, but may, upon application, be deducted from the shareholder's tax base for the relevant assessment period. A shareholder that has received gross dividends without any deduction of withholding tax due to a tax-exemption without qualifying for a full tax credit has to notify the competent local tax office accordingly and has to make a payment in the amount of the withholding tax deduction which was omitted. The special rule on the restriction of withholding tax credit does not apply to a shareholder whose overall dividend earnings within an assessment period do not exceed €20,000.00 or who has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the dividends.

As regards the taxation of dividends of shareholders without a tax residence in Germany who have applied for a full or partial refund of the withholding tax pursuant to a double taxation treaty, no refund is available. This restriction does not apply to a shareholder (i) that directly holds at least 10% of the shares in the Company and that is subject to (corporate) income tax in the country of its tax residence without any exemptions, or (ii) that has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the dividends, or (iii) if the applicable tax rate pursuant to the applicable double taxation treaty is at least 15%.

15.2.3 Taxation of Dividends of Shareholders with a Tax Residence in Germany

15.2.3.1 Individuals who hold the Shares as Private Assets

For individuals who are tax resident in Germany (generally, individuals whose domicile or habitual abode is located in Germany) and who hold their shares in the Company as private assets (*Privatvermögen*), the withholding tax of 25% plus solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax (*Kirchensteuer*), if applicable) will generally serve as a final tax (*i.e.*, once such tax has been deducted, the shareholder's income tax liability on the dividends will be settled, and he or she will no longer have to declare them on his or her annual tax return (the "**Flat Tax**")).

The purpose of the Flat Tax is to provide for separate and final taxation of capital investment income earned (*i.e.*, taxation that is irrespective of the individual's personal income tax rate). Shareholders may apply to have their capital investment income assessed in accordance with the general rules and with an individual's personal income tax rate if this would result in a lower tax burden. In this case, the tax base would be the gross dividend income less the savers' allowance of €801.00 (€1,602.00 for jointly filing individuals). Any tax and solidarity surcharge already withheld would be credited against the income tax and solidarity surcharge (*Solidaritätszuschlag*) so determined, and any overpayment refunded. Income-related expenses cannot be deducted from capital investment income in either case. The only possible deduction is the savers' allowance of €801.00 (€1,602.00 for jointly filing individuals) on all private investment income. Furthermore, dividend income can only be offset by losses from capital investment income, except for losses generated by the disposal of shares.

If the individual owns (i) at least 1% of the shares in the Company and is able to exercise a significant entrepreneurial influence on the business activity of the Company by virtue of his professional activity (*berufliche Tätigkeit*) for the Company, or (ii) at least 25% of the shares in the Company, the tax authorities may upon application allow for the dividends to be taxed under the partial-income method (see "*15.2.3.2.2 Sole Proprietors (Individuals)*").

Entities required to collect withholding taxes on capital investment income are required to likewise withhold the church tax on payments to shareholders who are subject to church tax (*Kirchensteuer*), unless the shareholder objects in writing to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his or her private information regarding his affiliation with a religious denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, the church tax (*Kirchensteuer*) on the dividends is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense. However, 26.375% of the church tax (*Kirchensteuer*) withheld on the dividends is deducted from the withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*)) withheld. If no church taxes are withheld along with the withholding of the withholding tax, the shareholder who owes church tax is required to report his dividends in his income tax return. The church tax on the dividends will then be imposed during the assessment.

Contrary to the above, dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagenkonto*) and are paid to shareholders who are tax resident in Germany whose shares are held as private assets, do not form part of the shareholder's taxable income. If the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagenkonto*) exceeds the shareholder's acquisition costs, the German tax authorities take the view that negative acquisition costs will arise, which may result in a higher capital gain in case of a disposal of the shares. This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the disposal directly or indirectly held at least 1% of the share capital of the Company (a "**Qualified Participation**") and (ii) the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagenkonto*) exceeds the acquisition costs of the shares. In case of a Qualified Participation, a dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagenkonto*) is considered a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagenkonto*) exceeds the acquisition costs of the shares. In this case the taxation corresponds to the taxation of capital gains of shareholders maintaining a Qualified Participation (see "*15.2.5 Taxation of Capital Gains*").

15.2.3.2 Shares Held as Business Assets

The Flat Tax does not apply to dividends from shares of the Company held as business assets (*Betriebsvermögen*) of shareholders who are tax resident in Germany. In this case, the taxation is based on whether the shareholder is a corporation, an individual or a partnership. The withholding tax withheld and paid to the German tax authorities, including the solidarity surcharge, is credited against the income or corporate income tax and the solidarity surcharge of the shareholder, and any overpayment will generally be refunded (see "*15.2.2.2 Withholding Tax*").

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagenkonto*) and paid to shareholders who are tax resident in Germany and whose shares are held as business assets are generally fully tax-exempt in the hands of such shareholders (*i.e.*, the acquisition costs/book value are reduced accordingly). To the extent the dividend payments funded from the Company's tax-recognized contribution account (*steuerliches Einlagenkonto*) exceed the acquisition costs/book value of the shares, a taxable capital gain should occur. The taxation of such gain corresponds to the taxation of shareholders whose shares are held as business assets (see "*15.2.5 Taxation of Capital Gains*"). However, it is disputed whether on such a capital gain the 95% tax-exemption in case for corporations applies.

15.2.3.2.1 Corporations

Dividends received by corporations that are tax resident in Germany are generally exempt from corporate income tax and solidarity surcharge. However, 5% of the dividends are treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge) with a total tax rate of 15.825%.

Portfolio Dividends are fully taxed at the corporate income tax rate (plus solidarity surcharge thereon). The acquisition of a shareholding of at least 10% during a calendar year is deemed to have occurred at the beginning of the respective calendar year. Participations which a shareholder holds through partnerships, including co-entrepreneurships (*Mitunternehmerschaften*) are only attributable to such shareholder on a *pro rata* basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Business expenses actually incurred and with a direct business relationship to the dividends may be fully deducted.

Any dividends (after deducting business expenses related to the dividends) are fully subject to trade tax, unless the corporation held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, entitling it to an intercorporate privilege for trade tax purposes. In such case, the aforementioned exemption of 95% of the dividend income applies analogously for trade tax purposes.

15.2.3.2.2 Sole Proprietors (Individuals)

If the shares in the Company are held as part of the business assets of a sole proprietor (individual) with his or her tax residence in Germany, 40% of any dividend is tax-exempt (so-called partial income method). Only 60% of the expenses economically related to the dividends are tax deductible. The partial income method also applies when individuals hold the shares indirectly through a partnership (with the exception of individual investors who hold their shares through partnerships that are neither commercial partnerships nor deemed to be commercial partnerships). However, the partial-income method does not apply with respect to church tax (if applicable). If the shares are held as business assets of a domestic commercial permanent establishment, the full amount of the dividend income (after deducting business expenses that are economically related to the dividends) is also subject to trade tax, unless the taxpayer held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, 95% of the dividends are exempt from trade tax. However, trade tax is generally credited, in full or in part, as a lump sum against the relevant shareholder's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder.

15.2.3.2.3 Partnerships

If a shareholder is a partnership, the personal income tax or corporate income tax, as the case may be, and the solidarity surcharge are levied at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the partner is a corporation or an individual. If the partner is a corporation, dividends are generally 95% tax exempt. However, dividends from an indirect shareholding representing less than 10% of the share capital for the relevant partner are fully subject to taxation (see "*15.2.3.2.1 Corporations*"). If the partner is an individual and the shares are held as business assets of the partnership, only 60% of the dividend income is subject to income tax. In this case, the partial-income method does not apply with respect to church tax, if applicable (see "*15.2.3.2.2 Sole Proprietors (Individuals)*").

Additionally, if the shares are held as business assets of a domestic permanent establishment of a commercial partnership or deemed to be commercial partnership, the full amount of dividend income is generally also subject to trade tax at the level of the partnership. In the case of partners who are individuals, the trade tax that the partnership pays on the relevant partner's portion of the partnership's income is generally credited as a lump sum – fully or in part – against the individual's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder. If the partnership held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, the dividends should generally not be subject to trade tax. In this case, trade tax should, however, be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 10% of the shares in the Company are attributable on a look-through basis, since this portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to partners other than such specific corporate partners (which includes individual partners and should, according to a literal reading of the law, also include corporate partners to whom, on a look-through basis, only portfolio participations are attributable) should not be subject to trade tax.

15.2.3.2.4 Financial and Insurance Sector

Special rules apply to companies operating in the financial and insurance sector, as well as taxable pension funds (see "*15.2.6 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

15.2.4 Taxation of Dividends of Shareholders without a Tax Residence in Germany

Dividends paid to shareholders of the Company (individuals and corporations) without a tax residence in Germany are taxed in Germany, provided that the shares are held as part of the business assets of a permanent establishment or a fixed place of business in Germany or as part of the business assets for which a permanent representative in Germany has been appointed. The withholding tax (including solidarity surcharge (*Solidaritätszuschlag*)) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability, and any overpayment will generally be refunded (see "*15.2.2.2 Withholding Tax*"). The same applies to the solidarity surcharge (*Solidaritätszuschlag*). These shareholders are essentially subject to the same rules applicable to tax resident shareholders, as discussed above.

In all other cases, the withholding of the dividend withholding tax discharges the limited tax liability (*i.e.*, taxation of German source income; *beschränkte Steuerpflicht*) of the shareholder in Germany. A refund or exemption is granted only as discussed with respect to dividend withholding tax (see "*15.2.2.2 Withholding Tax*").

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagenkonto*) are generally not taxable in Germany.

15.2.5 Taxation of Capital Gains

15.2.5.1 Taxation of Capital Gains of Shareholders with a Tax Residence in Germany

15.2.5.1.1 Shares Held as Private Assets

Gains on the sale of shares of the Company that are held as private assets by shareholders with a tax residence in Germany are generally taxable regardless of the length of time held. The tax rate is generally a uniform 25% plus the 5.5% solidarity surcharge thereon (resulting in an aggregate tax rate of 26.375%) as well as any church tax, if applicable.

The taxable capital gains are the difference between (i) the proceeds from the disposal of the shares after deducting the direct sales costs and (ii) the acquisition costs of the shares. Other income-related expenses cannot be deducted. The only possible deduction is the savers' allowance for €801,00 (€1,600,00 for jointly filing individuals) on all private capital investment income. Under certain conditions, prior payments from the tax-recognized contribution account (*steuerliches Einlagenkonto*) may lead to reduced acquisition costs of the shares held as private assets and, as a consequence, increase the taxable capital gain. Furthermore, losses on the sale of shares can only be used to offset gains made on the sale of shares during the same year or in subsequent years.

If the shares are held in custody or administered by a domestic bank or financial service institution, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks and financial service institutions), or if such entity or branch sells the shares and pays out or credits the capital gains (each a "**Domestic Paying Agent**"), such Domestic Paying Agent withholds a withholding tax of 25% plus 5.5% solidarity surcharge (*Solidaritätszuschlag*) thereon and any church tax

(*Kirchensteuer*), if applicable, and remits such taxes to the German tax authority. In such a case, the tax on the capital gain will generally be discharged. If the shares were only held in custody or administered by the respective Domestic Paying Agent continuously after acquisition, the amount of taxes withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire such shares. However, the withholding tax rate of 25% plus the 5.5% solidarity surcharge (*Solidaritätszuschlag*) thereon and any church tax (*Kirchensteuer*), if applicable, will be applied to 30% of the gross sales proceeds, if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to, and in case the actual gain is higher than 30% of the gross proceeds required to, verify the original costs of the shares in his annual tax return.

Entities required to collect withholding taxes on capital investment income are also required to withhold the church tax for shareholders who are subject to church tax, unless the shareholder objects in writing to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his private information regarding his affiliation with a denomination (*Sperrvermerk*). If church tax (*Kirchensteuer*) is withheld and remitted to the German tax authority as part of the withholding tax deduction, then the church tax on the capital gain is also deemed to be discharged when it is deducted. The withheld church tax (*Kirchensteuer*) cannot be deducted in the tax assessment as a special expense. However, 26.375% of the church tax withheld on the capital gain is deducted from the withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*)) withheld.

Shareholders may apply to have their capital investment income assessed in accordance with the general rules and with an individual's personal income tax rate if this would result in a lower tax burden. In this case, the tax base would be the gross dividend income less the savers' allowance of €801.00 (€1,602.00 for jointly filing individuals). The prohibition on deducting income-related costs and the restrictions on offsetting losses also apply to tax assessments based on the individual's income tax rate. Any tax already withheld would be credited against the income tax so determined, and any overpayment generally refunded.

If the shareholder, or his legal predecessor in the event of a gratuitous transfer, has directly or indirectly held shares equal to at least 1% of the Company's share capital at any time during the previous five years, one exception to this rule is that a shareholder's capital gains are subject to the partial income method and not the Flat Tax. In this case, 60% of the proceeds from the sale of shares are subject to the individual income tax rate, 60% of the expenses economically related to the proceeds from the sale of shares are tax-deductible.

In the case of a Qualified Participation, withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*)) is also withheld by the Domestic Paying Agent. The tax withheld, however, is not treated as a final tax. Hence, the shareholder is required to declare the gains from the sale in his income tax return. The withholding tax (including solidarity surcharge (*Solidaritätszuschlag*)) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax liability, and any overpayment will generally be refunded.

15.2.5.1.2 Shares Held as Business Assets

The Flat Tax does not apply to proceeds from the sale of shares held as business assets by shareholders tax resident in Germany. If the shares form part of a shareholder's business assets, taxation of the capital gains realized will then depend upon whether the shareholder is a corporation, sole proprietor or partnership. Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagenkonto*) reduce the original acquisition costs/book value. This may give rise to a higher taxable capital gain in case of a sale of shares. If such dividend payments exceed the shares' book value for tax purposes, a taxable capital gain may arise.

(i) **Corporations:** In general, capital gains realized from the sale of shares by corporations domiciled in Germany are exempt from corporate income tax (including the solidarity surcharge (*Solidaritätszuschlag*)) and trade tax, irrespective of the stake represented by the shares and the length of time the shares are held. However, 5% of the capital gains are treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge (*Solidaritätszuschlag*) thereon) and to trade tax.

(ii) **Sole proprietors (individuals):** If the shares of the Company form part of the business assets of a sole proprietor (individual) who is tax resident in Germany, 60% of the capital gains on their sale are subject to the individual's personal tax rate plus the solidarity surcharge (*Solidaritätszuschlag*) thereon (partial income method). Correspondingly, only 60% of losses from such sales and 60% of expenses economically related to such sales are deductible. For church tax (*Kirchensteuer*), if applicable, the partial income method does not apply. If the shares are held as business assets of a commercial permanent establishment located in Germany, 60% of the capital gains are also subject to trade tax. The trade tax is fully or partially credited as a lump sum against the shareholder's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder.

(iii) **Commercial partnerships or deemed to be commercial partnerships:** If the shareholder is a partnership, personal income tax or corporate income tax, as the case may be, is assessed at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the respective partner is a corporation or an individual. If the partner is a corporation, the tax principles applying to capital gains which are outlined in subsection (i) apply. If the partner is an individual, the tax principles applying to capital gains that are outlined in subsection (ii) apply. Upon application and provided that additional prerequisites are met, an individual who is a partner may obtain a reduction of his personal income tax rate for profits not withdrawn from the partnership. In addition, capital gains from the sale of shares attributable to a permanent establishment maintained in Germany by a commercial partnership and a deemed to be commercial partnership are subject to trade tax at the level of the partnership. In such case, generally only 60% of the gains are subject to trade tax to the extent the partners in the partnership are individuals, while 5% are subject to trade tax to the extent the partners are corporations and shares are sold. Under the principles discussed above, losses on sales and other reductions in profit related to the shares sold are generally not deductible or only partially deductible, if the partner is a corporation. If the partner is an individual, the trade tax the partnership pays on its share of the partnership's income is generally credited as a lump sum – fully or in part – against his personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of the taxpayer.

Special rules apply to capital gains realized by companies operating in the financial and insurance sectors, as well as taxable pension funds (see "*15.2.6 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

If a Domestic Paying Agent is involved, the proceeds from the sale of shares of the Company held as business assets are generally subject to the same withholding tax rate as those of shareholders whose shares are held as private assets (see "*15.2.5.1.1 Shares Held as Private Assets*"). However, the Domestic Paying Agent may refrain from withholding the withholding tax if (i) the shareholder is a corporation, association or estate with its tax residence in Germany, or (ii) the shares form part of the shareholder's domestic business assets, and the shareholder informs the Domestic Paying Agent of this on the officially prescribed form and meets certain additional prerequisites. If the Domestic Paying Agent nevertheless withholds taxes, the withholding tax withheld and remitted (including the solidarity surcharge and church tax, if applicable) will be credited against the relevant shareholder's income tax or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) and any overpayment will generally be refunded.

15.2.5.2 Taxation of Capital Gains of Shareholders without a Tax Residence in Germany

Capital gains realized by a shareholder without a tax residence in Germany are only subject to German income tax if the selling shareholder holds a Qualified Participation or if the shares form part of the business assets of a permanent establishment in Germany or of business assets for which a permanent representative is appointed.

Most double taxation treaties provide for an exemption from German taxes and assign the right of taxation to the shareholder's country of tax residence in the former case. Consequently, the German tax authorities take the view that such capital gains are not subject to German withholding tax. Some double taxation treaties may include Germany's right to tax capital gains because the value of the Company is predominately determined by the direct or indirect holding of German real estate assets.

15.2.6 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

As an exception to the aforementioned rules, dividends paid to, and capital gains realized by, certain companies in the financial and insurance sector are fully taxable. This applies to dividends received on, as well as gains from the disposal of, shares in a trading portfolio within the meaning of Section 340e para. 3 HGB of credit institutions and financial services institutions, and shares that are, upon acquisition of the shares, allocable to the current assets of a financial enterprise within the meaning of the German Banking Act (*Kreditwesengesetz*) that is directly or indirectly held by a credit institution or financial services institution to more than 50%. If the shareholding at the beginning of the relevant assessment period is 15% or higher, the dividends may, subject to certain conditions, be fully exempted from trade tax. However, an exemption to the foregoing with the consequence of the application of the 95% effective tax-exemption applies if dividends obtained by the aforementioned companies are subject to the Parent-Subsidiary Directive. The preceding sentences apply accordingly for shares of the Company held in a permanent establishment in Germany by financial institutions, financial service providers and finance companies tax resident in another member state of the European Union or in other signatory states of the European Economic Area agreement (EEA Agreement) or the shares reflect at least 1% of the share capital of the Company. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by taxable pension funds.

15.2.7 Inheritance and Gift Tax

The transfer of shares to another person by inheritance or gift is generally only subject to German inheritance or gift tax if:

(i) the decedent, donor, heir, beneficiary or other transferee maintained his domicile or habitual abode in Germany, or had its place of management or registered office in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years (this term is extended to ten years for German expatriates with residence in the United States) prior to the transfer outside Germany without maintaining a residence in Germany (special rules apply to certain former German citizens who neither maintain their domicile nor have their habitual abode in Germany); or

(ii) the shares were held by the decedent or donor as part of business assets for which a permanent establishment was maintained in Germany or for which a permanent representative in Germany had been appointed; or

(iii) the decedent or donor, either individually or collectively with related parties, held, directly or indirectly, at least 10% of the Company's registered share capital at the time of the inheritance or gift.

The few German double taxation treaties relating to inheritance tax and gift tax currently in force usually provide that the German inheritance tax or gift tax can only be levied in the cases of (i) above, and also with certain restrictions in case of (ii) above. Special provisions apply to certain German nationals living outside Germany and former German nationals.

The fair value of the shares represents the tax base, which generally corresponds to the stock exchange price of the Company's shares. Depending on the degree of relationship between decedent or donor and recipient, different tax-free allowances and tax rates apply.

15.2.8 The Proposed Financial Transactions Tax

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common financial transaction tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (however, Estonia has since stated that it will not participate) (the "**Participating Member States**"). The Commission's Proposal is currently under review.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Company's shares (including secondary market transactions) in certain circumstances. The issuance and subscription of shares should, however, be exempt.

Under the Commission's Proposal the financial transaction tax could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Company's shares where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, established in a Participating Member State in a broad range of circumstances (*e.g.*, by transacting with a person established in a Participating Member State or where the financial instrument which is subject to the dealings is issued in a Participating Member State).

However, the Commission's Proposal remains subject to negotiations between Participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional member states of the European Union may decide to participate.

Prospective holders are advised to seek their own professional advice in relation to the Commission's Proposal to introduce a financial transaction tax.

15.2.9 Other Taxes

No German transfer tax, value-added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of shares of the Company. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of value-added tax on transactions that are otherwise tax-exempt. Net wealth tax is currently not imposed in Germany.

16. FINANCIAL INFORMATION

INTERIM REPORT

INSTONE REAL ESTATE GROUP B.V.

January to September 2017

CONTENTS

A. INTERIM REPORT

A.1 Consolidated statement of financial position

in Euro	30 Sept 2017	31 Dec 2016
Assets		
Non-current assets		
Intangible assets	8.00	8.00
Property, plant and equipment	1,603,119.67	1,543,362.11
Equity-method investments	366,929.57	1,427,150.05
Other financial assets	583,461.79	667,726.79
Financial receivables	683,029.91	683,029.91
	3,236,548.94	**4,321,276.86**
Current assets		
Inventories	572,567,524.02	542,687,177.03
Financial receivables	2,425,979.71	168,246.20
Trade receivables	11,446,065.29	19,603,414.27
(thereof percentage of completion receivables)	(0.00)	(3,357,819.82)
Other receivables and other assets	8,333,447.56	5,589,246.00
Current income tax assets	214,371.14	314,337.51
Cash and cash equivalents	110,659,540.09	112,547,605.13
	705,646,927.81	**680,910,026.14**
Total assets	**708,883,476.75**	**685,231,303.00**
Equity and Liabilities		
Equity		
Share capital	8,386.00	8,386.00
Capital reserve	37,394,560.00	37,394,560.00
Retained earnings / loss carryforwards	-48,686,298.87	-35,498,616.07
Accumulated other comprehensive income	-1,251,875.31	-1,251,875.31
Equity attributable to shareholders	**-12,535,228.18**	**652,454.62**
Non-controlling interests	**1,526,347.54**	**2,031,746.83**
Total equity	**-11,008,880.64**	**2,684,201.45**
Non-current liabilities		
Provisions for pensions and similar obligations	4,462,724.95	4,148,226.77
Other provisions	12,807,886.31	12,428,181.41
Financial liabilities	338,800,280.82	300,869,506.09
Deferred taxe liabilities	16,487,768.22	23,413,968.72
	372,558,660.30	**340,859,882.99**
Current liabilities		
Other provisions	33,324,589.79	25,554,997.62
Financial liabilities	57,974,525.88	81,635,041.18
Trade payables	248,486,919.66	215,163,933.39
Other liabilities	6,176,086.77	13,126,356.97
Income tax liabilities	1,371,574.99	6,206,889.40
	347,333,697.09	**341,687,218.56**
Total equity and liabilities	**708,883,476.75**	**685,231,303.00**

A.2 Consolidated statement of profit or loss

In Euro	01 Jan - 30 Sept 2017	01 Jan - 30 Sept 2016
Revenues	123,835,426.38	**164,927,229.85**
Change in inventories	30,407,463.82	85,988,486.75
Other operating income	4,194,817.42	1,788,805.56
Cost of materials	-109,497,050.22	-207,928,048.97
Staff costs	-19,244,830.41	-24,070,665.72
Other operating expenses	-26,531,585.48	-31,360,788.80
Income from associated affiliates	455,149.95	1,374,241.56
Other income from investments	587,280.72	264,393.22
Earnings before Interest, tax, depreciation and amortization (EBITDA)	**4,206,672.18**	**-9,016,346.66**
Depreciation and amortization	-290,412.26	**-310,513.64**
Earnings before Interest and tax (EBIT)	**3,916,259.92**	**-9,326,860.19**
Finance income	801,122.96	**0.00**
Finance costs	-15,741,337.78	**-18,816,243.64**
Finance result	**-14,940,214.82**	**-18,816,243.64**
Earnings before tax (EBT)	**-11,023,954.90**	**-28,143,103.83**
Income taxes	-2,019,127.19	**2,491,515.43**
Earnings after tax (EAT)	**-13,043,082.09**	**-26,661,688.40**

A.3 Consolidated statement of comprehensive income

in Euro	01 Jan - 30 Sept 2017	01 Jan - 30 Sept 2016
Earnings after tax	**-13,043,082.09**	**-25,651,588.40**
Actuarial gains/losses on defined benefit obligation	0.00	0.00
Income tax effect	0.00	0.00
Items not to be reclassified to profit or loss in subsequent periods	**0.00**	**0.00**
Other comprehensive income for the year	**0.00**	**0.00**
Total comprehensive income for the year	**-13,043,082.09**	**-25,651,588.40**
Attributable to:		
Shareholders of the Group	-13,187,682.80	-24,829,072.63
Non-controlling interests	144,600.71	-822,515.77
	-13,043,082.09	**-25,651,588.40**

A.4 Consolidated statement of cashflows

	in Euro	01 Jan - 30 Sept 2017	01 Jan - 30 Sept 2016
	Consolidated earnings	**-13,043,082.09**	**-25,651,588.40**
±	Depreciation an amortization	-290,412.26	310,513.64
±	Increase/decrease of provisions	8,463,795.25	6,764,261.87
±	Increase/decrease of deffered taxes	-6,926,200.50	-5,500,308.25
±	Decrease/increase equity carrying amounts	1,060,220.48	-1,374,241.56
±	Other non-cash income and expenses	10,668,338.07	15,339,835.81
±	Profit/loss on disposals of property, plant and equipment	0.00	-13,677.42
±	Decrease/increase of inventories, trade receivables and other assets	-26,508,991.70	36,346,001.12
±	Increase/decrease of trade payables and other liabilities	26,372,716.07	13,121,372.86
	Cash flow from operating activities	**-203,616.68**	**39,342,169.67**
-	Income taxes paid	-4,852,408.10	0.00
	Net cash flow from operating activities	**-5,056,024.78**	**39,342,169.67**
+	Proceeds from disposals of property, plant and equipment	1,020,000.00	15,700.00
-	Purchase of property, plant and equipment	-378,371.63	-272,554.34
-	Purchase of intangible assets	0.00	-5,433.32
+	Proceeds from disposals of non-current financial assets	0.00	279,911.48
-	Payments for acquisitions of shares in consolidated companies	-22,508,243.41	-18,390,074.37
+	Receipts from the disposal of subsidiaries	0.00	150,000.00
+	Interest received	0.00	67,369.23
	Cash flow from investing activities	**-21,866,615.04**	**-18,155,081.32**
+	Cash proceeds from borrowings	105,631,797.71	66,973,126.57
-	Cash repayments of borrowings	-69,276,885.15	-36,707,909.64
-	Interest paid	-11,320,337.78	-13,880,203.97
	Cash flow from financing activities	**25,034,574.78**	**16,385,012.96**
	Increase (decrease) in cash and cash equivalents	**-1,888,065.04**	**37,572,101.31**
+	Cash and cash equivalents at the beginning of the period	112,547,605.13	35,900,410.50
	Cash and cash equivalents at the end of period	**110,659,540.09**	**73,472,511.81**

A.5 Consolidated statement of changes in equity

in Euro	Share capital	Capital reserve	Retained earnings/loss carryforwards	Accumulated other comprehensive income	**Equity attributable to shareholders**	Non-controlling interests	**Total**
01 January 2016	**8,386.00**	**37,394,560.00**	**-13,122,992.00**	**-93,811.87**	**24,186,142.13**	**11,484,048.46**	**35,670,190.59**
Earnings after taxes	0.00	0.00	-22,409,509.42	0.00	-22,409,509.42	208,739.18	-22,200,770.24
Changes in actuarial profits and losses	0.00	0.00	0.00	-1,158,063.44	-1,158,063.44	0.00	-1,158,063.44
Total comprehensive income	**0.00**	**0.00**	**-22,409,509.42**	**-1,158,063.44**	**-23,567,572.86**	**208,739.18**	**-23,358,833.68**
Additional non-controlling interests which emerged in the course of purchasing GRK Holding GmbH	0.00	0.00	0.00	0.00	0.00	-9,627,155.46	-9,627,155.46
Change in group structure	0.00	0.00	33,885.35	0.00	33,885.35	-33,885.35	0.00
31 December 2016 / 01 January 2017	**8,386.00**	**37,394,560.00**	**-35,498,616.07**	**-1,251,875.31**	**652,454.62**	**2,031,746.83**	**2,684,201.45**
Earnings after taxes	0.00	0.00	-13,187,682.80	0.00	-13,187,682.80	144,600.71	-13,043,082.09
Total comprehensive income	**0.00**	**0.00**	**-13,187,682.80**	**0.00**	**-13,187,682.80**	**144,600.71**	**-13,043,082.09**
Payout to non-controlling shareholders	0.00	0.00	0.00	0.00	0.00	-650,000.00	-650,000.00
30 September 2017	**8,386.00**	**37,394,560.00**	**-48,686,298.87**	**-1,251,875.31**	**-12,535,228.18**	**1,526,347.54**	**-11,008,880.64**

B. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2017

B.1 General information

The company Instone Real Estate Group B.V., Amsterdam, the Netherlands ("Instone Real Estate" or "company") is registered in the Dutch Commercial Register under number 60490861. The company's place of effective management is Baumstraße 25, 45128 Essen, Germany.

The company invests in subsidiaries whose principal activity consists of the acquisition, development, construction, letting, management and sale or other utilisation of land and buildings and equity interests in other companies operating in this business sector.

B.2 Basis of preparation

The interim consolidated financial statements for the nine months period ended 30 September 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the company's consolidated financial statements for the year ended 31 December 2016.

The interim consolidated financial statements are presented in Euro.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the company's consolidated financial statements for the year ended 31 December 2016. The adoption of new standards and interpretations effective as of 1 January 2017 has no material impact on the interim consolidated financial statements.

The interim consolidated financial statements were approved by the management of Instone Real Estate Group B.V. and authorised for issue on 15 December 2017.

B.3 Segment reporting

Segment reporting in accordance with IFRS 8 is based on the management approach and is therefore consistent with the management and reporting system used by Instone Real Estate for its segments. Instone Real Estate operates only in one business segment and one geographical segment, and generates its revenue and hold its assets mainly in Germany. Therefore Instone Real Estate did not prepare a segment report. Internal reporting is also based on the IFRS accounting figures.

B.4 Estimates and assumptions

The preparation of the interim consolidated financial statements requires estimates and assumptions that may affect the application of accounting principles in the Group, the recognition and measurement. The estimates are based on experience from the past and other knowledge gained of transactions to be accounted for. The actual amounts may vary from these estimates.

Estimates are necessary in particular in the measurement of property plant and equipment and specially inventories, namely in connection with purchase price allocations, the recognition and measurement of deferred tax assets, the recognition of provisions for pensions and other provisions and with impairment testing in accordance with IAS 36.

B.5 Selected notes to the consolidated statement of financial position

On 28 February 2017, Instone Real Estate acquired from Hochtief Solutions AG the remaining 11.58% of the shares of Instone Real Estate Development GmbH. This acquisition had an impact in the amount of €22.5 million on liquidity and financial liabilities of Instone Real Estate.

The Equity-method investments are composed as follows:

In Euro	30 Sep 2017	31 Dec 2016
Associates		
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	324,885.76	1,364,367.36
Wohnpark Gießener Straße GmbH & Co. KG	42,043.81	50,710.07
	366,929.57	**1,415,077.43**
Joint ventures		
Wohnentwicklung Theresienstraße GmbH & Co. KG	0.00	12,072.62
	0.00	**12,072.62**
Carrying amounts	**366,929.57**	**1,427,150.05**

The development in inventories can be seen from the table below:

In Euro	30 Sep 2017	31 Dec 2016
Work in progress	567,134,655.54	537,603,950.21
Finished goods	5,432,868.48	5,083,226.82
	572,567,524.02	**542,687,177.03**

Financial liabilities:

In Euro	30 Sep 2017	31 Dec 2016
non-current		
Liabilities to banks	237,808,643.80	151,888,440.92
Liabilities to shareholders	100,991,637.02	96,570,637.02
Liabilities to third parties	0.00	52,410,428.15
	338,800,280.82	**300,869,506.09**
current		
Liabilities to banks	36,274,649.74	45,273,651.44
Liabilities to third parties	21,679,876.14	36,341,389.74
Liabilities to shareholders	20,000.00	20,000.00
	57,974,525.88	**81,635,041.18**
	396,774,806.70	**382,504,547.27**

Instone Real Estate placed a promissory note loan (Schuldscheindarlehen) with a volume of €66.9 million, plus an increase of €3.1 million. The promissory note loan was paid out as at 14 July 2017.

This transaction serves to refinance any existing liabilities and to finance growth. It facilitates a significant reduction of current interest payments, an extension of financing terms and a diversification of financing sources.

There were no material changes with regard to contingent liabilities in comparison to 31 December 2016.

B.6 Selected notes to the consolidated statement of profit and loss

The revenue is attributable to the following regions:

in Euro	1-9/2017	1-9/2016
Germany	120,802,266.83	161,336,121.28
Rest of Europe	3,033,159.55	3,591,108.57
	123,835,426.38	**164,927,229.85**

For the breakdown of revenue by types, please see the table below:

in Euro	1-9/2017	1-9/2016
Revenues from percentage of completion	829,891.06	62,948,349.84
Revenues from completed construction contracts	122,570,180.51	100,243,166.65
Other services	435,354.81	1,735,713.36
	123,835,426.38	**164,927,229.85**

Cost of materials:

In Euro	1-9/2017	1-9/2016
Cost of materials and supplies	22,873,762.75	112,184,022.00
Cost of purchased services	86,623,287.47	95,744,026.97
	109,497,050.22	**207,928,048.97**

Financial result:

In Euro	1-9/2017	1-9/2016
Interest and similar income	801,122.96	0.00
Finance income	**801,122.96**	**0.00**
Interest and similar expenses	-15,741,337.78	-18,816,243.64
Finance cost	**-15,741,337.78**	**-18,816,243.64**
Financial result	**-14,940,214.82**	**-18,816,243.64**

B.7 Financial Instruments

In the following, carrying amounts and fair values are shown for each class of financial instrument and carrying amounts for each IAS 39 category:

In Euro	Available for sale	Loans and receivables	At (amortised) cost	Total 30 Sep 17	Total fair value 30 Sep 17
FINANCIAL ASSETS	**583,461.79**	**125,214,615.00**	**0.00**	**125,798,076.79**	**125,798,076.79**
Other financial assets	**583,461.79**	**0.00**	**0.00**	**583,461.79**	**583,461.79**
Financial receivables	**0.00**	**3,109,009.62**	**0.00**	**3,109,009.62**	**3,109,009.62**
Non-current	0.00	683,029.91	0.00	683,029.91	683,029.91
Current	0.00	2,425,979.71	0.00	2,425,979.71	2,425,979.71
Trade receivables	**0.00**	**11,446,065.29**	**0.00**	**11,446,065.29**	**11,446,065.29**
Cash and cash equivalents	**0.00**	**110,659,540.09**	**0.00**	**110,659,540.09**	**110,659,540.09**
FINANCIAL LIABILITIES	**0.00**	**0.00**	**652,168,537.09**	**652,168,537.09**	**652,168,537.09**
Financial liabilities	**0.00**	**0.00**	**396,774,806.70**	**396,774,806.70**	**396,774,806.70**
Non-current	0.00	0.00	338,800,280.82	338,800,280.82	338,800,280.82
Current	0.00	0.00	57,974,525.88	57,974,525.88	57,974,525.88
Trade payables	**0.00**	**0.00**	**248,486,919.66**	**248,486,919.66**	**248,486,919.66**

In Euro	Available for sale	Loans and receivables	At (amortised) cost	Total 31 Dec 2016	Total fair value 31 Dec 2016
FINANCIAL ASSETS	**667,726.79**	**133,002,295.51**	**0.00**	**133,670,022.30**	**133,670,022.30**
Other financial assets	**667,726.79**	**0.00**	**0.00**	**667,726.79**	**667,726.79**
Financial receivables	**0.00**	**851,276.11**	**0.00**	**851,276.11**	**851,276.11**
Non-current	0.00	683,029.91	0.00	683,029.91	683,029.91
Current	0.00	168,246.20	0.00	168,246.20	168,246.20
Trade receivables	**0.00**	**19,603,414.27**	**0.00**	**19,603,414.27**	**19,603,414.27**
Cash and cash equivalents	**0.00**	**112,547,605.13**	**0.00**	**112,547,605.13**	**112,547,605.13**
FINANCIAL LIABILITIES	**0.00**	**0.00**	**597,668,480.66**	**597,668,480.66**	**597,668,480.66**
Financial liabilities	**0.00**	**0.00**	**382,504,547.27**	**382,504,547.27**	**382,504,547.27**
Non-current	0.00	0.00	300,869,506.09	300,869,506.09	300,869,506.09
Current	0.00	0.00	81,635,041.18	81,635,041.18	81,635,041.18
Trade payables	**0.00**	**0.00**	**215,163,933.39**	**215,163,933.39**	**215,163,933.39**

B.8 Related party disclosures

Significant related parties mostly include the significant equity-accounted entities and shareholders. Material transactions were entered into with significant related parties, which had an effect on the following items in the financial statements:

Relations to shareholders

In Euro	30 Sep 2017	31 Dec 2016
Financial receivables		
Steffen Göpel	**0.00**	**480.11**
Financial liabilities		
Coöperatieve Activum SG Fund III Investments U.A.	64,616,312.40	61,688,979.07
Coöperatieve Formart Investments U.A.	32,204,156.20	30,730,489.53
Steffen Göpel	4,171,168.42	4,171,168.42
	100,991,637.02	**96,590,637.02**
Other current liabilities		
Steffen Göpel	0.00	4,739,845.29
Coöperatieve Activum SG Fund III Investments U.A.	0.00	1,661,576.76
	0.00	**6,401,422.05**

	30 Sep 2017	31 Dec 2016
Other operating expenses		
Coöperatieve Activum SG Fund III Investments U.A.	0.00	118,339.06
	0.00	**118,339.06**
Interest		
Coöperatieve Activum SG Fund III Investments U.A.	2,947,333.33	3,814,707.63
Coöperatieve Formart Investments U.A.	1,473,666.67	1,925,867.51
Steffen Göpel	180,813.33	241,084.44
	4,601,813.33	5,981,659.58

Relations to associates

In Euro	30 Sep 2017	31 Dec 2016
Receivables		
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	**0.00**	**1,380,000.00**

B.9 Management board

There were no changes to the composition of the Management Board as at 30 September 2017 compared with the disclosures as at 31 December 2016.

B.10 Events after the financial statement date

With sale and purchase agreement of 14 November 2017, Coöperative Activum SG Fund V Investments U.A., Amsterdam, the Netherlands, acquired 10.57% of the shares in the Instone Real Estate Group B.V. held by Mr. Steffen Göpel.

There are no other reportable transactions that are of special relevance after 30. September 2017 (balance sheet date).

Essen, 22 December 2017

Kruno Crepulja Oliver Schmitt Andreas Gräf Manfred Torsten Kracht

GROUP FINANCIAL STATEMENTS

INSTONE REAL ESTATE GROUP B.V.

31 December 2016

TABLE OF CONTENTS

A. GROUP MANAGEMENT REPORT

The Management Report is not included in these financial statements. Such report is available for review and can be obtained from the Chamber of Commerce in the Netherlands.

B. CONSOLIDATED FINANCIAL STATEMENTS

B.1 Consolidated statement of financial position as at 31 December 2016

EURO	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	3	8.00	693.00
Property, plant and equipment	4	1,543,362.11	1,628,221.67
Equity-method investments	5	1,427,150.05	60,196.53
Other financial assets	8	667,726.79	886,976.21
Financial receivables	10	683,029.91	0.00
		4,321,276.86	2,576,087.41
Current assets			
Inventories	9	542,687,177.03	415,476,524.10
Financial receivables	10	168,246.20	233,791.11
Trade receivables	11	19,603,414.27	110,154,964.26
(thereof percentage of completion receivables)		(3,357,819.82)	(91,355,745.31)
Other receivables and other assets	12	5,589,246.00	16,648,612.63
Current income tax assets	13	314,337.51	267,663.35
Cash and cash equivalents	14	112,547,605.13	35,900,410.50
		680,910,026.14	578,681,965.95
Total assets		**685,231,303.00**	**581,258,053.36**
EQUITY AND LIABILITIES			
Equity			
Share capital		8,386.00	8,386.00
Capital reserve		37,394,560.00	37,394,560.00
Retained earnings / loss carryforwards		-35,498,616.07	-13,122,992.00
Accumulated other comprehensive income		-1,251,875.31	-93,811.87
Equity attributable to shareholders		652,454.62	24,186,142.13
Non-controlling interests	2	2,031,746.83	11,484,048.46
Total equity	15	2,684,201.45	35,670,190.59
Non-current liabilities			
Provisions for pensions and similar obligations	16	4,148,226.77	2,441,628.00
Other provisions	17	12,428,181.41	4,490,036.84
Financial liabilities	18	300,869,506.09	298,975,839.43
Other liabilities	21	0.00	348,887.28
Deferred tax liabilities	19	23,413,968.72	36,286,915.47
		340,859,882.99	342,543,307.02
Current liabilities			
Other provisions	17	25,554,997.62	20,170,331.80
Financial liabilities	18	81,635,041.18	65,647,851.94
Trade payables	20	215,163,933.39	99,023,504.86
(thereof percentage of completion payables)		(0.00)	(470,609.43)
Other liabilities	21	13,126,356.97	16,204,182.16
Income tax liabilities	22	6,206,889.40	1,998,684.99
		341,687,218.56	203,044,555.75
Total equity and liabilities		**685,231,303.00**	**581,258,053.36**

B.2 Consolidated statement of profit or loss for the year 2016

EURO	Note	2016	2015
Revenue	23	**203,611,050.80**	**358,662,779.11**
Changes in inventories	24	158,915,328.23	-23,054,311.03
Other operating income	25	8,332,350.46	8,634,467.17
Cost of materials	26	-293,683,570.61	-284,339,612.91
Staff costs	27	-35,180,814.54	-26,916,668.08
Other operating expenses	28	-42,386,249.68	-38,515,485.15
Income from associated affiliates	29	1,333,076.56	-1,438,545.89
Other net income from investments	30	312,175.12	-117,286.76
Earnings before interest, tax, depreciation and amortization (EBITDA)		**1,253,346.34**	**-7,084,663.54**
Depreciation and amortization	31	-440,574.19	-483,026.79
Earnings before interest and tax (EBIT)		**812,772.15**	**-7,567,690.33**
Finance income		133,215.23	861,843.17
Finance costs		-25,029,828.20	-21,755,056.16
Write-down of long-term securities		113,523.64	-145,100.58
Finance result	32	-24,783,089.33	-21,038,313.57
Earnings before tax (EBT)		**-23,970,317.18**	**-28,606,003.90**
Income taxes	33	1,769,546.94	6,194,359.88
Earnings after tax (EAT)		**-22,200,770.24**	**-22,411,644.02**
Attributable to:			
Shareholders of the Group		-22,409,509.42	-22,411,644.02
Non-controlling interests		208,739.18	0.00
		-22,200,770.24	-22,411,644.02

B.3 Consolidated statement of comprehensive income for the year 2016

EURO	2016	2015
Earnings after tax	**-22,200,770.24**	**-22,411,644.02**
Items to be reclassified to profit or loss in subsequent periods	0.00	0.00
Actuarial gains/losses on defined benefit obligation	-1,368,353.35	112,900.14
Income tax effect	210,289.91	-18,064.02
Items not to be reclassified to profit or loss in subsequent periods	-1,158,063.44	94,836.12
Other comprehensive income for the year	**-1,158,063.44**	**94,836.12**
Total comprehensive income for the year	**-23,358,833.68**	**-22,316,807.90**
Attributable to:		
Shareholders of the Group	-23,567,572.86	-22,316,807.90
Non-controlling interests	208,739.18	0.00
	-23,358,833.68	-22,316,807.90

B.4 Consolidated statement of cash flows for the year 2016

	EURO	Note	2016	2015
	Consolidated earnings		**-22,200,770.24**	**-22,411,644.02**
+/-	Depreciation and amortization	31	440,574.19	483,026.79
+/-	Increase / decrease of provisions		15,025,181.40	7,303,665.03
+/-	Increase / decrease of deferred taxes		-12,872,946.74	-7,156,685.34
+/-	Decrease / increase of equity carrying amounts		-1,333,076.56	405,700.04
+/-	Other non-cash income and expenses		23,501,085.61	3,226,130.14
+/-	Profit / loss on disposals of property, plant and equipment		21,757.49	165,337.49
+/-	Decrease / increase of inventories, trade receivables and other assets		-25,646,410.47	-2,578,238.01
+/-	Increase / decrease of trade payables and other liabilities		116,912,000.69	4,706,385.91
	Cash flow from operating activities		**93,847,395.37**	**-15,856,321.97**
-	Income taxes paid		-6,182,870.08	-64,526.58
	Net cash flow from operating activities		**87,664,525.29**	**-15,920,848.55**
+	Proceeds from disposals of property, plant and equipment		15,700.00	213,225.62
-	Purchase of property, plant and equipment		-371,516.69	-1,195,106.27
+	Proceeds from disposals of non-current financial assets		259,822.26	0.00
-	Payments for acquisitions of shares in consolidated companies	1	-21,968,654.32	-57,747,971.09
+	Receipts from the disposal of subsidiaries		155,000.00	7,500,000.00
-	Acquisition of non-consolidated subsidiaries		-27,500.00	0.00
+	Interest received		113,921.07	0.00
	Cash flow from investing activities		**-21,823,227.68**	**-51,229,851.74**
+	Increase of issued capital	15	0.00	12,000,000.00
+	Cash proceeds from shareholder loans		0.00	25,050,000.00
+	Cash proceeds from borrowings		64,428,248.08	70,815,123.54
-	Cash repayments of borrowings		-38,343,064.80	-13,710,012.09
-	Interest paid		-17,581,570.11	-15,769,854.77
	Cash flow from financing activities		**8,503,612.17**	**78,385,256.68**
	Increase (decrease) in cash and cash equivalents		**74,344,909.78**	**11,234,556.39**
+/-	Net foreign exchange differences and changes in group structure		2,302,284.85	-428,642.59
+	Cash and cash equivalents at the beginning of period		35,900,410.50	25,094,496.70
	Cash and cash equivalents at the end of period	14	**112,547,605.13**	**35,900,410.50**

B.5 Consolidated statement of changes in equity for the year 2016

EURO	Note	Share capital	Capital reserve	Retained earnings/loss carryforwards	Accumulated other comprehensive income	**Equity attributable to shareholders**	Non-controlling interests	**Total**
1 January 2016		**8,386.00**	**37,394,560.00**	**-13,122,992.00**	**-93,811.87**	**24,186,142.13**	**11,484,048.46**	**35,670,190.59**
Earnings after tax		0.00	0.00	-22,409,509.42	0.00	-22,409,509.42	208,739.18	-22,200,770.24
Changes in actuarial profits and losses		0.00	0.00	0.00	-1,158,063.44	-1,158,063.44	0.00	-1,158,063.44
Total comprehensive income		**0.00**	**0.00**	**-22,409,509.42**	**-1,158,063.44**	**-23,567,572.86**	**208,739.18**	**-23,358,833.68**
Additional non-controlling interests which emerged in the course of purchasing Instone Real Estate Leipzig GmbH		0.00	0.00	0.00	0.00	0.00	-9,627,155.46	-9,627,155.46
Change in group structure		0.00	0.00	33,885.35	0.00	33,885.35	-33,885.35	0.00
Other changes		0.00	0.00	0.00	0.00	0.00	0.00	0.00
31 December 2016	15	**8,386.00**	**37,394,560.00**	**-35,498,616.07**	**-1,251,875.31**	**652,454.62**	**2,031,746.83**	**2,684,201.45**

EURO	Note	Share capital	Capital reserve	Retained earnings/loss carryforwards	Accumulated other comprehensive income	**Equity attributable to shareholders**	Non-controlling interests	**Total**
1 January 2015		**7,500.00**	**21,000,000.00**	**11,111,390.43**	**-188,647.99**	**31,930,242.44**	**34,252.50**	**31,964,494.94**
Earnings after tax		0.00	0.00	-22,411,644.02	0.00	-22,411,644.02	0.00	-22,411,644.02
Changes in actuarial profits and losses		0.00	0.00	0.00	94,836.12	94,836.12	0.00	94,836.12
Total comprehensive income		**0.00**	**0.00**	**-22,411,644.02**	**94,836.12**	**-22,316,807.90**	**0.00**	**-22,316,807.90**
Additional non-controlling interests which emerged in the course of purchasing Instone Real Estate Leipzig GmbH		0.00	0.00	32,528.30	0.00	32,528.30	11,510,638.66	11,543,166.96
Increase of share capital		886.00	0.00	0.00	0.00	886.00	0.00	886.00
Re-participation*		0.00	4,394,560.00	0.00	0.00	4,394,560.00	0.00	4,394,560.00
Contribution to capital reserve		0.00	12,000,000.00	0.00	0.00	12,000,000.00	0.00	12,000,000.00
Change in group structure		0.00	0.00	-245,259.17	0.00	-245,259.17	-34,252.50	-279,511.67
Other changes		0.00	0.00	-1,610,007.54	0.00	-1,610,007.54	-26,590.20	-1,636,597.74
31 December 2015	15	**8,386.00**	**37,394,560.00**	**-13,122,992.00**	**-93,811.87**	**24,186,142.13**	**11,484,048.46**	**35,670,190.59**

* additional value of shares transfered to new shareholder

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

C.1 Accounting principles

General principles

The company Formart Holding B.V. was formed on 16 April 2014 in Amsterdam, the Netherlands, and registered in the Dutch Commercial Register under number 60490861 at the main registered place of business Amsterdam, the Netherlands. The company's place of effective management is Baumstraße 25, 45128 Essen, Germany. With registration from 9 June 2017 Formart Holding B.V., Amsterdam, the Netherlands was renamed into Instone Real Estate Group B.V., Amsterdam, the Netherlands ("Instone Real Estate" or "company").

The company invests in subsidiaries whose principal activity consists of the acquisition, development, construction, letting, management and sale or other utilisation of land and buildings and equity interests in other companies operating in this business sector.

In October 2014 Instone Real Estate Group B.V. acquired 75.97% of the limited partnership interests in Instone Real Estate Development GmbH (formerly: formart GmbH & Co. KG) from Hochtief Solutions AG, Essen, Germany. Consequently, Hochtief Solutions AG continued to hold 24.03 % of the limited partnership interests as a minority shareholder in October 2014. After the limited partnership interest was increased by way of special legal succession in October 2015 by approx. 6.23 % and October 2016 by approx. 6.23 %, Instone Real Estate Group B.V. now holds approx. 88.43 %. After the contribution was reduced by approx. 6.23 % in October 2015 and in October 2016 by approx. 6.23 %, Hochtief Solutions AG now holds approx. 11.57 %. Instone Real Estate Development GmbH develops residential condominium units for owner-occupiers and investors.

In December 2015 94 % of the shares in Instone Real Estate Leipzig GmbH, (formerly GRK Holding GmbH), Leipzig Germany, and its subsidiaries and equity interests as well as 6 % each of the shares in OPUS Wohnbau GmbH (GRK Group) and GRK REVION Hamburg GmbH were transferred to Instone Real Estate Group B.V., Amsterdam, the Netherlands, with effect from 31 December 2015. The Instone Real Estate Leipzig GmbH is operating mainly in the field of development and restoration of buildings under monument protection and the repurposing of specialty properties.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Part 9 of Book 2 of the Dutch Civil Code.

In addition to the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position and the consolidated statement of cash flows, a statement of changes in equity is presented.

To enhance the clarity of presentation, several items of the consolidated statement of financial position and of the consolidated statement of profit or loss are combined to one. These items are broken down into their constituents and commented on elsewhere in these notes. The consolidated statement of profit or loss is presented using the nature of expense method.

The consolidated financial statements are presented in Euro.

The consolidated financial statements have been prepared on the historical cost basis as a principle.

The present financial statements comprise the financial year 2016 on the basis of the reporting period from 1 January to 31 December of the year. Due to the acquisition of the Instone Real Estate Leipzig GmbH in 2015 the information in the comparative period of 2015 is comparable with the information in the reporting period 2016 to a limited extent only.

The consolidated financial statements are prepared on the going concern basis. The negative results and currently low equity ratio is of only temporary nature. In 2016, the results were affected by the amortization effects from both PPA for the formart acquisition and for the GRK acquisition. Further the impact of these amortization effects will get lower and the profits from project development will not be netted off anymore as a result of the PPA effects. Additionally, the change in customer contracts for projects the marketing of which commenced on or after 1 August 2015 will result in a realization of profits in later periods. This will also strengthen the equity ratio.

The financial statements were approved by the management of Instone Real Estate Group B.V. and authorised for issue on 22 December 2017.

Basis of consolidation

The consolidated financial statements of Instone Real Estate Group B.V. and its subsidiaries have been included in these consolidated financial statements. Control occurs if Instone Real Estate as investor has the current ability to direct the relevant activities of the subsidiary. Relevant activities are activities that significantly affect the returns. Furthermore Instone Real Estate must participate in these returns in the form of variable returns and must be able to influence them in its favour with the existing possibilities and rights. As a rule, control occurs if a direct or indirect majority of the voting rights are held. In structured enterprises control may result from contractual arrangements. Material investments in associates are accounted for using the equity method of accounting. Companies will be deemed associates if Instone Real Estate has a significant influence based on a proportion of voting rights between 20 % and 50 % or based on contractual arrangements.

At 31 December 2016, in addition to Instone Real Estate Group B.V. a total of 16 (prior year: 16) domestic and two (prior year: three) foreign subsidiaries have been included in the present consolidated financial statements by way of full consolidation.

With a purchase agreement of 15 March 2016, 100% of the shares of Immobilière de Hamm S.à.r.l., Luxembourg were sold to Greenfich Global Investor Fund S.C.A.SICAV-FIS, Luxembourg.

According to the agreement dated 7 July 2016, 94.9% shares in west.side gmbH have been acquired from A. Frauenrath BauConcept GmbH, Heinsberg and ZP Holding GmbH, Viersen, Germany. The business of this company consists in the development of the former Arkema-location in Siemensstrasse 21 in Bonn, Germany.

By resolution of the shareholders' meeting of 17 August 2016, Flensburg Kaufhaus GmbH & Co.KG, Essen, Germany and Warenhaus Flensburg Verwaltungsgesellschaft mbH, Essen, Germany were merged.

Seven (in the prior year: six) subsidiaries are of minor importance to the net assets, financial position and results of operations of Instone Real Estate and have not been consolidated. Their revenue in 2016 accounted for less than one percent of the Group`s total revenue.

Three (prior year: five) domestic companies have been included using the equity method. The group of companies to be included using the equity method has not changed in the reporting year.

By agreement of 24 November 2016, CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co.KG has been merged with CONTUR Wohnbauentwicklung GmbH, Cologne, Germany. Also with contract of 24 November 2016, the SEVERINS WOHNEN GmbH & Co.KG, Cologne, Germany was merged with Projektverwaltungsgesellschaft SEVERINS WOHNEN GmbH, Cologne, Germany.

Due to their minor overall significance, five (prior year: eight) companies have not been included in the consolidated financial statements on the basis of the equity method.

Furthermore in 2016 in addition to the already owned shares of 51 % another 47% of the shares in GRK Beteiligung GmbH were acquired by Instone Real Estate Development GmbH.

With effect from 30 September 2016 the shareholder Hochtief Solutions AG exercised a granted put option relating to ownership interests in Instone Real Estate Development GmbH and sold 6.23 % of the ownership interests in Instone Real Estate Development GmbH to Instone Real Estate Group B.V., at a purchase price of 11,925,801.63 Euro. Instone Real Estate Group B.V., increased its ownership interest in Instone Real Estate Development GmbH from 82.20 % to 88.43 %.

For an overview of subsidiaries, associates and other participating interests of Instone Real Estate please refer to chapter C.5 “Subsidiaries, associates and other participating interests at 31 December 2016”.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. In all other respects, other contingent consideration is measured at fair value at each balance-sheet date, and subsequent changes of the fair value of contingent considerations are recognised in profit or loss.

Acquisition of non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquirer’s identifiable net assets at the date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Segment reporting

Segment reporting in accordance with IFRS 8 is based on the management approach and is therefore consistent with the management and reporting system used by Instone Real Estate for its segments. Instone Real Estate operates only in one business segment and one geographical segment, and generates its revenue and hold its assets mainly in Germany. Therefore Instone Real Estate did not prepare a segment report. Internal reporting is also based on the IFRS accounting figures.

Consolidation policies

The financial statements of the domestic and foreign entities included in the consolidation are prepared using uniform accounting policies.

Expenses and income as well as liabilities between consolidated companies are eliminated. Intra-group intermediary results are eliminated to the extent that they are not of minor significance. Any impairment losses recognized for consolidated companies in their separate financial statements are reversed.

The same consolidation policies also apply to interests in equity-accounted investees. They comprise both associates and joint ventures of the Group.

The financial statements of all equity-accounted investees are prepared in accordance with consistent Group accounting policies.

Foreign currency translations

All fully consolidated entities and equity-accounted investees prepare their separate financial statements in the currency Euro, which at the same time corresponds to the functional currency in which these consolidated financial statements are presented.

Exchange differences from the settlement of monetary items in foreign currencies during the year as well as the measurement of open foreign currency positions at the rate on the balance sheet date are realized in profit or loss.

Accounting policies

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets are accounted for at cost. They include exclusively software for commercial and technical applications. Intangible assets are generally written off using the straight-line method over 3 to 5 years. The useful lives and amortisation methods are reviewed each year.

Property, plant and equipment are accounted for at amortised cost. Only amounts directly attributable to an item of property, plant and equipment are included in its cost. Items of property, plant and equipment are generally written off on a straight-line basis over three to eight years. The useful lives and amortisation methods are reviewed annually.

Impairment losses are recognized for intangible and tangible if their recoverable amount falls below their carrying amount. If the reason for an earlier impairment loss does no longer exist, such reductions are reversed to amortised cost.

Equity-method investments are accounted for at cost, in subsequent periods they are accounted for at the amortized pro-rata net assets. The full carrying amount is tested for impairment annually, withdrawals and all other changes in equity are increased or decreased. Equity-method investments are subject to impairment if their recoverable amount falls below their carrying amount.

Interests in non-consolidated subsidiaries recognised as other financial assets, other interests and the non-current equity securities exclusively fall into the measurement category “available for sale”. They are measured at fair value, provided that this value can be determined reliably. Due to the lack of observable market transactions, the fair value is determined using the discounted cash flow method. Where the fair value cannot be reliably determined, the financial assets are recognised at cost (less value impairment). They are recognised for the first time on the date of performance. Unrealised profits or losses are recognised in consideration of deferred tax in the changes in equity without affecting profit or loss and will be reflected through profit and loss only when sold. If there are objective indications of impairment losses of an asset it will be written down through profit or loss.

Other financial assets are measured at cost. An impairment loss is recognized if there is any objective material evidence that the other financial asset may be impaired.

The receivables include financial receivables, trade receivables and other receivables. Receivables and other assets are measured at amortised cost, using the effective interest rate method (accounting for factors such as premiums and discounts). An impairment loss is recognized if there is any objective material evidence that a financial asset may be impaired. Impairment losses are recognized according to actual default risk.

Long-term loans included in financial receivables are stated at amortized cost. Loans yielding interest at normal market rates are reported at nominal amounts.

Receivables or payables from specifically negotiated construction contracts are reported in trade receivables and trade payables. They are accounted for using the percentage of completion (PoC) method. If the usual pre-marketing rate of 30 % is reached, the construction starts for specifically negotiated construction contracts and the PoCmethod is applied in accordance with IAS 11. Here the proportionate result of the PoCmethod is determined depending on the construction progress and the marketing progress. If cumulative work done (contract costs and contract net profit) of contracts in progress exceeds progress payments received, the construction contract is recognised as an asset in PoC receivables. If a negative balance results after deducting progress payments, it is recognised as an obligation under a construction contract on the liabilities side as liabilities from PoC. Expected contract losses are accounted for on the basis of identifiable risks and immediately fully included in the contract net profit. For completed construction contracts, the contractual proceeds and adjustments and addenda are recognised as contract proceeds in conformity with IAS 11. Receivables and liabilities from construction contracts are realised within one business cycle of Instone Real Estate. Consequently, they are recognised as current assets or liabilities, even if the realisation of the whole construction contract takes a period of more than one year.

Deferred taxes are arising from temporary differences between the IFRS and tax accounts of the individual entities and as result of consolidation processes. Deferred tax assets are also recognised for tax refund entitlements resulting from the anticipated use of existing tax loss carryforwards in subsequent years. Deferred taxes are to be capitalised if it is sufficiently certain that related economic advantages can be used. Their amount is measured on the basis of the tax rates that apply or are expected to be applied in the individual countries at the time of realisation. In the Group, the trade tax rates attributable to the individual entities are taken as a basis. For all other purposes, deferred taxes are measured on the basis of the tax regulations in force or enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset per entity or per tax group.

Inventories are assets under construction (work in progress). Inventories are recognised at cost. Cost comprises the production-related full cost. Borrowing costs for inventories that are qualifying assets are capitalized as part of cost. Should the recoverable amount be lower than the capitalized cost at a given balance sheet date, such lower recoverable amount will be recognized. Should the recoverable amount of such inventories subsequently increase, the resulting gain must be recognized. This is done by reducing materials expense.

The inventories of individual major project development measures are broken down into several partial project development measures for reasons of commercial presentation. The breakdown does not affect measurement. In the Group, the respective total project is treated as a special form of measurement unit in current assets. The risks of individual partial project measures may be compensated by the opportunities within other partial projects. An exceeding requirement for impairment is reflected by measuring a provision for contingent losses.

Cash and cash equivalents exist as cash-in-hand and bank balances.

Provisions are measured for any legal or factual liabilities in relation to third parties existing on the financial statement date which are resulting from past transactions that are likely to lead to an outflow of resources the amount of which may be reliably estimated. The provisions are recognised with their expected settlement amount and not netted with refund claims.

All non-current provisions are accounted for with their expected settlement amount discounted to the financial statement date. Furthermore, any cost increases expected to be incurred by the settlement date are to be taken into account in the calculation of this amount.

As a principle, provisions are reversed against the expense item for which they are made.

Provisions for pensions and similar obligations are recognised for defined benefit plans. They include obligations of the entity for current and future benefits to entitled active and former employees and their surviving dependants. The obligations primarily relate to pension benefits. The individual commitments are measured based on the length of service and salaries of the employees.

For the measurement of provisions for defined benefit plans the actuarial present value of the respective obligation is taken as basis. It is determined using the projected unit credit method. This projected unit credit method not only includes the pensions and accrued benefits known on the reference date but also salary and pension increased to be expected in the future. This calculation is based on actuarial reports in consideration of biometric calculation methods (mainly the “2005 G Reference Tables” by Klaus Heubeck). The provision results from the balance of the actuarial present value of the obligation and the fair value of the plan assets required to cover the pension obligation. The service cost is included in the personnel expenses. The net interest income is a component of the financial income.

Profits and losses from remeasured net liabilities or net assets are recognised fully in the period during which they arise. They are recognised in equity without affecting profit or loss and not included in the consolidated statement of profit or loss. Also in the subsequent years they will not be recognised in profit and loss.

For defined contribution plans, Instone Real Estate does not incur any further obligations exceeding the payment of contribution to special-purpose funds. The contribution payments are stated in personnel expenses.

Income tax liabilities include obligations from current income tax. Liabilities for income tax are offset with the corresponding tax refund entitlements if they exist in the same jurisdiction and are identical in terms of nature and maturity.

All other provisions take adequate account of all discernible risks and other contingent liabilities. They are recognised at the amount necessary according to prudent commercial judgement to settle future payment obligations of the Group. In this connection the amount resulting as most likely when examining the individual case will be recognised.

Non-current liabilities, to the extent that they are not of minor significance, are accounted for with their settlement amount discounted to the financial statement date. The settlement amount also includes cost increases to be taken into account on the financial statement date.

Non-derivative financial liabilities (including trade payables) within the scope of IAS 39 are measured at amortised cost, using the effective interest rate method. Initial measurement is performed at fair value, including transaction costs. In the subsequent measurement the residual value is adjusted by the premium write-ups and discount write-downs remaining until maturity. The premium or discount is recognised in the financial result over their duration.

Contingent liabilities are possible obligations in relation to third parties based on past events, which cannot be fully controlled by the entity, or current obligations in relation to third parties that are unlikely to lead to an outflow of resources or the amount of which cannot be stated with sufficient reliability. As a principle, contingent liabilities are not recognised in the statement of financial position.

Estimate and assumptions
The preparation of the consolidated financial statements requires estimates and assumptions that may affect the application of accounting principles in the Group, the recognition and measurement. The estimates are based on experience from the past and other knowledge gained of transactions to be accounted for. The actual amounts may vary from these estimates.

Estimates are necessary in particular in the measurement of inventories and amounts due from customers for contract work (PoC), purchase price allocations, the recognition and measurement of deferred tax assets, the recognition of provisions for pensions and other provisions.

New accounting pronouncements
Standards and interpretations to be applied in 2016

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have adopted the following standards and interpretations that have been adopted by the EU in European law and whose application is mandatory in the reporting period 1 January to 31 December 2016.

The order of sequence is resulting from the time of publication by the IASB:

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions: On 21 November 2013 the IASB published an amendment to the IAS 19 which provides for an addition to IAS 19.93. Accordingly, employee contributions related with services – in accordance with common practice before IAS 19 (2011) entered into force – may be recognised in the period when they fall due as a reduction of the service cost if the contributions are independent on the number of years of service. The amendments shall be applied in statutory EU-IFRS financial statements for periods beginning on or after 1 February 2015 retrospectively.

Standard on the amendment of various International Financial Reporting Standards (2010 – 2012 cycle): In connection with the annual improvement process, the IAS published its amendments relating to 2010 - 2012. The amendments enter into force for statutory EU-IFRS financial statements for periods beginning on or after 1 February 2015. This affects the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. For Instone Real Estate, there are no significant effects resulting for the consolidated financial statements.

Amendments to IFRS 11 - Acquisition of an interest in a joint operation: On 12 May 2014 the IASB published changes to IFRS 11. The amendments require that the acquisition of an interest in a joint operation, which constitutes a business as defined in IFRS 3, is to be recognised in accordance with the requirements of IFRS 3 and other relevant standards (unless they are in conflict with the provisions of IFRS 11) and that the disclosures required for business combinations are made. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation: On 12 May 2014, the IASB published changes to IAS 16 and IAS 38 which prohibit the use of revenue-based depreciation methods for property plant and equipment and clearly restrict their use for intangible assets. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 41 - Bearer plants: The amendments of the IASB to IAS 16 and IAS 41 were published on 30 June 2014. They require that biological assets which are included in the definition of bearer plants will no longer fall into the scope of IAS 41 but into the scope of IAS 16. After their initial recognition, bearer plants are to be measured at accumulated cost before they ripen. After ripeness they shall be measured either at cost or at revaluation. The produce growing on bearer plants continues to be accounted for under IAS 41 and are measured at fair values less costs of disposal. IAS 20 is to be applied to government grants in connection with bearer plants. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016. For Instone Real Estate there are no effects resulting for the consolidated financial statements.

Amendment to IAS 27 - Equity method in separate financial statements: The amendment published on 12 August 2014 reinstates the option to use of the equity method in separate financial statements. Accordingly, in separate financial statements investments in subsidiaries, joint ventures and associates shall be measured either at amortised cost at fair values under IAS 39 (or IFRS 9 respectively) or using the equity method. The chosen method has to be applied consistently to each category of shares. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016.

Standard on the amendment of various International Financial Reporting Standards (2012 – 2014 cycle): On 25 September 2014 the IASB published its amendments in connection with the annual improvement project 2012- 2014 cycle. The pronouncements include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34 and enter into force for periods beginning on or after 1 January 2016. For Instone Real Estate there are no effects resulting for the consolidated financial statements.

Amendment to IAS 1 - disclosure initiative: On 18 December 2014, the IASB published amendments to IAS 1 in connection with its disclosure initiative. The disclosure initiative consisting of short-term and medium-term projects complements the project to fully revise the IFRS disclosure framework and explore opportunities to see how the applicable disclosure provisions can be improved within existing disclosure requirements. This amendment is the result of a short-term subproject and includes minor amendments to IAS 1 which are intended to remove concerns existing with regard to the applicable financial statement presentation and disclosure requirements. The amendments shall be applied for periods beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception: On 18 December 2014 the IASB issued the amendment “Investment Entities – Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)”. The amendments clarify issues that have arisen in the practical application of the consolidation exception for investment entities. The amendments shall be applied for periods beginning on or after 01 January 2016 retrospectively. For Instone Real Estate there are no effects resulting for the consolidated financial statements.

Standards and interpretations not to be applied in 2016:

The AIS and IFRIC adopted further standards and interpretations. These provisions were not applied in the 2016 period, as their recognition by the European Union (EU) was partially pending or the standards and interpretations were issued but not yet effective. This list is based on the legal status on 27 November 2017. The order of sequence is resulting from the time of publication by the IASB.

IFRS 15 – Revenue from Contracts with Customers: On 28 May 2014 the IASB published the new standard IFRS 15 “Revenue from Contracts with Customers” (IFRS 15). Accordingly, IFRS 15 replaces the scope of IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfers of Assets from Customers” and SIC-31 “Revenue – barter transactions involving advertising services”. The standard defines whether and how much revenue is recognised. According to IFRS 15, revenue is to be recognised in the amount in which consideration is expected for the assumed performance obligations.

The standard shall be applied for the first time for annual periods beginning on or after 01 January 2018, with early adoption permitted. It is assumed for the consolidated financial statements of Instone Real Estate that they result in changes of the recognition of revenues. According to our current knowledge, housing construction projects developed by the Group will generally be subject to revenue recognition at a point in time according to IFRS 15 in the future other than the current revenue recognition over time according to IAS 11 in liaison with IFRIC 15. This is associated with the realisation of profits at the time of completion of the individual project developments. If, contrary to our current assumptions, a period-related revenue recognition occurs, this would have a material effect on the Group's net assets, financial position and results of operations, which cannot currently be quantified.

On 11 September 2015 the IASB issued an amendment on the first-time adoption. Accordingly, the standard shall be applied for annual periods beginning on or after 1 January 2018. On 12 April 2016 the IASB published the final clarifications for IFRS 15 "Regulatory Deferral Accounts". These clarifications address three out of five topics identified by the Transition Resource Group for Revenue Recognition (TRG) regarding the transition to IFRS 15: Identifying performance obligations, principal versus agent considerations and licensing for intellectual property. Additionally, in response to the request of many applying entities the IAS granted more transition relief for the first-time adoption of IFRS 15.

The clarifications for IFRS 15 enter into force for annual periods beginning on or after 1 January 2018 and are to be adopted retrospectively according to IAS 8. The clarifications have not yet been transposed into EU law at the end of the period 2016.

IFRS 9 – Financial Instruments: On 12 November 2009 or 28 October 2010 the IASB issued the new standard IFRS 9 "Financial Instruments" in several phases. Accordingly, all financial instruments currently falling into the scope of IAS 39 will be subdivided into only two categories from now on: Financial instruments measured at amortised cost and financial instruments measured at fair value. In connection with the revised provisions of 24 July 2014, another measurement category is introduced for debt instruments. In the future they may be categorised at fair value through other comprehensive income (FVOCI), provided that the conditions for the respective business model and the contractual cash flows are satisfied. IFRS 9 shall be effective for application for periods beginning on or after 1 January 2018, with early adoption permitted. In this connection, the IASB also issued a discussion paper on further regulations for macro hedge accounting which are separate from IFRS 9.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture: On 11 September 2014 the IASB published changes to IFRS 10 and IAS 28. Accordingly, investors not only have to recognise in full the gains or losses resulting from transactions between an investor and its associate or joint venture but also transactions relating to a business. For transactions relating to the sale of assets only, a partial gain or loss recognition is required. The changes are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Instone Real Estate does not expect the amendments to have an effect on the consolidated financial statements. On 10 August 2015, the IASB proposed in its publication of the amendments to IFRS 10 and IAS 28 to defer the effective date of the amendments indefinitely.

IFRS 16 – Leases: On 13 January 2016 the IASB published the new standard IFRS 16 "Leases". IFRS 16 supersedes the content of IAS 17 "Leases" as well as the related interpretations IFRIC 4, SIC-15 and SIC-27. The new leases standard brings all leases on-balance sheet – except short-term leases (term of 12 months or less) and leases where the underlying asset has a low value. Therefore, independent of the beneficial ownership, a lessee recognises a right-of-use asset and a corresponding lease liability measured at the present value of the agreed lease payments. For lessors there are no significant changes compared with the current IAS 17 accounting, in particular in relation to continuing necessity to classify leases. The new standard is effective for the first time for annual periods beginning on or after 1 January 2019. The effects of IFRS 16 (201) on the consolidated financial statements are currently examined.

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses: On 19 January 2016 the IASB issued the amendment "Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12". The amendments clarify uncertainties in connection with the recognition of deferred tax assets on debt instruments accounted for at fair value. It has not significant effects on the consolidated financial statements of Instone Real Estate. The new standard is effective for the first time for annual periods beginning on or after 1 January 2017.

Amendment to IAS 7 - disclosure initiative: On 29 January 2016, the IASB published amendments to IAS 7 in connection with its disclosure initiative. The disclosure initiative consisting of short-term and medium-term projects complements the project to fully revise the IFRS disclosure framework and explore opportunities to see how the applicable disclosure provisions can be improved within existing disclosure requirements. This amendment is the result of a short-term subproject and includes minor amendments to IAS 7 by additional disclosure requirements in connection with liabilities from financing activities.

The amendments shall be applied for periods beginning on or after 1 January 2017 retrospectively, subject to the pending EU endorsements. Information for the preceding comparative period is not necessary for first-time adoption.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions: On 20 June 2016, the IASB published final amendments to IFRS 2 "Share-based Payment" that clarify the classification and measurement of share-based payment transactions. The amendments enter into force for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 4 – Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts": On 12 September 2016 the IASB published clarifying amendments to IFRS 4 "Insurance Contracts". They do not have an effect on the consolidated financial statements.

Amendment of various International Financial Reporting Standards (2014 – 2016 cycle): The International Accounting Standards Board (IASB) published the final amendments in connection with the annual improvements (2014 – 2016 cycle) resulting from the issues discussed in this cycle. The amendments relate to three standards.

The amendments of IFRS 1 and IAS 28 enter into force for annual periods beginning on or after 1 January 2018, the amendments to IFRS 12 for annual periods beginning on or after 1 January 2017.

Amendments to IAS 40 – Transfers of Investment Property: The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.

The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration: The International Accounting Standards Board (IASB) issued IFRIC 22 as developed by the International Financial Reporting Interpretations Committee "Foreign Currency Transactions and Advance Consideration" in order to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Other clarifications

The possibility of early adoption of standards or interpretations adopted by the IASB has not been made use of. The management assumes that the future adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" may have a significant influence on the presentation of financial instruments and revenue in the consolidated financial statements and would result in extended disclosures in the notes. The effects of IFRS 9 have not yet been analysed in detail, as this standard applies to annual reporting periods beginning on or after 1 January 2018 only.

However, the analysis of the effects of the IFRS 15 Standard has started. Also the various possibilities to apply this standard within Instone Real Estate for financial years beginning on or after 1 January 2018 have been examined. A general early adoption with Instone Real Estate and the exclusive first-time adoption for financial years beginning on or after 1 January 2018 have been excluded. Rather, the new project developments – which are currently in the process of planning or sales preparation – have been subjected to individual assessments in terms of their temporal perspective.

On a case-by-case basis it will be decided whether the project will be accounted for according to the currently applicable standard IAS 11 as revenue recognition by reference to the stage of completion (percentage of completion method) or according to the current standard IAS 18 as revenue recognition at the time of transferring effective control as well as the risks and rewards to the buyer.

It is currently assumed that the application of the other new or amended standards will not have any significant effects on the net assets, financial position and results of operation of Instone Real Estate.

C.2 Notes to the consolidated statement of financial position

1. Acquisition of subsidiaries

With effect from 30 September 2016 the shareholder Hochtief Solutions AG exercised the second granted put option relating to ownership interests in Instone Real Estate Development GmbH and sold 6.23% of the ownership interests in Instone Real Estate Development GmbH to Instone Real Estate Group B.V. at a purchase price of 11,925,801.62 Euro. Instone Real Estate Group B.V. increased its ownership interest in Instone Real Estate Development GmbH from 82.20 % to 88.43 %.

The put option has changed as in the table below:

	in Euro
Value put option as at 31 Dec 2014	**43,125,420.83**
Interests 2015	1,550,349.98
Exercised put option 2015	-11,494,876.22
Value put option as at 31 Dec 2015	**33,180,894.59**
Interests 2016	1,123,968.87
Exercised put option 2016	-11,925,801.62
Value put option as at 31 Dec 2016	**22,379,061.84**

2. Non-controlling interests

The non-controlling interests amounting to 2,031,746.79 Euro relate to the entities Instone Real Estate Leipzig GmbH and GRK REVION Hamburg GmbH, Leipzig and GRK Beteiligung GmbH which were acquired in connection with the purchase of Instone Real Estate Leipzig GmbH with effect from 10 December 2015 and became subsidiaries from that time onwards only. For reasons of simplification they were consolidated as at 31 December 2015.

Furthermore in 2016 in addition to the already owned shares of 51 % another 47% of the shares in GRK Beteiligung GmbH were acquired by Instone Real Estate Development GmbH. Therefore the non-controlling interest decreased by 9,627,155.46 Euro.

As in prior year no dividends were paid to non-controlling interests. The earnings after tax attributable to non-controlling interests amount to 208,739.18 Euro (prior year: 0.00 Euro)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Instone Real Estate Leipzig GmbH	GRK REVION GmbH	GRK Beteiligung GmbH
Ownership interest held by non-controlling interests in %	6.00%	47.00%	2.00%
in Euro	**31 Dec 2016**	**31 Dec 2016**	**31 Dec 2016**
Non-current assets	26,782,779.49	0.00	7,875,208.55
Current assets	85,595,307.82	1,694,788.77	7,555.52
Non-current liabilities	-36,397,003.47	0.00	0.00
Current liabilities	-48,308,699.17	-763,200.42	-8,055,915.60
Net assets	**27,672,384.67**	**931,588.35**	**-173,151.53**
Net assets of non-controlling interests	1,184,119.51	464,117.31	997,190.37
Revenue	93,454,347.52	9,226,383.49	0.00
Profit	21,280,466.70	1,599,721.48	-179,425.95
Other comprehensive income	0.00	0.00	0.00
Comprehensive income	21,280,466.70	1,599,721.48	-179,425.95
Profit attributed to non-controlling interests	1,545,141.51	0.00	0.00
Cash flows from operating activities	28,576,961.48	2,524,155.66	-165,095.33
Cash flows from investing activities	-6,070,188.00	0.00	0.00
Cash flows from financing activities	-10,112,709.61	-2,374,881.64	172,650.85
Net change in cash and cash equivalents	**12,394,063.87**	**149,274.02**	**7,555.52**

	Instone Real Estate Leipzig GmbH	GRK REVION GmbH	GRK Immobilien GmbH	GRK Beteiligung GmbH
Ownership interest held by non-controlling interests in %	6.00%	47.00%	51.00%	51.00%
in Euro	**31 Dec 2015**	**31 Dec 2015**	**31 Dec 2015**	**31 Dec 2015**
Non-current assets	20,569,534.44	0.00	15,116.00	7,875,208.55
Current assets	86,052,603.59	6,366,619.84	10,894,916.65	27,729.96
Non-current liabilities	-47,230,602.35	0.00	0.00	0.00
Current liabilities	-52,999,617.71	-7,034,752.97	-10,840,878.89	-7,896,664.09
Net assets	**6,391,917.97**	**-668,133.13**	**69,153.76**	**6,274.42**
Net assets of non-controlling interests	414,156.49	-332,863.92	33,885.34	-571,165.78

For development of non-controlling interests in 2016 and 2015 please see statement of changes in equity of Instone Real Estate.

3. Intangible assets

Intangible assets are not subject to any restrictions on their disposal.

4. Property, plant and equipment

The breakdown of property, plant and equipment and their development in the financial year and the prior year are shown below As in the prior year, also in 2016 property, plant and equipment are not subject to any restrictions on their disposal.

In Euro	2016	2015
Cost of acquisition		
Balance on 01 January	1,656,662.16	1,394,417.79
Changes in group structure	0.00	264,268.86
Additions	368,900.69	1,193,692.94
Disposals	-175,015.24	-352,234.42
Reclassification to work in progress	0.00	-843,483.01
Balance on 31 December	**1,850,547.61**	**1,656,662.16**
Cumulative amortisation		
Balance on 01 January	28,440.49	107,285.15
Changes in group structure	0.00	-87,036.50
Additions	439,889.19	483,026.79
Disposals	-161,144.18	0.00
Reclassification to work in progress	0.00	-474,834.95
Balance on 31 December	**307,185.50**	**28,440.49**
Carrying amounts 31 December	**1,543,362.11**	**1,628,221.67**

5. Equity-method investments

The Equity-method investments are composed as follows:

In Euro	31 Dec 2016	31 Dec 2015
Associates		
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	1,364,367.36	1.00
Wohnpark Gießener Straße GmbH & Co. KG	50,710.07	47,943.27
	1,415,077.43	**47,944.27**
Joint ventures		
Wohnentwicklung Theresienstraße GmbH & Co. KG	12,072.62	12,250.26
SEVERINS WOHNEN GmbH & Co. KG	0.00	1.00
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co. KG	0.00	1.00
	12,072.62	**12,252.26**
Carrying amounts	**1,427,150.05**	**60,196.53**

6. Associates

The table below shows the significant items of the statement of financial position and statement of profit or loss of the equity-accounted associates:

in Euro	31 Dec 2016	31 Dec 2015
Assets	5,926,075.30	4,311,415.18
Liabilities	-2,842,946.29	-3,967,345.39
Net assets	**3,083,129.01**	**344,069.79**

in Euro	2016	2015
Revenue	3,619,044.22	295,967.13
Profit or loss	2,771,085.05	414,561.47

The profit or loss from equity-accounted associates does not include any impairment. As in the prior year, the interests in associates are not subject to any restrictions on their disposal.

The significant associates of Instone Real Estate are listed below:

Name	Registered office of the entity	Business activity	Ownership interest in %
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	Frankfurt am Main	Project development	50%
Wohnpark Gießener Straße GmbH & Co. KG	Frankfurt am Main	Project development	50%

The summarised finance information of the significant associates and the reconciliation with the equity-accounted carrying amount of the ownership interest are shown below:

Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG

In Euro	31 Dec 2016	31 Dec 2015
Current assets	5,440,697.27	3,476,473.74
Current liabilities	-2,458,988.40	-3,228,290.49
Net assets	**2,981,708.87**	**248,183.25**
Ownership interest of the group: 50.0 percent		
Carrying amount of the ownership interest	1,364,367.36	1.00

In Euro	2016	2015
Revenue	3,608,004.22	288,573.39
Net income for the financial year	2,765,551.46	408,163.76

Wohnpark Gießener Straße GmbH & Co. KG

In Euro	31 Dec 2016	31 Dec 2015
Current assets	485,378.03	834,941.44
Current liabilities	-383,957.89	-739,054.90
Net assets	**101,420.14**	**95,886.54**
Ownership interest of the group: 50.0 percent		
Carrying amount of the ownership interest	**50,710.07**	**47,943.27**

In Euro	2016	2015
Revenue	11,040.00	7,393.74
Net income for the financial year	5,533.59	6,397.71

7. Joint ventures

The tables below show the significant items of the statement of financial position and statement of profit or loss of the equity-accounted joint ventures on a pro-rata basis. The profit or loss from equity-accounted joint ventures does not include any impairment. As in the prior year, the interests in joint ventures are not subject to any restrictions on their disposal.

In Euro	31 Dec 2016	31 Dec 2015
Assets	24,645.26	25,000.53
Liabilities	0.00	0.00
Net assets	**24,645.26**	**25,000.53**

In Euro	2016	2015
Revenue	0.00	60,108,694.52
Net income for the financial year	-355.27	-3,327,971.99

The significant joint venture of Instone Real Estate is:

Name	Registered office of the entity	Business activity	Ownership interest in %
Wohnentwicklung Theresienstraße GmbH & Co. KG	Munich	Project development	50%

8. Other financial assets

The other financial assets are as listed below. The non-consolidated subsidiaries were not impaired in the financial year. As in the prior year, other financial assets are not subject to any restrictions on their disposal.

In Euro	31 Dec 2016	31 Dec 2015
Shares in affiliated companies, not included in the consolidated financial statements		
ArtOffice GmbH	35,000.00	12,500.00
Immobiliengesellschaft C.S.C. S.A.	30,986.79	30,986.79
Warenhaus Flensburg Verwaltungsgesellschaft mbH	25,000.00	25,000.00
GRK Golf Masters GmbH	25,000.00	0.00
formart Beteiligungsverwaltungsgesellschaft mbH	24,265.00	24,265.00
Uferpalais Verwaltungsgesellschaft mbH	22,250.00	18,750.00
Wiesbaden Verwaltungs GmbH	17,500.00	0.00
Area of Sports mbH & Co. KG	0.00	5,000.00
Uferpalais Projektgesellschaft mbH & Co. KG	0.00	3,500.00
RheinauArtOffice GmbH & Co. KG	0.00	12,500.00
Projektverwaltungsgesellschaft Mönchengladbach - Area of Sports mbH	0.00	12,500.00
	180,001.79	**145,001.79**
Ownership interests		
TG Potsdam Projektentwicklungsgesellschaft mbH	250,000.00	250,000.00
Parkhausfonds Objekt Flensburg GmbH & Co. KG	149,100.00	149,100.00
CONTUR Wohnbauentwicklung GmbH	26,125.00	13,750.00
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH	25,000.00	12,500.00
formart Wilma Verwaltungsgesellschaft mbH	12,500.00	12,500.00
Projektverwaltungsgesellschaft Mönchengladbach - Area of Sports mbH	12,500.00	0.00
WTS GmbH	12,500.00	12,500.00
Liebigstr. 3 GmbH & Co. KG	0.00	19,302.16
ALEA Immobilien GmbH	0.00	12,500.00
	487,725.00	**482,152.16**
Non-current securities	**0.00**	**259,822.26**
	667,726.79	**886,976.21**

9. Inventories

The development in inventories can be seen from the table below:

In Euro	31 Dec 2016	31 Dec 2015
Work in progress	537,603,950.21	405,534,348.64
Finished goods	5,083,226.82	9,942,175.46
	542,687,177.03	**415,476,524.10**

Work in progress is subject to restrictions in the amount of 254,344,289.48 Euro (prior year: 161,220,209.03 Euro) as a result of the project financing by banks.

Borrowing costs of 7,118,732.08 Euro (prior year: 4,809,408.78 Euro) were capitalised under cost of production shown under inventories, which are resulting from project financing based on individual contracts with external lenders.

10. Financial receivables

The non-current financial receivables amounting to 683,029.91 Euro (prior year: 0.00 Euro) and the current financial receivables of 168,246.20 Euro (prior year: 233,791.11 Euro) result from receivables from associated companies.

11. Trade receivables

In Euro	31 Dec 2016	31 Dec 2015
Amount due from customers for contract work (PoC)	13,637,818.91	242,484,797.00
Progress payments received	-10,279,999.09	-151,129,051.69
	3,357,819.82	**91,355,745.31**
Other trade receivables	15,735,693.42	18,205,639.11
Trade receivables from non-consolidated subsidiaries	509,901.03	593,579.84
	19,603,414.27	**110,154,964.26**

The balance of 3,357,819.82 Euro (prior year: 91,355,745.31 Euro) representing the amount due from customers for contract work (PoC) less progress prepayments received relates to specifically negotiated construction contracts where the incurred contract cost including profit shares exceed progress payments received from customers. The real estate from project developments is reported under trade receivables and is subject to restrictions in the amount of 0.00 Euro (prior year: 94,511,216.27 Euro) as a result of the project financing by banks.

The significant decrease in the amount due from customers for contract work (PoC) is due to the change in customer contracts for projects the marketing of which commenced on or after 1 August 2015, requiring the application of the completed contract method.

The combined total of amounts due to and from customers for contract work (PoC) (including profit shares for contract work) amounts to 13,637,818.91 Euro (prior year: 242,484,797.00 Euro). They include no capitalised borrowing costs (prior year: 3,302,336.68 Euro), which are resulting from project financing based on individual contracts with external lenders). In the financial year, a total of 10,279,999.09 Euro (prior year: 151,129,051.69 Euro) of progress payments received were offset against amounts due to customers for contract work (PoC).

12. Other receivables and other assets

In Euro	31 Dec 2016	31 Dec 2015
Tax receivables	2,820,963.90	2,239,476.10
Prepaid expenses	869,077.00	643,801.34
Prepayments on land	750,000.00	8,816,303.13
Loans and receivables	510,168.81	4,072,899.84
Other	639,036.29	876,132.22
	5,589,246.00	**16,648,612.63**

13. Income tax assets

The current income tax assets in the amount of 314,337.51 Euro (prior year: 267,663.35 Euro) relate to receivables from domestic and foreign fiscal authorities.

14. Cash and cash equivalents

Cash and cash equivalents in the amount of 112,547,605.13 Euro (prior year: 35,900,410.50 Euro) include cash-in-hand and bank balances. Cash and cash equivalents are subject to restrictions in the amount of 21,478,007.06 Euro (prior year: 4,250,656.19 Euro) as a result of the project financing by banks.

15. Equity

The share capital in the amount of 8,386.00 Euro is contributed by the shareholder Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands at a rate of 59.62 %, by the shareholder Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands at a rate of 29.81 % and by the shareholder Steffen Göpel, Leipzig, Germany at a rate of 10.57 %. In the financial year 2015, the share capital in connection with the acquisition of the GRK Group was increased by the amount of 886.00 Euro nominally (886 shares). As of 31 December 2015/2016 the share capital is divided in a total of 8,386 shares with a nominal value of 1.00 Euro each.

The capital reserve in the amount of 37,394,560.00 Euro (prior year: 37,394,560.00 Euro) relates to additional contributions by shareholders as share premium on the share capital. In this context, the shareholder Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands, passed a resolution and paid a share premium of 14,000,000.00 Euro and the shareholder Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands, a share premium of 7,000,000.00 Euro. According to a resolution passed on 1 December 2015 the shareholder Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands paid 8,000,000.00 Euro and the shareholder Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands, 4,000,000.00 Euro, in total 12,000,000.00 Euro as a share premium to Instone Real Estate Group B.V., Amsterdam, the Netherlands. Upon contribution of the 10.57 % share of the share capital, the share premium between the nominal value of the shares amounting to 886.00 Euro and the fair value of the shares amounting to 4,394,560.00 Euro was allocated to the capital reserve in 2015.

The retained earnings / loss carryforwards as part of the generated equity of the Group comprise the earnings generated by the companies included in the Group financial statements.

The accumulated other comprehensive income of the shareholders' equity are the changes in equity of the actuarial gains and losses from defined benefit plans in the amount of -1,158,063.44 Euro (prior year: 94,836.12 Euro).

The income tax effects recognised directly in equity break down as follows:

In Euro	**31 Dec 2016**	**31 Dec 2015**
Amount before tax	-1,368,353.35	112,900.14
Income tax	210,289.91	-18,064.02
Amount after tax	**-1,158,063.44**	**94,836.12**

Appropriation of result

According to the article 23 of the articles of association as of 17 April 2015 the shareholders decided to add the result for the year to the retained earnings. This proposal has been reflected in the stand-alone financial statements and consolidated financial statements.

16. Provisions for pensions and similar obligations

Within Instone Real Estate, the company pension schemes consist of both defined contribution plans and defined benefit plans. For defined contribution plans the entity pays contributions to government or private pension insurance institutions based on statutory or contractual provisions or on a voluntary basis. The entity does not have any legal obligation to pay further contributions. In defined benefit plans the obligation of the entity is to pay promised benefits to active and former employees, with these benefit plans being subdivided into benefit plans financed by provisions and financed by external sources.

The pension arrangements in Instone Real Estate consist of a company-financed basic pension in the form of a modular defined contribution plan and a supplementary pension component linked to the company performance. Under IAS 19 these commitments are categorised as defined benefit liabilities.

The defined benefit pension liabilities in Instone Real Estate are made up as follows:

In Euro	31 Dec 2016	31 Dec 2015
Active members	6,468,394.00	5,867,911.00
of which dependent on final salary	786,408.00	671,335.00
thereof not dependent on final salary	5,681,986.00	5,196,576.00
Vested benefits	3,045,741.00	1,873,436.00
Current pensions	74,789.00	0.00
	9,588,924.00	**7,741,347.00**

Number	31 Dec 2016	31 Dec 2015
Active members	200	188
Former members with benefit entitlements	63	49
Pensioners	2	2

The average remaining service years of the active members with benefit entitlements on the balance sheet date are 12.57 years (prior year: 12.94 years).

Plan assets

The pension liabilities are largely funded by funds and to a minor extent by provisions. In the financial year, the funding by funds takes the form of a contractual trust arrangement (CTA), furthermore, there were agreements on deferred compensation (DC).

Composition of plan assets

In Euro	31 Dec 2016	31 Dec 2015
Investment funds - quoted in an active market:		
CTA assets	4,870,917.53	4,721,206.66
DC assets	569,527.46	578,300.68
Current Euro balances	252.24	211.66
	5,440,697.23	**5,299,719.00**

Pension obligations under deferred employee compensation arrangements are funded by the purchase of retail fund units. The coverage of the obligations funded by the Helaba Pension Trust e. V. amounts to approx. 50,80 % (prior year: 60.99 %); the overall coverage is 56,74 % (prior year: 68.46 %). The coverage of the defined benefit obligations by plan assets is shown in the table below:

Coverage of defined benefit obligations by plan assets

In Euro	31 Dec 2016	31 Dec 2015
Pension obligations covered by plan assets	8,769,507.00	7,005,270.00
Deferred Compensation covered by plan assets	819,417.00	736,077.00
	9,588,924.00	**7,741,347.00**
Fair value of plan assets	-5,440,697.23	-5,299,719.00
	4,148,226.77	**2,441,628.00**

The size of the pension provisions is determined on an actuarial basis which involves estimations. Specifically, the underlying actuarial assumptions of the calculation are shown below.

The discount factors are derived from the Mercer Pension Discount Yield Curve Approach (MPDYC) taking into account the company-specific duration of the pension liabilities. The underlying biometric mortality assumptions are based on published country-specific statistics and experience. They were determined using the “2005 G Reference Tables” by Professor Dr. Klaus Heubeck.

in percent	**31 Dec 2016**	**31 Dec 2015**
Discount factor	1.72	2.42
Salary increases	2.50	3.00
Pension increases for VO2000+	1.00	1.00
Pension increases for other commitments	1.30	1.25
Inflation	1.30	1.25

The present value of the defined benefit obligations and the fair value of the plan assets break have changed as follows:

In Euro	**31 Dec 2016**	**31 Dec 2015**
Defined benefit obligations on 1 January	7,741,347.00	7,373,904.53
Current service cost	335,943.00	385,112.47
Interest expenses	187,274.00	185,693.00
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	1,513,548.00	152,334.00
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	-189,188.00	-355,697.00
Defined benefit obligations on 31 December	**9,588,924.00**	**7,741,347.00**

In Euro	**31 Dec 2016**	**31 Dec 2015**
Plan assets on 1 January	5,299,719.00	5,261,471.75
Interest income from plan assets	140,978.23	38,247.25
Plan assets on 31 December	**5,440,697.23**	**5,299,719.00**

Sensitivity analysis

The pension obligations in Instone Real Estate are exposed to various risks. The main risks result from general changes in interest and inflation rates; there is no unusual risk inherent in the pension obligations.

Interest rate risk: The (notional) contributions are translated into benefits under a contribution-based pension scheme using a table of fixed interest rates, independent of the current market interest rate. Instone thus bears the risk of general capital market interest rates with regard to the determination of benefits. Pension obligations have increased significantly in recent years due to the generally low level of capital market interest rates. The comparatively large impact is due to the relatively long term of the obligations.

Inflation risk: By law, company pensions in Germany must be raised level with the inflation rate at least every three years. German company pension commitments under the 2000+ pension scheme rise at a fixed 1 % annually, hence there is only a minor inflation risk in the pension phase for longer-term pension commitments.

Longevity risk: As lifelong pensions are granted, the risk of pensioners living longer than actual projections predict will be borne by Instone Real Estate. The risk normally cancels out collectively across all pension plan members and only has an effect if general longevity is longer than expected.

The impact of the stated risks on the defined benefit obligations under a corresponding change in actuarial assumptions is shown in the sensitivity analysis shown below:

	31 Dec 2016		31 Dec 2015	
In Euro	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate +0,50 %/-0,50 %	-1,131,605	1,340,168	-890,377	1,049,486
Salary increases +0.50 1 - 0.50 %	34,483	-33,078	32,077	-30,636
Pension increases +0.25 %/-0,25 %	174,657	-167,015	140,113	-133,323
Life expectancy + 1.00 year	289,085	n/a*	211,522	n/a*

*n/a: not available

The expenses from defined benefit obligations is made up as follows:

In Euro	31 Dec 2016	31 Dec 2015
Current service cost	335,943.00	385,112.47
Interest expense for accrued benefits	187,274.00	185,693.00
Interest income from plan assets	-140,978.23	-38,247.25
Net interest expense/income	**46,295.77**	**147,445.75**
Total amount recognised in profit or loss	**382,238.77**	**532,558.22**

The current service cost for the subsequent financial year is forecast at 434,486.00 Euro (prior year: 339,555.00 Euro).

17. Other provisions

In Euro	31 Dec 2016	31 Dec 2015
Non-current		
Employee-related provisions	11,684,728.71	2,545,807.87
Provisions for potential losses	356,252.70	336,087.46
Other provisions	387,200.00	1,608,141.51
	12,428,181.41	**4,490,036.84**
Current		
Employee-related provisions	5,996,752.00	3,268,106.12
Warranty obligations	5,170,918.76	6,643,278.20
Provision for work pending completion	4,839,008.73	1,959,718.73
Litigation risks	2,909,330.00	3,114,500.00
Restructuring costs	258,000.00	1,325,389.85
Provisions for potential losses	0.00	765,349.99
Other provisions	6,380,988.13	3,093,988.91
	25,554,997.62	**20,170,331.80**
Other provisions	**37,983,179.03**	**24,660,368.63**

The non-current employee-related provisions primarily relate to provisions for early retirement arrangements as well as long-service awards.

The current employee-related provisions mainly relate to provisions for long-service awards, early retirement arrangements and restructuring measures.

Other current provisions include, without limitation, investment risks, preparation of financial statements, payments for damages and other contingent liabilities.

The development of other provisions can be seen from the table below:

In Euro	1 Jan 2016	Addition	Reversal	Changes in group structure	Utilization	31 Dec 2016
Employee-related provisions	5,813,913.99	15,095,928.77	-153,606.86	0.00	-3,074,755.19	17,681,480.71
Warranty obligations	6,643,278.20	1,000,278.43	-1,851,345.32	-544,370.00	-76,922.55	5,170,918.76
Provision for potential losses	1,101,437.45	20,165.23	-765,349.74	0.00	0.00	356,252.94
Litigation risks	3,114,500.00	1,712,630.00	-65,197.12	23,800.00	-1,876,402.88	2,909,330.00
Provision for work pending completion	1,959,718.73	3,783,090.00	-1,235,745.39	520,570.00	-188,624.61	4,839,008.73
Restructuring costs	1,325,389.85	0.00	0.00	0.00	-1,067,389.85	258,000.00
Other provisions	4,702,130.42	4,116,750.14	-571,868.44	0.00	-1,478,824.24	6,768,187.88
	24,660,368.64	**25,728,842.57**	**-4,643,112.87**	**0.00**	**-7,762,919.32**	**37,983,179.03**

Employee-related provisions include commitments to employees in connection with the stock option schemes of Hochtief AG. In the course of the transfer of the business, the commitments to the employees from the stock option schemes of Hochtief AG were transferred to Instone Real Estate Development GmbH. For these share-based compensation plans, provisions in the amount of 65,702.00 Euro (prior year: 147,608.25 Euro) were recognised.

Also included in the employee-related provisions are commitments to employees in connection with a long-term, performance-related pay component amounting to 2,651,445.03 Euro (prior year: 575,000.00 Euro) as well as a variable compensation component with long-term incentive effect and risk character amounting to 8,730,687.98 Euro (prior year: 1,789,628.31 Euro). The purpose of these components is the involvement of executives in the value development of the Group and the award for increased success of the Group as a result of the involvement of executives. The programme was measured on the basis of the changed market value of the Group during the financial year.

18. Financial liabilities

In Euro	31 Dec 2016	31 Dec 2015
non-current		
Liabilities to banks	151,888,440.92	134,354,781.18
Liabilities to shareholders	96,570,637.02	90,632,931.78
Liabilities to third parties	52,410,428.15	73,988,126.47
	300,869,506.09	**298,975,839.43**
current		
Liabilities to banks	45,273,651.44	39,894,113.40
Liabilities to third parties	36,341,389.74	25,733,738.54
Liabilities to shareholders	20,000.00	20,000.00
	81,635,041.18	**65,647,851.94**
	382,504,547.27	**364,623,691.37**

The non-current and current liabilities to banks consist of loans from various banks with fixed and variable interest rates. The terms of the bank liabilities are between 1 to 3 (prior year: 1 to 4) years. Interest rates vary between 0.870 % and 6.250 % (prior year: 0.870 % and 4.184%).

The Group's liabilities to banks are generally not subject to covenants but are secured by land charges.

The non-current financial liabilities to shareholders in the total amount of 96,570,637.02 Euro (prior year: 90,632,931.78 Euro), of which an amount of 61,688,979.07 Euro (prior year: 57,854,271.44 Euro) belongs to Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, and an amount of

30,730,489.53 Euro (prior year: 28,831,909.69 Euro) to Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands. The interests for both loans are calculated on interest rate of 7%. Additionally, non-current financial liabilities to shareholders include a loan free of interest to Mr. Steffen Göpel, Leipzig, Germany of a par value of 5,067,000.00 Euro and a maturity of 5 years. The loan is discounted using a prevailing market rate of interest for similar instrument and similar credit rating (BB-) of 4.36%, resulting a fair value amounting to 4,171,168.42 Euro (prior year: 3,946,750.65 Euro). Current financial liabilities include liabilities to the shareholder Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands, in the amount of 20,000.00 Euro (prior year: 20,000.00 Euro).

The liabilities to third parties mainly result from a loan received from Stornoway S.à r.l. amounting to 50,000,000.00 Euro (prior year: 50,000,000.00 Euro) and accrued interests of 2,410,428.15 Euro (prior year: 2,410,428.15 Euro). Interests were calculated on 13 % (prior year: 13%). In 2014 Instone Real Estate granted a put option for the remaining non-controlling interests in Instone Real Estate Development GmbH to the seller Hochtief Solutions AG. The put option will be exercised in three tranches only, starting with the first tranche which is exercisable 12 months from the “Closing Date”, the second tranche, which is exercisable 24 months from the “Closing Date”, and the third tranche, which is exercisable 36 months from the “Closing Date”. Interests are calculated based on an interest rate of 4%. With effect from 30 September 2016 (prior year: 2015) the shareholder Hochtief Solutions AG exercised the second (prior year: first) granted put option relating to ownership interests in Instone Real Estate Development GmbH and sold 6.23% (prior year: 6.23%) of the ownership interests in Instone Real Estate Development GmbH to Instone Real Estate Group B.V. at a purchase price of 11,925,801.62 Euro (prior year: 11,494,876.22 Euro). For further information regarding the development of the put option please refer to note 1 “Acquisition of subsidiaries”. Furthermore in 2015 a new bridge loan was raised amounting to 12,500,00.00 Euro and an interest rate of 16.4% and a maturity until 31 March 2017.

19. Deferred taxes

Deferred tax is measured on the basis of the individual tax rates that apply to the individual countries and companies at the time of realisation or are expected to be applied. Deferred tax asset and deferred tax liabilities are offset per entity or per tax group. In all other respects, the provisions of tax law valid or adopted on the financial statement date are used to measure deferred tax.

Deferred tax assets on tax refund claims resulting from the expected use of existing tax loss carryforwards in subsequent years and whose realization is sufficiently certain amount to 9,542,139.07 Euro (prior year: 7,186,773.79 Euro).

There are loss carryforwards of our entities which do not relate to deferred tax assets: in Germany amounting to 11,079,500.89 Euro (prior year: 18,260,849.52 Euro), in Luxembourg in the amount of 21,526,000.00 Euro (prior year: 31,254,000.00Euro) and in Austria in the amount of 28,384,164.00 Euro (prior year: 26,661,691.00 Euro).

In principle, these loss carryforwards may be offset within each country with profits in the subsequent years. According to the current assessment we do not anticipate any use of these loss carryforwards.

Deferred tax assets and deferred tax liabilities have changed as follows:

	31 Dec 2016		31 Dec 2015	
In Euro	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Non-current assets	16,318.59	0.00	153,063.67	33,398,409.73
Current assets	220,341.10	25,130,257.11	353,130.28	8,142,156.83
Non-current liabilities	**991,983.53**	**2,286,024.05**	**4,389,371.35**	**303,746.63**
- Financial liabilities	0.00	2,213,838.11	0.00	0.00
- Pension provisions	754,967.29	0.00	562,297.28	0.00
- Provisions	237,016.24	0.00	147,754.21	0.00
- Other non-current liabilities	0.00	72,185.94	3,679,319.86	303,746.63
Current liabilities	**1,646,999.76**	**412,832.11**	**254,494.20**	**744,516.98**
- Financial liabilities	0.00	0.00	3,165.00	0.00
- Other provisions	77,438.59	21,929.39	6,240.00	0.00
- Other current liabilities	1,569,561.17	390,902.72	245,089.20	744,516.98
	2,875,642.98	**27,829,113.27**	**5,150,059.50**	**42,588,830.17**
Loss carryforwards	1,539,501.57	0.00	1,151,855.20	0.00
Gross amount	4,415,144.55	27,829,113.27	6,301,914.70	42,588,830.17
Balance	**-4,415,144.55**	**-4,415,144.55**	**-6,301,914.70**	**-6,301,914.70**
Reported in the statement of financial position	**0.00**	**23,413,968.72**	**0.00**	**36,286,915.47**

20. Trade payables

In Euro	31 Dec 2016	31 Dec 2015
Amount due from customers for contract work (PoC)	0.00	-10,830,034.04
Progress payments received	0.00	11,300,643.47
	0.00	**470,609.43**
Trade payables	53,620,968.80	55,511,160.87
Progress payments received	161,519,425.41	43,015,074.54
	215,140,394.21	**98,526,235.41**
Payables from non-consolidated subsidiaries	**23,539.18**	**26,660.02**
	215,163,933.39	**99,023,504.86**

The liabilities from PoC in the prior year amounting to 470,609.43 Euro include accounts payable to customers from construction contracts, where the progress payments received exceed the cost of production including profit shares.

The significantly higher amount of progress payments received in 2016 results from the change in customers contracts for projects the marketing of which commenced on or after 1 August 2015, which are accounted for under the completed contract method. As a result, the progress payments received are disclosed separately under trade payables and are not netted against trade receivables.

21. Other liabilities

In Euro	31 Dec 2016	31 Dec 2015
Non-current		
Liabilities to shareholders	**0.00**	**348,887.28**
Current		
Liabilities due to the acquisition of GRK group	5,436,918.80	11,363,190.03
Liabilities to shareholders	2,481,863.01	0.00
Tax liabilities, others than income tax	918,151.36	912,897.04
Social security liabilities	10,840.02	153,402.53
Liabilities to employees	438,981.52	624,780.33
Sundry liabilities	3,839,602.26	3,149,912.23
	13,126,356.97	**16,204,182.16**
	13,126,356.97	**16,553,069.44**

The other liabilities of 5,436,918.80 Euro (prior year: 11,363,190.03 Euro) include liabilities due to acquisition costs of Instone Real Estate Leipzig GmbH. Sundry liabilities include obligations outside of trade accounts payable.

22. Income tax liabilities

The current income tax liabilities amounting to 6,206,889.40 Euro (prior year: 1,998,684.99 Euro) relate to liabilities to domestic and foreign fiscal authorities.

C.3 Notes to the consolidated statement of profit or loss

23. Revenue

The revenue is attributable to the following regions:

in Euro	2016	2015
Germany	190,547,638.06	342,821,269.67
Rest of Europe	13,063,412.74	15,841,509.44
	203,611,050.80	**358,662,779.11**

For the breakdown of revenue by types, please see the table below:

in Euro	2016	2015
Revenues from percentage of completion	78,934,258.71	248,367,499.57
Revenues from completed contracts	120,969,139.89	98,897,342.55
Other services	3,707,652.20	11,397,936.99
	203,611,050.80	**358,662,779.11**

For the projects accounted for under the PoC method at the balance sheet date, the costs incurred amounted to 227,617,522.15 Euro (prior year: 515,967,368.08 Euro). From these projects cumulated results - after deduction of any losses - amount to 15,871,691.60 Euro (prior year: 26,484,304.83 Euro).

24. Changes in inventories

The changes in inventory of the products in the amount of 158,915,328.23 Euro (prior year: -23,054,311.03 Euro) include cost of production for project developments which do not come under the PoC method.

25. Other operating income

Other operating income compile as follows:

In Euro	2016	2015
Reimbursement of planning services	1,600,000.00	0.00
Income from the settlement of legal disputes	1,553,669.02	3,656,317.60
Income from the reversal of provisions	1,334,480.74	3,249,433.97
Cost reimbursements	1,085,341.34	61,103.07
Rental income	50,453.66	218,576.03
Insurance reimbursements	48,822.46	61,584.01
Income from the reduction impairment	46,182.77	38,958.72
Profit of sale of property, plant and equipment	15,700.00	170,343.88
Income from business acquisitions	0.00	168,431.30
Income from the reversal of specific bad debt allowances	0.00	687,500.00
Other income	2,597,700.47	322,218.59
	8,332,350.46	**8,634,467.17**

26. Cost of materials

In Euro	2016	2015
Cost of materials and supplies	165,266,771.38	139,776,967.95
Cost of purchased services	128,416,799.23	144,562,644.96
	293,683,570.61	**284,339,612.91**

27. Staff costs

In Euro	2016	2015
Wages and salaries	22,831,158.80	20,938,035.45
Social insurance, pensions and support	3,451,862.71	3,707,181.32
Long-term incentive	8,897,793.03	2,271,451.31
	35,180,814.54	**26,916,668.08**

Employer’s contributions paid to state pension insurance institutions in the reporting year amounted to 1,347,461.67 Euro (prior year: 1,245,854.94 Euro).

Expenditure on pensions totalled 335,943.00 Euro (prior year: 385,112.47 Euro). This mostly comprises new entitlements accrued during the year under defined pension plans and payments into defined contribution pension schemes.

The average number of employees breaks down as follows:

Number	2016	2015
Employees including trainees and working students	292	318

All employees were employed outside the Netherlands.

28. Other operating expenses

In Euro	2016	2015
Commission fees and other distribution costs	24,062,765.85	11,953,703.70
Rentals and lease rentals	3,131,925.32	4,122,967.32
Technical and business consulting	2,577,970.84	570,196.45
Court costs, attorneys' and notaries' fees	2,256,615.89	6,780,283.03
Operating costs	1,456,114.22	0.00
Litigation costs	1,267,585.70	221,165.65
Adjustment of liabilities due to the acquisition of Instone Real Estate Leipzig GmbH	900,780.77	0.00
Compensation during the construction period	800,783.83	0.00
Travel expenses, transportation costs	731,225.22	761,227.50
Advertising measures	623,421.08	190,561.38
Insurances	606,038.81	1,109,102.65
Mail and funds transfer expenses	500,444.10	447,747.96
Real estate tax, wealth tax and other taxes	460,618.14	512,428.16
Vehicle costs	351,662.24	0.00
Further education measures	344,408.75	248,302.42
Entertainment expenses	245,483.59	149,672.10
Stationery	217,690.04	128,636.05
Restructuring and adjustment costs	215,222.09	2,959,034.59
Property levies	162,412.78	118,698.63
Management compensation	70,383.72	76,167.33
External administrative services	0.00	940,000.00
Impairment losses and losses on disposal of assets (excluding inventories)	0.00	657,033.59
Costs from the settlement of legal disputes	0.00	2,800,000.00
Sundry operating expenses	1,402,696.70	3,768,556.64
	42,386,249.68	**38,515,485.15**

Sundry operating expenses mostly comprise order processing, costs of materials for administrative purposes, costs of preparing the annual financial statements and other expenses not reported elsewhere.

29. Income from associated affiliates

The income from associated affiliates can be made up as follows:

In Euro	2016	2015
Share of profits and losses of equity-accounted interests		
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co KG	1,364,366.36	-522,508.75
SEVERINS WOHNEN GmbH & Co. KG	-37,501.00	0.00
CONTUR Wohnbauentwicklung GmbH & Co. KG	3,622.04	0.00
Wohnpark Gießener Straße GmbH & Co. KG	2,766.80	-101,801.15
Wohnentwicklung Theresienstraße GmbH & Co. KG	-177.64	218,609.86
	1,333,076.56	**-405,700.04**
Profit withdrawals from equity-accounted interests		
Wohnpark Gießener Straße GmbH & Co. KG	0.00	105,000.00
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co KG	0.00	745,000.00
	0.00	**850,000.00**
Transfer of losses from equity-accounted interests		
Wohnentwicklung Theresienstraße GmbH & Co. KG	**0.00**	**-1,882,845.85**
	1,333,076.56	**-1,438,545.89**

30. Other income from investments

The other income from investments break down as follows:

In Euro	2016	2015
Income from the sale of participating interests		
Area of Sports GmbH & Co. KG	36,000.00	-6,224.49
Uferpalais Projektgesellschaft mbH & Co. KG	13,029.94	-57,214.93
RheinauArtOffice GmbH & Co. KG	-5,037.38	-37,590.20
formart Kirchberg Services S.A.	0.00	267,156.48
Flensburg Parkhaus GmbH & Co. KG	0.00	-313,876.69
	43,992.56	**-147,749.83**
Net income from non-consolidated subsidiaries and other participating interests		
ARGE Alte Hauptstraße 158	**0.00**	**30,463.07**
Income from the sale of affiliated companies		
Immobiliére de Hamm S.à r.l.	278,182.56	0.00
Flensburg Kaufhaus GmbH & Co. KG	-10,000.00	0.00
	268,182.56	**0.00**
	312,175.12	**-117,286.76**

31. Depreciation and amortization

In Euro	2016	2015
Property, plant and equipment	439,889.19	483,026.79
Intangible assets	685.00	0.00
	440,574.19	**483,026.79**

As in the prior year, there were no impairment losses on intangible and property, plant and equipment.

32. Financial result

In Euro	2016	2015
Interest and similar income	133,215.23	861,843.17
Finance income	**133,215.23**	**861,843.17**
Interest and similar expenses	-23,519,342.37	-19,953,888.38
Accrued interest put option	-1,123,968.87	-1,550,349.98
Interest components of increase in provisions	-340,221.20	-103,372.05
Net interest expenses on pension obligations	-46,295.77	-147,445.75
Finance cost	**-25,029,828.20**	**-21,755,056.16**
Result from long-term securities	**113,523.64**	**-145,100.58**
Financial result	**-24,783,089.33**	**-21,038,313.57**

Interest and similar income or expenses consist of interest income or expenses on cash investments, interest-bearing securities and other loans. Interest and similar income furthermore represent all profit shares and dividends from long-term and short-term securities. The resulting net interest result amounts to -24,896,612.97 Euro (prior year: -20,893,212.99 Euro).

In the financial year, interest income of 133,215.23 Euro was recorded for financial instruments not carried at fair value through profit or loss (prior year: of 861,843.17 Euro); interest expenses on such financial instruments were recorded in the amount of 24,643,244.24 Euro (prior year: 19,928,533.62 Euro).

Net interest expenses on pension obligations in the amount of 46.295.77 Euro (prior year: 147,445.75 Euro) include the annual interest on the net present value of pension obligations in the amount of

187,274.00 Euro (prior year: 185,693.00 Euro), offset against interest income from plan assets in the amount of 140,978.23 Euro (prior year: 38,247.25 Euro).

33. Income taxes

In Euro	2016	2015
Income taxes		
Corporate income tax (domestic and foreign)	-4,555,820.97	-61,511.37
Trade income tax	-6,258,519.14	-19,381.29
Current income taxes	**-10,814,340.11**	**-80,892.66**
Deferred taxes	12,583,887.05	6,275,252.54
	1,769,546.94	**6,194,359.88**

The reconciliation of theoretical income tax to recognised income tax is as follows:

In Euro	2016	2015
Income before taxes	**-23,970,317.18**	**-28,606,003.90**
Theoretical tax expenses at 25.00 %	5,992,579.30	7,151,500.98
Tax effects on		
Difference in tax rates	-685,991.44	4,370,965.22
Supplementary balance sheet effects	0.00	3,579,630.79
Prior year adjustment	1,937,036.08	-16,366.08
Non-tax-allowable expenses	-3,237,899.28	-5,206,299.64
Non-tax-allowable income	102,287.39	0.00
Trade tax adjustments	848,681.86	0.00
Equity accounting of associates	131,834.75	-1,299,153.49
Recognition and measurement of deferred tax assets	848,950.18	-4,198,748.35
Adjustement of previously recognised deferred tax asset	-1,348,194.30	0.00
Tax differing result allocation	-1,031,478.32	0.00
Effects from consolidation	-1,577,732.58	1,336,076.98
Reduction of assessed property value	28,206.36	20,939.56
Transaction-related special effect	-167,027.13	87,386.17
Others	-71,705.93	368,427.73
Current income taxes	**1,769,546.94**	**6,194,359.88**

It is based on the individual tax rates that apply to the individual countries and companies at the time of realisation or are expected to be applied. The company's tax rate of 25.00 percent (prior year: 25.00 percent) was used as the expected tax rate.

Unrecognised deferred tax assets for loss carryforwards mainly relate to the losses of the entity in Luxembourg as well as Instone Real Estate Leipzig GmbH.

C.4 Other disclosures

Reporting on financial instruments

Financial instruments include financial assets and liabilities as well as contractual claims and obligations relating to exchanges and transfers of financial assets. There are no derivative financial instruments.

Financial assets mostly comprise cash and cash equivalents, receivables and other financial investments. Financial liabilities are mostly current liabilities measured at amortized cost.

The financial instruments held are shown in the balance sheet. The maximum risk of loss or default is equal to total financial assets. Any such risk identified in respect of financial assets is accounted for with an impairment loss.

Risk management
All finance activities in Instone Real Estate are conducted on the basis of a Group-wide financial directive. This is supplemented by function-specific operating work guidelines on subjects such as collateral management. These policies include principles for dealing with the various classes of financial risk.

Trading, control and settlement activities are divided between front and back offices. This ensures effective risk management where monitoring and settlement of front office external trading activities are performed by a separate and independent back office. Furthermore, the dual control principle must be observed at minimum for all external trading transactions. Internal authorizations to give instructions are strictly limited in number and monetary amount, and are reassessed at regular intervals (at least once a year) and adjusted if necessary.

Management of liquidity risk
Instone Real Estate uses largely centralized liquidity structures to pool liquidity at Group level, amongst other things to avoid cash flow bottlenecks at the level of individual entities. The central liquidity position is determined on a monthly basis and calculated in a bottom-up process over a rolling 12-months period. Liquidity budgets are supplemented with monthly stress testing.

The tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities on the date on which the Group can be required to pay. The tables include both interest and principal cash flow. Interest payments on variable rate items are translated uniformly using the last interest rate fixed prior to the balance sheet date.

The maximum payments shown in the tables below are offset by contractually fixed receipts in the same periods that are not shown here (for example, from trade receivables), which cover the shown cash outflows to a considerable extent.

Maturity analysis of financial liabilities
The following table summarises the contractual payments relating to financial liabilities:

	Carrying amount	**Cash outflows**		
In Euro	**31 Dec 2016**	**2017**	**2018- 2020**	**>2020**
Non-derivative financial liabilities				
Financial liabilities	382,504,547.27	145,094,762.12	268,142,635,13	0.00
Trade payables	215,163,933.39	215,163,933.39	0.00	0.00
	597,668,480.66	**360,258,695.51**	**268,142,635.13**	**0.00**

	Carrying amount	**Cash outflows**		
In Euro	**31 Dec 2015**	**2016**	**2017 -2019**	**>2019**
Non-derivative financial liabilities				
Financial liabilities	364,623,691.37	83,151,147.25	292,369,408.68	38,884,500.00
Trade payables	99,023,504.86	99,023,504.86	0.00	0.00
	463,647,196.23	**182,174,652.11**	**292,369,408.68**	**38,884,500.00**

Furthermore, Group liquidity is sufficiently secured, also based on the available cash in hand and bank balances as well as undrawn cash credit lines.

The table below shows the main liquidity instruments:

In Euro	31 Dec 2016	31 Dec 2015
Cash and cash equivalents	112,547,605.13	35,900,410.50
Credit line - amount unused	77,220,568,59	348,819,022.20
	189,768,173.72	**384,719,432,70**

Management of default risks

Instone Real Estate is exposed to default risks from operations and from certain financing activities.

Instone Real Estate performs risk management for operations by continuously monitoring trade receivables at a branch level. If a specific default risk is detected, it is countered by recognizing an individual impairment to the extent necessary.

The maximum default risk exposure of financial assets is equivalent to their carrying amounts in the statement of financial position. However, the actual default risk exposure is lower due to collateral given in favour of Instone Real Estate. The maximum risk exposure on financial guarantees is the maximum amount that Instone Real Estate would have to pay. The maximum default risk for loan commitments is the amount of the commitment. Recourse to these financial guarantees and loan commitments is very unlikely at the time of reporting.

Instone Real Estate accepts collateral to secure contract performance by subcontractors, subcontractors' warranty obligations, and claims to remuneration. Such collateral includes, without limitation, guarantees relating to warranty obligations, contract performance, advance payments, and payment bonds. Acceptance of collateral is governed by an Instone Real Estate policy. It includes, without limitation, the contractual drafting, implementation, and management of all agreements. The detailed instructions vary, depending on the country jurisdiction and current case law, for example. For default risks, Instone Real Estate examines the credit rating of the party providing the collateral for all guarantees accepted. Instone Real Estate engages external specialists (such as rating agencies) for assessing credit standings as far as possible. The fair values of accepted collateral are not disclosed as they cannot be measured reliably as a rule.

The age structure of financial assets that are past due is specific to the industry. Receipt of payment depends on order acceptance and invoice checking, which often takes a relatively long time.

Most of these past due unimpaired financial assets are due from contracting authorities with top credit ratings.

The following table shows the past due, unimpaired financial assets:

	31 Dec 2016			
In Euro	**Up to 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**
Trade receivables	8,999,476.24	135,370.81	2,338,886.24	4,771,861.16

	31 Dec 2015			
In Euro	**Up to 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**
Trade receivables	13,197,489.05	480,404.00	243,910.27	4,877,415.63

Individually impaired financial assets are shown below:

in Euro	31 Dec 2016	31 Dec 2015
Trade receivables		
Gross amount	13,444,235.54	20,257,856.22
Impairment	-6,330,226.06	-8,363,172.41
Net amount	**7,114,009.48**	**11,894,683.81**

In Euro	1 Jan 2015	Changes*	31 Dec 2015	Changes*	31 Dec 2016
Trade receivables	14,861,721.92	-6,498,549.51	8,363,172.41	-2,032,946.35	6,330,226.06

*Changes result from allocations, reversals, utilizations and changes in group structure

With regard to financial assets that are neither past due nor impaired, there are currently no indications of any need to recognise impairments for reasons relating to credit ratings.

Management of interest risks

The interest rate risk in Instone Real Estate mainly consists of short- and long-term interest-bearing financial assets and liabilities due to fluctuations in market interest rates. Depending on the market situation, this risk is countered by a mix of fixed and variable interest financial instruments. The risk is not controlled separately, as the external borrowings are usually redeemed within a short time by payments of the acquirers.

Changes in the market interest rates of non-derivative financial instruments with a fixed interest rate have an impact on the result only if they are recognized at fair value. For this reason, all fixed-interest financial instruments carried at amortized cost are not subject to interest rate risks as defined by IFRS 7.

As part of a sensitivity analysis, we examined the impact of the change in market interest rates in a range of 100 basis points on the earnings after tax. In the financial year, a hypothetical increase/ decrease in the market interest rate of 100 basis points, with other variables remaining constant, would result in lower/higher earnings after tax of -1,257,767.56 Euro / +1,252,768.67 Euro (prior year: -1,078,582.63 Euro / +1,076,627.31 Euro).

Capital risk management

Instone Real Estate manages its capital with the aim of ensuring that all Group companies can continue to operate as a going concern. The Group keeps the cost of capital as low as possible by optimizing the balance between equity and debt as the need arises. These measures primarily serve to secure the best possible credit standing as well as to maximize shareholder returns.

The Group’s capital structure consists of the current and non-current liabilities less cash and cash equivalents recognised in the balance sheet and the shareholders’ equity. The Group’s capital structure is assessed at regular intervals, taking into account the risk-adjusted cost of capital.

The overall capital risk management strategy did not change in the year under review compared with the prior year.

Additional information on financial instruments

In the following, carrying amounts and fair values are shown for each class of financial instrument and carrying amounts for each IAS 39 category:

In Euro	Available for sale	Loans and receivables	At (amortised) cost	Total 31 Dec 2016	Total fair value 31 Dec 2016
FINANCIAL ASSETS	**667,726.79**	**133,002,295.51**	**0.00**	**133,670,022.30**	**133,670,022.30**
Other financial assets	**667,726.79**	**0.00**	**0.00**	**667,726.79**	**667,726.79**
Financial receivables	**0.00**	**851,276.11**	**0.00**	**851,276.11**	**851,276.11**
Non-current	0.00	683,029.91	0.00	683,029.91	683,029.91
Current	0.00	168,246.20	0.00	168,246.20	168,246.20
Trade receivables	**0.00**	**19,603,414.27**	**0.00**	**19,603,414.27**	**19,603,414.27**
Cash and cash equivalents	**0.00**	**112,547,605.13**	**0.00**	**112,547,605.13**	**112,547,605.13**
FINANCIAL LIABILITIES	**0.00**	**0.00**	**597,668,480.66**	**597,668,480.66**	**597,668,480.66**
Financial liabilities	**0.00**	**0.00**	**382,504,547.27**	**382,504,547.27**	**382,504,547.27**
Non-current	0.00	0.00	300,869,506.09	300,869,506.09	300,869,506.09
Current	0.00	0.00	81,635,041.18	81,635,041.18	81,635,041.18
Trade payables	**0.00**	**0.00**	**215,163,933.39**	**215,163,933.39**	**215,163,933.39**

In Euro	Available for sale	Loans and receivables	At (amortised) cost	Total 31 Dec 2015	Total fair value 31 Dec 2015
FINANCIAL ASSETS	**887,999.70**	**146,289,165.87**	**0.00**	**147,177,165.57**	**147,177,165.57**
Other financial assets	**887,999.70**	**0.00**	**0.00**	**887,999.70**	**887,999.70**
Financial receivables	**0.00**	**233,791.11**	**0.00**	**233,791.11**	**233,791.11**
Current	0.00	233,791.11	0.00	233,791.11	233,791.11
Trade receivables	**0.00**	**110,154,964.26**	**0.00**	**110,154,964.26**	**110,154,964.26**
Cash and cash equivalents	**0.00**	**35,900,410.50**	**0.00**	**35,900,410.50**	**35,900,410.50**
FINANCIAL LIABILITIES	**0.00**	**0.00**	**463,647,196.23**	**463,647,196.23**	**463,647,196.23**
Financial liabilities	**0.00**	**0.00**	**364,623,691.37**	**364,623,691.37**	**364,623,691.37**
Non-current	0.00	0.00	298,975,839.43	298,975,839.43	298,975,839.43
Current	0.00	0.00	65,647,851.94	65,647,851.94	65,647,851.94
Trade payables	**0.00**	**0.00**	**99,023,504.86**	**99,023,504.86**	**99,023,504.86**

As current financial instruments have short remaining maturities, their carrying amounts correspond to market value as of the balance sheet date. Non-current securities in the “available-for-sale” category are measured at fair value through profit or loss; as such, their carrying amounts also correspond to fair value.

For other financial investments there are no reliable fair values. They are measured at cost within the “available-for-sale” category. There were no transfers between the categories of financial instruments, neither in the financial year nor in the prior year.

Net result from financial instruments

The following table shows the net result from financial instruments by IAS 39 category:

In Euro	31 Dec 2016	31 Dec 2015
Available for sale	1,758,775.32	42,114.48
Loans and receivables	133,215.23	415,353.10
Liabilities at amortised cost	-24,643,311.23	-21,504,238.37
	-22,751,320.68	**-21,046,770.78**

The calculation of net profit from financial instruments includes interest income and expenses, impairments and impairment reversals, income and expenses from currency translation, dividend income, gains and losses on disposal, and other changes in the fair value of financial instruments recognized in income.

In the financial year, the change of impairments on trade receivables amounted to -2,032,946.35 Euro (prior year: 6,498,549.51 Euro).

Operating leases

The future minimum lease payments are as follows:

In Euro	31 Dec 2016	31 Dec 2015
Due within one year	2,594,408.40	2,755,503.84
Due in one to five years	5,555,692.42	7,027,961.05
Due after five years	747,099.00	1,220,697.96
	8,897,199.82	**11,004,162.85**

Notes to the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows classifies cash flows into operating, investing, and financing activities. All non-cash income and expense and all income from asset disposals is eliminated in cash flow from operations.

Cash outflow from investing activities is marked primarily by the acquisition of subsidiaries amounting to 21,968,654.32 Euro.

Cash and cash equivalents as of 31 December 2016 exclusively comprised cash amounting to 112,547,605.13 Euro (prior year: 35,900,410.50 Euro), of which of 21,478,007.06 Euro (prior year: 4,250,656.19 Euro) was subject to restrictions.

Related party disclosures

Significant related parties mostly include the significant equity-accounted entities and shareholders. Material transactions were entered into with significant related parties, which had an effect on the following items in the financial statements:

Relations to shareholders

In Euro	31 Dec 2016	31 Dec 2015
Financial receivables		
Steffen Göpel	**480.11**	**0.00**
Financial liabilities		
Coöperatieve Activum SG Fund III Investments U.A.	61,668,979.07	57,854,271.44
Coöperatieve Formart Investments U.A.	31,557,777.20	28,831,909.69
Steffen Göpel	6,271,168.42	3,946,750.65
	99,497,924.69	**90,632,931.78**
Other non-current liabilities		
Steffen Göpel	**0.00**	**11,363,190.03**
Other current liabilities		
Steffen Göpel	4,739,845.29	0.00
Activum SGCapital Management L.P., Jersey / UK	0.00	75,361.80
Coöperatieve Activum SG Fund III Investments U.A.	1,661,576.76	29,138.82
	6,401,422.05	**104,500.62**
Revenue		
Steffen Göpel	**849,000.00**	**0.00**
Other operating expenses		
Activum SGCapital Management L.P., Jersey / UK	0.00	75,361.80
Coöperatieve Activum SG Fund III Investments U.A.	118,339.06	68,215.21
	118,339.06	**143,577.01**
Interest		
Coöperatieve Activum SG Fund III Investments U.A.	3,814,707.63	2,856,398.63
Coöperatieve Formart Investments U.A.	1,925,867.51	1,429,436.30
Steffen Göpel	241,084.44	0.00
	5,981,659.58	**4,285,834.93**

Shareholder of Instone Real Estate Group B.V. are Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands, in the amount of 59.62 %, Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands, in the amount of 29.81 % and Mr Steffen Göpel, Leipzig, Germany, in the amount of 10.57 %. The direct parent company, Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands, neither prepared nor published consolidated financial statements. The financial liabilities to shareholders are interest-bearing at a rate of 7 %, while the financial liabilities to Mr Steffen Göpel are non-interest bearing.

ActivumSG Capital Management L.P., Jersey / UK, is the group parent company for the largest group of entities in the Activum SG Group and also the ultimate party for the group of entities in Instone Real Estate.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties. For detailed terms and conditions of financial liabilities please refer to note 18. “financial liabilities”. Services were bought based on the prices in force and terms that would be available to third parties.

Relations to associates

In Euro	31 Dec 2016	31 Dec 2015
Receivables		
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	**1,380,000.00**	**0.00**

Relations to joint ventures

In Euro	31 Dec 2016	31 Dec 2015
Receivables		
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co. KG	0.00	157,472.21
SEVERINS WOHNEN GmbH & Co. KG	0.00	76,318.91
	0.00	**233,791.12**
Interest		
Wohnentwicklung Theresienstraße GmbH & Co. KG	**0.00**	**6,890.79**

Relations to other parties

In Euro	31 Dec 2016	31 Dec 2015
Stefan Mohr	0,00	104.888,01
	0,00	**104.888,01**

Stefan Mohr was working for a superordinate company with significant influence and provided consulting services for the Group.

No other material transactions were entered into between Instone Real Estate Group B.V., Amsterdam, the Netherlands or any Group company and Executive or related parties in the reporting period. There were no conflicts of interest involving Executives.

Compensation of key management

The management appointed for the financial year 2016 (prior year: 2015) did not receive any remuneration for the management activities in the financial year, whether in 2016 nor in the prior year.

Auditor`s fee

The total fees for services provided by Deloitte Accountants B.V., Amsterdam, the Netherlands and Deloitte GmbH, Düsseldorf, Germany, were recognized as expenses as follows:

In Euro	31 Dec 2016	31 Dec 2015
Financial statement audits	357,832.50	362,165.06
Other assurance services	7,210.00	34,026.09
	365,042.50	**396,191.15**

Deloitte Accountants B.V., Amsterdam, the Netherlands

In Euro	31 Dec 2016	31 Dec 2015
Financial statement audits	89,950.00	115,125.06
	89,950.00	**115,125,06**

Deloitte GmbH, Düsseldorf, Germany

In Euro	31 Dec 2016	31 Dec 2015
Financial statement audits	267,882.50	247,040.00
Other assurance services	7,210.00	34,026.09
Other services	0.00	0.00
	275,092.50	**281,066.09**

Events after the financial statement date

For the first time ever, Instone Real Estate Development GmbH, placed a promissory note loan with a volume of €66.9 million, plus an increase of €3.1 million. The promissory note loan was paid out as at July 14, 2017.

This transaction serves to refinance any existing liabilities and to finance growth. It facilitates a significant reduction of current interest payments, an extension of financing terms and a diversification of financing sources.

Until 28 February 2017, Instone Real Estate Group B.V. acquired from Hochtief Solutions AG the remaining shares of Instone Real Estate Development GmbH in three different tranches. This acquisition had an impact on liquidity and financial liabilities of Instone Real Estate Group B.V.

With sale and purchase agreement of 14 November 2017, Coöperative Activum SG Fund V Investments U.A., Amsterdam, the Netherlands, acquired 10.57% of the shares in the Instone Real Estate Group B.V. held by Mr. Steffen Göpel.

There are no other reportable transactions that are of special relevance post-December 31, 2016 (balance sheet date).

C.5 Subsidiaries, associates and other participating interests at 31 December 2016

IFRS	**Percentage of capital**	**Equity** in Euro	**Net profit/loss of the year** in Euro
I. Affiliated entities which are included in the consolidated financial statements			
Instone Real Estate Development GmbH, Essen, Germany	82.2	142,939,611.41	4,187,343.17
DURST-BAU GmbH, Vienna, Austria	99.9	1,455,176.07	-2,289,509.70
formart Luxembourg S.à r.l., Luxembourg, Luxembourg	100.0	10,576,844.58	9,728,408.77
Instone Real Estate Management GmbH, Essen, Germany	100.0	-185,559.73	195,021.25
formart Immobilien GmbH, Essen, Germany*	100.0	700,518.93	0.00
Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main, Germany	70.0	1,157,192.51	1,286,649.63
west.side gmbH, Cologne, Germany	94.9	363,216.82	158,998.54
Instone Real Estate Leipzig GmbH, Leipzig, Germany	94.0	22,287,993.94	16,254,806.17
Instone Real Estate Wohnbau GmbH, Leipzig, Germany	100.0	913,470.86	2,388,059.49
OPUS Wohnbau GmbH, Leipzig, Germany	94.0	626,449.17	-177,845.14
Gartenhöfe GmbH, Leipzig, Germany	100.0	156,896.91	449,057.57
Instone Real Estate Verwaltungs GmbH, Leipzig, Germany	100.0	45,708.35	-1,563.85
GRK Elsterlofts GmbH & Co. KG, Leipzig, Germany	100.0	587,318.52	506,181.64
GRK Beteiligung GmbH, Leipzig, Germany	98.0	714,957.43	125,064.26
OPUS Beteiligung GmbH, Leipzig, Germany	100.0	-2,103.50	-18,135.57
Parkresidenz Leipzig GmbH, Leipzig, Germany	53.9	9,840,976.03	-3,538,075.64
Instone Real Estate Capital GmbH & Co. KG, Leipzig, Germany	100.0	7,586,829.40	-14,759,198.96
GRK REVION Hamburg GmbH, Leipzig, Germany	53.0	931,588.35	1,599,721.48
GRK Golf Masters, Leipzig, Germany	100.0	34,152.69	-21,652.69
Instone Real Estate Landmark GmbH	100.0	25,000.00	0.00
II. Equity-method investments			
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt, Germany	50.0	2,981,708.87	2,765,551.46
Wohnentwicklung Theresienstraße GmbH & Co. KG i.L., Munich, Germany	50.0	24,645.26	-355.27
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt, Germany	50.0	36,931.30	5,533.59
III. Other investments			
ArtOffice GmbH, Cologne, Germany	100.0	41,663.34	-596.39
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany	50.0	117,880.08	83,535.43
formart Beteiligungsverwaltungsgesell-schaft mbH, Essen, Germany	100.0	23,484.81	-242.59
formart Wilma Verwaltungsgesellschaft mbH, Kriftel, Germany	50.0	38,279.08	7,767.71
Parkhausfonds Objekt Flensburg GmbH & Co. KG, Stuttgart, Germany	6.0	3,572,873.32	52,784.48
Immobiliengesellschaft CSC Kirchberg S.a r.l., Luxembourg, Luxembourg	99.9	103,863.22	59,161.89
Projektverwaltungsgesellschaft Mönchengladbach - Area of Sports mbH, Düsseldorf, Germany	50.0	25,815.02	3.64
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH, Cologne, Germany	50.0	55,001.71	21,102.58
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0	-81,680.77	-114,276.66
Warenhaus Flensburg Verwaltungsgesellschaft mbH, Essen, Germany	100.0	-140,686.61	-1,570.41
WTS GmbH i.L., Munich, Germany	50.0	15,521.42	-474.69
TG Potsdam Projektentwicklungsgesellschaft mbH, Hannover, Germany**	10.0	0.00	0.00

** Profit transfer agreement*

** Figures were not available at the time consolidated financial statements were prepared

Subsidiaries, associates and other participating interests at 31 December 2015

IFRS	Percentage of capital	Equity in Euro	Net profit/loss of the year in Euro
I. Affiliated entities which are included in the consolidated financial statements			
Instone Real Estate Development GmbH, Essen, Germany	82.2	151,006,489.95	9,695,033.48
DURST-BAU GmbH, Vienna, Austria	99.9	3,210,704.03	-7,044,224.00
formart Luxembourg S.à r.l„ Luxembourg, Luxembourg	100.0	848,435.81	-7,093,851.63
Instone Real Estate Management GmbH, Essen, Germany	100.0	-228,812.98	220,815.43
Immobilière de Hamm S.à r.I., Luxembourg. Luxembourg	100.0	622,978.64	-79,882.60
formart Immobilien GmbH, Essen, Germany*	100.0	700,518.93	0.00
Flensburg Kaufhaus GmbH & Co. KG, Essen, Germany	100.0	-155,986.64	-162,061.99
Instone Real Estate Leipzig GmbH, Leipzig, Germany	94.0	6,003,236.77	13,565,761.80
Instone Real Estate Wohnbau GmbH, Leipzig, Germany	100.0	-1,735,607.49	-1,536,528.80
OPUS Wohnbau GmbH, Leipzig, Germany	94.0	443,170.00	2,323,872.47
Gartenhöfe GmbH, Leipzig, Germany	100.0	-311,610.25	-2,006,642.04
GRK Immobilien GmbH, Leipzig, Germany	51.0	69,153.76	4,562.31
Instone Real Estate Verwaltungs GmbH, Leipzig, Germany	100.0	44,144.50	5,045.95
GRK Elsterlofts GmbH & Co. KG, Leipzig, Germany	100.0	61,136.88	-196,065.84
GRK Beteiligung GmbH, Leipzig, Germany	51.0	6,274.42	-9,766.17
OPUS Beteiligung GmbH, Leipzig, Germany	100.0	3,532.07	-3,847.09
Parkresidenz Leipzig GmbH, Leipzig, Germany	100.0	5,261,162.91	-269,977.94
Instone Real Estate Capital GmbH & Co. KG, Leipzig, Germany	100.0	408,413.78	7,115,609.71
GRK REVION Hamburg GmbH, Leipzig, Germany	51.0	-668,133.13	-614,295.10
II. Equity-method investments			
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt, Germany	50.0	216,157.41	408,163.76
Wohnentwicklung Theresienstraße GmbH & Co. KG, Munich, Germany	50.0	25,000.53	-3,327,971.99
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt, Germany	50.0	31,397.71	6,397.71
SEVERINS WOHNEN GmbH & Co. KG, Cologne, Germany	50.0	-56,483.18	-19,525.79
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co KG, Cologne, Germany	49.9	127,119.04	-60,333.10
III. Other investments			
Area of Sports mbH & Co. KG, Mönchengladbach, Germany	50.0	7,479.86	-6,947.38
ArtOffice GmbH, Cologne, Germany	50.0	15,801.99	-475.93
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany	50.0	34,344.65	134.10
formart Beteiligungsverwaltungsgesell-schaft mbH, Hannover, Germany	100.0	23,727.40	-409.54
formart Wilma Verwaltungsgesellschaft mbH, Kriftel, Germany	50.0	30,511.37	-3,256.80
Immobiliengesellschaft CSC Kirchberg S.a r.I., Luxembourg, Luxembourg	99.9	44,701.33	-6,184.56
Projektverwaltungsgesellschaft Mönchengladbach - Area of Sports mbH, Düsseldorf, Germany	50.0	23,718.80	-180.79
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH, Cologne, Germany	50.0	33,899.13	1,441.18

IFRS	**Percentage of capital**	**Equity** in Euro	**Net profit/loss of the year** in Euro
RheinauArtOffice GmbH & Co. KG, Essen, Germany	50.0	14,925.24	-6,538.55
Uferpalais GmbH & Co. KG, Essen, Germany	70.0	40,283.26	-20,431.67
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0	24,272.89	-578.05
Warenhaus Flensburg Verwaltungsgesellschaft mbH, Essen, Germany	100.0	27,196.52	1,887.65
WTS GmbH, Munich, Germany	50.0	15,996.11	-834.84
TG Potsdam Projektentwicklungsgesellschaft mbH, Hannover, Germany**	10.0	0.00	-236,146.55
ALEA Immobilien GmbH, Leipzig, Germany**	25.5	20,791.68	-2,889.70
Liebigstr. 3 GmbH & Co. KG Bauträgergesellschaft, Königstein im Taunus, Germany	50.0	38,604.31	-1,857.40

* *Profit transfer agreement*
** based on German commercial law values

Essen, 22 December 2017

Kruno Crepulja   Oliver Schmitt   Andreas Gräf   Manfred Torsten Kracht

D. COMPANY FINANCIAL STATEMENTS

D.1 Statement of financial position as at 31 December 2016

EURO	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Shares in affiliated companies	1	229,639,334.96	217,647,864.04
		229,639,334.96	217,647,864.04
Current assets			
Inventories	2	0.00	250,000.00
Financial receivables	3	2,763,786.06	1,191,661.42
Income tax assets	4	24,864.01	0.00
Cash and cash equivalents	5	6,005,035.35	2,654,270.76
		8,793,685.42	4,095,932.18
Total assets		**238,433,020.38**	**221,743,796.22**
EQUITY AND LIABILITIES			
Equity			
Share capital		8,386.00	8,386.00
Capital reserve		37,394,560.00	37,394,560.00
Retained earnings / loss carryforwards		-22,739,088.87	-8,727,310.64
	6	14,663,857.13	28,675,635.36
Non-current liabilities			
Other provisions	7	8,730,687.98	1,789,628.31
Accrued expenses	8	0.00	884,641.51
Financial liabilities	9	196,194,297.57	170,151,839.04
Deferred tax liabilities	10	11,939,919.74	7,249,864.71
		216,864,905.29	180,075,973.57
Current liabilities			
Accrued expenses	8	1,310,670.00	19,165.00
Financial liabilities	9	20,000.00	20,000.00
Trade payables	11	365,090.04	1,589,832.26
Other liabilities	12	4,868,401.25	11,363,190.03
Income tax liabilities	13	340,096.67	0.00
		6,904,257.96	12,992,187.29
Total equity and liabilities		**238,433,020.38**	**221,743,796.22**

D.2 Statement of profit or loss for the year 2016

EURO	**Note**	**2016**	**2015**
Revenue	14	250,000.00	0.00
Change in inventories	15	-250,000.00	250,000.00
Other operating income	16	4,358,776.90	0.00
Cost of materials		0.00	0.00
Staff costs	17	-60,212.45	0.00
Other operating expenses	18	-8,895,398.95	-5,327,717.13
Other net income from investments	19	11,247,926.27	17,697,709.49
Earnings before interest and taxes (EBIT/ EBITDA)		**6,651,091.77**	**12,619,992.36**
Finance income		543.00	441,160.90
Finance costs		-15,649,627.46	-12,507,201.88
Financial result	20	**-15,649,084.46**	**-12,066,040.98**
Earnings before tax (EBT)		**-8,997,992.69**	**553,951.38**
Income taxes	21	-5,013,785.54	-6,614,532.04
Earnings after tax (EAT)		**-14,011,778.23**	**-6,060,580.66**

D.3 Statement of comprehensive income for the year 2016

EURO	2016	2015
Earnings after tax	-14,011,778.23	-6,060,580.66
Items to be reclassified to profit or loss in subsequent periods	0.00	0.00
Items not to be reclassified to profit or loss in subsequent periods	0.00	0.00
Total comprehensive income for the year	**-14,011,778.23**	**-6,060,580.66**

D.4 Statement of changes in equity for the year 2016

EURO	**Note**	Share capital	Capital reserve	Retained earnings	**Total shareholder's equity**
1 January 2016		**8,386.00**	**37,394,560.00**	**-8,727,310.64**	**28,675,635.36**
Earnings after tax		0.00	0.00	-14,011,778.23	-14,011,778.23
Other comprehensive income		0.00	0.00	0.00	0.00
Total comprehensive income		**0.00**	**0.00**	**-14,011,778.23**	**-14,011,778.23**
Increase of subscribed capital		0.00	0.00	0.00	0.00
Payment to the capital reserves		0.00	0.00	0.00	0.00
31 December 2016	6	**8,386.00**	**37,394,560.00**	**-22,739,088.88**	**14,663,857.13**

EURO	**Note**	Share capital	Capital reserve	Retained earnings	**Total shareholder's equity**
1 January 2015		**7,500.00**	**21,000,000.00**	**-3,786,979.33**	**17,220,520.67**
Earnings after tax		0.00	0.00	-6,060,580.66	-6,060,580.66
Other comprehensive income		0.00	0.00	0.00	0.00
Total comprehensive income		**0.00**	**0.00**	**-6,060,580.66**	**-6,060,580.66**
Increase of share capital		886.00	0.00	0.00	886.00
Contribution to capital reserve		0.00	12,000,000.00	0.00	12,000,000.00
Other neutral changes		0.00	0.00	1,120,249.35	1,120,249.35
Reserve participation		0.00	4,394,560.00	0.00	4,394,560.00
31 December 2015	6	**8,386.00**	**37,394,560.00**	**-8,727,310.64**	**28,675,635.36**

D.5 Statement of cash flows for the year 2016

	EURO	Note	2016	2015
	Earnings after tax (EAT)		**-14,011,778.23**	**-6,060,580.66**
+/-	Increase / decrease of provisions		6,847,714.54	1,789,628.31
+/-	Increase / decrease of deferred taxes		4,690,055.03	6,598,165.96
+	Finance costs		15,649,627.46	12,507,201.88
-	Finance income		-543.00	-439,587.69
+/-	Other non-cash income and expenses		543.00	0.00
+/-	Decrease / increase of inventories, receivables and other assets		-13,289,156.43	-13,699,874.01
+/-	Increase / decrease of financial and other liabilities		-6,972,570.84	-3,669,934.95
	Cash flow from operating activities		**-7,086,108.47**	**-2,974,981.16**
-	Income taxes paid		16,366.15	0.00
	Net cash flow from operating activities		**-7,069,742.32**	**-2,974,981.16**
-	Acquisition of subsidiaries		-65,669.29	-49,501,262.67
+	Dividends Received		0.00	4,318,606.44
	Cash flow from investing activities		**-65,669.29**	**-45,182,656.23**
+	Contributions to the capital reserve		0.00	12,000,000.00
+	Cash proceeds from shareholder loans		0.00	25,050,000.00
+	Cash proceeds from borrowings		10,486,243.20	16,769,714.39
-	Interest paid		-67.00	-3,841,852.34
	Cash flow from financing activities		**10,486,176.20**	**49,977,862.05**
	Increase (decrease) in cash and cash equivalents		**3,350,764.59**	**1,820,224.66**
+	Cash and cash equivalents at the beginning of period		2,654,270.76	834,046.10
	Cash and cash equivalents at the end of period	5	**6,005,035.35**	**2,654,270.76**

E. NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

E.1 Accounting policies

General principles

The company Formart Holding B.V. was formed on 16 April 2014 in Amsterdam, the Netherlands, and registered in the Dutch Commercial Register under number 60490861 at the main registered place of business Amsterdam, the Netherlands. In accordance with the shareholder resolution from 16 April 2015 the company's place of effective management is Baumstraße 25, 45128 Essen, Germany. With registration from 9 June 2017 Formart Holding B.V., Amsterdam, the Netherlands was renamed into Instone Real Estate Group B.V., Amsterdam, the Netherlands (hereinafter: "Instone Real Estate Group B.V." or" company").

The Company invests in subsidiaries whose principal activity consists in the acquisition, development, construction, letting, management and sale or other utilisation of land and buildings and equity interests in other companies operating in this business sector.

The financial statements 2016 were approved for issue by the management of Instone Real Estate Group B.V. on 22 December 2017.

For more details please see section 'General principles' of the consolidated financial statements 2016.

Basis for the preparation of the financial statements

The separate financial statements of Instone Real Estate Group B.V. were prepared in accordance with IAS 27.17 and the related requirements for financial reporting set forth in part 9 of book 2 of the Dutch Civil Code.

The separate financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) and Interpretations of those standards, as issued by the International Accounting Standards Board (IASB) and adopted into European Union law.

The statement of profit and loss was determined using the nature of expense method. The financial statements are prepared on the going concern basis.

Accounting policies

For the preparation of the separate financial statements of Instone Real Estate Group B.V. the same accounting policies have been used as for the consolidated financial statements. Except as otherwise disclosed, the accounting policies are consistent with these applied in previous years. For more details please see section 'Accounting policies' of the consolidated financial statements 2016.

E.2 Notes to the statement of financial position

1. Shares in affiliated companies

Shares in affiliated companies are composed as follows:

In Euro	31 Dec 2016	31 Dec 2015
Shares in Instone Real Estate Development GmbH	159,262,436.26	147,295,965.34
Shares in Instone Real Estate Leipzig GmbH	70,056,178.70	70,056,178.70
Shares in GRK REVION Hamburg GmbH	155,880.00	155,880.00
Shares in OPUS Wohnbau GmbH	114,840.00	114,840.00
Shares in Instone Real Estate Management GmbH	25,000.00	25,000.00
Instone Real Estate Landmark GmbH	25,000.00	0.00
	229,639,334.96	**217,647,864.04**

The acquisitions costs of Instone Real Estate Development GmbH increased due to the second put option that was exercised by Hochtief Solutions AG in 2016. Furthermore the Instone Real Estate Landmark GmbH (formerly:GRK-formart GmbH), Leipzig, Germany was established under a contract dated 25 February 2016.

The significant affiliates of the Instone Real Estate Group B.V. are listed below:

Name	place of registration	Business activity	Ownership interest in %
Instone Real Estate Development GmbH	Essen, Germany	Project development	88.43%
Instone Real Estate Leipzig GmbH	Leipzig, Germany	Project development	94%
Instone Real Estate Management GmbH	Essen, Germany	General Partner	100%
GRK REVION Hamburg GmbH	Leipzig, Germany	Project development	6%
OPUS Wohnbau GmbH	Leipzig, Germany	Project development	6%
Instone Real Estate Landmark GmbH	Leipzig, Germany	Project development	100%

Shares in affiliated companies are accounted at cost less impairment losses. For additional analyses and information refer to note ‘1. Acquisition of subsidiaries’ of the notes to the consolidated financial statements 2016.

2. Inventories

Inventories of the prior year comprise of work in progress amounting to 250,000.00 Euro and were not subject to restrictions.

3. Financial receivables

The financial receivables in the amount of 2,763,786.06 Euro (on 31 December 2015: 1,191,661.42 Euro) include receivables from the affiliated company Instone Real Estate Development GmbH due to participation profits.

4. Income tax assets

The income tax assets in the amount of 24,864.01 Euro (on 31 December 2015: 0.00 Euro) include receivables resulting from capital gains tax.

5. Cash and cash equivalents

Cash and cash equivalents in the amount of 6,005,035.35 Euro (on 31 December 2015: 2,654,270.76 Euro) include cash-in-hand and bank balances. Cash and cash equivalents are not subject to any restrictions.

6. Equity

The components and changes in equity are summarized in the statements of changes in equity.

The share capital amounting to 8,386.00 Euro is divided into 8,386 shares with a nominal value of 1.00 Euro each.

The shares in the capital reserve of 37,394,560.00 Euro (31 December 2015: 37,394,560.00 Euro) are held by shareholder Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands in the amount of 22,000,000.00 Euro, by Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands in the amount of 11,000,000.00 Euro and by Steffen Göpel, Leipzig, Germany in the amount of 4,394,560.00 Euro.

As per year end the share capital and the capital reserve are spread out among the shareholders as follows:

	31 Dec 2016 / 31 Dec 2015			
Shareholder	Share capital	%	Capital reserve	%
Coöperatieve Activum SG Fund III Investments U.A., Amsterdam	5,000.00	59.62%	22,000,000.00	58.83%
Coöperatieve Formart Investments U.A., Amsterdam	2,500.00	29.81%	11,000,000.00	29.42%
Steffen Göpel	886.00	10.57%	4,394,560.00	11.75%
	8,386.00	**100.00%**	**37,394,560.00**	**100.00%**

The retained earnings comprise the earnings generated until fiscal year 2016 by the company.

The income tax effects on the change of the shares of profits and losses recognised directly in equity break down as follows:

In Euro	**2016**	**2015**
Amount before income tax	-8,997,992.69	553,951.38
Income taxes	-5,013,785.54	-6,614,532.04
Amount after income tax	**-14,011,778.23**	**-6,060,580.66**

The table below shows the reconciliation of the consolidated equity to the equity of the separate financial statements:

in Euro	**31 Dec 2016**	**31 Dec 2015**
Total consolidated equity	2,684,201.45	35,670,190.59
non-controlling interest	9,452,301.67	-11,484,048.46
Individual retained earnings	-7,122,252.49	-11,955,382.00
Individual net result	8,397,731.19	16,351,063.36
Individual other comprehensive income	1,251,875.31	93,811.87
Total stand-alone equity	**14,663,857.13**	**28,675,635.36**

The table below shows the reconciliation from the consolidated annual result to the annual result of the separate financial statements for the following reporting periods:

in Euro	**2016**	**2015**
Total consolidated loss for the year	-22,200,770.24	-22,411,644.02
Attributable to non-controlling interest	-208,739.18	0.00
Individual net result	8,397,731.19	16,351,063.36
Total stand-alone loss/profit for the year	**-14,011,778.23**	**-6,060,580.66**

The main reason for the difference between the consolidated equity and the stand-alone equity is driven by the negative effects on the consolidated profit for the year concerning the development of the recognised PPA-effect as a result of the acquisition of Instone Real Estate Development GmbH in 2014 and of Instone Real Estate Leipzig GmbH in 2015.

The individual net result is shown in the table below:

In Euro	2016	2015
Profit/loss subsidiaries	-36,692,999.38	-2,758,207.04
Addition of accrued interest Put Option Hochtief	1,123,968.87	1,550,349.98
Lucky Buy	0.00	-168,431.30
Rolling forward PPA (Formart)	11,853,028.35	13,729,409.47
Rolling forward PPA (GRK)	38,060,012.38	0.00
Deferred Taxes	-18,921,437.64	-11,236,328.68
Reversal provisions for hidden liabilities (sale of projects)	-765,349.74	-2,964,779.45
Expenses of acquisition GRK Holding	0.00	1,426,466.25
Income from subsidiaries	11,247,926.27	17,697,709.49
Provision trade tax Formart group	1,031,478.32	0.00
Adjustment share GRK Beteilgungen GmbH	-5,065,899.23	0.00
Reversal amortisation inventories Parkresidenz Leipzig GmbH	3,812,733.19	0.00
Settlement Agreement - aquisition of property below fair value	2,250,000.00	0.00
Other	464,269.80	-925,125.36
Individual net result	**8,397,731.19**	**16,351,063.36**

Appropriation of result

According to the article 23 of the articles of association as of 17 April 2015 the shareholders decided to add the result for the year to the retained earnings. This proposal has been reflected in the stand-alone financial statements and consolidated financial statements.

7. Other provisions

In Euro	31 Dec 2016	31 Dec 2015
Non-current		
Personnel	8,730,687.98	1,789,628.31

In Euro	1 Jan 2016	Addition	Reversal	Interests	Utilization	31 Dec 2016
Personnel	1,789,628.31	6,900,793.03	0.00	40,266.64	0.00	8,730,687.98

For additional analyses and information refer to note 17 ‘Other provisions’ of the notes to the consolidated financial statements 2016.

8. Accrued expenses

Accrued expenses were set up for financial statement and annual audit expenses.

In Euro	31 Dec 2016	31 Dec 2015
Accrued expenses		
Non-current	0.00	884,641.51
Current	1,310,670.00	19,165.00
	1,310,670.00	**903,806.51**

9. Financial liabilities

In Euro	31 Dec 2016	31 Dec 2015
Non-current		
Liabilities to shareholders	96,570,637.02	90,632,931.78
Liabilities to affiliated companies	99,623,660.55	79,518,907.26
	196,194,297.57	**170,151,839.04**
Current		
Liabilities to shareholders	**20,000.00**	**20,000.00**
	196,214,297.57	**170,171,839.04**

The non-current financial liabilities include liabilities to shareholders in the amount of 96,570,637.02 Euro (on 31 December 2015: 90,632,931.78 Euro), which consist of a loan from Coöperatieve

Activum SG Fund III Investments U.A., Amsterdam, the Netherlands, in the amount 61,668,979.07 Euro (on 31 December 2015: 57,854,271.44 Euro) and a loan from Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands, in the amount of 30,730,489.53 Euro (on 31 December 2015: 28,831,909.69 Euro). Both loans have an interest rate of 7%.

Additionally, non-current liabilities to shareholders include a loan free of interest to Mr. Steffen Göpel, Leipzig, of a nominal value of 5,067,000.00 Euro and a maturity of 5 years. In accordance with IAS 39 AG64 the loan is discounted using a prevailing market rate of interest for similar instrument and similar credit rating (BB-) of 4.3564%, resulting a fair value amounting 4,171,168.42 Euro (on 31 December 2015: 3,946,750.65 Euro).

The liabilities to affiliated companies mainly include two (2015: two) loans to Instone Real Estate Development GmbH amounting to 73,891,209.98 Euro (on 31 December 2015: 62,675,402.35 Euro). The maturities of the loans are 3 years. Interests are calculated based on 7% and 14.5%. In order to finance the acquisition of shares in the GRK Group in 2015, the Instone Real Estate Leipzig GmbH has granted two (2015: one) loans to Instone Real Estate Group B.V. As per 31 December 2015 the loan with a maturity of 3 years amounts to 25,732,450.57 Euro (on 31 December 2015: 16,843,504.91 Euro) and is subject to 8% interests.

Current financial liabilities include liabilities to the shareholder Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands, in the amount of 20,000.00 Euro (on 31 December 2015: 20,000.00 Euro).

For additional information refer to note 18 ‘Financial liabilities’ of the notes to the consolidated financial statements 2016.

10. Deferred taxes

Deferred tax assets and deferred tax liabilities are as follows:

	31 Dec 2016		31 Dec 2015	
In Euro	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	**0.00**	**15,031,005.83**	0.00	31,587,602.78
Current assets	**0.00**	**167,664.13**	14,021.55	188,580.42
Non-current liabilities	**202,391.80**	**302,615.72**	**19,673,270.71**	**374,919.86**
- Financial liabilities	0.00	302,615.72	19,615,075.78	373,552.02
- Other provisions	202,391.80	0.00	58,194.93	0.00
- Accrued expenses	0.00	0.00	0.00	1,367.84
Current liabilities	**1,569,561.17**	**10,412.07**	**3,747,734.95**	**0.00**
- Financial liabilities	0.00	0.00	3,165.00	0.00
- Other provisions	1,569,561.17	0.00	0.00	0.00
- Trade payables	0.00	0.00	65,250.09	0.00
- Accrued expenses	0.00	10,412.07	0.00	0.00
- Other current liabilities	0.00	0.00	3,679,319.86	0.00
	1,771,952.97	**15,511,697.75**	**23,435,027.21**	**32,151,103.06**
Loss carryforwards	1,799,825.04	0.00	1,466,211.14	0.00
Gross amount	3,571,778.01	15,511,697.75	24,901,238.35	32,151,103.06
Balance	**-3,571,778.01**	**-3,571,778.01**	**-24,901,238.35**	**-24,901,238.35**
Reported in the statement of financial position	**0.00**	**11,939,919.74**	**0.00**	**7,249,864.71**

A deferred tax asset has been recognised to the extent that it is probable that the entity will generate future taxable income against which this tax loss can be utilised.

11. Trade payables

The trade payables amount to 365,090.04 Euro (on 31 December 2015: 1,589,832.26 Euro) and mainly consist of accrued expenses and outstanding invoices.

12. Other liabilities

Other liabilities in the amount of 4,868,401.25 Euro (on 31 December 2015: 11,363,190.03 Euro) include liabilities due to acquisition costs of Instone Real Estate Leipzig GmbH.

13. Income tax liabilities

Income tax liabilities relate to taxes on income.

E.3 Notes to the statement of profit or loss

14. Revenue

The revenue of 250,000.00 Euro (2015: 0.00 Euro) results from management fees.

15. Changes in inventories

The changes in inventories result from the net change in service projects in progress.

16. Other operating income

The other operating income amounts to 4,358,776.90 Euro (2015: 0.00 Euro) and mainly results from reimbursement of litigation by the seller according to the risk allocation of the purchase agreement.

17. Staff costs

The staff costs consist of salaries paid of 50,000.00 Euro (2015: 0.00 Euro) and social security contributions of 10,212.45 Euro (2015: 0.00 Euro). During the financial year the company employed an average of 0.4 (2015: 0) employees in Germany.

18. Other operating expenses

In Euro	**2016**	**2015**
Longterm incentive	6,900,793.03	1,789,628.31
Adjustment of liabilities due to the acquisition of Instone Real Estate Leipzig GmbH	900,780.77	0.00
Financial statement and annual audit	383,503.50	459,962.55
Court, advocate and notary	355,542.35	179,446.94
Management	70,383.72	76,167.33
Consulting	36,432.21	19,593.17
Costs in connection with settlement of disputes	0.00	2,800,000.00
Other	247,963.37	2,918.83
	8,895,398.95	**5,327,717.13**

Other operating expenses mostly comprise costs for longterm incentive amounts to EUR 6,900,793.03 (2015: EUR 1,789,628.31), for the adjustment of the liabilities due to an element of the purchase price amounts to EUR 900,780.77 (2015: EUR 0.00) and for court, advocates and notary, financial statement and annual audit, management fees, consulting costs and other expenses not reported elsewhere.

19. Other net income from investments

Net income from investments includes all income and expenses relating to subsidiaries and amounts to 11,247,926.27 Euro (2015: 17,697,709.49 Euro).

20. Financial result

In Euro	2016	2015
Interest and similar income	543.00	1,573.21
Other financial income	0.00	439,587.69
Finance income	**543.00**	**441,160.90**
Interest and similar expenses	-15,649,627.46	-12,507,201.88
Finance costs	**-15,649,627.46**	**-12,507,201.88**
Financial result	**-15,649,084.46**	**-12,066,040.98**

Financial costs arise from interest on loans and borrowings presented in note '8. Financial liabilities'. The negative net financial result amounts to 15,649,084.46 Euro (2015: 12,066,040.98 Euro).

21. Income taxes

Income taxes consist of the following:

In Euro	2016	2015
Current income tax	-323,730.52	-16,366.08
Deferred income tax	-4,690,055.02	-6,598,165.96
	-5,013,785.54	**-6,614,532.04**

The income tax for the year can be reconciled as follows:

In Euro	2016	2015
Income before tax	**-8,997,992.69**	**553,951.38**
Expected tax expenses at 25.00 % (2015: 25.00%)	2,249,498.17	-138,487,85
Tax effects on:		
Difference to foreign tax rates	686,096.94	-42,238,78
Prior year taxes	16,366.08	-16,366.08
Non-tax-allowable expenses	-1,317,315.24	-4,853,652.11
Tax differing result allocation	0.00	-1,433,705.63
Tax rate difference	-5,691,289.99	0.00
Permanent differences	0.00	0.00
Use of unrecognised loss carryforwards	0.00	0.00
Recognition and measurement of deferred tax	-880,874.02	-429,397.71
Other	-76,267.48	299,316.12
Current income taxes	**-5,013,785.54**	**-6,614,532.04**

The company's tax rate of 25.00 percent (2015: 25.00 percent) was used as the expected tax rate. The differences between expected tax expenses and current income taxes mainly relates to German income tax.

E.4 Other disclosures

Reporting on financial instruments

For additional analyses and information please see section 'Reporting on financial instruments' of the notes to the consolidated financial statements 2016.

Risk management

For additional analyses and information please see section 'Risk management' of the notes to the consolidated financial statements 2016.

Management of liquidity risk

The following table summarises the contractual agreed payments relating to financial liabilities:

In Euro	Carrying amount 31 Dec 2016	Cash outflows 2017	2018 - 2020	>2020
Non-current financial liabilities	196,194,297.57	20,163,074.57	213,551,601.63	0.00
Current financial liabilities	20,000.00	20,000.00	0,00	0,00
Trade payables	365,090.04	365,090.04	0,00	0,00
	196,579,387.61	**20,548,164.61**	**213,551,601.63**	**0.00**

In Euro	Carrying amount 31 Dec 2015	Cash outflows 2016	2017 - 2019	>2019
Non-current financial liabilities	170,151,839.04	10,734,436.23	176,222,545.70	33,817,500.00
Current financial liabilities	20,000.00	20,000.00	0,00	0,00
Trade payables	1,589,832.26	1,589,832.26	0,00	0,00
	171,761,671.30	**12,344,268.49**	**176,222,545.70**	**33,817,500.00**

Maximum payments after 31 December 2016:

In Euro	2017
Financial liabilities	22,976,800.21

The cash outflows shown above affect put options that can be exercised in 2017. The shareholder Hochtief Solutions AG can call one more put option relating to the remaining ownership interests in Instone Real Estate Development GmbH.

Furthermore, liquidity is sufficiently secured, also based on the available cash in hand and bank balances as well as unused credit facilities.

The table below shows the main liquidity instruments:

In Euro	31 Dec 2016	31 Dec 2015
Cash-in-hand, available bank balances	6,005,035.35	2,654,270.76
Credit facilities unused	2,604,608.59	2,604,608.59
	8,609,643.94	**5,258,879.35**

For additional analyses and information please see section ‘Management of liquidity risk’ of the notes to the consolidated financial statements 2016.

Management of interest risks

In the Instone Real Estate Group B.V., interest risks are resulting from new borrowings at variable interest rates. The risk is not controlled separately, as the external borrowings are usually redeemed within a short time by payments of the acquirers.

As at 31 December 2016 and 31 December 2015 the company recognised borrowings with fixed interest rates only, therefore no interest rate risk resulting from variable interest rates occurs.

For additional analyses and information please see section ‘Management of interest risks’ of the notes to the consolidated financial statements 2016.

Management of default risks

For additional analyses and information please see section ‘Management of default risks’ of the notes to the consolidated financial statements 2016.

Capital risk management

For additional analyses and information please see section ‘Capital risk management’ of the notes to the consolidated financial statements 2016.

Additional information on financial instruments

In the following, carrying amounts and fair values are shown for each class of financial instruments and carrying amounts for each IAS 39 category.

In Euro	Loans and receivables	At (amortised) cost	Total 31 Dec 2016	Total fair value 31 Dec 2016
ASSETS	**8,768,821.41**	**0.00**	**8,768,821.41**	**8,768,821.41**
Financial receivables	**2,763,786.06**	**0.00**	**2,763,786.06**	**2,763,786.06**
Current	2,763,786.06	0.00	2,763,786.06	2,763,786.06
Cash and cash equivalents	**6,005,035.35**	**0.00**	**6,005,035.35**	**6,005,035.35**
EQUITY AND LIABILITIES	**0.00**	**196,579,387.61**	**196,579,387.61**	**196,579,387.61**
Financial liabilities	**0.00**	**196,214,297.57**	**196,214,297.57**	**196,214,297.57**
Non-current	0.00	196,194,297.57	196,194,297.57	196,194,297.57
Current	0.00	20,000.00	20,000.00	20,000.00
Trade payables	**0.00**	**365,090.04**	**365,090.04**	**365,090.04**

In Euro	Loans and receivables	At (amortised) cost	Total 31 Dec 2015	Total fair value 31 Dec 2015
ASSETS	**3,845,932.18**	**0.00**	**3,845,932.18**	**3,845,932.18**
Financial receivables	**1,191,661.42**	**0.00**	**1,191,661.42**	**1,191,661.42**
Current	1,191,661.42	0.00	1,191,661.42	1,191,661.42
Cash and cash equivalents	**2,654,270.76**	**0.00**	**2,654,270.76**	**2,654,270.76**
EQUITY AND LIABILITIES	**0.00**	**171,761,671.30**	**171,761,671.30**	**171,761,671.30**
Financial liabilities	**0.00**	**170,171,839.04**	**170,171,839.04**	**170,171,839.04**
Non-current	0.00	170,151,839.04	170,151,839.04	170,151,839.04
Current	0.00	20,000.00	20,000.00	20,000.00
Trade payables	**0.00**	**1,589,832.26**	**1,589,832.26**	**1,589,832.26**

Due to the short maturity, the book values of the above shown financial instruments correspond to their fair values. For additional analyses and information please see section ‘Additional information on financial instruments’ of the notes to the consolidated financial statements 2016.

Net result of financial instruments

The net result of financial instruments can be summarized as follows:

In Euro	2016	2015
At cost	11,247,926.27	18,137,297.18
Loans and Receivables	-543.00	-1,573.21
Liabilities at amortised costs	-15,556,215.33	-12,481,847.13
	-4,308,832.06	**5,653,876.84**

For additional analyses and information please see section ‘Net result from financial instruments’ of the notes to the consolidated financial statements 2016.

Notes to the statement of cash flows

The Company Statement of Cash Flows classifies cash flows into operating, investing, and financing activities. The 6,005,035.35 Euro (on 31 December 2015: 2,654,270.76 Euro) year-end total for cash and cash equivalents shown on the cash flow statement matches the cash and cash equivalents item on the statement of financial position. Cash and cash equivalents are not subject to any restrictions. All non-cash income and expenses are eliminated in cash flow from operations.

Related party disclosures

The transactions with related parties per category are as follows:

Relations to shareholders

In Euro	31 Dec 2016	31 Dec 2015
Financial liabilities		
Coöperatieve Activum SG Fund III Investments U.A.	61,688,979.07	57,874,271.44
Coöperatieve Formart Investments U.A.	30,730,489.53	28,831,909.69
Steffen Göpel	4,171,168.42	3,946,750.65
	96,590,637.02	**90,652,931.78**
Other liabilities		
Coöperatieve Activum SG Fund III Investments U.A.	7,001.42	0.00
Steffen Göpel	4,739,845.29	11,363,190.03
	4,746,846.71	**11,363,190.03**
Trade payables		
Coöperatieve Activum SG Fund III Investments U.A.	0.00	29,138.82
ActivumSG Capital Management L.P., Jersey / UK	0.00	75,361.80
	0.00	**104,500.62**
Other operating expenses		
Coöperatieve Activum SG Fund III Investments U.A.	63,763.72	68,215.21
ActivumSG Capital Management L.P.	0.00	75,361.80
	63,763.72	**143,577.01**
Finance costs		
Coöperatieve Activum SG Fund III Investments U.A.	3,814,707.63	2,856,398.63
Coöperatieve Formart Investments U.A.	1,898,579.84	1,429,436.30
Steffen Göpel	224,417.77	0.00
	5,937,705.24	**4,285,834.93**

Relations to affiliated companies

In Euro	31 Dec 2016	31 Dec 2015
Financial liabilities		
Instone Real Estate Development GmbH	73,891,209.98	62,675,402.35
Instone Real Estate Leipzig GmbH	25,732,450.57	16,843,504.91
	99,623,660.55	**79,518,907.26**
Financial receivables		
Instone Real Estate Development GmbH	**2,763,786.06**	**1,191,661.42**
Other liabilities		
Instone Real Estate Development GmbH	**24,737.01**	**0.00**
Other net income from investments		
Instone Real Estate Development GmbH	**11,247,926.27**	**17,697,709.49**
Other operating expenses		
Instone Real Estate Development GmbH	**2,400.00**	**1,400.00**
Finance income		
Instone Real Estate Development GmbH	**0.00**	**439,587.69**
Finance costs		
Instone Real Estate Development GmbH	8,253,689.94	8,092,221.68
Instone Real Estate Leipzig GmbH	1,364,820.15	73,790.52
	9,618,510.09	**8,166,012.20**

ActivumSG Capital Management L.P., Jersey / UK, is the group parent company for the largest group of entities in the Activum SG Group and also the ultimate party for the group of entities in Instone Real Estate.

Relations to other parties

In Euro	31 Dec 2016	31 Dec 2015
Stefan Mohr	0,00	104.888,01
	0,00	**104.888,01**

Stefan Mohr was working for a superordinate company with significant influence and provided consulting services for the Group.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties. For terms and conditions of financial liabilities please refer to note 8 “financial liabilities”. Services were bought based on the prices in force and terms that would be available to third parties. Outstanding balances are unsecured and are repayable in cash.

Compensation of key management

The management appointed for the financial year 2016 did not receive any remuneration for the management activities in the financial year, whether in 2016 nor in the prior year.

For additional analyses and information please see section ‘Related party disclosures’ of the notes to the consolidated financial statements 2016.

Auditor’s fees

The total fees for services provided by auditors Deloitte Accountants B.V., Amsterdam, the Netherlands, and Deloitte GmbH, Düsseldorf, Germany, were recognized as expenses as follows:

In Euro	2016	2015
Financial statement audits	124,950.00	224,125.06

Deloitte Accountants B.V., Amsterdam, the Netherlands

in Euro	2016	2015
Financial statement audits	89,950.00	113,125.06

Deloitte GmbH, Düsseldorf, Germany

in Euro	2016	2015
Financial statement audits	35,000.00	109,000.00

Events after the financial statement date

Until 28 February 2017, Instone Real Estate Group B.V. acquired from Hochtief Solutions AG the remaining shares of Instone Real Estate Development GmbH in three different tranches. This acquisition had an impact on liquidity and financial liabilities of Instone Real Estate Group B.V.

With sale and purchase agreement of 14 November 2017, Coöperative Activum SG Fund V Investments U.A., Amsterdam, the Netherlands, acquired 10.57% of the shares in the Instone Real Estate Group B.V. held by Mr. Steffen Göpel.

There are no other reportable transactions that are of special relevance post-December 31, 2016 (balance sheet date).

Essen, 22 December 2017

Kruno Crepulja Oliver Schmitt Andreas Gräf Manfred Torsten Kracht

F. OTHER INFORMATION

F.1 Independent Auditor's Report

To the shareholders of Instone Real Estate Group B.V. (formerly Formart Holding B.V.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE GROUP FINANCIAL STATEMENTS

Our opinion

We have audited the accompanying financial statements for 2016 of Instone Real Estate Group B.V., based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Instone Real Estate Group B.V. as at December 31, 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The consolidated and company statement of financial position as at December 31, 2016.

2. The following statements for 2016: the consolidated and company profit or loss, the consolidated and company statements of comprehensive income, the consolidated and company statements of cash flows and the consolidated and company statements of changes in equity.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Instone Real Estate Group B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE GROUP FINANCIAL STATEMENTS

In addition to the financial statements and our auditor's report thereon, the Group Financial Statements contains other information that consists of:

- Group Management Report
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Group Management Report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company’s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company’s ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

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

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

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, December 22, 2017

Deloitte Accountants B.V.

P. Kuijpers.

F.2 Provisions of the Articles of Association governing profit appropriation

Article23. Profits.

1. The General Meeting is authorised to resolve to allocate the profits as determined by virtue of the adoption of the Annual Accounts. A resolution of the General Meeting to allocate profits requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the issued and outstanding Shares are present or represented.

2. The General Meeting is authorised to determine a distribution of the profits, to the extent that its net assets exceed the reserves which must be maintained under the law or the articles of association. A resolution of the General Meeting to distribute profits requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the issued and outstanding Shares are present or represented.

3 The General Meeting may, subject to and with due observance of the provisions as set out in paragraph 2 of this article and the relevant statutory provisions, resolve to distribute the reserves in whole or in part. A resolution of the General Meeting to distribute reserves requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the Issued and outstanding Shares are present or represented.

4. The General Meeting may, subject to and with due observance of the provisions as set out in paragraph 2 of this article and the relevant statutory provisions, resolve to pay interim-dividend. A resolution of the General Meeting to pay interim-dividend requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the issued and outstanding Shares are present or represented.

5. Subject to and with due observance of the provisions of article 21 paragraph 4, any resolution of the General Meeting to make a distribution, as referred to in the previous paragraphs of this article, shall be without any effect until the Management Board has granted Its approval to such resolution.

6. The Management Board shall only withhold the approval as referred to in paragraph 5 of this article, if the Management Board is aware or reasonably should be aware of any circumstances by virtue of which the Company cannot continue to meet its obligations after the relevant distribution

7 Any claim of a Shareholder for payment of a distribution shall be barred after five (5) years have elapsed.

GROUP FINANCIAL STATEMENTS

INSTONE REAL ESTATE GROUP B.V.

31 December 2015

TABLE OF CONTENTS

A. GROUP MANAGEMENT REPORT

The Management Report is not included in these financial statements. Such report is available for review and can be obtained from the Chamber of Commerce in the Netherlands.

B. CONSOLIDATED FINANCIAL STATEMENTS

B.1 Consolidated statement of financial position as at 31 December 2015

EURO	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Intangible assets	3	693.00	0.00
Property, plant and equipment	4	1,628,221.67	1,287,132.64
Equity-method Investments	5	60,196.53	9,459,543.07
Other financial assets	8	886,976.21	435,074.05
		2,576,087.41	11,181,749.76
Current assets			
Inventories	9	415,476,524.10	233,033,360.74
Financial receivables	10	233,791.11	2,132,579.52
Trade receivables	11	110,154,964.26	115,425,130.81
(thereof percentage of completion receivables)		(91,355,745.31)	(93,034,859.35)
Other receivables and other assets	12	16,648,612.63	5,249,469.53
Current income tax assets	13	267,663.35	1,054,903.76
Cash and cash equivalents	14	35,900,410.50	25,094,496.70
		578,681,965,95	381,989,941.06
Total assets		**581,258,053.36**	**393,171,690.82**
EQUITY AND LIABILITIES			
Equity			
Share capital		8,386.00	7,500.00
Capital reserve		37,394,560.00	21,000,000.00
Retained earnings / loss carryforwards		-13,122,992.00	11,111,390.43
Accumulated other comprehensive income		-93,811.87	-188,647.99
Equity attributable to shareholders	15	24,186,142.13	31,930,242.44
Non-controlling interests	2	11,484,048.46	34,252.50
Total equity		35,670,190.59	31,964,494.94
Non-current liabilities			
Provisions for pensions and similar obligations	16	2,441,628.00	2,112,432.78
Other provisions	17	4,490,036.84	3,039,051.87
Financial liabilities	18	298,975,839.43	214,177,079.43
Other liabilities	21	348,887.28	0.00
Deferred tax liabilities	19	36,286,915.47	11,243,545.95
		342,543,307.02	230,572,110.03
Current liabilities			
Other provisions	17	20,170,331.80	16,808,008.41
Financial liabilities	18	65,647,851.94	32,192,882.43
Trade payables	20	99,023,504.86	79,215,921.99
(thereof percentage of completion payables)		(470,609.43)	(5,829,715.02)
Other liabilities	21	16,204,182.16	2,418,273.02
Income tax liabilities	22	1,998,684.99	0.00
		203,044,555.75	130,635,085.85
Total equity and liabilities		**581,258,053.36**	**393,171,690.82**

B.2 Consolidated statement of profit or loss for the year 2015

EURO	Note	2015	16 Apr - 31 Dec 2014
Revenue	23	**358,662,779.11**	**64,444,564.10**
Changes in inventories	24	-23,054,311.03	-7,786,423.45
Other operating income	25	8,634,467.17	31,456,934.59
Cost of materials	26	-284,339,612.91	-50,970,681.05
Staff costs	27	-26,916,668.08	-6,361,268.04
Other operating expenses	28	-38,515,485.15	-18,964,351.11
Income from associated affiliates	29	-1,438,545.89	1,621,912.99
Other income from investments	30	-117,286.76	0.00
Earnings before interest, tax, depreciation and amortization (EBITDA)		**-7,084,663.54**	**13,440,688.03**
Depreciation and amortization	31	-483,026.79	-107,285.15
Earnings before interest and tax (EBIT)		**-7,567,690.33**	**13,333,402.88**
Finance income		861,843.17	229,977.69
Finance costs		-21,755,056.16	-5,427,466.93
Write-down of long-term securities		-145,100.58	0.00
Financial result	32	-21,038,313.57	-5,197,489.24
Earnings before tax (EBT)		**-28,606,003.90**	**8,135,913.64**
Income taxes	33	6,194,359.88	2,662,101.48
Earnings after tax (EAT)		**-22,411,644.02**	**10,798,015.12**
Attributable to:			
Shareholders of the Group		-22,411,644.02	10,787,076.69
Non-controlling interests		0.00	10,938.43
		-22,411,644.02	10,798,015.12

B.3 Consolidated statement of comprehensive income for the year 2015

EURO	2015	16 Apr - 31 Dec 2014
Earnings after tax	**-22,411,644.02**	**10,798,015.12**
Items to be reclassified to profit or loss in subsequent periods	0.00	0.00
Actuarial gains/losses on defined benefit obligation	112,900.14	-218,831.67
Income tax effect	-18,064.02	30,183.68
Items not to be reclassified to profit or loss in subsequent periods	94,836.12	-188,647.99
Other comprehensive income for the year	**94,836.12**	**-188,647.99**
Total comprehensive income for the year	**-22,316,807.90**	**10,609,367.13**
Attributable to:		
Shareholders of the Group	-22,316,807.90	10,598,428.70
Non-controlling interests	0.00	10,938.43
	-22,316,807.90	10,609,367.13

B.4 Consolidated statement of cash flows for the year 2015

	EURO	Note	2015	16 Apr - 31 Dec 2014
	Consolidated earnings		**-22,411,644.02**	**10,798,015.12**
+/-	Depreciation and amortization	31	483,026.79	107,285.15
+/-	Increase / decrease of provisions		7,303,665.03	3,944,791.12
+/-	Increase / decrease of deferred taxes		-7,156,685.34	-1,526,389.69
+/-	Decrease / increase of equity carrying amounts		405,700.04	8,235,958.90
+/-	Other non-cash income and expenses		3,226,130.14	-12,590,933.35
+/-	Profit / loss on disposals of property, plant and equipment		165,337.49	0.00
+/-	Decrease / increase of inventories, trade receivables and other assets		-2,578,.238.01	1,486,339.72
+/-	Increase / decrease of trade payables and other liabilities		4,706,385.91	-21,849,704.10
	Cash flow from operating activities		**-15,856,321.97**	**-11,394,637.13**
-	Income taxes paid		-64,526.58	-20,528.40
	Net cash flow from operating activities		**-15,920,848.55**	**-11,415,165.53**
+	Proceeds from disposals of property, plant and equipment		213,225.62	0.00
-	Purchase of property, plant and equipment		-1,195,106.27	0.00
-	Payments for acquisitions of shares in consolidated companies	1	-57,747,971.09	-120,697,673.70
+	Receipts from the disposal of subsidiaries		7,500,000.00	32,500.00
	Cash flows from investing activities		**-51,229,851.74**	**-120,665,173.70**
+	Increase of share capital	15	0.00	7,500.00
+	Contributions to the capital reserve	15	12,000,000.00	21,000,000.00
+	Cash proceeds from shareholder loans		25,050,000.00	56,365,391.41
+	Cash proceeds from borrowings		70,815,123.54	82,319,247.03
-	Cash repayments of borrowings		-13,710,012.09	0.00
-	Interest paid		-15,769,854.77	-2,517,302.51
	Cash flow from financing activities		**78,385,256.68**	**157,174,835.93**
	Increase (decrease) in cash and cash equivalents		**11,234,556.39**	**25,094,496.70**
+/-	Net foreign exchange differences and changes in group structure		-428,642.59	0.00
+	Cash and cash equivalents at the beginning of period		25,094,496.70	0.00
	Cash and cash equivalents at the end of year	14	**35,900,410.50**	**25,094,496.70**

B.5 Consolidated statement of changes in equity for the year 2015

EURO	Note	Share capital	Capital reserve	Retained earnings/loss carryforwards	Accumulated other comprehensive income	**Equity attributable to shareholders**	Non-controlling interests	**Total**
1 January 2015		**7,500.00**	**21,000,000.00**	**11,111,390.43**	**-188,647.99**	**31,930,242.44**	**34,252.50**	**31,964,494.94**
Earnings after tax		0.00	0.00	-22,411,644.02	0.00	-22,411,644.02	0.00	-22,411,644.02
Changes in actuarial profits and losses		0.00	0.00	0.00	94,836.12	94,836.12	0.00	94,836.12
Total comprehensive income		**0.00**	**0.00**	**-22,411,644.02**	**94,836.12**	**-22,316,807.90**	**0.00**	**-22,316,807.90**
Additional non-controlling interests which emerged in the course of purchasing Instone Real Estate Leipzig GmbH		0.00	0.00	32,528.30	0.00	32,528.30	11,510,638.66	11,543,166.96
Increase of share capital		886.00	0.00	0.00	0.00	886.00	0.00	886.00
Re-participation*		0.00	4,394,560.00	0.00	0.00	4,394,560.00	0.00	4,394,560.00
Contribution to capital reserve		0.00	12,000,000.00	0.00	0.00	12,000,000.00	0.00	12,000,000.00
Distributions to shareholders		0.00	0.00	-245,259.17	0.00	-245,259.17	-34,252.50	-279,511.67
Other changes		0.00	0.00	-1,610,007.54	0.00	-1,610,007.54	-26,590.20	-1,636,597.74
31 December 2015	**15**	**8,386.00**	**37,394,560.00**	**-13,122,992.00**	**-93,811.87**	**24,186,142.13**	**11,484,048.46**	**35,670,190.59**

* additional value of shares transferred to new shareholder

EURO	Note	Share capital	Capital reserve	Retained earnings/loss carryforwards	Accumulated other comprehensive income	**Equity attributable to shareholders**	Non-controlling interests	**Total**
16 April 2014		**5,000.00**	**0.00**	**0.00**	**0.00**	**5,000.00**	**0.00**	**5,000.00**
Earnings after tax		0.00	0.00	10,787,076.69	0.00	10,787,076.69	10,938.43	10,798,015.12
Changes in actuarial profits and losses		0.00	0.00	0.00	-188,647.99	-188,647.99	0.00	-188,647.99
Total comprehensive income		**0.00**	**0.00**	**10,787,076.69**	**-188,647.99**	**10,598,428.70**	**10,938.43**	**10,609,367.13**
Additional non-controlling interests which emerged in the course of purchasing Instone Real Estate Development GmbH		0.00	0.00	0.00	0.00	0.00	24,413.19	24,413.19
Increase of share capital		2,500.00	0.00	0.00	0.00	2,500.00	0.00	2,500.00
Contribution to capital reserve		0.00	21,000,000.00	0.00	0.00	21,000,000.00	0.00	21,000,000.00
Distributions to shareholders		0.00	0.00	0.00	0.00	0.00	-1,099.12	-1,099.12
Other changes		0.00	0.00	324,313.74	0.00	324,313.74	0.00	324,313.74
31 December 2014	**15**	**7,500.00**	**21,000,000.00**	**11,111,390.43**	**-188,647.99**	**31,930,242.44**	**34,252.50**	**31,964,494.94**

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

C.1 Accounting principles

General principles

The company Formart Holding B.V. was formed on 16 April 2014 in Amsterdam, the Netherlands, and registered in the Dutch Commercial Register under number 60490861 at the main registered place of business Amsterdam, the Netherlands. The company's place of effective management is Baumstraße 25, 45128 Essen, Germany. With registration from 9 June 2017 Formart Holding B.V., Amsterdam, the Netherlands was renamed into Instone Real Estate Group B.V., Amsterdam, the Netherlands ("Instone Real Estate" or "company").

The company invests in subsidiaries whose principal activity consists of the acquisition, development, construction, letting, management and sale or other utilisation of land and buildings and equity interests in other companies operating in this business sector.

In October 2014 Instone Real Estate Group B.V. (formerly: Formart Holding B.V.) acquired 75.97% of the limited partnership interests in Instone Real Estate Development GmbH (formerly: formart GmbH & Co. KG), from Hochtief Solutions AG. Consequently, Hochtief Solutions AG, continued to hold 24.03 % of the limited partnership interests as a minority shareholder in October 2014. After the limited partnership interest was increased by way of special legal succession in October 2015 by approx. 6.23 %, Instone Real Estate Group B.V. now holds 82.20 %. After the contribution was reduced by approx. 6.23 % in October 2015, Hochtief Solutions AG, now holds 17.80 %. Instone Real Estate Development GmbH develops residential condominium units for owner-occupiers and investors.

Furthermore, in 2015 94 % of the shares in Instone Real Estate Leipzig GmbH (formerly:GRK Holding GmbH), and its subsidiaries and equity interests as well as 6 % each of the shares in OPUS Wohnbau GmbH (GRK Group), Leipzig, Germany and GRK REVION Hamburg GmbH, Leipzig, Germany were transferred to Instone Real Estate Group B.V., with effect from 31 December 2015. The Instone Real Estate Leipzig GmbH, is operating mainly in the field of development and restoration of buildings under monument protection and the repurposing of specialty properties.

These consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) to be applied in the European Union (EU) and the requirements of Part 9 of Book 2 of the Dutch Civil Code.

In addition to the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position and the statement of cash flows, a statement of changes in equity is presented.

To enhance the clarity of presentation, several items of the consolidated statement of financial position and of the consolidated statement of profit or loss and are combined to one. These items are reported separately in the Notes and explained. The consolidated statement of profit or loss was drawn up in the total cost (nature of expense) format.

The consolidated financial statements are presented in Euro (EUR).

The consolidated financial statements have been prepared on the historical cost basis as a principle.

The present financial statements comprise the financial year 2015 on the basis of the reporting period from 1 January to 31 December of the year. Due to the formation of Instone Real Estate Group B.V. in 2014, and the acquisition of Instone Real Estate Development GmbH (formerly: formart GmbH & Co. KG), as well as its subsidiaries with effect from 30 September 2014, the information in the comparative period of 2014 are comparable with the information in the reporting period 2015 to a limited extent only.

The consolidated financial statements are prepared on the going concern basis.

The financial statements were approved by the management of Instone Real Estate Group B.V. and authorised for issue on 22 December 2017.

Basis of consolidation

The consolidated financial statements of into Instone Real Estate Group B.V. and its subsidiaries have been included in these consolidated financial statements. Control occurs if Instone Real Estate as investor has the current ability to direct the relevant activities of the subsidiary. Relevant activities are activities that significantly affect the returns. Furthermore, Instone Real Estate must participate in these returns in the form of variable returns and must be able to influence them in its favour with the existing possibilities and rights. As a rule, control occurs if a direct or indirect majority of the voting rights are held. In structured enterprises control may result from contractual arrangements. Material investments in associates are accounted for using the equity method of accounting. Companies will be deemed associates if Instone Real Estate has a significant influence based on a proportion of voting rights between 20 % and 50 % or based on contractual arrangements.

For the year ended 31 December 2015, in addition to Instone Real Estate Group B.V. a total of 16 (prior year: 7) domestic and 3 (prior year: 4) foreign subsidiaries have been included in the present consolidated financial statements by way of full consolidation.

With the closing of the acquisition of the Instone Real Estate Leipzig GmbH effective 31 December 2015, Instone Real Estate Leipzig GmbH and its subsidiaries as well as GRK REVION Hamburg GmbH will be included in the consolidated financial statements of Instone Real Estate Group B.V. for the first time.

As their significance is no longer material, three subsidiaries were no longer included in the present consolidated financial statements with effect from 1 January 2015 by way of full consolidation.

In April 2015, Instone Real Estate Development GmbH sold a participating interest of 94 % in Flensburg Parkhaus GmbH & Co. KG to Parkhausfonds Equity GmbH & Co. KG and International Real Estate Kapitalanlagegesellschaft mbH.

In November 2015, formart Luxembourg S.à r.l. sold its 100 % share in formart Kirchberg Services S.A. to Wagner Facility Management S.A.

Six (prior year: five) subsidiaries are of minor importance to the net assets, financial position and results of operations of the Instone Real Estate and have not been consolidated. Their revenue in 2015 accounted for less than one percent of the Group’s revenue.

Five domestic companies have been included using the equity method. The group of companies to be included using the equity method has not changed in the reporting year.

Due to their minor importance, nine (prior year: six) companies have not been included in the consolidated financial statements on the basis of the equity method.

For an overview of subsidiaries, associates and other participating interests of Instone Real Estate please refer to chapter C.5 “Subsidiaries, associates and other participating interests at 31 December 2015”.

Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Acquisition of non-controlling interests
Non-controlling interests are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Segment reporting
Segment reporting in accordance with IFRS 8 is based on the management approach and is therefore consistent with the management and reporting system used by Instone Real Estate for its segments. Instone Real Estate operates only in one business segment and one geographical segment, and generates its revenue and hold its assets mainly in Germany. Therefore Instone Real Estate did not prepare a segment report. Internal reporting is also based on the IFRS accounting figures.

Consolidation policies
The financial statements of the domestic and foreign entities included in the consolidation are prepared using uniform accounting policies.

Expenses and income as well as liabilities between consolidated companies are eliminated. Intra-group intermediary results are eliminated to the extent that they are not of minor significance. Any impairment losses recognized for consolidated companies in their separate financial statements are reversed.

The same consolidation policies also apply to interests in equity-accounted investees. They comprise both associates and joint ventures of the Group.

The financial statements of all equity-method investments are prepared in accordance with uniform Group accounting policies.

Foreign currency translations
All fully consolidated entities and equity-accounted investees prepare their separate financial statements in the currency Euro, which at the same time corresponds to the functional currency in which these consolidated financial statements are presented.

Exchange differences from the settlement of monetary items in foreign currencies during the year as well as the measurement of open foreign currency positions at the rate on the balance sheet date are realized in profit or loss.

Accounting policies
Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets are accounted for at cost. They include exclusively software for commercial and technical applications. Intangible assets are generally written off using the straight-line method over 3 to 5 years. The useful lives and amortisation methods are reviewed each year.

Property, plant and equipment are accounted for at amortised cost. Only amounts directly attributable to an item of property, plant and equipment are included in its cost. Items of property, plant and equipment are generally written off on a straight-line basis over three to eight years. The useful lives and amortisation methods are reviewed annually.

Impairment losses are recognized for intangible and tangible if their recoverable amount falls below their carrying amount. If the reason for an earlier impairment loss does no longer exist, such reductions are reversed to amortised cost.

Equity-method investments are accounted for at cost, in subsequent periods they are accounted for at the amortized pro-rata net assets. The full carrying amount is tested for impairment annually, withdrawals and all other changes in equity are increased or decreased. Equity-method investments are subject to impairment if their recoverable amount falls below their carrying amount.

Interests in non-consolidated subsidiaries recognised as other investments, other interests and the non-current equity securities exclusively fall into the measurement category “available for sale”. They are measured at fair value, provided that this value can be determined reliably. Due to the lack of observable market transactions, the fair value is determined using the discounted cash flow method. Where the fair value cannot be reliably determined, the financial assets are recognised at cost (less value impairment). They are recognised for the first time on the date of performance. Unrealised profits and losses are recognised in consideration of deferred tax in the changes in equity without affecting profit or loss and will be reflected through profit or loss only when sold. If there are objective indications of impairment losses of an asset it will be written down through profit or loss.

Other financial assets are measured at cost. An impairment loss is recognized if there is any objective material evidence that the other financial asset may be impaired.

The receivables include financial receivables, trade receivables and other receivables. Receivables and other assets are measured at amortised cost, using the effective interest rate method (accounting for factors such as premiums and discounts). An impairment loss is recognized if there is any objective material evidence that a financial asset may be impaired. Impairment losses are recognized according to actual default risk.

Long-term loans included in financial receivables are stated at amortized cost. Loans yielding interest at normal market rates are reported at nominal amounts.

Receivables or payables from specifically negotiated construction contracts are reported in trade receivables and trade payables. They are accounted for using the percentage of completion (PoC) method. If the usual pre-marketing rate of 30 % is reached, the construction starts for specifically negotiated construction contracts and the PoC method is applied in accordance with IAS 11. Here the proportionate result of the PoC method is determined depending on the construction progress and the marketing progress.

If cumulative work done (contract costs and contract net profit) of contracts in progress exceeds progress payments received, the construction contract is recognised as an asset in PoC receivables. If a negative balance results after deducting progress payments, it is recognised as an obligation under a construction contract on the liabilities side as liabilities from PoC. Expected contract losses are accounted for on the basis of identifiable risks and immediately fully included in the contract net profit. For completed construction contracts, the contractual proceeds and adjustments and addenda are recognised as contract proceeds in conformity with IAS 11. Receivables and liabilities from construction contracts are realised within one business cycle of Instone Real Estate. Consequently, they are recognised as current assets or liabilities, even if the realisation of the whole construction contract takes a period of more than one year.

Deferred taxes are arising from temporary differences between the IFRS and tax accounts of the individual entities and as result of consolidation processes. Deferred tax assets are also recognised for tax refund entitlements resulting from the anticipated use of existing tax loss carryforwards in subsequent years. Deferred taxes are to be capitalised if it is sufficiently certain that related economic advantages can be used. Their amount is measured on the basis of the tax rates that apply or are expected to be applied in the individual countries at the time of realisation. In the Group, the trade tax rates attributable to the individual entities are taken as a basis. For all other purposes, deferred taxes are measured on the basis of the tax regulations in force or enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset per entity or per tax group.

Inventories are assets under construction (work in progress). Inventories are recognised at cost. Cost comprises the production-related full cost. Borrowing costs for inventories that are qualifying assets are capitalized as part of cost. Should the recoverable amount be lower than the capitalized cost at a given balance sheet date, such lower recoverable amount will be recognized. Should the recoverable amount of such inventories subsequently increase, the resulting gain must be recognized. This is done by reducing materials expense.

The inventories of individual major project development measures are broken down into several partial project development measures for reasons of commercial presentation. The breakdown does not affect measurement. In the Group, the respective total project is treated as a special form of measurement unit in current assets. The risks of individual partial project measures may be compensated by the opportunities within other partial projects. An exceeding requirement for impairment is reflected by measuring a provision for contingent losses.

Cash and cash equivalents exist as cash-in-hand and bank balances.

Provisions are measured for any legal or factual liabilities in relation to third parties existing on the financial statement date which are resulting from past transactions that are likely to lead to an outflow of resources the amount of which may be reliably estimated. The provisions are recognised with their expected settlement amount and not netted with refund claims.

All non-current provisions are accounted for with their expected settlement amount discounted to the financial statement date. Furthermore, any cost increases expected to be incurred by the settlement date are to be taken into account in the calculation of this amount.

As a principle, provisions are reversed against the expense item for which they are made.

Provisions for pensions and similar obligations are recognised for defined benefit plans. They include obligations of the entity for current and future benefits to entitled active and former employees and their surviving dependants. The obligations primarily relate to pension benefits. The individual commitments are measured based on the length of service and salaries of the employees.

For the measurement of provisions for defined benefit plans the actuarial present value of the respective obligation is taken as basis. It is determined using the projected unit credit method. This projected unit credit method not only includes the pensions and accrued benefits known on the reference date but also salary and pension increased to be expected in the future. This calculation is based on actuarial reports in consideration of biometric calculation methods (mainly the “2005 G Reference Tables” by Klaus Heubeck). The provision results from the balance of the actuarial present value of the obligation and the fair value of the plan assets required to cover the pension obligation. The service cost is included in the personnel expenses. The net interest income is a component of the financial income.

Profits and losses from remeasured net liabilities or net assets are recognised fully in the period during which they arise. They are recognised in equity without affecting profit or loss and not included in the consolidated statement of profit or loss. Also in the subsequent years they will not be recognised in profit and loss.

For defined contribution plans, Instone Real Estate does not incur any further obligations exceeding the payment of contribution to special-purpose funds. The contribution payments are stated in personnel expenses.

Income tax liabilities include obligations from current income tax. Liabilities for income tax are offset with the corresponding tax refund entitlements if they exist in the same jurisdiction and are identical in terms of nature and maturity.

All other provisions take adequate account of all discernible risks and other contingent liabilities. They are recognised at the amount necessary according to prudent commercial judgement to settle future payment obligations of the Group. In this connection the amount resulting as most likely when examining the individual case will be recognised.

Non-current liabilities, to the extent that they are not of minor significance, are accounted for with their settlement amount discounted to the financial statement date. The settlement amount also includes cost increases to be taken into account on the financial statement date.

Non-derivative financial liabilities (including trade payables) within the scope of IAS 39 are measured at amortised cost, using the effective interest rate method. Initial measurement is performed at fair value, including transaction costs. In the subsequent measurement the residual value is adjusted by the premium write-ups and discount write-downs remaining until maturity. The premium or discount is recognised in the financial result over their duration.

Contingent liabilities are possible obligations in relation to third parties based on past events, which cannot be fully controlled by the entity, or current obligations in relation to third parties that are unlikely to lead to an outflow of resources or the amount of which cannot be stated with sufficient reliability. As a principle, contingent liabilities are not recognised in the statement of financial position.

Estimate and assumptions

The preparation of the consolidated financial statements requires estimates and assumptions that may affect the application of accounting principles in the Group, the recognition and measurement. The estimates are based on experience from the past and other knowledge gained of transactions to be accounted for. The actual amounts may vary from these estimates.

Estimates are necessary in particular in the measurement of inventories and amounts due from customers for contract work (PoC), purchase price allocations, the recognition and measurement of deferred tax assets, the recognition of provisions for pensions and other provisions.

New accounting pronouncements

Standards and interpretations to be applied in 2015

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have adopted the following standards and interpretations that have been adopted by the EU in European law and whose application is mandatory in the reporting period 1 January to 31 December 2015.

The order of sequence is resulting from the time of publication by the IASB:

IFRIC 21 “Levies”: The interpretation includes guidance when to recognise a liability to pay a levy imposed by the government based on legal provisions. In this context, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

Standards and interpretations not to be applied in 2015:

The AIS and IFRIC adopted further standards and interpretations. These provisions were not applied in the 2015 period, as their recognition by the European Union (EU) was partially pending or the standards and interpretations were issued but not yet effective. This list is based on the legal status on 27 November 2017. The order of sequence is resulting from the time of publication by the IASB.

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions: On 21 November 2013 the IASB published an amendment to the IAS 19 which provides for an addition to IAS 19.93. Accordingly, employee contributions related with services – in accordance with common practice before IAS 19 (2011) entered into force – may be recognised in the period when they fall due as a reduction of the service cost if the contributions are independent on the number of years of service. The amendments shall be applied in statutory EU-IFRS financial statements for periods beginning on or after 1 February 2015 retrospectively.

Standard on the amendment of various International Financial Reporting Standards (2010 – 2012 cycle): In connection with the annual improvement process, the IAS published its amendments relating to 2010 – 2012. The amendments enter into force for statutory EU-IFRS financial statements for periods beginning on or after 1 February 2015. This affects the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. For Instone Real Estate, there are no significant effects resulting for the consolidated financial statements.

Amendments to IFRS 11 - Acquisition of an interest in a joint operation: On 12 May 2014 the IASB published changes to IFRS 11. The amendments require that the acquisition of an interest in a joint operation, which constitutes a business as defined in IFRS 3, is to be recognised in accordance with the requirements of IFRS 3 and other relevant standards (unless they are in conflict with the provisions of IFRS 11) and that the disclosures required for business combinations are made. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation: On 12 May 2014, the IASB published changes to IAS 16 and IAS 38 which prohibit the use of revenue-based depreciation methods for property plant and equipment and clearly restrict their use for intangible assets. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 41 - Bearer plants: The amendments of the IASB to IAS 16 and IAS 41 were published on 30 June 2014. They require that biological assets which are included in the definition of bearer plants will no longer fall into the scope of IAS 41 but into the scope of IAS 16. After their initial recognition, bearer plants are to be measured at accumulated cost before they ripen. After ripeness they shall be measured either at cost or at revaluation. The produce growing on bearer plants continues to be accounted for under IAS 41 and are measured at fair values less costs of disposal. IAS 20 is to be applied to government grants in connection with bearer plants. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016. For Instone Real Estate there are no effects resulting for the consolidated financial statements.

Amendment to IAS 27 - Equity method in separate financial statements: The amendment published on 12 August 2014 reinstates the option to use of the equity method in separate financial statements. Accordingly, in separate financial statements investments in subsidiaries, joint ventures and associates shall be measured either at amortised cost at fair values under IAS 39 (or IFRS 9 respectively) or using the equity method. The chosen method has to be applied consistently to each category of shares. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016.

Standard on the amendment of various International Financial Reporting Standards (2012 – 2014 cycle): On 25 September 2014 the IASB published its amendments in connection with the annual improvement project 2012 – 2014 cycle. The pronouncements include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34 and enter into force for periods beginning on or after 1 January 2016. For Instone Real Estate there are no effects resulting for the consolidated financial statements.

Amendment to IAS 1 - disclosure initiative: On 18 December 2014, the IASB published amendments to IAS 1 in connection with its disclosure initiative. The disclosure initiative consisting of short-term and medium-term projects complements the project to fully revise the IFRS disclosure framework and explore opportunities to see how the applicable disclosure provisions can be improved within existing disclosure requirements. This amendment is the result of a short-term subproject and includes minor amendments to IAS 1 which are intended to remove concerns existing with regard to the applicable financial statement presentation and disclosure requirements. The amendments shall be applied for periods beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception: On 18 December 2014 the IASB issued the amendment “Investment Entities – Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)”. The amendments clarify issues that have arisen in the practical application of the consolidation exception for investment entities. The amendments shall be applied for periods beginning on or after 01 January 2016 retrospectively. For Instone Real Estate there are no effects resulting for the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers: On 28 May 2014 the IASB published the new standard IFRS 15 “Revenue from Contracts with Customers” (IFRS 15). Accordingly, IFRS 15 replaces the scope of IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfers of Assets from Customers” and SIC-31 “Revenue – barter transactions involving advertising services”. The standard defines whether and how much revenue is recognised. According to IFRS 15, revenue is to be recognised in the amount in which consideration is expected for the assumed performance obligations.

The standard shall be applied for the first time for annual periods beginning on or after 01 January 2018, with early adoption permitted. It is assumed for the consolidated financial statements of Instone Real Estate that they result in changes of the recognition of revenues. According to our current knowledge, housing construction projects developed by the Group will generally be subject to revenue recognition at a point in time according to IFRS 15 in the future other than the current revenue recognition over time according to IAS 11 in liaison with IFRIC 15. This is associated with the realisation of profits at the time of completion of the individual project developments. If, contrary to our current assumptions, a period-related revenue recognition occurs, this would have a material effect on the Group’s net assets, financial position and results of operations, which cannot currently be quantified.

On 11 September 2015 the IASB issued an amendment on the first-time adoption. Accordingly, the standard shall be applied for annual periods beginning on or after 1 January 2018. On 12 April 2016 the IASB published the final clarifications for IFRS 15 “Regulatory Deferral Accounts”. These clarifications address three out of five topics identified by the Transition Resource Group for Revenue Recognition (TRG) regarding the transition to IFRS 15: Identifying performance obligations, principal versus agent considerations and licensing for intellectual property. Additionally, in response to the request of many applying entities the IAS granted more transition relief for the first-time adoption of IFRS 15.

The clarifications for IFRS 15 enter into force for annual periods beginning on or after 1 January 2018 and are to be adopted retrospectively according to IAS 8. The clarifications have not yet been transposed into EU law at the end of the period 2016.

IFRS 9 – Financial Instruments: On 12 November 2009 or 28 October 2010 the IASB issued the new standard IFRS 9 “Financial Instruments” in several phases. Accordingly, all financial instruments currently falling into the scope of IAS 39 will be subdivided into only two categories from now on: Financial instruments measured at amortised cost and financial instruments measured at fair value. In connection with the revised provisions of 24 July 2014, another measurement category is introduced for debt instruments. In the future they may be categorised at fair value through other comprehensive income (FVOCI), provided that the conditions for the respective business model and the contractual cash flows are satisfied. IFRS 9 shall be effective for application for periods beginning on or after 1 January 2018, with early adoption permitted. In this connection, the IASB also issued a discussion paper on further regulations for macro hedge accounting which are separate from IFRS 9.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture: On 11 September 2014 the IASB published changes to IFRS 10 and IAS 28. Accordingly, investors not only have to recognise in full the gains or losses resulting from transactions between an investor and its associate or joint venture but also transactions relating to a business. For transactions relating to the sale of assets only, a partial gain or loss recognition is required. The changes are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Instone Real Estate does not expect the amendments to have an effect on the consolidated financial statements. On 10 August 2015, the IASB proposed in its publication of the amendments to IFRS 10 and IAS 28 to defer the effective date of the amendments indefinitely.

IFRS 16 – Leases: On 13 January 2016 the IASB published the new standard IFRS 16 “Leases”. IFRS 16 supersedes the content of IAS 17 “Leases” as well as the related interpretations IFRIC 4, SIC-15 and SIC-27. The new leases standard brings all leases on-balance sheet – except short-term leases (term of 12 months or less) and leases where the underlying asset has a low value. Therefore, independent of the beneficial ownership, a lessee recognises a right-of-use asset and a corresponding lease liability measured at the present value of the agreed lease payments. For lessors there are no significant changes compared with the current IAS 17 accounting, in particular in relation to continuing necessity to classify leases. The new standard is effective for the first time for annual periods beginning on or after 1 January 2019. The effects of IFRS 16 (201) on the consolidated financial statements are currently examined.

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses: On 19 January 2016 the IASB issued the amendment “Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12”. The amendments clarify uncertainties in connection with the recognition of deferred tax assets on debt instruments accounted for at fair value. It has not significant effects on the consolidated financial statements of Instone Real Estate. The new standard is effective for the first time for annual periods beginning on or after 1 January 2017.

Amendment to IAS 7 - disclosure initiative: On 29 January 2016, the IASB published amendments to IAS 7 in connection with its disclosure initiative. The disclosure initiative consisting of short-term and medium-term projects complements the project to fully revise the IFRS disclosure framework and explore opportunities to see how the applicable disclosure provisions can be improved within existing disclosure requirements. This amendment is the result of a short-term subproject and includes minor amendments to IAS 7 by additional disclosure requirements in connection with liabilities from financing activities.

The amendments shall be applied for periods beginning on or after 1 January 2017 retrospectively, subject to the pending EU endorsements. Information for the preceding comparative period is not necessary for first-time adoption.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions: On 20 June 2016, the IASB published final amendments to IFRS 2 “Share-based Payment” that clarify the classification and measurement of share-based payment transactions. The amendments enter into force for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 4 – Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts”: On 12 September 2016 the IASB published clarifying amendments to IFRS 4 “Insurance Contracts”. They do not have an effect on the consolidated financial statements.

Amendment of various International Financial Reporting Standards (2014 – 2016 cycle): The International Accounting Standards Board (IASB) published the final amendments in connection with the annual improvements (2014 – 2016 cycle) resulting from the issues discussed in this cycle. The amendments relate to three standards.

The amendments of IFRS 1 and IAS 28 enter into force for annual periods beginning on or after 1 January 2018, the amendments to IFRS 12 for annual periods beginning on or after 1 January 2017.

Amendments to IAS 40 – Transfers of Investment Property: The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.

The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.

The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration: The International Accounting Standards Board (IASB) issued IFRIC 22 as developed by the International Financial Reporting Interpretations Committee “Foreign Currency Transactions and Advance Consideration” in order to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Other clarifications

The possibility of early adoption of standards or interpretations adopted by the IASB has not been made use of. The management assumes that the future adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” may have a significant influence on the presentation of financial instruments and revenue in the consolidated financial statements and would result in extended disclosures in the notes. The effects of IFRS 9 have not yet been analysed in detail, as this standard applies to annual reporting periods beginning on or after 1 January 2018 only.

However, the analysis of the effects of the IFRS 15 Standard has started. Also the various possibilities to apply this standard within Instone Real Estate for financial years beginning on or after 1 January 2018 have been examined. A general early adoption with Instone Real Estate and the exclusive first-time adoption for financial years beginning on or after 1 January 2018 have been excluded. Rather, the new project developments – which are currently in the process of planning or sales preparation – have been subjected to individual assessments in terms of their temporal perspective.

On a case-by-case basis it will be decided whether the project will be accounted for according to the currently applicable standard IAS 11 as revenue recognition by reference to the stage of completion (percentage of completion method) or according to the current standard IAS 18 as revenue recognition at the time of transferring effective control as well as the risks and rewards to the buyer.

It is currently assumed that the application of the other new or amended standards will not have any significant effects on the net assets, financial position and results of operation of Instone Real Estate.

C.2 Notes to the consolidated statement of financial position

1. Acquisition of subsidiaries

Based on a purchase and assignment contract dated 2 October 2015, 94 % of the shares in Instone Real Estate Leipzig GmbH and its subsidiaries and investees as well as 6 % of the shares in GRK REVION Hamburg GmbH, and 6 % of the shares in OPUS Wohnbau GmbH, (together referred to as the GRK Group) were transferred to Instone Real Estate Group B.V. at a purchase price of 68,900,432.45 Euro with effect to 10 December 2015. For reasons of simplification they were consolidated as at 31 December 2015.

GRK Revion Hamburg GmbH and OPUS Wohnbau GmbH has been fully consolidated as with the shares hold by Instone Real Estate Leipzig, Instone Real Estate has the majority of shares and control.

With the transfer, the business activities in the field of refurbishment of old buildings were intended to be expanded. The Instone Real Estate Leipzig GmbH is operating mainly in the field of development and restoration of buildings under monument protection and the repurposing of specialty properties.

The fair values of the consideration valid at the time of acquisition are as follows:

In Euro	
Cash and cash equivalents	48,074,796.42
Equity instruments	4,395,446.00
Other liabilities in connection with acquisition of GRK Group	11,363,190.03
Financial liabilities (Loan)	5,067,000.00
Total consideration transferred	**68,900,432.45**

The equity instruments consist of issued share capital and capital reserves. Upon contribution of the 10.57 % share of the issued capital, the difference between the nominal value of the shares amounting to 886.00 Euro and the fair value of the shares amounting to 4,394,560.00 Euro was allocated to the capital reserve.

The other liabilities in connection with the with acquisition of GRK Group include liabilities resulting from the sale of entities and held properties referred to in the purchase and assignment contract dated 2 October 2015 which are not attributable to the project development business of the Instone Real Estate Leipzig GmbH. The selling owners are fully entitled to proceeds from the sale of these entities and held properties.

Furthermore a loan amounting to 5,067,000.00 Euro and a maturity of 5 years from Mr Steffen Göpel is part of the consideration.

In context with the purchase and assignment contract dated 2 October 2015, a seller of the shares in Instone Real Estate Leipzig GmbH Mr Steffen Göpel, Leipzig, Germany, was granted a put option for its non-controlling interest in Instone Real Estate Leipzig GmbH in the amount of 6 %. According to the put option, Mr Steffen Göpel can contribute his remaining interest in Instone Real Estate Leipzig GmbH to Instone Real Estate Group B.V.. By way of a contribution in kind after the expiry of 36 months from the closing of the acquisition of the Instone Real Estate Leipzig GmbH by Instone Real Estate Group B.V. In return, he receives a share in Instone Real Estate of nominally 137 Euro.

Further below, the recorded amounts of the acquired assets and transferred liabilities as at the acquisition date are summarised as follows:

In Euro	**31 Dec 2015**
Intangible assets	693.00
Property, plant and equipment	400,260.00
Other financial assets	281,802.16
Financial receivables	16,769,714.39
Deferred tax assets	3,105,314.89
Inventories	184,335,481.97
Trade receivables	3,068,857.75
Other receivables and other assets	6,472,484.63
Income tax assets	263,419.93
Cash and cash equivalents	6,532,057.81
Financial liabilities	-54,654,118.37
Deferred tax liabilities	-35,305,369.75
Other liabilities	-3,299,499.87
Trade payables	-44,432,512.94
Other provisions	-960,398.20
Current income tax liabilities	-1,998,684.99
Net assets	**80,579,502.41**
Non-controlling interests	-11,510,638.66
Gain recognised in accordance with IFRS 3.34	-168,431.30
Total	**68,900,432.45**

The gain recognised in accordance with IFRS 3.34 is mostly attributable to hidden reserves of property projects which are executed by the subsidiaries Instone Real Estate Leipzig GmbH at the time of acquisition. The gain is shown in position other operating income in the statement of profit or loss.

Costs associated with the business combination in the amount of 1,426,466.25 Euro were incurred for legal fees and due diligence costs. These costs are included in other operating expenses.

The non-controlling interest is measured at the share of the value of the net assets acquired and liabilities assumed.

Since the time of acquisition the Instone Real Estate Leipzig GmbH contributed the following impact to the consolidated statement of profit or loss:

In Euro	**10 Dec - 31 Dec 2015**
Total revenue	23,677,492.53
Changes in inventories	-23,100,019.56
Other operating expenses	-577,472.97
Total impact	**0.00**

If the Instone Real Estate Leipzig GmbH had been acquired on 1 January 2015, the Instone Real Estate Leipzig GmbH would have contributed 70,038,029.89 Euro to total revenue and 13,905,821.05 Euro to profit.

The trade receivables include due gross amounts of the contractual receivables of 3,067,025.15 Euro, none of which was assessed to be bad debts.

Acquisition in 2014

With effect from 30 September 2015 the shareholder Hochtief Solutions AG, exercised the first granted put option relating to ownership interests in Instone Real Estate Development GmbH and sold 6.23% of the ownership interests in Instone Real Estate Development GmbH to Instone Real Estate Group B.V. at a purchase price of 11,494,876.22 Euro. Instone Real Estate Group B.V. increased its ownership interest in Instone Real Estate Development GmbH from 75.97 % to 82.20 %.

The put option has changed as in the table below:

	in Euro
Value put option as at 30 Sep 2014	**42,707,345.09**
Interests 2014	418,075.74
Value put option as at 31 Dec 2014	**43,125,420.83**
Interests 2015	1,550,349.98
Exercised put option 2015	-11,494,876.22
Value put option as at 31 Dec 2015	**33,180,894.59**

2. Non-controlling interests

The additional non-controlling interests amounting to 11,484,048.46 Euro relate to the entities Instone Real Estate Leipzig GmbH, GRK Beteiligung GmbH, Leipzig, Germany and GRK REVION Hamburg GmbH, which were acquired in connection with the purchase of the Instone Real Estate Leipzig GmbH with effect from 10 December 2015 and became subsidiaries from that time onwards only. For reasons of simplification they were consolidated as at 31 December 2015. Accordingly, the information provided in this connection with these entities is only valid as of 31 December 2015.

In the financial year no dividends (prior year: 1,099.12 Euro) were paid to non-controlling interests. The earnings after tax attributable to non-controlling interests amount to 0.00 Euro (prior year: 10,983.43 Euro)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before intercompany eliminations.

	Instone Real Estate Leipzig GmbH	GRK REVION GmbH	GRK Immobilien GmbH	GRK Beteiligung GmbH
Ownership interest held by non-controlling interests in %	6.00%	47.00%	51.00%	51.00%
in Euro	**31 Dec 2015**	**31 Dec 2015**	**31 Dec 2015**	**31 Dec 2015**
Non-current assets	20,569,534.44	0.00	15,116.00	7,875,208.55
Current assets	86,052,603.59	6,366,619.84	10,894,916.65	27,729.96
Non-current liabilities	-47,230,602.35	0.00	0.00	0.00
Current liabilities	-52,999,617.71	-7,034,752.97	-10,840,878.89	-7,896,664.09
Net assets	**6,391,917.97**	**-668,133.13**	**69,153.76**	**6,274.42**
Net assets of non-controlling interests	414,156.49	-332,863.92	33,885.34	-571,165.78

For the development of non-controlling interests in 2015 as well as 2014 please see the statement of changes in equity of the Instone Real Estate.

3. Intangible assets

Intangible assets are not subject to any restrictions on their disposal.

4. Property, plant and equipment

The breakdown of property, plant and equipment and their development in the financial year are shown below as in the prior year. Property, plant and equipment are not subject to any restrictions on their disposal.

In Euro	2015	2014
Cost of acquisition		
Balance on 1 January / 16 April	1,394,417.79	0.00
Changes in group structure	264,268.86	1,311,912.39
Additions	1,193,692.94	83,241.54
Disposals	-352,234.42	-736.14
Reclassification to work in progress	-843,483.01	0.00
Balance on 31 December	**1,656,662,16**	**1,394,417.79**
Cumulative amortisation		
Balance on 1 January / 16 April	107,285.15	0.00
Changes in group structure	-87,036.50	0.00
Additions	483,026.79	107,285.15
Disposals	0.00	0.00
Reclassification to work in progress	-474,834.95	0.00
Balance on 31 December	**28,440.49**	**107,285.15**
Carrying amounts 31 December	**1,628,221.67**	**1,287,132.64**

5. Equity-method Investments

The equity-method Investments are composed as follows:

In Euro	31 Dec 2015	31 Dec 2014
Associates		
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	1.00	522,509.75
Wohnpark Gießener Straße GmbH & Co. KG	47,943.27	149,744.42
	47,944.27	**672,254.17**
Joint ventures		
Wohnentwicklung Theresienstraße GmbH & Co. KG	12,250.26	8,787,286.90
SEVERINS WOHNEN GmbH & Co. KG	1.00	1.00
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co. KG	1.00	1.00
	12,252.26	**8,787,288.90**
Carrying amount	**60,196.53**	**9,459,543.07**

6. Associates

The table below shows the significant items of the statements of financial position and statements profit or loss of the equity-accounted associates:

in Euro	31 Dec 2015	31 Dec 2014
Assets	4.311.415,18	10.785.681,38
Liabilities	-3.967.345,39	-9.441.173,04
Net assets	**344.069,79**	**1.344.508,34**

in Euro	2015	2014
Revenue	295.967,13	2.609.652,07
Profit or loss	414.561,47	3.295.689,22

The profit or loss from equity-accounted associates does not include any impairment. As in the prior year, the interests in associates are not subject to any restrictions on their disposal.

The significant associates of the Instone Real Estate are listed below:

Name	Registered office of the entity	Business activity	Ownership interest in %
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	Frankfurt am Main	Project development	50%
Wohnpark Gießener Straße GmbH & Co. KG	Frankfurt am Main	Project development	50%

The summarised finance information of the significant associates and the reconciliation with the equity-accounted carrying amount of the ownership interest are shown below:

Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG

In Euro	31 Dec 2015	31 Dec 2014
Current assets	3,476,473.74	7,455,856.90
Current liabilities	-3,228,290.49	-6,410,837.40
Net assets	**248,183.25**	**1,045,019.50**
Ownership interest of the group: 50.0 percent		
Carrying amount of the ownership interest	**1.00**	**522,509.75**

In Euro	2015	2014
Revenue	288,573.39	2,589,143.89
Net income for the financial year	408,163.76	3,110,500.83

With effect to 31 December 2015, Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt, fulfilled its purpose. The withdrawable profits amounting to 745,000.00 Euro were paid to the partners. The carrying amount of the ownership interest was reduced to a reminder value of 1.00 Euro.

Wohnpark Gießener Straße GmbH & Co. KG

In Euro	31 Dec 2015	31 Dec 2014
Current assets	834,941.44	3,329,824.48
Current liabilities	-739,054.90	-3,030,335.64
Net assets	**95,886.54**	**299,488.84**
Ownership interest of the group: 50.0 percent		
Carrying amount of the ownership interest	**47,943.27**	**149,744.42**

In Euro	2015	2014
Revenue	7,393.74	20,508.18
Net income for the financial year	6,397.71	185,188.39

7. Joint ventures

The tables below show the significant items of the statements of financial position and statements of profit or loss of the equity-accounted joint ventures on a pro-rata basis. The profit or loss from equity-accounted joint ventures does not include any impairment. As in the prior year, the interests in joint ventures are not subject to any restrictions on their disposal.

In Euro	31 Dec 2015	31 Dec 2014
Assets	25,000.53	61,974,719.35
Liabilities	0.00	-47,387,438.55
Net assets	**25,000.53**	**14,587,280.80**

In Euro	2015	2014
Revenue	60,108,694.52	2,132.10
Net income for the financial year	-3,327,971.99	228,151.32

The significant joint venture of the Instone Real Estate is:

Name	Registered office of the entity	Business activity	Ownership interest in %
Wohnentwicklung Theresienstraße GmbH & Co. KG	Munich	Project development	50%

The items of the statement of financial position and statement of profit or loss of the equity-accounted joint ventures are shown below:

Wohnentwicklung Theresienstraße GmbH & Co. KG

In Euro	31 Dec 2015	31 Dec 2014
Current assets	25,000.43	61,974,719.35
Current liabilities	0.00	-47,387,438.55
Net assets	**25,000.43**	**14,587,280.80**
Ownership interest of the group: 50.0 percent		
Carrying amount of the ownership interest	**12,250.26**	**8,787,286.90**

In Euro	2015	2014
Revenue	60,108,694.52	2,132.10
Net income for the financial year	-3,327,971.99	228,151.32

Others

In Euro	31 Dec 2015	31 Dec 2014
Current assets	387,128.99	447,079.04
Current liabilities	-521,841.91	-552,163.31
Net assets	-134,712.92	-105,084.27

In Euro	2015	2014
Revenue	0.00	0.00
Profit or loss	-79,858.89	-12,472.00

8. Other financial assets

The other financial assets are as listed below. The non-consolidated subsidiaries were not impaired in the financial year. As in the prior year, other financial assets are not subject to any restrictions.

In Euro	31 Dec 2015	31 Dec 2014
Shares in affiliated companies, not included in the consolidated financial statements		
Immobiliengesellschaft C.S.C. S.A.	30,986.79	30,986.79
Warenhaus Flensburg Verwaltungsgesellschaft mbH	25,000.00	25,000.00
formart Beteiligungsverwaltungsgesellschaft mbH	24,265.00	24,265.00
Uferpalais Verwaltungsgesellschaft mbH	18,750.00	18,750.00
ArtOffice GmbH	12,500.00	12,500.00
Projektverwaltungsgesellschaft Mönchengladbach – Area of Sports mbH	12,500.00	12,500.00
RheinauArtOffice GmbH & Co. KG	12,500.00	0.00
Area of Sports mbH & Co. KG	5,000.00	0.00
Uferpalais Projektgesellschaft mbH & Co. KG	3,500.00	0.00
	145,001.79	**124,001.79**
Ownership interests		
TG Potsdam Projektentwicklungsgesellschaft mbH	250,000.00	0.00
Parkhausfonds Objekt Flensburg GmbH & Co. KG	149,100.00	0.00
Liebigstr. 3 GmbH & Co. KG	19,302.16	0.00
CONTUR Wohnbauentwicklung GmbH	13,750.00	13,750.00
formart Wilma Verwaltungsgesellschaft mbH	12,500.00	12,500.00
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH	12,500.00	12,500.00
WTS GmbH	12,500.00	12,500.00
ALEA Immobilien GmbH	12,500.00	0.00
	482,152.16	**51,250.00**
Non-current securities	**259,822.26**	**259,822.26**
	886,976.21	**435,074.05**

9. Inventories

The development in inventories can be seen from the table below:

In Euro	31 Dec 2015	31 Dec 2014
Materials and supplies	0.00	44,300.00
Work in progress	405,534,348.64	232,989,060.74
Finished goods	9,942,175.46	0.00
	415,476,524.10	**233,033,360.74**

Work in progress is subject to restrictions in the amount of 161,220,209.03 Euro (prior year: 35,079,958.48 Euro) as a result of the project financing by banks.

Borrowing costs of 4,809,408.78 Euro (prior year: 214,366.35 Euro) were capitalised under cost of production shown under inventories, which are resulting from project financing based on individual contracts with external lenders.

10. Financial receivables

The financial receivables in the amount of 233,791.11 Euro (prior year: 2,132,579.52 Euro) result from receivables from associated companies.

11. Trade receivables

In Euro	31 Dec 2015	31 Dec 2014
Amount due from customers for contract work (PoC)	242,484,797.00	215,959,576.56
Progress payments received	-151,129,051.69	-122,924,717.21
	91,355,745.31	**93,034,859.35**
Other trade receivables	18,205,639.11	20,753,451.90
Trade receivables from non-consolidated subsidiaries	593,579.84	1,636,819.56
	110,154,964.26	**115,425,130.81**

The balance of 91,355,745.31 Euro (prior year: 93,034,859.35 Euro) representing the amount due from customers for contract work (PoC) less progress prepayments received relates to specifically negotiated construction contracts where the incurred contract cost including profit shares exceed progress payments received from customers. The real estate from project developments is reported under trade receivables and is subject to restrictions in the amount of 94,511,216.27 Euro (prior year: 169,930,155.72 Euro) as a result of the project financing by banks.

The combined total of amounts due to and from customers for contract work (PoC) (including profit shares for contract work) amounts to 253,314,831.04 Euro (prior year: 274,683,033.86 Euro). They also include capitalised borrowing costs of 3,302,336.68 Euro (prior year: 1,185,333.07 Euro), which are resulting from project financing based on individual contracts with external lenders. In the financial year, a total of 162,429,695.16 Euro (prior year: 187,477,889.53 Euro) of progress payments received were offset against trade receivables (151,129,051.69 Euro (prior year: 122,924,717.21 Euro)) and trade payables (11,300,643.47 Euro (prior year: 64,553,172.32 Euro)).

12. Other receivables and other assets

In Euro	31 Dec 2015	31 Dec 2014
Prepayments on land	8,816,303.13	3,138,100.00
Loans and receivables	4,072,899.84	1,158,506.45
Tax receivables	2,239,476.10	346,793.21
Prepaid expenses	643,801.34	545,391.21
Other	876,132.22	60,678.66
	16,648,612.63	**5,249,469.53**

13. Current income tax assets

The current income tax assets in the amount of 267,663.35 Euro (prior year: 1,054,903.76 Euro) relate to receivables from domestic and foreign fiscal authorities.

14. Cash and cash equivalents

Cash and cash equivalents in the amount of 35,900,410.50 Euro (prior year: 25,094,496.70 Euro) include cash-in-hand and bank balances. Cash and cash equivalents are subject to restrictions in the amount of 4,250,656.19 Euro (prior year: 1,795,622.44 Euro) as a result of the project financing by banks.

15. Equity

The share capital in the amount of 8,386.00 Euro was contributed in the financial year by the shareholder Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands, at a rate of 59.62 %, by the shareholder Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands, at a rate of 29.81 % and by the shareholder Steffen Göpel, Leipzig, Germany, at a rate of 10.57 %.

With effect to 16 April 2014 the entity issued 500 shares. In the financial year 2014 another 250 shares were issued in the course of increasing the issued capital by 2,500.00 Euro nominally. With effect to 31 December 2014 / 1 January 2015 the entity therefore issued a total of 750 shares (7,500.00 Euro). In the financial year 2015, the share capital in connection with the acquisition of the GRK Group was increased by 886.00 Euro nominally (886 shares).

On 10 December 2015 the notional amount per share was reduced from 10.00 Euro to 1.00 Euro and the number of shares were increased tenfold. With effect to 31 December 2015 the entity therefore issued 8,386 shares.

The capital reserve in the amount of 37,394,560.00 Euro (prior year: 21,000,000.00 Euro) relates to additional contributions by shareholders as share premium on the share capital. According to a resolution passed on 1 December 2015 the shareholder Coöperatieve Activum SG Fund III Investments U.A., paid 8,000,000.00 Euro and the shareholder Coöperatieve Formart Investments U.A. 4,000,000.00 Euro, in total 12,000,000.00 Euro as a share premium. Upon contribution of the 10.57 % share of the share capital, the share premium between the nominal value of the shares amounting to 886.00 Euro and the fair value of the shares amounting to 4,394,560.00 Euro was allocated to the capital reserve.

The retained earnings / loss carryforwards as part of the generated equity of the Group comprise the earnings generated by the companies included in the Group financial statements. A valuation reserve that was accrued within the preceding years in connection with a project in Luxembourg was fully reversed without affecting profit or loss in the amount of 2,463,787.39 Euro. The reason is an adjustment of the valuation to the fair value of the project as at the financial statement date.

Retained earnings / loss carryforwards comprise the earnings generated by the companies included in the Group financial statements.

The accumulated other comprehensive income of the shareholders' equity are the changes in equity without affecting profit or loss of the actuarial gains and losses from defined benefit plans in the amount of 94,836.12 Euro (prior year: -188.647,99 Euro).

The income tax effects recognised through equity are as follows:

In Euro	**31 Dec 2015**	**31 Dec 2014**
Amount before tax	112,900.14	-218,831.67
Income tax	-18,064.02	30,183.68
Amount after tax	**94,836.12**	**-188,647.99**

For the breakdown and changes in equity in fiscal year 2015 please see the statement of changes in equity of the Instone Real Estate.

16. Provision for pensions and similar obligations

Within the Instone Real Estate, the company pension schemes consist of both defined contribution plans and defined benefit plans. For defined contribution plans the entity pays contributions to government or private pension insurance institutions based on statutory or contractual provisions or on a voluntary basis.

The entity does not have any legal obligation to pay further contributions. In defined benefit plans the obligation of the entity is to pay promised benefits to active and former employees, with these benefit plans being subdivided in to benefit plans financed by provisions and financed by external sources.

The pension arrangements in the Instone Real Estate consist of a company-financed basic pension in the form of a modular defined contribution plan and a supplementary pension component linked to the company performance. Under IAS 19 these commitments are categorised as defined benefit liabilities.

The defined benefit pension liabilities in the Instone Real Estate are made up as follows:

In Euro	**31 Dec 2015**	**31 Dec 2014**
Active members	5,867,911.00	6,897,547.53
of which dependent on final salary	671,335.00	968,659.00
thereof not dependent on final salary	5,196,576.00	5,928,888.53
Vested benefits	1,873,436.00	476,357.00
	7,741,347.00	**7,373,904.53**

Number	**31 Dec 2015**	**31 Dec 2014**
Active members	188	231
Former members with benefit entitlements	49	18
Pensioners	2	0

The average remaining service years of the active members with benefit entitlements on the financial statement date are 12.94 years (prior year: 13.52 years).

Plan assets

The pension liabilities are largely funded by funds and to a minor extent by provisions. In the financial year, the funding by funds takes the form of a contractual trust arrangement (CTA); furthermore, there were agreements on deferred compensation (DC).

Composition of plan assets

In Euro	**31 Dec 2015**	**31 Dec 2014**
Investment funds - quoted in an active market:		
CTA assets	4,721,206.66	4,690,990.07
DC assets	578,300.68	570,417.43
Current Euro balances	211.66	64.25
	5,299,719.00	**5,261,471.75**

Pension obligations under deferred employee compensation arrangements are funded by the purchase of retail fund units. The coverage of the obligations funded by the Helaba Pension Trust e. V. amounts to approx. 60.99 % (prior year: 63.62 %); the overall coverage is 68.46 % (prior year: 71.35 %).

The coverage of the defined benefit obligations by plan assets is shown in the table below:

Coverage of defined benefit obligations by plan assets

In Euro	**31 Dec 2015**	**31 Dec 2014**
Pension obligations covered by plan assets	7,005,270.00	6,650,015.53
Deferred Compensation covered by plan assets	736,077.00	723,889.00
	7,741,347.00	**7,373,904.53**
Fair value of plan assets	-5,299,719.00	-5,261,471.75
	2,441,628.00	**2,112,432.78**

The size of the pension provisions is determined on an actuarial basis which involves estimations. Specifically, the underlying actuarial assumptions of the calculation are shown below.

The discount factors are derived from the Mercer Pension Discount Yield Curve Approach (MPDYC) taking into account the company-specific duration of the pension liabilities. The underlying biometric mortality assumptions are based on published country-specific statistics and experience. They were determined using the “2005 G Reference Tables” by Professor Dr. Klaus Heubeck.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

in percent	**31 Dec 2015**	**31 Dec 2014**
Discount factor	2.42	2.50
Salary increases	3.00	3.00
Pension increases for VO2000+	1.00	1.00
Pension increases for other commitments	1.25	1.75
Inflation	1.25	1.75

The present value of the defined benefit obligations and the fair value of the plan assets break down as follows:

In Euro	**2015**	**2014**
Defined benefit obligations on 1 January / 16 April	7,373,904.53	0.00
Change in group structure	0.00	7,395,368.53
Current service cost	385,112.47	148,589.67
Interest expenses	185,693.00	48,778.00
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	-203,363.00	-218,831.67
Defined benefit obligations on 31 December	**7,741,347.00**	**7,373,904.53**

In Euro	**2015**	**2014**
Plan assets on 1 January / 16 April	5,261,471.75	0.00
Change in group structure	0.00	5,317,013.86
Interest income from plan assets	38,247.25	34,538.00
Return on plan assets not included in net interest expenses or income	0.00	-90,080.11
Plan assets on 31 December	**5,299,719.00**	**5,261,471.75**

Sensitivity analysis

The pension obligations in the Instone Real Estate are exposed to various risks. The main risks result from general changes in interest and inflation rates; there is no unusual risk inherent in the pension obligations.

Interest rate risk: The (notional) contributions are translated into benefits under a contribution-based pension scheme using a table of fixed interest rates, independent of the current market interest rate. Instone Real Estate thus bears the risk of general capital market interest rates with regard to the determination of benefits. Pension obligations have increased significantly in recent years due to the generally low level of capital market interest rates. The comparatively large impact is due to the relatively long term of the obligations.

Inflation risk: By law, company pensions in Germany must be raised level with the inflation rate at least every three years. German company pension commitments under the 2000+ pension scheme rise at a fixed 1 % annually; hence there is only a minor inflation risk in the pension phase for longer-term pension commitments.

Longevity risk: As lifelong pensions are granted, the risk of pensioners living longer than actual projections predict will be borne by the Instone Real Estate. The risk normally cancels out collectively across all pension plan members and only has an effect if general longevity is longer than expected.

The impact of the stated risks on the defined benefit obligations under a corresponding change in actuarial assumptions is shown in the sensitivity analysis shown below:

Sensitivity analysis

	31 Dec 2015		**31 Dec 2014**	
In Euro	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate +0,50 %/-0,50 %	-890,377	1,049,486	-850,166	1,035,717
Salary increases +0.50 1 - 0.50 %	32,077	-30,636	33,419	-32,061
Pension increases +0.25 %/-0,25 %	140,113	-133,323	145,213	-138,093
Life expectancy + 1.00 year	211,522	n/a*	211,648	n/a*

**n/a: not available (nicht verfügbar)*

The expenses from defined benefit obligations can be summarized as follows:

In Euro	**31 Dec 2015**	**31 Dec 2014**
Current service cost	385,112.47	148,589.67
Interest expense for accrued benefits	185,693.00	48,778.00
Interest income from plan assets	-38,247.25	-34,538.00
Net interest expense/income	**147,445.75**	**14,240.00**
Total amount recognised in profit or loss	**532,558.22**	**162,829.67**

The current service cost for the subsequent financial year is forecast at 339,555.00 Euro (prior year: 385,112.47 Euro).

17. Other provisions

The other provisions are composed as follows:

In Euro	**31 Dec 2015**	**31 Dec 2014**
Non-current		
Employee-related provisions	2,545,807.87	940,855.26
Provisions for potential losses	336,087.46	1,008,217.40
Other provisions	1,608,141.51	1,089,979.21
	4,490,036.84	**3,039,051.87**
Current		
Warranty obligations	6,643,278.20	3,623,664.06
Employee-related provisions	3,268,106.12	3,981,413.42
Litigation risks	3,114,500.00	398,000.00
Provision for work pending completion	1,959,718.73	473,900.00
Restructuring costs	1,325,389.85	3,087,284.00
Provisions for potential losses	765,349.99	2,964,779.70
Other provisions	3,093,988.91	2,278,967.23
	20,170,331.80	**16,808,008.41**
Other provisions	**24,660,368.64**	**19,847,060.28**

The non-current employee-related provisions primarily relate to provisions for salary components and early retirement arrangements as well as long-service awards.

The current employee -related provisions mainly relate to provisions for long-service awards, early retirement arrangements and restructuring measures.

Other current provisions include, without limitation, investment risks, preparation of financial statements, payments for damages and other contingent liabilities.

The development of other provisions can be seen from the table below:

In Euro	1 Jan 2015	Addition	Reversal	Changes in group structure	Utilization	31 Dec 2015
Employee-related provisions	4,922,268.68	5,158,023.11	-259,749.72	-728,085.86	-3,278,542.22	5,813,913.99
Warranty obligations	3,623,664.06	3,220,706.59	-570,406.54	678,812.37	-309,498.28	6,643,278.20
Litigation risks	398,000.00	2,716,500.00	0.00	0.00	0.00	3,114,500.00
Provision for work pending completion	473,900.00	1,869,818.73	-50,000.00	-10,000.00	-324,000.00	1,959,718.73
Restructuring costs	3,087,284.00	1,471,662.47	-8,000.00	43,389.85	-3,268,946.47	1,325,389.85
Provision for potential losses	3,972,997.10	0.00	-2,871,559.65	0.00	0.00	1,101,437.45
Other provisions	3,368,946.44	3,258,745.99	-139,160.80	127,240.35	-1,913,641.56	4,702,130.42
	19,847,060.28	**17,695,456.89**	**-3,898,876.71**	**111,356.71**	**-9,094,628.53**	**24,660,368.64**

Employee-related provisions include commitments to employees in connection with the stock option schemes of Hochtief AG. In the course of the transfer of the business unit, the commitments to the employees from the stock option schemes of Hochtief AG were transferred to the Instone Real Estate Development GmbH. For these share-based compensation plans, provisions in the amount of 147,608.25 Euro (prior year: 361,318.00 Euro) were recognised.

Also included in the employee-related provisions are commitments to employees in connection with a long-term, performance-related pay component amounting to 575,000.00 Euro (prior year: 0.00 Euro) as well as a variable compensation component with long-term incentive effect and risk character amounting to 1,789,628,31 Euro (prior year: 0.00 Euro). The purpose of these components is the involvement of executives in the value development of the Group and the award for increased success of the Group as a result of the involvement of executives. The programme was measured on the basis of the changed market value of the Group during the financial year.

18. Financial liabilities

In Euro	31 Dec 2015	31 Dec 2014
non-current		
Liabilities to banks	134,354,781.18	74,391,729.63
Liabilities to shareholders	90,632,931.78	57,350,346.20
Liabilities to third parties	73,988,126.47	82,435,003.60
	298,975,839.43	**214,177,079.43**
current		
Liabilities to banks	39,894,113.40	20,999,434.17
Liabilities to third parties	25,733,738.54	11,173,448.26
Liabilities to shareholders	20,000.00	20,000.00
	65,647,851.94	**32,192,882.43**
	364,623,691.37	**246,369,961.86**

The non-current and current liabilities to banks consist of loans from various banks with fixed and variable (prior year: variable) interest rates. The terms of the bank liabilities are between 1 and 4 years. Interest rates vary between 0.870 % and 4.184% (prior year: 1.370 % and 4.00 %).

The Group’s liabilities to banks are generally not subject to covenants but are secured by land charges.

The non-current financial liabilities to shareholders in the total amount of 90,632,931.78 Euro (prior year: 57,350,346.20 Euro), of which an amount of 57,854,271.44 Euro (prior year: 37,147,872.81 Euro) belongs to Coöperatieve Activum SG Fund III Investments U.A., and an amount of 28,831,909.69 Euro (prior year: 20,202,473.39 Euro) to Coöperatieve Formart Investments U.A.. The interests for both loans are calculated on interest rate of 7%. Additionally, non-current financial liabilities to shareholders include a loan free of interest to Mr. Steffen Göpel, Leipzig, Germany of a par value of 5,067,000.00 Euro and a maturity of 5 years. In accordance with IAS 39 AG64 the loan is discounted using a prevailing market rate of interest for similar instrument and similar credit rating (BB-) of 4.36%, resulting a fair value amounting to 3,946,750.65 Euro (prior year: 0,00 Euro). Current financial liabilities include liabilities to the shareholder Coöperatieve Activum SG Fund III Investments U.A., in the amount of 20,000.00 Euro (prior year: 20,000.00 Euro).

The liabilities to third parties mainly result from a loan received from Stornoway S.à r.l. amounting to 50,000,000.00 Euro (prior year: 49,633,620.15 Euro) and accrued interests of 2,410,428.15 Euro (prior year: 849,410,88 Euro). Interests were calculated on 13 % (prior year: 13%). In 2014 the Instone Real Estate Group B.V. granted a put option for the remaining non-controlling interests in Instone Real Estate Development GmbH, to the seller Hochtief Solutions AG. The put option may be exercised in three tranches only, starting with the first tranche which is exercisable 12 months from the “Closing Date”, the second tranche, which is exercisable 24 months from the “Closing Date”, and the third tranche, which is exercisable 36 months from the “Closing Date”. Interests are calculated based on an interest rate of 4%. With effect from 30 September 2015 the shareholder Hochtief Solutions AG, exercised a granted put option relating to ownership interests in Instone Real Estate Development GmbH, and sold 6.23% of the ownership interests in Instone Real Estate Development GmbH to Instone Real Estate Group B.V., at a purchase price of 11,494,876.22 Euro. For additional information regarding the development of the put option please refer to note 1 “Acquisition of subsidiaries”. Furthermore in 2015 a new bridge loan was raised amounting to 12,500,00.00 Euro and an interest rate of 16.4%.

19. Deferred taxes

Deferred tax is measured on the basis of the individual tax rates that apply to the individual countries and companies at the time of realisation or are expected to be applied. Deferred tax assets and deferred tax liabilities are offset per entity or per tax group. In all other respects, the provisions of tax law valid or adopted on the financial statement date are used to measure deferred tax.

Deferred tax assets on tax refund claims resulting from the expected use of existing tax loss carryforwards in subsequent years and whose realization is sufficiently certain amount to 7,186,773.79 Euro (prior year: 6,015,533.28 Euro).

There are loss carryforwards of entities which do not relate to deferred tax assets: in Germany amounting to 18,260,849.52 Euro (prior year: 2,088,950.27 Euro), in Luxembourg in the amount of

31,254,000.00 Euro (prior year: 23,355,000.00 Euro) and in Austria in the amount of 26,661,691.00 Euro (prior year: 20,993,285.00 Euro). In principle, these loss carryforwards may be offset within each country with profits in the subsequent years. According to the current assessment, however, we do not anticipate any use of these loss carryforwards.

Deferred tax assets and deferred tax liabilities are as follows:

	31 Dec 2015		31 Dec 2014	
In Euro	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	153,063.67	33,398,409.73	153,063.67	1,002,758.32
Current assets	353,130.28	8,142,156.83	26,432,777.74	36,995,596.51
Non-current liabilities	**4,389,371.35**	**303,746.63**	**686,826.80**	**0.00**
- Pension provisions	562,297.28	0.00	657,504.04	0.00
- Provisions	147,754.21	0.00	29,322.76	0.00
- Other non-current liabilities	3,679,319.86	303,746.63	0.00	0.00
Current liabilities	**254,494.20**	**744,516.98**	**995,652.74**	**2,474,523.90**
- Financial liabilities	3,165.00	0.00	0.00	0.00
- Other provisions	6,240.00	0.00	201,444.00	1,309.89
- Other current liabilities	245,089.20	744,516.98	794,208.74	2,473,214.01
	5,150,059.50	**42,588,830.17**	**28,268,320.95**	**40,472,878.73**
Loss carryforwards	1,151,855.20	0.00	961,011.83	0.00
Gross amount	6,301,914.70	42,588,830.17	29,229,332.78	40,472,878.73
Balance	**-6,301,914.70**	**-6,301,914.70**	**29,229,332.78**	**29,229,332.78**
Reported in the statement of financial position	**0.00**	**36,286,915.47**	**0.00**	**11,243,545.95**

20. Trade payables

In Euro	31 Dec 2015	31 Dec 2014
Amount due from customers for contract work (PoC)	-10,830,034.04	-58,723,457.30
Progress payments received	11,300,643.47	64,553,172.32
	470,609.43	**5,829,715.02**
Trade payables	55,511,160.87	62,583,039.83
Progress payments received	43,015,074.54	10,738,792.00
	98,526,235.41	**73,321,831.83**
Payables from non-consolidated subsidiaries	26,660.02	61,400.14
Payables from associates	0.00	2,975.00
	26,660.02	**64,375.14**
	99,023,504.86	**79,215,921.99**

The liabilities from PoC amounting to 470,609.43 Euro (prior year: 5,829,715.02 Euro) include accounts payable to customers from construction contracts, where the progress payments received exceed the cost of production including profit shares.

21. Other liabilities

The other liabilities compile as below:

In Euro	31 Dec 2015	31 Dec 2014
Non-current		
Liabilities to shareholders	348,887.28	0.00
	348,887.28	**0.00**
Current		
Liabilities due to purchase of GRK group	11,363,190.03	0.00
Tax liabilities, others than income tax	912,897.04	740,686.22
Liabilities to employees	624,780.33	754,874.36
Social security liabilities	153,402.53	437,507.51
Sundry liabilities	3,149,912.23	485,204.93
	16,204,182.16	**2,418,273.02**
	16,553,069.44	**2,418,273.02**

The other liabilities of 11,363,190.03 Euro (on 31 December 2014: 0.00 Euro) include liabilities due to acquisition costs of Instone Real Estate Leipzig GmbH. Sundry liabilities include obligations outside of trade accounts payable.

22. Income tax liabilities

The current income tax liabilities in the amount of 1,998,684.99 Euro (prior year: 0.00 Euro) relate to liabilities from domestic and foreign fiscal authorities.

C.3 Notes to the consolidated statement of profit or loss

23. Revenue

The revenue is attributable to the following regions:

in Euro	2015	16 Apr - 31 Dec 2014
Germany	342,821,269.67	53,213,667.30
Rest of Europe	15,841,509.44	11,230,896.80
	358,662,779.11	**64,444,564.10**

For the breakdown of revenue by types, please see the table below:

in Euro	2015	16 Apr - 31 Dec 2014
Revenues from percentage of completion	248,367,499.57	9,574,674.07
Revenues from completed contracts	98,897,342.55	54,848,582.51
Other services	11,397,936.99	21,307.52
	358,662,779.11	**64,444,564.10**

For the projects accounted for under the PoC method at the balance sheet date, the cumulated costs incurred amounted to 515,967,368.08 Euro (prior year: 751,410,894.64 Euro). From these projects cumulated results - after deduction of any losses - amount to 26,484,304.83 Euro (prior year: 28,399,552.45 Euro).

24. Changes in inventories

The changes in inventory of the products in the amount of -23,054,311.03 Euro (prior year: -7,786,423.45 Euro) include cost of production for project developments which do not come under the PoC method.

25. Other operating income

Other operating income compile as follows:

In Euro	2015	16 Apr - 31 Dec 2014
Income from the settlement of legal disputes	3,656,317.60	0.00
Income from the reversal of provisions	3,249,433.97	4,266,748.16
Income from the reversal of specific bad debt allowances	687,500.00	0.00
Rental income	218,576.03	77,861.21
Profit of sale of property, plant and equipment	170,343.88	0.00
Income from business acquisitions	168,431.30	20,131,662.13
Insurance reimbursements	61,584.01	23,493.81
Cost reimbursements	61,103.07	16,607.05
Income from the reduction impairment	38,958.72	0.00
Income from settlement agreement	0.00	6,861,900.00
Other income	322,218.59	78,662.23
	8,634,467.17	**31,456,934.59**

26. Cost of materials

In Euro	2015	16 Apr – 31 Dec 2014
Cost of materials and supplies	139,776,967.95	18,242,881.36
Cost of purchased services	144,562,644.96	32,727,799.69
	284,339,612.91	**50,970,681.05**

27. Staff costs

In Euro	2015	16 Apr - 31 Dec 2014
Wages and salaries	20,938,035.45	5,323,809.96
Social insurance, pensions and support	3,707,181.32	1,004,021.08
Long-term incentive	2,271,451.31	33,437.00
	26,916,668.08	**6,361,268.04**

Employer’s contributions paid to state pension insurance institutions in the reporting year amounted to 1,245,854.94 Euro (prior year: 265,916.66 Euro).

Expenditure on pensions totalled 385,112.47 Euro (prior year: 148,589.67 Euro). This mostly comprises new entitlements accrued during the year under defined pension plans and payments into defined contribution pension schemes.

The average number of employees breaks down as follows:

Number	2015	16 Apr – 31 Dec 2014
Employees including trainees and working students	318	348
Industrial employees	0	78
	318	**426**

On average, two employees (prior year: six employees) were employed for vocational training. All employees were employed outside the Netherlands.

28. Other operating expenses

The breakdown of other operating expenses is shown in table below:

In Euro	2015	16 Apr - 31 Dec 2014
Commission fees and other distribution costs	11,953,703.70	2,915,217.24
Court costs, attorneys' and notaries' fees	6,780,283.03	6,155,692.05
Rentals and lease rentals	4,122,967.32	1,168,247.26
Restructuring and adjustment costs	2,959,034.59	3,579,210.78
Costs from the settlement of legal disputes	2,800,000.00	0.00
Insurances	1,109,102.65	331,808.07
External administrative services	940,000.00	0.00
Travel expenses, transportation costs	761,227.50	303,693.69
Impairment losses and losses on disposal of assets (excluding inventories)	657,033.59	742,577.60
Technical and business consulting	570,196.45	86,913.05
Real estate tax, wealth tax and other taxes	512,428.16	274,119.42
Mail and funds transfer expenses	447,747.96	236,418.01
Further education measures	248,302.42	0.00
Litigation costs	221,165.65	44,400.56
Advertising measures	190,561.38	110,659.38
Entertainment expenses	149,672.10	75,268.18
Stationery	128,636.05	28,915.37
Property levies	118,698.63	0.00
Management compensation	76,167.33	32,358.95
Contributions to professional associations	0.00	24,396.15
Sundry operating expenses	3,768,556.64	2,854,455.35
	38,515,485.15	**18,964,351.11**

Sundry operating expenses mostly comprise order processing, costs of materials for administrative purposes, costs of preparing the annual financial statements and other expenses not reported elsewhere.

29. Income from associated affiliates

The income from associated affiliates can be made up as follows:

In Euro	2015	16 Apr - 31 Dec 2014
Share of profits and losses of equity-accounted interests		
Wohnentwicklung Theresienstraße GmbH & Co. KG	218,609.86	109,778.16
Wohnpark Gießener Straße GmbH & Co. KG	-101,801.15	92,594.19
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co KG	-522,508.75	1,402,194.72
SEVERINS WOHNEN GmbH & Co. KG	0.00	17,345.92
	-405,700.04	**1,621,912.99**
Profit withdrawals from equity-accounted interests		
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co KG	745,000.00	0.00
Wohnpark Gießener Straße GmbH & Co. KG	105,000.00	0.00
	850,000.00	**0.00**
Transfer of losses from equity-accounted interests		
Wohnentwicklung Theresienstraße GmbH & Co. KG	**-1,882,845.85**	**0.00**
	-1,438,545.89	**1,621,912.99**

30. Other income from investments

The other income from investments breaks down as follows:

In Euro	2015	16 Apr - 31 Dec 2014
Income from the sale of participating interests		
Flensburg Parkhaus GmbH & Co. KG	-313,876.69	0.00
formart Kirchberg Services S.A.	267,156.48	0.00
Uferpalais Projektgesellschaft mbH & Co. KG	-57,214.93	0.00
RheinauArtOffice GmbH & Co. KG	-37,590.20	0.00
Area of Sports GmbH & Co. KG	-6,224.49	0.00
	-147,749.83	**0.00**
Net income from non-consolidated subsidiaries and other participating interests		
ARGE Alte Hauptstraße 158	**30,463.07**	**0.00**
	-117,286.76	**0.00**

31. Depreciation and amortization

As in prior year the depreciation and amortization of 483,026.79 Euro (prior year: 107,285.15 Euro) include depreciation on property, plant and equipment. There were no impairment losses on intangible or property, plant and equipment.

32. Financial result

The financial result can be split up as follows:

In Euro	2015	16 Apr - 31 Dec 2014
Interest and similar income	861,843.17	229,977.69
Finance income	**861,843.17**	**229,977.69**
Interest and similar expenses	-19,953,888.38	-4,981,245.19
Accrued interest put option	-1,550,349.98	-418,075.74
Interest components of increase in provisions	-103,372.05	-13,906.00
Net interest expenses on pension obligations	-147,445.75	-14,240.00
Finance cost	**-21,755,056.16**	**-5,427,466.93**
Write-down of long-term securities	**-145,100.58**	**0.00**
Financial result	**-21,038,313.57**	**-5,197,489.24**

Interest and similar income or expenses consist of interest income or expenses on cash investments, interest-bearing securities and other loans. Interest and similar income furthermore represent all profit shares and dividends from long-term and short-term securities. The net interest result amounts to -20,893,212.99 Euro (prior year: -5,197,489.24 Euro).

In the financial year, interest income of 861,843.17 Euro was recorded for financial instruments not carried at fair value through profit or loss (prior year: 229,977.69 Euro); interest expenses on such financial instruments were recorded in the amount of 19,928,533.62 Euro (prior year: 5,399,320.93 Euro).

Net interest expenses on pension obligations in the amount of -147,445.75 Euro (prior year: -14,240.00 Euro) include the annual interest on the net present value of long-term pension obligations rolled over into the new year in the amount of 185,693.00 Euro (prior year: 48,778.00 Euro), offset against interest income from plan assets in the amount of 38,247.25 Euro (prior year: 34,538.00 Euro).

33. Income taxes

In Euro	2015	16 Apr - 31 Dec 2014
Income taxes		
Corporate income tax (domestic and foreign)	-61,511.37	-8,049.35
Trade income tax	-19,381.29	-2,630,037.63
Current income taxes	**-80,892.66**	**-2,638,086.98**
Deferred taxes	6,275,252.54	5,300,188.46
Total	**6,194,359.88**	**2,662,101.48**

Deferred taxes include an income item amounting to 1,521,091.80 Euro (prior year: 4,115,178.22 Euro). They are derived from the reversal of deferred tax liabilities, which will not result in current taxes in the future; this is attributable to an agreement entered into in 2014 due to the spin-off of the former majority shareholder Hochtief Solutions AG of Instone Real Estate Development GmbH.

In Euro	2015	16 Apr - 31 Dec 2014
Income before taxes	**-28,606,003.90**	**8,135,913.64**
Theoretical tax expenses at 25.00% (prior year: 25.00%)	7,151,500.98	-2,033,978.41
Tax effects on		
Difference to foreign tax rates	4,370,965.22	1,899,139.73
Prior year adjustment	-16,366.08	921,728.40
Non-taxable expenses according to § 8b KStG	0.00	-728,589.60
Equity accounting of associates	-1,299,153.49	856,812.41
Effects from consolidation	1,336,076.98	-2,197,103.23
Non-tax-allowable expenses	-5,206,299.64	-88,016.40
Unrecognised deferred tax assets for loss carryforwards	-4,198,748.35	-1,220,241.70
Supplementary balance sheet effects	3,579,630.79	0.00
Reduction of assessed property value	20,939.56	0.00
Transaction-related special effect	87,386.17	4,115,178.22
Others	368,427.74	1,137,172.06
Current income taxes	**6,194,359.88**	**2,662,101.48**

It is based on the individual tax rates that apply to the individual countries and companies at the time of realisation or are expected to be applied. The company's tax rate of 25.00 percent (prior: 25.00 percent) was used as the expected tax rate.

Unrecognised deferred tax assets for loss carryforwards mainly relate to the losses of the entity in Luxembourg as well as Instone Real Estate Leipzig GmbH.

C.4 Other disclosures

Reporting on financial instruments

Financial instruments include financial assets and liabilities as well as contractual claims and obligations relating to exchanges and transfers of financial assets. Derivative financial instruments were not excluded.

Financial assets mostly comprise cash and cash equivalents, receivables and other financial investments. Financial liabilities are mostly current liabilities measured at amortized cost.

The financial instruments held are shown in the statement of financial position. The maximum risk of loss or default is equal to total financial assets. Any such risk identified in respect of financial assets is accounted for with an impairment loss.

Risk management

All finance activities in the Instone Real Estate are conducted on the basis of a Group-wide financial directive. This is supplemented by function-specific operating work guidelines on subjects such as collateral management. These policies include principles for dealing with the various classes of financial risk.

Trading, control and settlement activities are divided between front and back offices. This ensures effective risk management where monitoring and settlement of front office external trading activities are performed by a separate and independent back office. Furthermore, the dual control principle must be observed at minimum for all external trading transactions. Internal authorizations to give instructions are strictly limited in number and monetary amount, and are reassessed at regular intervals (at least once a year) and adjusted if necessary.

Management of liquidity risk

Instone Real Estate uses largely centralized liquidity structures to pool liquidity at Group level, amongst other things to avoid cash flow bottlenecks at the level of individual entities. The central liquidity position is calculated on a monthly basis and budgeted in a bottom-up process over a rolling 12-months period. Liquidity budgets are supplemented with monthly stress testing.

The tables detail the Group`s remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities on the date on which the Group can be required to pay. The tables include both interests and principal cash flow. Interest payments on variable rate items are translated uniformly using the last interest rate fixed prior to the balance sheet date.

The maximum payments) shown in the tables below are offset by contractually fixed receipts in the same periods that are not shown here (for example, from trade receivables), which cover the shown cash outflows to a considerable extent.

Maturity analysis of financial liabilities

The following table summarises the contractual payments relating to financial liabilities:

	Carrying amount	Cash outflows		
In Euro	**31 Dec 2015**	**2016**	**2017 -2019**	**>2019**
Non-derivative financial liabilities				
Financial liabilities	364,623,691.37	83,151,147.25	292,369,408.68	38,884,500.00
Trade payables	99,023,504.86	99,023,504.86	0.00	0.00
	463,647,196.23	**182,174,652.11**	**292,369,408.68**	**38,884,500.00**

	Carrying amount	Cash outflows		
In Euro	**31 Dec 2014**	**2015**	**2016 -2018**	**>2018**
Non-derivative financial liabilities				
Financial liabilities	246,369,961.86	34,523,680.77	173,141,204.36	76,085,188.84
Trade payables	79,215,921.99	79,215,921.99	0.00	0.00
	325,585,883.85	**113,739,602.76**	**173,141,204.36**	**76,085,188.84**

Furthermore Group liquidity is sufficiently secured with the available cash in hand and bank balances as well as undrawn cash credit lines. The table below shows the main liquidity instruments:

in Euro	31 Dec 2015	31 Dec 2014
Cash-in-hand, available bank balances	35,900,410.50	25,094,496.70
Credit line - amount unused	348,819,022.20	64,454,608.59
	384,719,432.70	**89,549,105.29**

Management of default risks

The Instone Real Estate is exposed to default risk from operations and from certain financing activities.

Instone Real Estate performs risk management for operations by continuously monitoring trade receivables at a branch level. If a specific default risk is detected, it is countered by recognizing an individual impairment to the extent necessary.

The maximum default risk exposure of financial assets is equivalent to their carrying amounts in the statement of financial position. However, the actual default risk exposure is lower due to collateral given in favour of the Instone Real Estate. The maximum risk exposure on financial guarantees is the maximum amount that Instone Real Estate would have to pay. The maximum default risk for loan commitments is the amount of the commitment. Recourse to these financial guarantees and loan commitments is very unlikely at the time of reporting.

Instone Real Estate accepts collateral to secure contract performance by subcontractors, subcontractors' warranty obligations, and claims to remuneration. Such collateral includes, without limitation, guarantees relating to warranty obligations, contract performance, advance payments, and payment bonds. Acceptance of collateral is governed by an Instone Real Estate policy. It includes, without limitation, the contractual drafting, implementation, and management of all agreements. The detailed instructions vary, depending on the country jurisdiction and current case law, for example. For default risks, Instone Real Estate examines the credit rating of the party providing the collateral for all guarantees accepted. Instone Real Estate engages external specialists (such as rating agencies) for assessing credit standings as far as possible. The fair values of accepted collateral are not disclosed as they cannot be measured reliably as a rule.

The age structure of financial assets that are past due is specific to the industry. Receipt of payment depends on order acceptance and invoice checking, which often take a relatively long time.

Most of these past due unimpaired financial assets are due from contracting authorities with top credit ratings.

The following tables show the past due, unimpaired financial assets:

	31 Dec 2015			
In Euro	**Up to 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**
Trade receivables	13,197,489.05	480,404.00	243,910.27	4,877,415.63

	31 Dec 2014			
In Euro	**Up to 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**
Trade receivables	3,643,250.34	623,370.21	891,577.55	17,232,073.36

Individually impaired financial assets are shown below:

in Euro	**31 Dec 2015**	**31 Dec 2014**
Trade receivables		
Gross amount	20,257,856.22	16,893,162.45
Impairment	-8,363,172.41	-14,861,721.92
Net amount	**11,894,683.81**	**2,031,440.53**

In Euro	**16 Apr 2014**	**Changes***	**31 Dec 2014**	**Changes***	**31 Dec 2015**
Trade receivables	0.00	14,861,721.92	14,861,721.92	-6,498,549.51	8,363,172.41

* Changes result from allocations, reversals, utilizations, currency adjustments and changes in group structure.

With regard to financial assets that are neither past due nor impaired, there are currently no indications of any need to recognise impairments for reasons relating to credit ratings.

Management of interest risks

The interest rate risk in the Instone Real Estate mainly consists of short- and long-term interest-bearing financial assets and liabilities due to fluctuations in market interest rates. Depending on the market situation, this risk is countered by a mix of fixed and variable interest financial instruments. The risk is not controlled separately, as the external borrowings are usually redeemed within a short time by payments of the acquirers.

Changes in the market interest rates of non-derivative financial instruments with a fixed interest rate have an impact on the result only if they are recognized at fair value. For this reason, all fixed-interest financial instruments carried at amortized cost are not subject to interest rate risks as defined by IFRS 7.

As part of a sensitivity analysis, we examined the impact of the change in market interest rates in a range of 100 basis points on the earnings after tax. In the financial year, a hypothetical increase/ decrease in the market interest rate of 100 basis points, with other variables remaining constant, would result in lower/higher earnings after tax of -1,078,582.63 Euro / +1,076,627.31 Euro (prior year: -802,955.00 Euro / +802,955.00 Euro).

Capital risk management

The Instone Real Estate manages its capital with the aim of ensuring that all Group companies can continue to operate as a going concern. The Group keeps the cost of capital as low as possible by optimizing the balance between equity and debt as the need arises. These measures primarily serve to secure the best possible credit standing as well as to maximize shareholder returns.

The Group’s capital structure consists of the current and non-current liabilities less cash and cash equivalents recognised in the statement of financial position and the equity. The Group’s capital structure is assessed at regular intervals, taking into account the risk-adjusted cost of capital.

The overall capital risk management strategy did not change in the year under review compared with the prior year.

Additional information on financial instruments

In the following, carrying amounts and fair values are shown for each class of financial instrument and carrying amounts for each IAS 39 category:

In Euro	Available for sale	Loans and receivables	At (amortised) cost	Total 31 Dec 2015	Total fair value 31 Dec 2015
FINANCIAL ASSETS	**887,999.70**	**146,289,165.87**	**0.00**	**147,177,165.57**	**147,177,165.57**
Other financial assets	**887,999.70**	**0.00**	**0.00**	**887,999.70**	**887,999.70**
Financial receivables	**0.00**	**233,791.11**	**0.00**	**233,791.11**	**233,791.11**
Current	0.00	233,791.11	0.00	233,791.11	233,791.11
Trade receivables	**0.00**	**110,154,964.26**	**0.00**	**110,154,964.26**	**110,154,964.26**
Cash and cash equivalents	**0.00**	**35,900,410.50**	**0.00**	**35,900,410.50**	**35,900,410.50**
FINANCIAL LIABILITIES	**0.00**	**0.00**	**463,647,196.23**	**463,647,196.23**	**463,647,196.23**
Financial liabilities	**0.00**	**0.00**	**364,623,691.37**	**364,623,691.37**	**364,623,691.37**
Non-current	0.00	0.00	298,975,839.43	298,975,839.43	298,975,839.43
Current	0.00	0.00	65,647,851.94	65,647,851.94	65,647,851.94
Trade payables	**0.00**	**0.00**	**99,023,504.86**	**99,023,504.86**	**99,023,504.86**

In Euro	Available for sale	Loans and receivables	At (amortised) cost	Total 31 Dec 2014	Total fair value 31 Dec 2014
FINANCIAL ASSETS	**435,074.05**	**142,652,207.03**	**0.00**	**143,087,281.08**	**143,087,281.08**
Other financial assets	**435,074.05**	**0.00**	**0.00**	**435,074.05**	**435,074.05**
Financial receivables	**0.00**	**2,132,579.52**	**0.00**	**2,132,579.52**	**2,132,579.52**
Current	0.00	2,132,579.52	0.00	2,132,579.52	2,132,579.52
Trade receivables	**0.00**	**115,425,130.81**	**0.00**	**115,425,130.81**	**115,425,130.81**
Cash and cash equivalents	**0.00**	**25,094,496.70**	**0.00**	**25,094,496.70**	**25,094,496.70**
FINANCIAL LIABILITIES	**0.00**	**0.00**	**325,585,883.85**	**325,585,883.85**	**325,585,883.85**
Financial liabilities	**0.00**	**0.00**	**246,369,961.86**	**246,369,961.86**	**246,369,961.86**
Non-current	0.00	0.00	214,177,079.43	214,177,079.43	214,177,079.43
Current	0.00	0.00	32,192,882.43	32,192,882.43	32,192,882.43
Trade payables	**0.00**	**0.00**	**79,215,921.99**	**79,215,921.99**	**79,215,921.99**

As current financial instruments have short remaining maturities, their carrying amounts correspond to market value as of the financial statement date. Non-current securities amounting to 259,822.26 Euro (prior year: 259,822.26 Euro) in the “available-for-sale” category are measured at fair value through profit or loss; as such, their carrying amounts also correspond to fair value.

For other financial investments there are no reliable fair values. They are measured at cost within the “available-for-sale” category. There were no transfers between the categories of financial instruments, neither in the financial year nor in the prior year.

Net result from financial instruments

The following table shows the net result from financial instruments by IAS 39 category:

In Euro	2015	16 Apr - 31 Dec 2014
Available for sale	42,114.48	0.00
Loans and receivables	415,353.10	23,084.52
Liabilities at amortised cost	-21,504,238.37	-5,009,391.19
	-21,046,770.79	**-4,986,306.67**

The calculation of net profit from financial instruments includes interest income and expenses, impairments and impairment reversals, income and expenses from currency translation, dividend income, gains and losses on disposal, and other changes in the fair value of financial instruments recognized in income.

In the financial year, impairment losses on trade receivables amounted to 6,498,549.51 Euro (prior year: 45,874.33 Euro).

Contingent liabilities and other financial obligations

In Euro	31 Dec 2015	31 Dec 2014
Obligations under guarantees and letters of comfort	0.00	11,250,000.00

The prior year contingent liabilities were predominantly used to secure bank loans, for performance of contracts, warranty obligations and advance payments are given. At the balance sheet date, the Group mainly vouched for affiliated and associated companies.

Operating leases

The future minimum lease payments are as follows:

In Euro	31 Dec 2015	31 Dec 2014
Due within one year	2,755,503.84	1,602,205.75
Due in one to five years	7,027,961.05	1,619,623.81
Due after five years	1,220,697.96	0.00
	11,004,162.85	**3,221,829.56**

Notes to the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows classifies cash flows into operating, investing, and financing activities. All non-cash income and expense and all income from asset disposals is eliminated in cash flow from operations.

Cash outflow from investing activities is primarily marked by the purchase price payment for the shares in GRK Group.

Cash and cash equivalents as of 31 December 2015 exclusively comprised cash amounting to 35,900,410.50 Euro (prior year: 25,094,496.70 Euro), of which of 4,250,656.19 Euro (prior year: 1,795,622.44 Euro) was subject to restrictions.

Related party disclosures

Significant related parties mostly include the significant equity-accounted entities and shareholders. Material transactions were entered into with significant related parties, which had an effect on the following items in the financial statements:

Relations to shareholders

In Euro	31 Dec 2015	31 Dec 2014
Financial liabilities		
Coöperatieve ActivumSG Fund III Investments U.A.	57,854,271.44	37,167,872.81
Coöperatieve Formart Investments U.A.	28,831,909.69	20,202,473.39
Steffen Göpel	3,946,750.65	0.00
	90,632,931.78	**57,370,346.20**
Other non-current liabilities		
Steffen Göpel	**11,363,190.03**	**0.00**
Trade payables		
Coöperatieve ActivumSG Fund III Investments U.A.	29,138.82	23,530.62
Activum SG Capital Management L.P., Jersey / UK	75,361.80	956,995.75
	104,500.62	**980,526.37**
Other operating expenses		
Coöperatieve ActivumSG Fund III Investments U.A.	68,215.21	23,530.62
Activum SG Capital Management L.P., Jersey / UK	75,361.80	956,995.75
	143,577.01	**980,526.37**
Interest		
Coöperatieve ActivumSG Fund III Investments U.A.	2,856,398.63	650,945.20
Coöperatieve Formart Investments U.A.	1,429,436.30	354,009.59
	4,285,834.93	**1,004,954.79**

Shareholders of Instone Real Estate Group B.V. are Coöperatieve Activum SG Fund III Investments U.A., in the amount of 59.62 %, Coöperatieve Formart Investments U.A., in the amount of 29.81 % and Mr Steffen Göpel, Leipzig, Germany, in the amount of 10.57 %. The direct parent company, Coöperatieve Activum SG Fund III Investments U.A., neither prepared nor published consolidated financial statements. The financial liabilities to shareholders are interest-bearing at a rate of 7 %, while the financial liabilities to Mr Steffen Göpel are non-interest bearing.

ActivumSG Capital Management L.P., Jersey / UK, is the group parent company for the largest group of entities in the ActivumSG Group and also the ultimate party for the group of entities in Instone Real Estate.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties. For detailed terms and conditions of financial liabilities please refer to note 18 “financial liabilities”. Services were bought based on the prices in force and terms that would be available to third parties.

Relations to associates

In Euro	31 Dec 2015	31 Dec 2014
Revenue		
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	0.00	765.96
Wohnpark Gießener Straße GmbH & Co. KG	0.00	273.70
	0.00	**1,039.66**

Relations to joint ventures

In Euro	31 Dec 2015	31 Dec 2014
Loans		
Wohnentwicklung Theresienstraße GmbH & Co. KG	**0.00**	**1,000,000.00**
Receivables		
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co. KG	157,472.21	157,448.79
SEVERINS WOHNEN GmbH & Co. KG	76,318.91	76,318.91
Wohnentwicklung Theresienstraße GmbH & Co. KG	0.00	345,763.56
	233,791.12	**579,531.26**
Revenue		
Wohnentwicklung Theresienstraße GmbH & Co. KG	**0.00**	**408,395.44**
Interest		
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co. KG	0.00	-204.66
Wohnentwicklung Theresienstraße GmbH & Co. KG	6,890.79	1,484.39
	6,890.79	**1,279.73**

Relations to other parties

In Euro	31 Dec 2015	31 Dec 2014
Robert Victor van Beemen	0,00	3.225,86
Stefan Mohr	104.888,01	156.488,35
Amr Abulaban	0,00	64.829,00
	104.888,01	**224.543,21**

Robert Victor van Beemen, Stefan Mohr and Amr Abulaban were working for a superordinate company with significant influence and provided consulting services for the Group.

No other material transactions were entered into between Instone Real Estate Group B.V. or any Group company and Executive or related parties in the reporting period. There were no conflicts of interest involving Executives.

Compensation of key management

The management appointed for the financial year 2015 did not receive any remuneration for the management activities in the financial year, whether in 2015 nor in the prior year.

Auditor`s fee

The total fees for services provided by auditors Deloitte Accountants B.V., Amsterdam, the Netherlands, and Deloitte GmbH, Düsseldorf, Germany, were paid and recognized as expenses as follows:

In Euro	2015	16 Apr - 31 Dec 2014
Financial statement audits	362,165.06	312,728.52
Other assurance services	34,026.09	23,049.47
Other services	0.00	42,670.99
	396,191.15	**378,448.98**

Deloitte Accountants B.V., Amsterdam, the Netherlands

In Euro	2015	16 Apr - 31 Dec 2014
Financial statement audits	115,125.06	71,760.06
	115,125.06	**71,760.06**

Deloitte GmbH, Düsseldorf, Germany

In Euro	2015	16 Apr - 31 Dec 2014
Financial statement audits	247,040.00	240,968.46
Other assurance services	34,026.09	23,049.47
Other services	0.00	42,670.99
	281,066.09	**306,688.92**

Events after the financial statement date

For the first time ever, Instone Real Estate Development GmbH, placed a promissory note loan with a volume of €66.9 million, plus an increase of €3.1 million. The promissory note loan was paid out as at July 14, 2017. This transaction serves to refinance any existing liabilities and to finance growth. It facilitates a significant reduction of current interest payments, an extension of financing terms and a diversification of financing sources.

With sale and purchase agreement of 14 November 2017, Coöperative Activum SG Fund V Investments U.A., Amsterdam, the Netherlands, acquired 10.57% of the shares in the Instone Real Estate Group B.V. held by Mr. Steffen Göpel.

Until 28 February 2017, Instone Real Estate Group B.V. acquired from Hochtief Solutions AG the remaining shares of Instone Real Estate Development GmbH in three different tranches. This acquisition had an impact on liquidity and financial liabilities of Instone Real Estate Group B.V.

There are no other reportable transactions that are of special relevance post-December 31, 2015 (balance sheet date).

C.5 Subsidiaries, associates and other participating interests as at 31 December 2015

IFRS	**Percentage of capital**	**Equity** in Euro	**Net profit/loss of the year** in Euro
I. Affiliated entities which are included in the consolidated financial statements			
Instone Real Estate Development GmbH, Essen, Germany	82.2	151,006,489.95	9,695,033.48
DURST-BAU GmbH, Vienna, Austria	99.9	3,210,704.03	-7,044,224.00
formart Luxembourg S.à r.l, Luxembourg, Luxembourg	100.0	848,435.81	-7,093,851.63
Instone Real Estate Management GmbH, Essen, Germany	100.0	-228,812.98	220,815.43
Immobiliere de Hamm S.à r.l., Luxembourg. Luxembourg	100.0	622,978.64	-79,882.60
formart Immobilien GmbH, Essen, Germany*	100.0	700,518.93	0.00
Flensburg Kaufhaus GmbH & Co. KG, Essen, Germany	100.0	-155,986.64	-162,061.99
Instone Real Estate Leipzig GmbH, Leipzig, Germany	94.0	6,003,236.77	13,565,761.80
Instone Real Estate Wohnbau GmbH, Leipzig, Germany	100.0	-1,735,607.49	-1,536,528.80
OPUS Wohnbau GmbH, Leipzig, Germany	94.0	443,170.00	2,323,872.47
Gartenhöfe GmbH, Leipzig, Germany	100.0	-311,610.25	-2,006,642.04
GRK Immobilien GmbH, Leipzig, Germany	51.0	69,153.76	4,562.31
Instone Real Estate Verwaltungs GmbH, Leipzig, Germany	100.0	44,144.50	5,045.95
GRK Elsterlofts GmbH & Co. KG, Leipzig, Germany	100.0	61,136.88	-196,065.84
GRK Beteiligung GmbH, Leipzig, Germany	51.0	6,274.42	-9,766.17
OPUS Beteiligung GmbH, Leipzig, Germany	100.0	3,532.07	-3,847.09
Parkresidenz Leipzig GmbH, Leipzig, Germany	100.0	5,261,162.91	-269,977.94
Instone Real Estate Capital GmbH & Co. KG, Leipzig, Germany	100.0	408,413.78	7,115,609.71
GRK REVION Hamburg GmbH, Leipzig, Germany	51.0	-668,133.13	-614,295.10
II. Equity-method Investments			
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt, Germany	50.0	216,157.41	408,163.76
Wohnentwicklung Theresienstraße GmbH & Co. KG, Munich, Germany	50.0	25,000.53	-3,327,971.99
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt, Germany	50.0	31,397.71	6,397.71
SEVERINS WOHNEN GmbH & Co. KG, Cologne, Germany	50.0	-56,483.18	-19,525.79
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co KG, Cologne, Germany	49.9	127,119.04	-60,333.10
III. Other investments			
Area of Sports mbH & Co. KG, Mönchengladbach, Germany	50.0	7,479.86	-6,947.38
ArtOffice GmbH, Cologne, Germany	50.0	15,801.99	-475.93
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany	50.0	34,344.65	134.10
formart Beteiligungsverwaltungsgesell- schaft mbH, Hannover, Germany	100.0	23,727.40	-409.54
formart Wilma Verwaltungsgesellschaft mbH, Kriftel, Germany	50.0	30,511.37	-3,256.80
Immobiliengesellschaft CSC Kirchberg S.à r.l., Luxembourg, Luxembourg	99.9	44,701.33	-6,184.56
Projektverwaltungsgesellschaft Mönchengladbach - Area of Sports mbH, Düsseldorf, Germany	50.0	23,718.80	-180.79
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH, Cologne, Germany	50.0	33,899.13	1,441.18
RheinauArtOffice GmbH & Co. KG, Essen, Germany	50.0	14,925.24	-6,538.55
Uferpalais GmbH & Co. KG, Essen, Germany	70.0	40,283.26	-20,431.67
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0	24,272.89	-578.05
Warenhaus Flensburg Verwaltungsgesellschaft mbH, Essen, Germany	100.0	27,196.52	1,887.65
WTS GmbH, Munich, Deutschland	50.0	15,996.11	-834.84
TG Potsdam Projektentwicklungsgesellschaft mbH, Hannover, Germany**	10.0	0.00	-236,146.55
ALEA Immobilien GmbH, Leipzig, Germany**	25.5	20,791.68	-2,889.70
Liebigstr. 3 GmbH & Co. KG Bauträgergesellschaft, Königstein im Taunus, Germany	50.0	38,604.31	-1,857.40

** Profit transfer agreement*

** based on German commercial law values

Subsidiaries, associates and other participating interests as at 31 December 2014

	Percentage of capital	Equity in Euro	Net profit/loss of the year in Euro
I. Affiliated entities which are included in the consolidated financial statements			
Instone Real Estate Development GmbH, Essen, Germany	75.97	158,439,399,84	22,046,139.58
Instone Real Estate Management GmbH	100.00	25,301.59	-1,423.50
DURST-BAU GmbH, Vienna, Austria	99.9	4,586,521.90	-785,778.83
Area of Sports mbH & Co. KG, Mönchengladbach, Germany	50.0	10,612.25	-7,803.42
RheinauArtOffice GmbH & Co. KG, Essen, Germany	50.0	21,463.79	-3,536.21
Uferpalais GmbH & Co. KG, Essen, Germany	70.0	60,714.93	55,360.82
formart Luxembourg S.A., Luxembourg, Luxembourg	100.0	7,942,287.44	-7,262,714.15
Immobiliere de Hamm S.A., Luxembourg, Luxembourg	100.0	3,166,648.63	-993,674.39
formart Kirchberg Services S.A., Luxembourg, Luxembourg	100.0	2,612,149.09	375,776.09
formart Immobilien GmbH, Essen, Germany*	100.0	700,518.93	0.00
Flensburg Kaufhaus GmbH & Co. KG, Essen, Germany	100.0	6,075.35	-3,924.65
Flensburg Parkhaus GmbH & Co. KG, Essen, Germany	100.0	-269.90	-204.27
II. Equity-method Investments			
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt, Germany	50.0	1,330,019.49	10,701,679.89
Wohnentwicklung Theresienstraße GmbH & Co. KG, Munich, Germany	50.0	14,587,280.82	-130,888.23
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt, Germany	50.0	339,488.83	248,514.12
SEVERINS WOHNEN GmbH & Co. KG, Cologne, Germany	50.0	-36,957.39	-35,139.15
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co. KG, Cologne, Germany	49.5	187,452.14	-14,748.86
III. Other investments			
Projektverwaltungsgesellschaft Mönchengladbach – Area of Sports mbH, Düsseldorf, Germany	50.0	23,899.59	-170.38
ArtOffice GmbH, Cologne, Germany	50.0	16,277.92	-8,100.72
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0	24,850.94	-750.97
formart Wilma Verwaltungsgesellschaft mbH, Kriftel, Germany	50.0	33,768.17	7,949.76
formart Beteiligungsverwaltungsgesellschaft mbH, Hannover Germany	100.0	24,136.94	1,349.97
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany	50.0	34,210.55	393.70
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH, Cologne, Germany	50.0	32,457.95	1,278.16
Immobiliengesellschaft CSC Kirchberg S.A., Luxembourg, Luxembourg	99.9	67,308.20	-10,521.68
Warenhaus Flensburg Verwaltungsgesellschaft mbH, Essen, Germany	100.0	25,308.87	2,228.87
WTS GmbH, Munich, Germany	50.0	16,830.95	-4,330.57

** Profit transfer agreement*

Essen, 22 December 2017

Kruno Crepulja　　Oliver Schmitt　　Andreas Gräf　　Manfred Torsten Kracht

D. COMPANY FINANCIAL STATEMENTS

D.1 Statement of financial position as at 31 December 2015

EURO	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Shares in affiliated companies	1	217,647,864.04	135,826,089.11
		217,647,864.04	135,826,089.11
Current assets			
Inventories	2	250,000.00	0.00
Financial receivables	3	1,191,661.42	544,785.44
Cash and cash equivalents	4	2,654,270.76	834,046.10
		4,095,932.18	1,378,831.54
Total assets		**221,743,796.22**	**137,204,920.65**
EQUITY AND LIABILITIES			
Equity			
Share capital		8,386.00	7,500.00
Capital reserve		37,394,560.00	21,000,000.00
Retained earnings / loss carryforwards		-8,727,310.64	-3,786,979.33
	5	28,675,635.36	17,220,520.67
Non-current liabilities			
Other provisions	6	1,789,628.31	0.00
Accrued expenses	7	884,641.51	422,579.21
Financial liabilities	8	170,151,839.04	114,091,166.22
Deferred taxes	9	7,249,864.71	651,698.75
		180,075,973.57	115,165,444.18
Current liabilities			
Accrued expenses	7	19,165.00	9,000.00
Financial liabilities	8	20,000.00	20,000.00
Trade payables	10	1,589,832.26	4,789,955.80
Other liabilities	11	11,363,190.03	0.00
		12,992,187.29	4,818,955.80
Total equity and liabilities		**221,743,796.22**	**137,204,920.65**

D.2 Statement of profit or loss for the year 2015

EURO	Note	2015	16 Apr - 31 Dec 2014
Changes in inventories	11	250,000.00	0.00
Other operating expenses	12	-5,327,717.13	-648,933.76
Other net income from investments	13	17,697,709.49	0.00
Earnings before interest and tax (EBIT/ EBITDA)		**12,619,992.36**	**-648,933.76**
Finance income		441,160.90	547,566.60
Finance costs		-12,507,201.88	-3,033,913.42
Financial result	14	**-12,066,040.98**	**-2,486,346.82**
Earnings before tax (EBT)		**553,951.38**	**-3,135,280.58**
Income taxes	15	-6,614,532.04	-651,698.75
Earnings after tax (EAT)		**-6,060,580.66**	**-3,786,979.33**

D.3 Statement of comprehensive income for the year 2015

EURO	2015	16 Apr - 31 Dec 2014
Earnings after tax	-6,060,580.66	-3,786,979.33
Items to be reclassified to profit or loss in subsequent periods	0.00	0.00
Items not to be subsequently reclassified to profit or loss	0.00	0.00
Total comprehensive income for the year	**-6,060,580.66**	**-3,786,979.33**

D.4 Statement of changes in equity for the year 2015

EURO	Note	Share capital	Capital reserve	Retained earnings	Total shareholder's equity
1 January 2015		**7,500.00**	**21,000,000.00**	**-3,786,979.33**	**17,220,520.67**
Earnings after tax		0.00	0.00	-6,060,580.66	-6,060,580.66
Other comprehensive income		0.00	0.00	0.00	0.00
Total comprehensive income		**0.00**	**0.00**	**-6,060,580.66**	**-6,060,580.66**
Increase of share capital		886.00	0.00	0.00	886.00
Contribution to capital reserve		0.00	12,000,000.00	0.00	12,000,000.00
Other neutral changes		0.00	0.00	1,120,249.35	1,120,249.35
Reverse participation		0.00	4,394,560.00	0.00	4,394,560.00
31 December 2015	5	**8,386.00**	**37,394,560.00**	**-8,727,310.64**	**28,675,635.36**

EURO	Note	Share capital	Capital reserve	Retained earnings	Total shareholder's equity
16 April 2014		**5,000.00**	**0.00**	**0.00**	**5,000.00**
Earnings after tax		0.00	0.00	-3,786,979.33	-3,786,979.33
Other comprehensive income		0.00	0.00	0.00	0.00
Total comprehensive income		**0.00**	**0.00**	**-3,786,979.33**	**-3,786,979.33**
Increase of share capital		2,500.00	0.00	0.00	2,500.00
Contribution to capital reserve		0.00	21,000,000.00	0.00	21,000,000.00
31 December 2014	5	**7,500.00**	**21,000,000.00**	**-3,786,979.33**	**17,220,520.67**

D.5 Statement of cash flows for the year 2015

	EURO	Note	2015	2014
	Earnings after tax (EAT)		**-6,060,580.66**	**-3,786,979.33**
+/-	Increase / decrease of provisions		1,789,628.31	0.00
+/-	Increase / decrease of deferred taxes		6,598,165.96	651,698.75
+	Finance costs		12,507,201.88	3,033,913.42
-	Finance income		-439,587.69	-547,566.60
+/-	Other non-cash income and expenses		0.00	2,781.15
+/-	Decrease / increase of inventories, financial receivables and other assets		-13,699,874.01	0.00
+/-	Increase / decrease of financial and other liabilities		-3,669,934.95	4,901,909.64
	Cash flow from operating activities		**-2,974,981.16**	**4,255,757.03**
-	Acquisition of subsidiaries		-49,501,262.67	-135,506,463.74
+	Dividends Received		4,318,606.44	0.00
	Cash flow from investing activities		**-45,182,656.23**	**-135,506,463.74**
+	Contributions to share capital		0.00	7,500.00
+	Contributions to the capital reserve		12,000,000.00	21,000,000.00
+	Cash proceeds from shareholder loans		25,050,000.00	56,365,391.41
+	Cash proceeds from borrowings		16,769,714.39	55,143,708.62
-	Paid interests		-3,841,852.34	-431,847.22
	Cash flow from financing activities		**49,977,862.05**	**132,084,752.81**
	Increase in cash and cash equivalents		**1,820,224.66**	**834,046.10**
+	Cash and cash equivalents at the beginning of period		834,046.10	0.00
	Cash and cash equivalents at end of period	4	**2,654,270.76**	**834,046.10**

E. NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

E.1 Accounting policies

General principles

The company Formart Holding B.V. was formed on 16 April 2014 in Amsterdam, the Netherlands and registered in the Dutch Commercial Register under number 60490861 at the main registered place of business Amsterdam, the Netherlands. In accordance with the shareholder resolution from 16 April 2015 the company's place of effective management is Baumstraße 25, 45128 Essen, Germany. With registration from 9 June 2017 Formart Holding B.V. Amsterdam, the Netherlands was renamed into Instone Real Estate Group B.V., Amsterdam, the Netherlands (hereinafter: "Instone Real Estate Group B.V." or" company").

The company invests in subsidiaries whose principal activity consists in the acquisition, development, construction, letting, management and sale or other utilisation of land and buildings and equity interests in other companies operating in this business sector.

The financial statements 2015 were approved for issue by the management of Instone Real Estate Group B.V. on 22 December 2017.

For more details please see section 'General principles' of the consolidated financial statements 2015.

Basis for the preparation of the financial statements

The separate financial statements of Instone Real Estate Group B.V. were prepared in accordance with IAS 27.17 and the related requirements for financial reporting set forth in part 9 of book 2 of the Dutch Civil Code.

The separate financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) and Interpretations of those standards, as issued by the International Accounting Standards Board (IASB) and adopted into European Union law.

The statement of profit and loss was determined using the nature of expense method. The financial statements are prepared on the going concern basis.

Accounting policies

For the preparation of the separate financial statements of Instone Real Estate Group B.V. the same accounting policies have been used as for the consolidated financial statements. Except as otherwise disclosed, the accounting policies are consistent with these applied in previous years. For more details please see section 'Accounting policies' of the consolidated financial statements 2015.

E.2 Notes to the statement of financial position

1. Shares in affiliated companies

Shares in affiliated companies are composed as follows:

In Euro	**31 Dec 2015**	**31 Dec 2014**
Shares in Instone Real Estate Development GmbH	147,295,965.34	135,801,089.11
Shares in Instone Real Estate Leipzig GmbH	70,056,178.70	0
Shares in OPUS Wohnbau GmbH	114,840.00	0
Shares in GRK REVION Hamburg GmbH	155,880.00	0
Shares in Instone Real Estate Management GmbH	25,000.00	25,000.00
	217,647,864.04	**135,826,089.11**

Based on a purchase and assignment contract dated 2 October 2015, 94 % of the shares in Instone Real Estate Leipzig GmbH, and its subsidiaries and investees as well as 6 % of the shares in GRK REVION Hamburg GmbH, and 6 % of the shares in OPUS Wohnbau GmbH, (together referred to as the GRK Group) were transferred to Instone Real Estate Group B.V. with effect to 10 December 2015. The purchase price amounts to 68,900,432.45 Euro of which an amount of 48,074,796.42 Euro has been paid in 2015.

The significant affiliates of the Instone Real Estate Group B.V. are listed below:

Name	**Registered office of the entity**	**Business activity**	**Ownership interest in %**
Instone Real Estate Development GmbH	Essen, Germany	Project development	82.20%
Instone Real Estate Leipzig GmbH	Leipzig, Germany	Project development	94%
Instone Real Estate Management GmbH	Essen, Germany	General partner	100%
GRK REVION Hamburg GmbH	Leipzig, Germany	Project development	6%
OPUS Wohnbau GmbH	Leipzig, Germany	Project development	6%

The shares in affiliated companies are accounted at cost less impairment losses. For further details refer to note '1. Acquisition of subsidiaries' of the notes to the consolidated financial statements 2015.

2. Inventories

The amount of 250,000.00 Euro as per 31 December 2015 (on 31 December 2014: 0.00 Euro) relates to service projects in progress.

3. Financial receivables

The financial receivables in the amount of 1,191,661.42 Euro (on 31 December 2014: 544,785.44 Euro) include receivables from the affiliated company Instone Real Estate Development GmbH due to participation profits.

4. Cash and cash equivalents

Cash and cash equivalents in the amount of 2,654,270.76 Euro (on 31 December 2014: 834,046.10 Euro) include cash-in-hand and bank balances. Cash and cash equivalents are not subject to any restrictions.

5. Equity

The components and changes in equity are summarized in the statements of changes in equity.

The share capital in the amount of 8,386.00 Euro was contributed by the shareholder Coöperatieve Activum SG Fund III Investments U.A., at a rate of 59.62 %, by the shareholder Coöperatieve Formart Investments U.A., at a rate of 29.81 % and by the shareholder Steffen Göpel, Leipzig, Germany, at a rate of 10.57 %.

With effect to 16 April 2014 the entity issued 500 shares. In the financial year 2014 another 250 shares were issued in the course of increasing the issued capital by 2,500.00 Euro nominally. With effect to 31 December 2014 / 1 January 2015 the entity therefore issued a total of 750 shares (7,500.00 Euro). In the financial year 2015, the share capital in connection with the acquisition of the GRK Group was increased by 886.00 Euro nominally (886 shares).

On 10 December 2015 the notional amount per share was reduced from 10.00 Euro to 1.00 Euro and the number of shares were increased tenfold. With effect to 31 December 2015 the entity therefore issued 8,386 shares.

The capital reserve amounts to 37,394,560.00 Euro (prior year: 21,000,000.00 Euro). A portion of 33,000,000.00 Euro (prior year: 21,000,000.00 Euro) relates to additional contributions by shareholders as share premium on the share capital. In this context, the shareholder Coöperatieve Activum SG Fund III Investments U.A., passed a resolution on 24 September 2014 and paid a share premium of 14,000,000.00 Euro and the shareholder Coöperatieve Formart Investments U.A., a share premium of 7,000,000.00 Euro.

According to the resolution passed on 1 December 2015 the shareholder Coöperatieve Activum SG Fund III Investments U.A., contributes 8,000,000.00 Euro and the shareholder Coöperatieve Formart Investments U.A. 4,000,000.00 Euro, in total 12,000,000.00 Euro as a share premium on the share capital to Instone Real Estate Group B.V.. Upon contribution of the 10.57 % share of the share capital, the share premium between the nominal value of the shares amounting to 886.00 Euro and the fair value of the shares amounting to 4,394,560.00 Euro was allocated to the capital reserve.

The income tax effects on the change of the shares of profits and losses recognised directly in equity break down as follows:

In Euro	2015	16 Apr - 31 Dec 2014
Amount before income tax	553,951.38	-3,135,280.58
Income taxes	-6,614,532.04	-651,698.75
Amount after income tax	**-6,060,580.66**	**-3,786,979.33**

The table below shows the reconciliation of the consolidated equity to the equity of the separate financial statements for the financial year:

In Euro	31 Dec 2015	31 Dec 2014
Total consolidated equity	35,670,190.59	31,964,494.94
non-controlling interests	-11,484,048.46	-34,252.50
Individual net result	16,351,063.36	-14,574,056.02
Individual retained earnings	-11,955,382.00	0.00
Other changes recognized directly in equity	0.00	-324,313.74
Individual other comprehensive income	93,811.87	188,647.99
Total stand-alone equity	**28,675,635.36**	**17,220,520.67**

The reconciliation from the consolidated annual result to the annual result of the separate financial statements for the following reporting periods is shown in the table below:

In Euro	2015	16 Apr – 31 Dec 2014
Total consolidated profit for the year	-22,411,644.02	10,798,015.12
Attributable to non-controlling interests	0.00	-10,938.43
Individual net result	16,351,063.36	-14,574,056.02
Total stand-alone profit for the year	**-6,060,580.66**	**-3,786,979.33**

The main reason for the difference between the consolidated equity and the stand-alone equity is driven by the negative effects on the consolidated profit for the year concerning the development of the recognised PPA-effect as a result of the acquisition of Instone Real Estate Development GmbH in 2014.

The individual net result is shown in the table below:

In Euro	2015	16 Apr – 31 Dec 2014
Profit/loss subsidiaries	-2,758,207.04	-9,036,042.24
Profit/loss Formart group (1.1.-30.9.2014)	0.00	11,010,079.65
Addition of accrued interest Put Option Hochtief	1,550,349.98	418,075.74
Lucky Buy	-168,431.30	-20,131,662.13
Rolling forward PPA (Formart)	13,729,409.47	3,328,528.28
Deferred Taxes	-11,236,328.68	-1,409,809.24
Reversal provisions for hidden liabilities (sale of projects)	-2,964,779.45	-3,659,418.47
Expenses of acquisition Formart KG	0.00	4,678,277.64
Expenses of acquisition GRK Holding	1,426,466.25	0.00
Income from subsidiaries	17,697,709.49	0.00
Other	-925,125.36	227,914.75
Individual net result	**16,351,063.36**	**-14,574,056.02**

6. Other provisions

In Euro	31 Dec 2015	31 Dec 2014
Other provisions		
Non-current		
Personnel	1,789,628.31	0.00
	1,789,628.31	**0.00**

For additional analyses and information refer to section ‘Other provisions’ of the notes to the consolidated financial statements 2015.

7. Accrued expenses

Accrued expenses were set up for financial statement and annual audit expenses.

In Euro	31 Dec 2015	31 Dec 2014
Accrued expenses		
Non-current	884,641.51	422.579,21
Current	19,165.00	9,000.00
	903,806,51	**431,579,21**

8. Financial liabilities

In Euro	31 Dec 2015	31 Dec 2014
Non-current		
Liabilities to shareholders	90,632,931.78	57,350,346.20
Liabilities to affiliated companies	79,518,907.26	6,257,788.99
Liabilities to third parties	0.00	50,483,031.03
	170,151,839.04	**114,091,166.22**
Current		
Liabilities to shareholders	20,000.00	20,000.00
	170,171,839.04	**114,111,166.22**

The non-current financial liabilities mainly include liabilities to shareholders in the amount of 90,632,931.78 Euro (on 31 December 2014: 57,350,346.20 Euro), which consist of a loan from Coöperatieve Activum SG Fund III Investments U.A., in the amount 57,854,271.44 Euro (on 31 December 2014: 37,147,872.81 Euro) and a loan from Coöperatieve Formart Investments U.A., in the amount of 28,831,909.69 Euro (on 31 December 2014: 20,202,473.39 Euro). Interests are calculated based on an interest rate of 7 % for both loans. Additionally, non-current liabilities to shareholders include a loan free of interest to Mr. Steffen Göpel, Leipzig, Germany, of a par value of 5,067,000.00 Euro and a maturity of 5 years. In accordance with IAS 39 AG64 the loan is discounted using a prevailing market rate of interest for similar instrument and similar credit rating (BB-) of 4.36%, resulting a fair value amounting to 3,946,750.65 Euro (on 31 December 2014: 0,00 Euro).

The liabilities to affiliated companies mainly include two (2014: one) loans to Instone Real Estate Development GmbH amounting to 62,675,402.35 Euro (on 31 December 2014: 6,257,788.99 Euro). The maturity for both loans is 3 years. Interests are calculated based on 7% and 14.5%. In order to finance the acquisition of shares in the Instone Real Estate Leipzig GmbH, in 2015, the Instone Real Estate Leipzig GmbH, has granted a loan to Instone Real Estate Group B.V. As per 31 December 2015 the loan with a maturity of 3 years amounts to 16,843,504.91 Euro and is subject to 8% interests.

Current financial liabilities include liabilities to the shareholder Coöperatieve Activum SG Fund III Investments U.A., in the amount of 20,000.00 Euro (on 31 December 2014: 20,000.00 Euro).

For additional information refer to note 18 'Financial liabilities' of the notes to the consolidated financial statements 2015.

9. Deferred taxes

Deferred tax assets and deferred tax liabilities are as follows:

	31 Dec 2015		31 Dec 2014	
In Euro	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Non-current assets	0.00	31,587,602.78	0.00	20,015,266.16
Current assets	14,021.55	188,580.42	0.00	86,212.30
Non-current liabilities	**19,673,270.71**	**374,919.86**	**18,054,927.05**	**1,309.89**
- Financial liabilities	19,615,075.78	373,552.02	18,054,927.05	0.00
-Other provisions	58,194.93	0.00	**0.00**	**0.00**
- Accrued expenses	0.00	1,367.84	0.00	1,309.89
Current liabilities	**3,747,734.95**	**0.00**	**742,047.98**	**0.00**
- Financial liabilities	3,165.00	0.00	3,165.00	0.00
-Other liabilities	0.00	0.00	738,882.98	0.00
-Trade payables	65,250.09	0.00	0.00	0.00
-Other current taxes	3,679,319.86	0.00	**0.00**	**0.00**
	23,435,027.21	**32,151,103.06**	**18,796,975.03**	**20,102,788.35**
Loss carryforwards	1,466,211.14	0.00	654,114.57	0.00
Gross amount	24,901,238.35	32,151,103.06	19,451,089.60	20,102,788.35
Balance	**-24,901,238.35**	**-24,901,238.35**	**-19,451,089.60**	**-19,451,089.60**
Reported in the statement of financial position	**0.00**	**7,249,864.71**	**0.00**	**651,698.75**

A deferred tax asset has been recognised to the extent that it is probable that the entity will generate future taxable income against which this tax loss can be utilised.

10. Trade payables

The trade payables amounting to 1,589,832.26 Euro (on 31 December 2014: 4,789,955.80 Euro) consist of accrued expenses. In the prior year the trade payables mainly contained payables in connection with the acquisition of Instone Real Estate Development GmbH.

11. Other liabilities

The other liabilities of 11,363,190.03 Euro (on 31 December 2014: 0.00 Euro) include liabilities due to acquisition costs of Instone Real Estate Leipzig GmbH.

E.3 Notes to the statement of profit or loss

12. Changes in inventories

The changes in inventories result from the net change in service projects in progress.

13. Other operating expenses

In Euro	2015	16 Apr - 31 Dec 2014
Costs in connection with settlement of disputes	2,800,000.00	0.00
Long-term incentive	1,789,628.31	0.00
Financial statement and annual audit	459,962.55	431,579.21
Court, advocate, notary and advisory	179,446.94	184,698.18
Management	76,167.33	32,358.95
Consulting	19,593.17	0.00
Other	2,918.83	297.42
	5,327,717.13	**648,933.76**

Other operating expenses mostly comprise costs for court, advocates and notary, financial statement and annual audit, management fees and other expenses not reported elsewhere.

14. Other net income from investments

Net income from investments includes all income and expenses relating to subsidiaries in the amount of 17,697,709.49 Euro (2014: 0.00 Euro).

15. Financial result

The financial result can be split up as follows:

In Euro	2015	16 Apr - 31 Dec 2014
Interest and similar income	1,573.21	2,781.16
Other financial income	439,587.69	544,785.44
Finance income	**441,160.90**	**547,566.60**
Interest and similar expenses	-12,507,201.88	-3,033,913.42
Finance costs	**-12,507,201.88**	**-3,033,913.42**
Financial result	**-12,066,040.98**	**-2,486,346.82**

The company's finance income mainly results from the interest on outstanding capital reserves. Finance costs arise from accrued interest on loans and borrowings presented in '7. Financial liabilities'. The net financial result amounts to -12,066,040.98 Euro (2014: -2,486,346.82 Euro).

16. Income taxes

Income taxes consist of the following:

In Euro	2015	16 Apr - 31 Dec 2014
Current income tax	-16,366.08	0.00
Deferred income tax	-6,598,165.96	-651,698.75
	-6,614,532.04	**-651,698.75**

The income tax for the year can be reconciled as follows:

In Euro	2015	16 Apr - 31 Dec 2014
Income before tax	**553,951.38**	**-3,135,280.58**
Expected tax expenses at 25.00 % (2014: 25.00 %)	-138,487.85	783,820.15
Tax effects on:		
Difference to foreign tax rates	-42,238,78	-287,662.00
Prior year taxes	-16,366.08	0.00
Non-tax-allowable expenses	-4,853,652.11	-88,016.40
Transaction-related special effect	-1,433,705.63	0.00
Non-taxable expenses according to § 8b KStG	0.00	-728,589.60
Recognition and measurement of deferred tax	-429,397.71	-330,576.38
Other	299,316.12	-674.52
Current income taxes	**-6,614,532.04**	**-651,698.75**

The company's tax rate of 25.00 percent (2014: 25.00 percent) was used as the expected tax rate. The differences between expected tax expenses and current income taxes mainly relates to German income tax.

E.4 Other disclosures

Reporting on financial instruments

For additional analyses and information please see section 'Reporting on financial instruments' of the notes to the consolidated financial statements 2015.

Risk management

For additional analyses and information please see section 'Risk management' of the notes to the consolidated financial statements 2015.

Management of liquidity risk

The following table summarises the contractual agreed payments relating to financial liabilities:

	Carrying amount	Cash outflows		
In Euro	31 Dec 2015	2016	2017 - 2019	>2019
Non-current financial liabilities	170,151,839.04	10,734,436.23	176,222,545.70	33,817,500.00
Current financial liabilities	20,000.00	20,000.00	0,00	0,00
Trade payables	1,589,832.26	1,589,832.26	0,00	0,00
	171,761,671.30	**12,344,268.49**	**176,222,545.70**	**33,817,500.00**

	Carrying amount	Cash outflows		
In Euro	31 Dec 2014	2015	2016 -2018	>2018
Non-current financial liabilities	114,091,166.22	0.00	68,744,499.82	76,085,188.84
Current financial liabilities	20,000.00	20,000.00	0.00	0.00
Trade payables	4,789,955.80	4,789,955.80	0.00	0.00
	118,901,122.02	**4,809,955.80**	**68,744,499.82**	**76,085,188.84**

Maximum payments after 31 December 2015:

In Euro	2016	2017
Financial liabilities	11,925,801.62	22,976,800.21

The cash outflows shown above affect put options that can be exercised in 2016 and 2017. The shareholder Hochtief Solutions AG, can call two more put options relating to the remaining ownership interests in Instone Real Estate Development GmbH.

Furthermore, liquidity is sufficiently secured, also based on the available cash in hand and bank balances as well as unused credit facilities.

The table below shows the main liquidity instruments:

In Euro	31 Dec 2015	31 Dec 2014
Cash-in-hand, available bank balances	2,654,270.76	834,046.10
Credit facilities unused	2,604,608.59	3,654,608.59
	5,258,879.35	**4,488,654.69**

For additional information refer to note ‘Risk management’ of the notes to the consolidated financial statements 2015.

Management of default risks

For additional analyses and information please see section ‘Management of default risks’ of the notes to the consolidated financial statements 2015.

Management of interest risks

In the Instone Real Estate Group B.V., interest risks are resulting from new borrowings at variable interest rates. The risk is not controlled separately, as the external borrowings are usually redeemed within a short time by payments of the acquirers.

As at 31 December 2015 and 31 December 2014 the company recognised borrowings with fixed interest rates only, therefore no interest rate risk resulting from variable interest rates occurs.

For additional analyses and information please see section `Management of interest risks of the notes to the consolidated financial statements 2015.

Capital risk management

For additional analyses and information please see section ‘Capital risk management’ of the notes to the consolidated financial statements 2015.

Additional information on financial instruments

In the following, carrying amounts and fair values are shown for each class of financial instruments and carrying amounts for each IAS 39 category:

In Euro	Loans and receivables	At (amortised) cost	Total 31 Dec 2015	Total fair value 31 Dec 2015
ASSETS	**3,845,932.18**	**0.00**	**3,845,932.18**	**3,845,932.18**
Financial receivables	**1,191,661.42**	**0.00**	**1,191,661.42**	**1,191,661.42**
Current	1,191,661.42	0.00	1,191,661.42	1,191,661.42
Cash and cash equivalents	**2,654,270.76**	**0.00**	**2,654,270.76**	**2,654,270.76**
EQUITY AND LIABILITIES	**0.00**	**171,761,671.30**	**171,761,671.30**	**171,761,671.30**
Financial liabilities	**0.00**	**170,171,839.04**	**170,171,839.04**	**170,171,839.04**
Non-current	0.00	170,151,839.04	170,151,839.04	170,151,839.04
Current	0.00	20,000.00	20,000.00	20,000.00
Trade payables	**0.00**	**1,589,832.26**	**1,589,832.26**	**1,589,832.26**

In Euro	Loans and receivables	At (amortised) cost	Total 31 Dec 2014	Total fair value 31 Dec 2014
ASSETS	**1,378,831.54**	**0.00**	**1,378,831.54**	**1,378,831.54**
Financial receivables	**544,785.44**	**0.00**	**544,785.44**	**544,785.44**
Current	544,785.44	0.00	544,785.44	544,785.44
Cash and cash equivalents	**834,046.10**	**0.00**	**834,046.10**	**834,046.10**
EQUITY AND LIABILITIES	**0.00**	**118,901,122.02**	**118,901,122.02**	**118,901,122.02**
Financial liabilities	**0.00**	**114,111,166.22**	**114,111,166.22**	**114,111,166.22**
Non-current	0.00	114,091,166.22	114,091,166.22	114,091,166.22
Current	0.00	20,000.00	20,000.00	20,000.00
Trade payables	**0.00**	**4,789,955.80**	**4,789,955.80**	**4,789,955.80**

Due to the short maturity, the book values of the above shown financial instruments correspond to their fair values. For additional analyses and information please see section 'Additional information on financial instruments' of the notes to the consolidated financial statements 2015.

Net result of financial instruments

The net result of financial instruments can be summarized as follows:

In Euro	2015	16 Apr - 31 Dec 2014
At cost	18,137,297.18	544,785.44
Loans and Receivables	-1,573.21	2,781.16
Liabilities at amortised costs	-12,481,847.13	-3,033,913.42
	5,653,876.84	**-2,486,346.82**

For additional analyses and information please see section 'Net result from financial instruments' of the notes to the consolidated financial statements 2015.

Notes to the statement of cash flows

The Company Statement of Cash Flows classifies cash flows into operating, investing, and financing activities. The 2,654,270.76 Euro (on 31 December 2014: 834,046.10 Euro) year-end total for cash and cash equivalents shown on the cash flow statement matches the cash and cash equivalents item on the statement of financial position.

Cash and cash equivalents are not subject to restrictions. All non-cash income and expenses are eliminated in cash flow from operations. No income taxes have been paid in both periods. During the current financial year the share capital was increased by contribution in kind and is therefore not cash-effective.

Related party disclosures

The transactions with related parties per category are as follows:

Relations to shareholders

in Euro	2015	2014
Financial liabilities		
Coöperatieve Activum SG Fund III Investments U.A.	57,874,271.44	37,167,872.81
Coöperatieve Formart Investments U.A.	28,831,909.69	20,202,473.39
Steffen Göpel	3,946,750.65	0.00
	90,652,931.78	**57,370,346.20**
Other liabilities		
Steffen Göpel	**11,363,190.03**	**0.00**
Trade payables		
Coöperatieve Activum SG Fund III Investments U.A.	29,138.82	23,530.62
ActivumSG Capital Management L.P., Jersey / UK	75,361.80	956,995.75
	104,500.62	**980,526.37**
Other operating expenses		
Coöperatieve Activum SG Fund III Investments U.A.	68,215.21	23,530.62
ActivumSG Capital Management L.P., Jersey / UK	75,361.80	956,995.75
	143,577.01	**980,526.37**
Finance costs		
Coöperatieve Activum SG Fund III Investments U.A.	2,856,398.63	650,945.20
Coöperatieve Formart Investments U.A.	1,429,436.30	354,009.59
	4,285,834.93	**1,004,954.79**

ActivumSG Capital Management L.P., Jersey / UK, is the group parent company for the largest group of entities in the Activum SG Group and also the ultimate party for the group of entities in Instone Real Estate.

The other operating expenses for ActivumSG Capital Management L.P., Jersey / UK in 2014 were capitalised as incidental acquisition costs for the acquisition of the shares of Instone Real Estate Development GmbH in full amount.

Relations to affiliated companies

in Euro	2015	2014
Financial liabilities		
Instone Real Estate Development GmbH	62,675,402.35	6,257,788.99
Instone Real Estate Leipzig GmbH	16,843,504.91	0.00
	79,518,907.26	**6,257,788.99**
Financial receivables		
Instone Real Estate Development GmbH	**1,191,661.42**	**544,785.44**
Other net income from investments		
Instone Real Estate Development GmbH	**17,697,709.49**	**0.00**
Other operating expenses		
Instone Real Estate Development GmbH	**1,400.00**	**0.00**
Finance income		
Instone Real Estate Development GmbH	**439,587.69**	**544,785.44**
Finance costs		
Instone Real Estate Development GmbH	8,092,221.68	109,977.52
Instone Real Estate Leipzig GmbH	73,790.52	0.00
	8,166,012.20	**109,977.52**

Relations to other parties

In Euro	31 Dec 2015	31 Dec 2014
Robert Victor van Beemen	0,00	3.225,86
Stefan Mohr	104.888,01	156.488,35
Amr Abulaban	0,00	64.829,00
	104.888,01	**224.543,21**

Robert Victor Beemen, Stefan Mohr and Amr Abulaban were working for a superordinate company with significant influence and provided consulting services for the Group.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties. For terms and conditions of financial liabilities please refer to note 7 “financial liabilities”. Services were bought based on the prices in force and terms that would be available to third parties. Outstanding balances are unsecured and are repayable in cash.

Compensation of key management

The management appointed for the financial year 2015 did not receive any remuneration for the management activities in the financial year, whether in 2015 nor in the prior year.

For further information regarding the remuneration of key management refer to section ‘Related party disclosures’ of the notes to the consolidated financial statements 2015.

Auditor’s fees

The total fees for services provided by auditors Deloitte Accountants B.V., Amsterdam, the Netherlands, and Deloitte GmbH, Düsseldorf, Germany, were recognized as expenses as follows.

in Euro	31 Dec 2015	31 Dec 2014
Financial statement audits		
	224,125.06	**210,760.06**

Deloitte Accountants B.V., Amsterdam, the Netherlands

in Euro	31 Dec 2015	31 Dec 2014
Financial statement audits	**113,125.06**	**71,760.06**

Deloitte GmbH, Düsseldorf, Germany

in Euro	31 Dec 2015	31 Dec 2014
Financial statement audits	**109,000.00**	**139,000.00**

Events after the financial statement date

With sale and purchase agreement of 14 November 2017, Coöperative Activum SG Fund V Investments U.A., Amsterdam, the Netherlands, acquired 10.57% of the shares in the Instone Real Estate Group B.V. held by Mr. Steffen Göpel.

Until 28 February 2017, Instone Real Estate Group B.V. acquired from Hochtief Solutions AG the remaining shares of Instone Real Estate Development GmbH in three different tranches. This acquisition had an impact on liquidity and financial liabilities of Instone Real Estate Group B.V.

There are no other reportable transactions that are of special relevance post-December 31, 2015 (balance sheet date).

Essen, 22 December 2017

Kruno Crepulja Oliver Schmitt Andreas Gräf Manfred Torsten Kracht

F. OTHER INFORMATION

F.1 Independent Auditor's Report

To the shareholders of Instone Real Estate Group B.V. (formerly Formart Holding B.V.)

Report on the financial statements

We have audited the accompanying financial statements 2015 of Instone Real Estate Group B.V., Amsterdam, the Netherlands, which comprise the consolidated and company statement of financial position as per December 31, 2015, the consolidated and company statement of profit or loss, the consolidated and company statements of comprehensive income, cash flows and changes in equity for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Group Management Report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Instone Real Estate Group B.V. as per December 31, 2015 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Group Management Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Group Management Report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, December 22, 2017

Deloitte Accountants B.V.

P. Kuijpers

F.2 Provisions of the Articles of Association governing profit appropriation

Article23. Profits.

1. The General Meeting is authorised to resolve to allocate the profits as determined by virtue of the adoption of the Annual Accounts. A resolution of the General Meeting to allocate profits requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the issued and outstanding Shares are present or represented.

2. The General Meeting is authorised to determine a distribution of the profits, to the extent that its net assets exceed the reserves which must be maintained under the law or the articles of association. A resolution of the General Meeting to distribute profits requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the issued and outstanding Shares are present or represented.

3 The General Meeting may, subject to and with due observance of the provisions as set out in paragraph 2 of this article and the relevant statutory provisions, resolve to distribute the reserves in whole or in part. A resolution of the General Meeting to distribute reserves requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the Issued and outstanding Shares are present or represented.

4. The General Meeting may, subject to and with due observance of the provisions as set out in paragraph 2 of this article and the relevant statutory provisions, resolve to pay interim-dividend. A resolution of the General Meeting to pay interim-dividend requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the issued and outstanding Shares are present or represented.

5. Subject to and with due observance of the provisions of article 21 paragraph 4, any resolution of the General Meeting to make a distribution, as referred to in the previous paragraphs of this article, shall be without any effect until the Management Board has granted Its approval to such resolution.

6. The Management Board shall only withhold the approval as referred to in paragraph 5 of this article, if the Management Board is aware or reasonably should be aware of any circumstances by virtue of which the Company cannot continue to meet its obligations after the relevant distribution

7 Any claim of a Shareholder for payment of a distribution shall be barred after five (5) years have elapsed.

F.3 Events after the financial statement date

For the first time ever, Instone Real Estate Development GmbH, placed a promissory note loan with a volume of €66.9 million, plus an increase of €3.1 million. The promissory note loan was paid out as at July 14, 2017.

This transaction serves to refinance any existing liabilities and to finance growth. It facilitates a significant reduction of current interest payments, an extension of financing terms and a diversification of financing sources.

With sale and purchase agreement of 14 November 2017, Coöperative Activum SG Fund V Investments U.A., Amsterdam, the Netherlands, acquired 10.57% of the shares in the Instone Real Estate Group B.V. held by Mr. Steffen Göpel.

Until 28 February 2017, Instone Real Estate Group B.V. acquired from Hochtief Solutions AG the remaining shares of Instone Real Estate Development GmbH in three different tranches. This acquisition had an impact on liquidity and financial liabilities of Instone Real Estate Group B.V.

There are no other reportable transactions that are of special relevance post-December 31, 2015 (balance sheet date).

F.4 Appropriation of result

According to the article 23 of the articles of association as of 17 April 2015 the shareholders decided to add the result for the year to the retained earnings. This proposal has been reflected in the stand-alone financial statements and consolidated financial statements.

GROUP FINANCIAL STATEMENTS

INSTONE REAL ESTATE GROUP B.V.
31 December 2014

TABLE OF CONTENTS

A. GROUP MANAGEMENT REPORT

The Management Report is not included in these financial statements. Such report is available for review and can be obtained from the Chamber of Commerce in the Netherlands.

B. CONSOLIDATED FINANCIAL STATEMENTS

B.1 Consolidated statement of financial position as at 31 December 2014

EURO	Note	31 Dec 2014	16 Apr 2014
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,287,132.64	0.00
Equity-method investments	4	9,459,543.07	0.00
Other financial assets	7	435,074.05	0.00
		11,181,749.76	0.00
Current assets			
Inventories	8	233,033,360.74	0.00
Financial receivables	9	2,132,579.52	0.00
Trade receivables	10	115,425,130.81	0.00
(thereof percentage of completion receivables)		(93,034,859.35)	(0.00)
Other receivables and other assets	11	5,249,469.53	5,000.00
Current income tax assets	12	1,054,903.76	0.00
Cash and cash equivalents	13	25,094,496.70	0.00
		381,989,941.06	5,000.00
Total assets		**393,171,690.82**	**5,000.00**
EQUITY AND LIABILITIES			
Equity			
Share capital		7,500.00	5,000.00
Capital reserve		21,000,000.00	0.00
Retained earnings / loss carryforwards		11,111,390.43	0.00
Accumulated other comprehensive income		-188,647.99	0.00
Equity attributable to shareholders	14	31,930,242.44	5,000.00
Non-controlling interests	2	34,252.50	0.00
Total equity		31,964,494.94	5,000.00
Non-current liabilities			
Provisions for pensions and similar obligations	15/16	2,112,432.78	0.00
Other provisions	17	3,039,051.87	0.00
Financial liabilities	18	214,177,079.43	0.00
Deferred tax liabilities	19	11,243,545.95	0.00
		230,572,110.03	0.00
Current liabilities			
Other provisions	17	16,808,008.41	0.00
Financial liabilities	18	32,192,882.43	0.00
Trade payables	20	79,215,921.99	0.00
(thereof percentage of completion payables)		(5,829,715.02)	(0.00)
Other liabilities	21	2,418,273.02	0.00
		130,635,085.85	0.00
Total equity and liabilities		**393,171,690.82**	**5,000.00**

B.2 Consolidated statement of profit or loss for the period 16 April to 31 December 2014

EURO	Note	16 Apr - 31 Dec 2014
Revenue	22	**64,444,564.10**
Changes in inventories	23	-7,786,423.45
Other operating income	24	31,456,934.59
Cost of materials	25	-50,970,681.05
Staff costs	26	-6,361,268.04
Other operating expenses	27	-18,964,351.11
Income from associated affiliates	28	1,621,912.99
Earnings before interest, tax, depreciation and amortization (EBITDA)		**13,440,688.03**
Depreciation and amortization	29	-107,285.15
Earnings before interest and tax (EBIT)		**13,333,402.88**
Finance income		229,977.69
Finance costs		-5,427,466.93
Financial result	30	-5,197,489.24
Earnings before tax (EBT)		**8,135,913.64**
Income taxes	31	2,662,101.48
Earnings after tax (EAT)		**10,798,015.12**
Attributable to:		
Shareholders of the Group		10,787,076.69
Non-controlling interests		10,938.43
		10,798,015.12

B.3 Consolidated statement of comprehensive income for the period 16 April to 31 December 2014

EURO	**16 Apr - 31 Dec 2014**
Earnings after tax	**10,798,015.12**
Items to be reclassified to profit or loss in subsequent periods	0.00
Actuarial gains/losses on defined benefit obligation	-218,831.67
Income tax effect	30,183.68
Items not to be reclassified to profit or loss in subsequent periods	-188,647.99
Other comprehensive income for the year	**-188,647.99**
Total comprehensive income for the year	**10,609,367.13**
Attributable to:	
Shareholders of the Group	10,598,428.70
Non-controlling interests	10,938.43
	10,609,367.13

B.4 Consolidated statement of cash flows for the period 16 April to 31 December 2014

	EURO	Note	16 Apr - 31 Dec 2014
	Consolidated earnings		**10,798,015.12**
+/-	Depreciation and amortization	29	107,285.15
+/-	Increase / decrease of provisions		3,944,791.12
+/-	Increase / decrease of deferred taxes		-1,526,389.69
+/-	Decrease / increase of equity carrying amounts		8,235,958.90
+/-	Other non-cash income and expenses		-12,590,933.35
+/-	Decrease / increase of inventories, trade receivables and other assets		1,486,339.72
+/-	Increase / decrease of trade payables and other liabilities		-21,849,704.10
	Cash flow from operating activities		**-11,394,637.13**
-	Income taxes paid		-20,528.40
	Net cash flow from operating activities		**-11,415,165.53**
-	Payments for acquisitions of shares in consolidated companies	1	-120,697,673.70
+	Receipts from the disposal of subsidiaries		32,500.00
	Cash flow from investing activities		**-120,665,173.70**
+	Increase of share capital	14	7,500.00
+	Contributions to the capital reserve	14	21,000,000.00
+	Cash proceeds from shareholder loans		56,365,391.41
+	Cash proceeds from borrowings		82,319,247.03
-	Interest paid		-2,517,302.51
	Cash flow from financing activities		**157,174,835.93**
	Increase in cash and cash equivalents		**25,094,496.70**
+	Cash and cash equivalents at the beginning of period		0.00
	Cash and cash equivalents at the end of period	13	**25,094,496.70**

B.5 Consolidated statement of changes in equity for the period 16 April to 31 December 2014

EURO	Note	Share capital	Capital reserve	Retained earnings/loss carryforwards	Accumulated other comprehensive income	**Equity attributable to shareholders**	Non-controlling interests	**Total**
16 April 2014		**5,000.00**	**0.00**	**0.00**	**0.00**	**5,000.00**	**0.00**	**5,000.00**
Earnings after tax		0.00	0.00	10,787,076.69	0.00	10,787,076.69	10,938.43	10,798,015.12
Changes in actuarial profits and losses		0.00	0.00	0.00	-188,647.99	-188,647.99	0.00	-188,647.99
Total comprehensive income		**0.00**	**0.00**	**10,787,076.69**	**-188,647.99**	**10,598,428.70**	**10,938.43**	**10,609,367.13**
Additional non-controlling interests which emerged in the course of purchasing Instone Real Estate Development GmbH		0.00	0.00	0.00	0.00	0.00	24,413.19	24,413.19
Increase of share capital		2,500.00	0.00	0.00	0.00	2,500.00	0.00	2,500.00
Contribution to capital reserve		0.00	21,000,000.00	0.00	0.00	21,000,000.00	0.00	21,000,000.00
Distributions to shareholders		0.00	0.00	0.00	0.00	0.00	-1,099.12	-1,099.12
Other changes		0.00	0.00	324,313.74	0.00	324,313.74	0.00	324,313.74
31 December 2014	**14**	**7,500.00**	**21,000,000.00**	**11,111,390.43**	**-188,647.99**	**31,930,242.44**	**34,252.50**	**31,964,494.94**

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2014

C.1 Accounting principles

General principles

The company Formart Holding B.V. was formed in Amsterdam, the Netherlands, on 16 April 2014 and registered in the Dutch Commercial Register under number 60490861 at the main registered place of business Amsterdam, the Netherlands. The company's place of effective management is Baumstraße 25, 45128 Essen, Germany. With registration from 9 June 2017 Formart Holding B.V. was renamed into Instone Real Estate Group B.V. ("Instone Real Estate" or "company").

The company invests in subsidiaries whose principal activity consists of the acquisition, development, construction, letting, management and sale or other utilisation of land and buildings and equity interests in other companies operating in this business sector.

In October 2014, Instone Real Estate Group B.V. (formerly: Formart Holding B.V.), acquired 75.97 % of the limited partnership interests in Instone Real Estate Development GmbH (formerly: formart GmbH & Co. KG), from Hochtief Solutions AG. Consequently, Hochtief Solutions AG, continued to hold 24.03 % of the limited partnership interests as a minority shareholder in October 2014. Instone Real Estate Development GmbH develops residential condominium units for owner-occupiers and investors.

These consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) to be applied in the European Union (EU) and the additional requirements of Part 9 of Book 2 of the Dutch Civil Code.

In addition to the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position and the consolidated statement of cash flows, a statement of changes in equity is presented.

To enhance the clarity of presentation, several items of the consolidated statement of financial position and of the consolidated statement of profit or loss are combined to one. These items are broken down into their constituents and commented on elsewhere in these notes. The consolidated statement of profit or loss was drawn up in the total cost (nature of expense) format.

The consolidated financial statements are presented in Euro (EUR).

The consolidated financial statements have been prepared on the historical cost basis as a principle.

The present financial statements comprise the financial year 2014 on the basis of the reporting period from 16 April to 31 December of the year.

The consolidated financial statements are prepared on the going concern basis.

The financial statements were approved by the management of Instone Real Estate Group B.V. and authorised for issue on 22 December 2017.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company and its subsidiaries. Control occurs if Instone Real Estate as investor has the current ability to direct the significant activities of the subsidiary. Significant activities are activities that materially affect the returns. Furthermore, Instone Real Estate must participate in these returns in the form of variable returns and must be able to influence them in its favour with the existing possibilities and rights. As a rule, control occurs if a direct or indirect majority of the voting rights are held. In structured enterprises control may result from contractual arrangements. Material investments in associates are accounted for using the equity method of accounting. Companies will be deemed associates if Instone Real Estate has a significant influence based on a proportion of voting rights between 20 % and 50 % or based on contractual arrangements.

At 31 December 2014, in addition to Instone Real Estate Group B.V. a total of seven (on 16 April 2014: 0) domestic and four (on 16 April 2014: 0) foreign subsidiaries have been included in the present consolidated financial statements by full consolidation.

Five (on 16 April 2014: 0) subsidiaries are of minor importance to the net assets, financial position and results of operations of the Instone Real Estate and have not been consolidated. Their revenue in 2014 accounted for less than one percent of the Group's revenue.

Five domestic companies have been included using the equity method.

Due to their minor importance, five (on 16 April 2014: 0) companies have not been included in the consolidated financial statements on the basis of the equity method.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. In all other respects, other contingent consideration is measured at fair value at each balance-sheet date, and subsequent changes of the fair value of contingent considerations are recognised in profit or loss.

Acquisition of non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Segment reporting

Segment reporting in accordance with IFRS 8 is based on the management approach and is therefore consistent with the management and reporting system used by Instone Real Estate for its segments. Instone Real Estate operates only in one business segment and one geographical segment, and generates its revenue and hold its assets mainly in Germany. Therefore Instone Real Estate did not prepare a segment report. Internal reporting is also based on the IFRS accounting figures.

Consolidation policies

The financial statements of the domestic and foreign entities included in the consolidation are prepared using uniform accounting policies.

Expenses and income as well as liabilities arising from intra-group transactions are eliminated. Intra-group intermediary results are eliminated to the extent that they are not of minor significance. Any impairment losses recognized for consolidated companies in their separate financial statements are reversed.

The same consolidation policies also apply to interests in equity-accounted investees. They comprise both associates and joint ventures of the Group. The financial statements of all equity-accounted investees are prepared using uniform accounting policies.

Foreign currency translations

All fully consolidated entities and equity-accounted investees prepare their separate financial statements in the currency Euro, which at the same time corresponds to the functional currency in which these consolidated financial statements are presented.

Exchange differences from the settlement of monetary items in foreign currencies during the year as well as the measurement of open foreign currency positions at the rate on the balance sheet date are realized in profit or loss.

Accounting policies

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets are accounted for at cost. They include exclusively software for commercial and technical applications and are fully written down.

Property, plant and equipment are accounted for at amortised cost. Only amounts directly attributable to an item of property, plant and equipment are included in its cost. Items of property, plant and equipment are generally written off on a straight-line basis over three to eight years. The useful lives and amortisation methods are reviewed annually.

Impairment losses are recognized for intangible and tangible if their recoverable amount falls below their carrying amount. If the reason for an earlier impairment loss does no longer exist, such reductions are reversed to amortised cost.

Equity-method investments are accounted for at cost, in subsequent periods they are accounted for at the amortized pro-rata net assets. The full carrying amount is tested for impairment annually, withdrawals and all other changes in equity are increased or decreased. Equity-method investments are subject to impairment if their recoverable amount falls below their carrying amount.

Interests in non-consolidated subsidiaries recognised as other investments, other interests and the non-current equity securities exclusively fall into the measurement category “available for sale”. They are measured at fair value, provided that this value can be determined reliably. Due to the lack of observable market transactions, the fair value is determined using the discounted cash flow method. Where the fair value cannot be reliably determined, the financial assets are recognised at cost (less value impairment). They are recognised for the first time on the date of performance. Unrealised profits and losses are recognised in consideration of deferred tax in the changes in equity without affecting profit or loss and will be reflected through profit or loss only when sold. If there are objective indications of impairment losses of an asset it will be written down through profit or loss.

Other financial assets are measured at cost. An impairment loss is recognized if there is any objective material evidence that the other financial asset may be impaired.

The receivables include financial receivables, trade receivables and other receivables. Receivables and other assets are measured at amortised cost, using the effective interest rate method (accounting for factors such as premiums and discounts). An impairment loss is recognized if there is any objective material evidence that a financial asset may be impaired. Impairment losses are recognized according to actual default risk.

Long-term loans included in financial receivables are stated at amortized cost. Loans yielding interest at normal market rates are reported at nominal amounts.

Receivables or payables from specifically negotiated construction contracts are reported in trade receivables and trade payables. They are accounted for using the percentage of completion (PoC) method. If the usual pre-marketing rate of 30 % is reached, the construction starts for specifically negotiated construction contracts and the PoC method is applied in accordance with IAS 11. Here the proportionate result of the PoC method is determined depending on the construction progress and the marketing progress.

If cumulative work done (contract costs and contract net profit) of contracts in progress exceeds progress payments received, the construction contract is recognised as an asset in PoC receivables. If a negative balance results after deducting progress payments, it is recognised as an obligation under a construction contract on the liabilities side as liabilities from PoC. Expected contract losses are accounted for on the basis of identifiable risks and immediately fully included in the contract net profit. For completed construction contracts, the contractual proceeds and adjustments and addenda are recognised as contract proceeds in conformity with IAS 11. Receivables and liabilities from construction contracts are realised within one business cycle of Instone Real Estate. Consequently, they are recognised as current assets or liabilities, even if the realisation of the whole construction contract takes a period of more than one year.

Deferred taxes are arising from temporary differences between the IFRS and tax accounts of the individual entities and as result of consolidation processes. Deferred tax assets are also recognised for tax refund entitlements resulting from the anticipated use of existing tax loss carryforwards in subsequent years. Deferred taxes are to be capitalised if it is sufficiently certain that related economic advantages can be used. Their amount is measured on the basis of the tax rates that apply or are expected to be applied in the individual countries at the time of realisation. In the Group, the trade tax rates attributable to the individual entities are taken as a basis. For all other purposes, deferred taxes are measured on the basis of the tax regulations in force or enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset per entity or per tax group.

Inventories are assets under construction (work in progress). Inventories are recognised at cost. Cost comprises the production-related full cost. Borrowing costs for inventories that are qualifying assets are capitalized as part of cost. Should the recoverable amount be lower than the capitalized cost at a given balance sheet date, such lower recoverable amount will be recognized. Should the recoverable amount of such inventories subsequently increase, the resulting gain must be recognized. This is done by reducing materials expense.

The inventories of individual major project development measures are broken down into several partial project development measures for reasons of commercial presentation. The breakdown does not affect measurement. In the Group, the respective total project is treated as a special form of measurement unit in current assets. The risks of individual partial project measures may be compensated by the opportunities within other partial projects. An exceeding requirement for impairment is reflected by measuring a provision for contingent losses.

Cash and cash equivalents exist as cash-in-hand and bank balances.

Provisions are measured for any legal or factual liabilities in relation to third parties existing on the financial statement date which are resulting from past transactions that are likely to lead to an outflow of resources the amount of which may be reliably estimated. The provisions are recognised with their expected settlement amount and not netted with refund claims.

All non-current provisions are accounted for with their expected settlement amount discounted to the financial statement date. Furthermore, any cost increases expected to be incurred by the settlement date are to be taken into account in the calculation of this amount.

As a principle, provisions are reversed against the expense item for which they are made.

Provisions for pensions and similar obligations are recognised for defined benefit plans. They include obligations of the entity for current and future benefits to entitled active and former employees and their surviving dependants. The obligations primarily relate to pension benefits. The individual commitments are measured based on the length of service and salaries of the employees.

For the measurement of provisions for defined benefit plans the actuarial present value of the respective obligation is taken as basis. It is determined using the projected unit credit method. This projected unit credit method not only includes the pensions and accrued benefits known on the reference date but also salary and pension increased to be expected in the future. This calculation is based on actuarial reports in consideration of biometric calculation methods (mainly the “2005 G Reference Tables” by Klaus Heubeck). The provision results from the balance of the actuarial present value of the obligation and the fair value of the plan assets required to cover the pension obligation. The service cost is included in the personnel expenses. The net interest income is a component of the financial income.

Profits and losses from remeasured net liabilities or net assets are recognised fully in the period during which they arise. They are recognised in equity without affecting profit or loss and not included in the consolidated statement of profit or loss. Also in the subsequent years they will not be recognised in profit and loss.

For defined contribution plans, Instone Real Estate does not incur any further obligations exceeding the payment of contribution to special-purpose funds. The contribution payments are stated in personnel expenses.

Income tax liabilities include obligations from current income tax. Liabilities for income tax are offset with the corresponding tax refund entitlements if they exist in the same jurisdiction and are identical in terms of nature and maturity.

All other provisions take adequate account of all discernible risks and other contingent liabilities. They are recognised at the amount necessary according to prudent commercial judgement to settle future payment obligations of the Group. In this connection the amount resulting as most likely when examining the individual case will be recognised.

Non-current liabilities, to the extent that they are not of minor significance, are accounted for with their settlement amount discounted to the financial statement date. The settlement amount also includes cost increases to be taken into account on the financial statement date.

Non-derivative financial liabilities (including trade payables) within the scope of IAS 39 are measured at amortised cost, using the effective interest rate method. Initial measurement is performed at fair value, including transaction costs. In the subsequent measurement the residual value is adjusted by the premium write-ups and discount write-downs remaining until maturity. The premium or discount is recognised in the financial result over their duration.

Contingent liabilities are possible obligations in relation to third parties based on past events, which cannot be fully controlled by the entity, or current obligations in relation to third parties that are unlikely to lead to an outflow of resources or the amount of which cannot be stated with sufficient reliability. As a principle, contingent liabilities are not recognised in the statement of financial position.

Estimate and assumptions

The preparation of the consolidated financial statements requires estimates and assumptions that may affect the application of accounting principles in the Group, the recognition and measurement. The estimates are based on experience from the past and other knowledge gained of transactions to be accounted for. The actual amounts may vary from these estimates.

Estimates are necessary in particular in the measurement of inventories and amounts due from customers for contract work (PoC), purchase price allocations, the recognition and measurement of deferred tax assets, the recognition of provisions for pensions and other provisions.

New accounting pronouncements

Standards and interpretations not to be applied in 2014:

The AIS and IFRIC adopted further standards and interpretations. These provisions were not applied in the 2014 period, as their recognition by the European Union (EU) was partially pending or the standards and interpretations were issued but not yet effective. This list is based on the legal status on 27 November 2017. The order of sequence is resulting from the time of publication by the IASB.

IFRIC 21 "Levies": The interpretation includes guidance when to recognise a liability to pay a levy imposed by the government based on legal provisions. In this context, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions: On 21 November 2013 the IASB published an amendment to the IAS 19 which provides for an addition to IAS 19.93. Accordingly, employee contributions related with services – in accordance with common practice before IAS 19 (2011) entered into force – may be recognised in the period when they fall due as a reduction of the service cost if the contributions are independent on the number of years of service. The amendments shall be applied in statutory EU-IFRS financial statements for periods beginning on or after 1 February 2015 retrospectively.

Standard on the amendment of various International Financial Reporting Standards (2010 – 2012 cycle): In connection with the annual improvement process, the IAS published its amendments relating to 2010 - 2012. The amendments enter into force for statutory EU-IFRS financial statements for periods beginning on or after 1 February 2015. This affects the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. For Instone Real Estate, there are no significant effects resulting for the consolidated financial statements.

Amendments to IFRS 11 - Acquisition of an interest in a joint operation: On 12 May 2014 the IASB published changes to IFRS 11. The amendments require that the acquisition of an interest in a joint operation, which constitutes a business as defined in IFRS 3, is to be recognised in accordance with the requirements of IFRS 3 and other relevant standards (unless they are in conflict with the provisions of IFRS 11) and that the disclosures required for business combinations are made. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation: On 12 May 2014, the IASB published changes to IAS 16 and IAS 38 which prohibit the use of revenue-based depreciation methods for property plant and equipment and clearly restrict their use for intangible assets. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 41 - Bearer plants: The amendments of the IASB to IAS 16 and IAS 41 were published on 30 June 2014. They require that biological assets which are included in the definition of bearer plants will no longer fall into the scope of IAS 41 but into the scope of IAS 16. After their initial recognition, bearer plants are to be measured at accumulated cost before they ripen. After ripeness they shall be measured either at cost or at revaluation. The produce growing on bearer plants continues to be accounted for under IAS 41 and are measured at fair values less costs of disposal. IAS 20 is to be applied to government grants in connection with bearer plants. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016. For Instone Real Estate there are no effects resulting for the consolidated financial statements.

Amendment to IAS 27 - Equity method in separate financial statements: The amendment published on 12 August 2014 reinstates the option to use of the equity method in separate financial statements. Accordingly, in separate financial statements investments in subsidiaries, joint ventures and associates shall be measured either at amortised cost at fair values under IAS 39 (or IFRS 9 respectively) or using the equity method. The chosen method has to be applied consistently to each category of shares. The amendments shall be applied prospectively for periods beginning on or after 1 January 2016.

Standard on the amendment of various International Financial Reporting Standards (2012 – 2014 cycle): On 25 September 2014 the IASB published its amendments in connection with the annual improvement project 2012- 2014 cycle. The pronouncements include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34 and enter into force for periods beginning on or after 1 January 2016. For Instone Real Estate there are no effects resulting for the consolidated financial statements.

Amendment to IAS 1 - disclosure initiative: On 18 December 2014, the IASB published amendments to IAS 1 in connection with its disclosure initiative. The disclosure initiative consisting of short-term and medium-term projects complements the project to fully revise the IFRS disclosure framework and explore opportunities to see how the applicable disclosure provisions can be improved within existing disclosure requirements. This amendment is the result of a short-term subproject and includes minor amendments to IAS 1 which are intended to remove concerns existing with regard to the applicable financial statement presentation and disclosure requirements. The amendments shall be applied for periods beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception: On 18 December 2014 the IASB issued the amendment “Investment Entities – Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)”. The amendments clarify issues that have arisen in the practical application of the consolidation exception for investment entities. The amendments shall be applied for periods beginning on or after 01 January 2016 retrospectively. For Instone Real Estate there are no effects resulting for the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers: On 28 May 2014 the IASB published the new standard IFRS 15 “Revenue from Contracts with Customers” (IFRS 15). Accordingly, IFRS 15 replaces the scope of IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfers of Assets from Customers” and SIC-31 “Revenue – barter transactions involving advertising services”. The standard defines whether and how much revenue is recognised. According to IFRS 15, revenue is to be recognised in the amount in which consideration is expected for the assumed performance obligations.

The standard shall be applied for the first time for annual periods beginning on or after 01 January 2018, with early adoption permitted. It is assumed for the consolidated financial statements of Instone Real Estate that they result in changes of the recognition of revenues. According to our current knowledge, housing construction projects developed by the Group will generally be subject to revenue recognition at a point in time according to IFRS 15 in the future other than the current revenue recognition over time according to IAS 11 in liaison with IFRIC 15. This is associated with the realisation of profits at the time of completion of the individual project developments. If, contrary to our current assumptions, a period-related revenue recognition occurs, this would have a material effect on the Group’s net assets, financial position and results of operations, which cannot currently be quantified.

On 11 September 2015 the IASB issued an amendment on the first-time adoption. Accordingly, the standard shall be applied for annual periods beginning on or after 1 January 2018. On 12 April 2016 the IASB published the final clarifications for IFRS 15 “Regulatory Deferral Accounts”. These clarifications address three out of five topics identified by the Transition Resource Group for Revenue Recognition (TRG) regarding the transition to IFRS 15: Identifying performance obligations, principal versus agent considerations and licensing for intellectual property. Additionally, in response to the request of many applying entities the IAS granted more transition relief for the first-time adoption of IFRS 15.

The clarifications for IFRS 15 enter into force for annual periods beginning on or after 1 January 2018 and are to be adopted retrospectively according to IAS 8. The clarifications have not yet been transposed into EU law at the end of the period 2016.

IFRS 9 – Financial Instruments: On 12 November 2009 or 28 October 2010 the IASB issued the new standard IFRS 9 “Financial Instruments” in several phases. Accordingly, all financial instruments currently falling into the scope of IAS 39 will be subdivided into only two categories from now on: Financial instruments measured at amortised cost and financial instruments measured at fair value. In connection with the revised provisions of 24 July 2014, another measurement category is introduced for debt instruments. In the future they may be categorised at fair value through other comprehensive income (FVOCI), provided that the conditions for the respective business model and the contractual cash flows are satisfied. IFRS 9 shall be effective for application for periods beginning on or after 1 January 2018, with early adoption permitted. In this connection, the IASB also issued a discussion paper on further regulations for macro hedge accounting which are separate from IFRS 9.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture: On 11 September 2014 the IASB published changes to IFRS 10 and IAS 28. Accordingly, investors not only have to recognise in full the gains or losses resulting from transactions between an investor and its associate or joint venture but also transactions relating to a business. For transactions relating to the sale of assets only, a partial gain or loss recognition is required. The changes are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Instone Real Estate does not expect the amendments to have an effect on the consolidated financial statements. On 10 August 2015, the IASB proposed in its publication of the amendments to IFRS 10 and IAS 28 to defer the effective date of the amendments indefinitely.

IFRS 16 – Leases: On 13 January 2016 the IASB published the new standard IFRS 16 “Leases”. IFRS 16 supersedes the content of IAS 17 “Leases” as well as the related interpretations IFRIC 4, SIC-15 and SIC-27. The new leases standard brings all leases on-balance sheet – except short-term leases (term of 12 months or less) and leases where the underlying asset has a low value. Therefore, independent of the beneficial ownership, a lessee recognises a right-of-use asset and a corresponding lease liability measured at the present value of the agreed lease payments. For lessors there are no significant changes compared with the current IAS 17 accounting, in particular in relation to continuing necessity to classify leases. The new standard is effective for the first time for annual periods beginning on or after 1 January 2019. The effects of IFRS 16 (2016) on the consolidated financial statements are currently examined.

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses: On 19 January 2016 the IASB issued the amendment “Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12”. The amendments clarify uncertainties in connection with the recognition of deferred tax assets on debt instruments accounted for at fair value. It has not significant effects on the consolidated financial statements of Instone Real Estate. The new standard is effective for the first time for annual periods beginning on or after 1 January 2017.

Amendment to IAS 7 - disclosure initiative: On 29 January 2016, the IASB published amendments to IAS 7 in connection with its disclosure initiative. The disclosure initiative consisting of short-term and medium-term projects complements the project to fully revise the IFRS disclosure framework and explore opportunities to see how the applicable disclosure provisions can be improved within existing disclosure requirements. This amendment is the result of a short-term subproject and includes minor amendments to IAS 7 by additional disclosure requirements in connection with liabilities from financing activities.

The amendments shall be applied for periods beginning on or after 1 January 2017 retrospectively, subject to the pending EU endorsements. Information for the preceding comparative period is not necessary for first-time adoption.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions: On 20 June 2016, the IASB published final amendments to IFRS 2 “Share-based Payment” that clarify the classification and measurement of share-based payment transactions. The amendments enter into force for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 4 – Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts”: On 12 September 2016 the IASB published clarifying amendments to IFRS 4 “Insurance Contracts”. They do not have an effect on the consolidated financial statements.

Amendment of various International Financial Reporting Standards (2014 – 2016 cycle): The International Accounting Standards Board (IASB) published the final amendments in connection with the annual improvements (2014 – 2016 cycle) resulting from the issues discussed in this cycle. The amendments relate to three standards.

The amendments of IFRS 1 and IAS 28 enter into force for annual periods beginning on or after 1 January 2018, the amendments to IFRS 12 for annual periods beginning on or after 1 January 2017.

Amendments to IAS 40 – Transfers of Investment Property: The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.

The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.

The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration: The International Accounting Standards Board (IASB) issued IFRIC 22 as developed by the International Financial Reporting Interpretations Committee “Foreign Currency Transactions and Advance Consideration” in order to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Other clarifications

The possibility of early adoption of standards or interpretations adopted by the IASB has not been made use of. The management assumes that the future adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” may have a significant influence on the presentation of financial instruments and revenue in the consolidated financial statements and would result in extended disclosures in the notes. The effects of IFRS 9 have not yet been analysed in detail, as this standard applies to annual reporting periods beginning on or after 1 January 2018 only.

However, the analysis of the effects of the IFRS 15 Standard has started. Also the various possibilities to apply this standard within Instone Real Estate for financial years beginning on or after 1 January 2018 have been examined. A general early adoption with Instone Real Estate and the exclusive first-time adoption for financial years beginning on or after 1 January 2018 have been excluded. Rather, the new project developments – which are currently in the process of planning or sales preparation – have been subjected to individual assessments in terms of their temporal perspective.

On a case-by-case basis it will be decided whether the project will be accounted for according to the currently applicable standard IAS 11 as revenue recognition by reference to the stage of completion (percentage of completion method) or according to the current standard IAS 18 as revenue recognition at the time of transferring effective control as well as the risks and rewards to the buyer.

It is currently assumed that the application of the other new or amended standards will not have any significant effects on the net assets, financial position and results of operation of Instone Real Estate.

C.2 Notes to the consolidated statement of financial position

As a result of the Group’s founding in the financial year 2014, the following tables show a comparison with the previous year only if the opening balance values show values not zeros.

1. Acquisition of subsidiaries

Acquisition in 2014

Based on a notarised contract of purchase and sale dated 21 May 2014, Instone Real Estate Group B.V. acquired 75.97 % of the participating interests in Instone Real Estate Development GmbH and its subsidiaries and investments as well as 100 % of Instone Real Estate Management GmbH (formerly: formart Management GmbH), Essen, Germany, at a purchase price of 172,589,562.27 Euro with effect to 1 October 2014 from Hochtief Solutions AG. Please refer chapter C.5 “Subsidiaries, associates and other participating interests as at 31 December 2014” for subsidiaries and investments.

With the acquisition, the business activities in the field of development and marketing of residential property will be established. Instone Real Estate Development GmbH and its subsidiaries and investment are active mainly in the field of development, construction and marketing of residential condominium units for own use and for investors in the medium and higher price segments.

The fair values of the consideration valid at the time of acquisition are as follows:

In Euro	
Cash and cash equivalents	131,122,811.47
Put option purchase price liabilities	41,466,750.80
Total consideration transferred	**172,589,562.27**

In connection with the purchase and assignment contract dated 21 May 2014, Instone Real Estate Group B.V. was granted a call option for the remaining non-controlling interests in Instone Real Estate Development GmbH by the seller Hochtief Solutions AG. This call option may be exercised at any time after the closing of the acquisition of the foregoing participating interests, the “Closing Date”.

In return, Instone Real Estate Group B.V. granted a put option for the remaining non-controlling interests in Instone Real Estate Development GmbH to the seller Hochtief Solutions AG. The put option may be exercised in three tranches only, starting with the first tranche which is exercisable 12 months from the “Closing Date”, the second tranche, which is exercisable 24 months from the “Closing Date”, and the third tranche, which is exercisable 36 months from the “Closing Date”.

As a result of the linked transaction described above no non-controlling interests are recognised. According to IAS 32, the non-controlling interests in Instone Real Estate Development GmbH are classified as borrowed capital and, based on the put option, were valued at the settlement amount for this put option.

The table below summarises the recorded amounts of the acquired assets and assumed liabilities at the acquisition date:

In Euro	**1 Oct 2014**
Property, plant and equipment	1,328,847.17
Equity-method investments	17,695,501.97
Other financial assets	467,574.05
Financial receivables	150,561,246.51
Inventories	2,719,331.43
Trade receivables	199,521,857.91
(thereof percentage of completion receivables)	(180,330,576.69)
Other receivables and other assets	4,217,003.79
Current income tax assets	207,780.23
Cash and cash equivalents	14,808,790.04
Provisions for pensions and similar obligations	-2,078,354.67
Other provisions	-19,802,658.91
Financial liabilities	-69,456,219.68
Deferred tax liabilities	-12,769,935.64
Trade payables	-87,926,049.14
(thereof percentage of completion liabilities)	(-238,668.21)
Other liabilities	-6,725,500.97
Net assets	**192,769,214.09**
Non-controlling interests	-24,413.19
formart Management GmbH	-23,576.50
Gain recognised in accordance with IFRS 3.34	-20,131,662.13
Total	**172,589,562.27**

The gain recognised in accordance with IFRS 3.34 is mostly attributable to trade receivables and inventories resulting from fair value step up due to hidden reserves and is shown in position other operating income (see note 24) or in the statement of profit or loss.

Costs associated with the business combination amounting to 4,678,277.64 Euro were incurred by the Instone Real Estate for legal fees and due diligence costs. These costs are included in other operating expenses.

Since the time of acquisition the Instone Real Estate Development GmbH and its subsidiaries contributed revenue of 96,474,120.80 Euro and a loss of 1,961,675.48 Euro to the consolidated statement of profit or loss. Had the acquisition Instone Real Estate Development GmbH and its subsidiaries occurred on 1 January 2014, Instone Real Estate Development GmbH and its subsidiaries would have contributed revenue in the amount of 288,178,807.47 Euro and profit in the amount of 9,048,404.17 Euro.

The trade receivables include gross amounts of the contractual receivables due of 16,893,162.45 Euro, of which 14,861,721.92 Euro was assessed to be bad debts.

Acquistion in 2015

Based on a purchase and assignment contract dated 2 October 2015, 94 % of the shares in Instone Real Estate Leipzig GmbH and its subsidiaries and investees as well as 6 % of the shares in GRK Revion Hamburg GmbH, Leipzig, Germany, and 6 % of the shares in OPUS Wohnbau GmbH, Leipzig, Germany, (together referred to as the GRK Group) were transferred to Instone Real Estate at a purchase price of 68,900,432.45 Euro with effect to 10 December 2015. For reasons of simplification they were consolidated as at 31 December 2015.

GRK Revion Hamburg GmbH and OPUS Wohnbau GmbH has been fully consolidated as with the shares hold by Instone Real Estate Leipzig, Instone Real Estate has the majority of shares and control.

With the transfer, the business activities in the field of refurbishment of old buildings were intended to be expanded. The Instone Real Estate Leipzig GmbH is operating mainly in the field of development and restoration of buildings under monument protection and the repurposing of specialty properties.

The fair values of the consideration valid at the time of acquisition are as follows:

In Euro	
Cash and cash equivalents	48,074,796.42
Equity instruments	4,395,446.00
Other liabilities in connection with acquisition of GRK Group	11,363,190.03
Financial liabilities (Loan)	5,067,000.00
Total consideration transferred	**68,900,432.45**

The equity instruments consists of issued share capital and capital reserves. Upon contribution of the 10.57 % share of the issued capital, the difference between the nominal value of the shares amounting to 886.00 Euro and the fair value of the shares amounting to 4,394,560.00 Euro was allocated to the capital reserve.

The other liabilities in connection with the with acquisition of GRK Group include liabilities resulting from the sale of entities and held properties referred to in the purchase and assignment contract dated 2 October 2015 which are not attributable to the project development business of the GRK Group. The selling owners are fully entitled to proceeds from the sale of these entities and held properties.

Furthermore a loan amounting to 5,067,000.00 Euro and a maturity of 5 years from Mr Steffen Göpel is part of the consideration.

In context with the purchase and assignment contract dated 2 October 2015, a seller of the shares in Instone Real Estate Leipzig GmbH Mr Steffen Göpel, Leipzig, Germany, was granted a put option for its non-controlling interest in Instone Real Estate Leipzig GmbH in the amount of 6 %. According to the put option, Mr Steffen Göpel can contribute his remaining interest in Instone Real Estate Leipzig GmbH to Instone Real Estate Group B.V. By way of a contribution in kind after the expiry of 36 months from the closing of the acquisition of the Instone Real Estate Leipzig GmbH by Instone Real Estate Group B.V. In return, he receives a share in Instone Real Estate of nominally 137 Euro.

Further below, the recorded amounts of the acquired assets and transferred liabilities as at the acquisition date are summarised as follows:

In Euro	**31 Dec 2015**
Intangible assets	693.00
Property, plant and equipment	400,260.00
Other financial assets	281,802.16
Financial receivables	16,769,714.39
Deferred tax assets	3,105,314.89
Inventories	184,335,481.97
Trade receivables	3,068,857.75
Other receivables and other assets	6,472,484.63
Income tax assets	263,419.93
Cash and cash equivalents	6,532,057.81
Financial liabilities	-54,654,118.37
Deferred tax liabilities	-35,305,369.75
Other liabilities	-3,299,499.87
Trade payables	-44,432,512.94
Other provisions	-960,398.20
Current income tax liabilities	-1,998,684.99
Net assets	**80,579,502.41**
Non-controlling interests	-11,510,638.66
Gain recognised in accordance with IFRS 3.34	-168,431.30
Total	**68,900,432.45**

The gain recognised in accordance with IFRS 3.34 is mostly attributable to hidden reserves of property projects which are executed by the subsidiaries Instone Real Estate Leipzig GmbH at the time of acquisition. The gain is shown in position other operating income in the statement of profit or loss.

Costs associated with the business combination in the amount of 1,426,466.25 Euro were incurred for legal fees and due diligence costs. These costs are included in other operating expenses.

The non-controlling interest is measured at the share of the value of the net asset acquired and liabilities assumed.

Since the time of acquisition the Instone Real Estate Leipzig GmbH contributed the following impact to the consolidated statement profit or loss:

In Euro	10 Dec - 31 Dec 2015
Total revenue	23,677,492.53
Changes in inventories	-23,100,019.56
Other operating expenses	-577,472.97
Total impact	**0.00**

If the Instone Real Estate Leipzig GmbH had been acquired on 1 January 2015, the Instone Real Estate Leipzig GmbH would have contributed 70,038,029.89 Euro to total revenue and 13,905,821.05 Euro to profit.

The trade receivables include due gross amounts of the contractual receivables of 3,067,025.15 Euro, none of which was assessed to be bad debts.

2. Non-controlling interests

Non-controlling interests are of minor importance for Instone Real Estate. The non-controlling interests concern interests in Uferpalais GmbH & Co. KG, Essen, Germany, RheinauArtOffice GmbH & Co. KG, Essen, Germany and Area of Sports GmbH & Co. KG, Mönchengladbach, Germany

The dividends paid to non-controlling interests amount to 1,099.12 Euro. The earnings after tax attributable to non-controlling interests for 2014 amount to 10,938.43 Euro.

For the development of non-controlling interests in fiscal years 2014 please see the table below:

in Euro	Area of Sports GmbH & Co.KG	RheinauArtOffice GmbH & Co.KG	Uferpalais Projektgesellschaft mbH&Co.KG	Total
Ownership interest held by non-controlling interests in %	**50.00%**	**50.00%**	**30.00%**	
16 April 2014	**0.00**	**0.00**	**0.00**	**0.00**
Additional non-controlling interests due to acquisition of Instone Real Estate Development GmbH	9,207.84	12,500.00	2,705.35	**24,413.19**
Earnings after tax	-3,901.71	-1,768.11	16,608.25	**10,938.43**
Dividends paid	0.00	0.00	-1,099.12	**-1,099.12**
31 December 2014	**5,306.13**	**10,731.89**	**18,214.48**	**34,252.50**

3. Property, plant and equipment

The breakdown of property, plant and equipment and their development in the financial year are shown below. In 2014, property, plant and equipment are not subject to any restrictions on their disposal.

In Euro	2014
Cost of acquisition	
Balance on 16 April	0.00
Changes in group structure	1,311,912.39
Additions	83,241.54
Disposals	-736.14
Balance on 31 December	**1,394,417.79**
Cumulative amortization	
Balance on 16 April	0.00
Changes in group structure	0.00
Additions	107,285.15
Disposals	0.00
Balance on 31 December	**107,285.15**
Carrying amounts 31 December	**1,287,132.64**

4. Equity-method investments

The equity-method investments are composed as follows:

In Euro	31 Dec 2014
Associates	
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	522,509.75
Wohnpark Gießener Straße GmbH & Co. KG	149,744.42
	672,254.17
Joint ventures	
Wohnentwicklung Theresienstraße GmbH & Co. KG	8,787,286.90
SEVERINS WOHNEN GmbH & Co. KG	1.00
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co. KG	1.00
	8,787,288.90
	9,459,543.07

5. Associates

The table below shows the significant items of the statement of financial position and statement of profit or loss of the equity-accounted associates:

In Euro	31 Dec 2014
Assets	10,785,681.38
Liabilities	-9,441,173.04
Net assets	**1,344,508.34**

In Euro	2014
Revenue	2,609,652.07
Profit or loss	3,295,689.22

The profit or loss from equity-accounted associates does not include any impairment. The interests in associates are not subject to any restrictions on their disposal.

The significant associates of the Instone Real Estate are listed below:

Name	Registered office	Principal activity	Proportion of equity interests
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	Frankfurt am Main	Project development	50%
Wohnpark Gießener Straße GmbH & Co. KG	Frankfurt am Main	Project development	50%

The summarised finance information of the significant associates and the reconciliation with the equity-accounted carrying amount of the ownership interest are shown below:

Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG

In Euro	31 Dec 2014
Current assets	7,455,856.90
Current liabilities	-6,410,837.40
Net assets	**1,045,019.50**
Ownership interest of the group: 50.0 %	
Carrying amount of the ownership interest	**522,509.75**

In Euro	2014
Revenue	2,589,143.89
Profit or loss	3,110,500.83

Wohnpark Gießener Straße GmbH & Co. KG

In Euro	31 Dec 2014
Current assets	3,329,824.48
Current liabilities	-3,030,335.64
Net assets	**299,488.84**
Ownership interest of the group: 50.0 %	
Carrying amount of the ownership interest	**149,744.42**

In Euro	2014
Revenue	20,508.18
Profit or loss	185,188.39

6. Joint ventures

Details of the Group’s material joint venture at the end of the reporting period is as follows:

In Euro	31 Dec 2014
Assets	61,974,719.35
Liabilities	-47,387,438.55
Net assets	**14,587,280.80**

In Euro	2014
Revenue	2,132.10
Profit or loss	228,151.32

The significant joint venture of the Instone Real Estate is:

Name	Registered office of the entity	Business activity	Proportion of equity interests
Wohnentwicklung Theresienstraße GmbH & Co. KG	Munich	Project development	50%

The items of the statement of financial position and statement of profit or loss of the equity-accounted joint ventures on a pro-rata basis are shown below:

Wohnentwicklung Theresienstraße GmbH & Co. KG

In Euro	**31 Dec 2014**
Current assets	61,974,719.35
Current liabilities	-47,387,438.55
Net assets	**14,587,280.80**
Ownership interest of the group: 50.0 %	
Carrying amount of the ownership interest	8,787,286.90

In Euro	**2014**
Revenue	2,132.10
Profit or loss	228,151.32

Others

In Euro	**31 Dec 2014**
Current assets	447,079.04
Current liabilities	-552,163.31
Net assets	**-105,084.27**

In Euro	**2014**
Revenue	0.00
Profit or loss	-12,472.00

The profit or loss from equity-accounted joint ventures does not include any impairment. The interests in joint ventures are not subject to any restrictions on their disposal.

7. Other financial assets

The other financial assets are listed below. The non-consolidated subsidiaries were not impaired in the financial year. Other financial assets are not subject to any restrictions.

In Euro	**31 Dec 2014**
Shares in affiliated companies, not included in the consolidated financial statements	
ArtOffice GmbH	12,500.00
formart Beteiligungsverwaltungsgesellschaft mbH	24,265.00
Immobiliengesellschaft C.S.C. S.A.	30,986.79
Projektverwaltungsgesellschaft Mönchengladbach - Area of Sports mbH	12,500.00
Uferpalais Verwaltungsgesellschaft mbH	18,750.00
Warenhaus Flensburg Verwaltungsgesellschaft mbH	25,000.00
	124,001.79
Ownership interests	
CONTUR Wohnbauentwicklung GmbH	13,750.00
formart Wilma Verwaltungsgesellschaft mbH	12,500.00
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH	12,500.00
WTS GmbH	12,500.00
	51,250.00
Non-current securities	**259,822.26**
	435,074.05

8. Inventories

The composition of inventories can be seen from the table below:

In Euro	31 Dec 2014
Work in progress	232,989,060.74
Materials and supplies	44,300.00
	233,033,360.74

Work in progress is subject to restrictions in the amount of 35,079,958.48 Euro as a result of the project financing by banks. During the financial year borrowing costs of 214,366.35 Euro were capitalised under cost of production shown under inventories, which are resulting from project financing based on individual contracts with external lenders.

9. Financial receivables

The financial receivables of 2,132,579,52 Euro result from receivables from associated companies.

10. Trade receivables

In Euro	31 Dec 2014
Amount due from customers for contract work (PoC)	215,959,576.56
Progress payments received	-122,924,717.21
	93,034,859.35
Other trade receivables	20,753,451.90
Trade receivables from non-consolidated subsidiaries	1,636,819.56
	115,425,130.81

The balance of 93,034,859.35 Euro representing the amount due from customers for contract work (PoC) less progress prepayments received relates to specifically negotiated construction contracts where the incurred contract cost including profit shares exceed progress payments received from customers. The real estate from project developments reported under trade receivables and receivables from project development are subject to restrictions by 169,930,155.72 Euro as a result of project financing by banks.

The combined total of amounts due to and from customers for contract work (PoC) (including profit shares for contract work) amounts to 274,683,033,86 Euro. They also include capitalised borrowing costs of 1,185,333.07 Euro, which are resulting from project financing based on individual contracts with external lenders. In the financial year, a total of 187,477,889.53 Euro of progress payments received were offset against trade receivables (122,924,717.21 Euro) and trade payables (64,553,172.32 Euro).

11. Other receivables and other assets

In Euro	31 Dec 2014	16 Apr 2014
Prepayments on land	3,138,100.00	0.00
Loans and receivables	1,158,506.45	0.00
Prepaid expenses	545,391.21	0.00
Tax receivables	346,793.21	0.00
Receivables from shareholder	0.00	5,000.00
Other	60,678.66	0.00
	5,249,469.53	**5,000.00**

The receivables in the amount of 5,000.00 Euro as per 16 April 2014 relate to receivables from called capital from the shareholders Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands, and Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands.

12. Current income tax assets

The current income tax assets in the amount of 1,054,903.76 Euro relate to receivables from domestic and foreign fiscal authorities.

13. Cash and cash equivalents

Cash and cash equivalents in the amount of 25,094,496.70 Euro include cash-in-hand and bank balances. Cash and cash equivalents are subject to restrictions in the amount of 1,795,622.44 Euro as a result of project financing by banks.

14. Equity

The share capital in the amount of 7,500.00 Euro was contributed in the financial year by the shareholder Coöperatieve Activum SG Fund III Investments U.A., at a rate of 66.67 %, and by the shareholder Coöperatieve Formart Investments U.A., at a rate of 33.33 %. In the financial year the issued capital was increased from 5,000.00 Euro by 2,500.00 Euro to 7,500.00 Euro with effect to 31 December 2014. With effect to 16 April 2014 the entity issued 500 shares. In the financial year another 250 shares were issued in the course of increasing the issued capital by 2,500.00 Euro nominally. With effect to 31 December 2014 the entity therefore issued 750 shares with a nominal value per share of 10.00 Euro each.

The capital reserve in the amount of 21,000,000.00 Euro (on 16 April 2014: 0.00 Euro) relates to additional contributions by the shareholders as share premium on the share capital. According to their share ownership ratio an amount of 14,000,000.00 Euro belongs to the shareholder Coöperatieve Activum SG Fund III Investments U.A. and to Coöperatieve Formart Investments U.A., a share premium of 7,000,000.00 Euro.

Retained earnings / loss carryforwards comprise the earnings generated in fiscal year 2014 by the companies included in the consolidated financial statements.

The accumulated other comprehensive income of the shareholders' equity are the changes in equity without affecting profit or loss of the actuarial gains and losses from defined benefit plans in the amount of -188,647,99 Euro.

The income tax effects recognised through equity are as follows:

In Euro	**31 Dec 14**
Amount before income tax	-218,831.67
Income taxes	30,183.68
Amount after income tax	**-188,647.99**

For the breakdown and changes in equity in fiscal year 2014 please see the statement of changes in equity of the Instone Real Estate.

15. Provisions for pensions and similar obligations

Within Instone Real Estate, the company pension schemes consist of both defined contribution plans and defined benefit plans. For defined contribution plans the entity pays contributions to government or private pension insurance institutions based on statutory or contractual provisions or on a voluntary basis.

The entity does not have any legal obligation to pay further contributions. In defined benefit plans the obligation of the entity is to pay promised benefits to active and former employees, with these benefit plans being subdivided into benefit plans financed by provisions and financed by external sources.

The pension arrangements in the Instone Real Estate consist of a company-financed basic pension in the form of a modular defined contribution plan and a supplementary pension component linked to the company performance. Under IAS 19 these commitments are categorised as defined benefit liabilities.

The defined benefit pension liabilities in the Instone Real Estate are made up as follows:

In Euro	**31 Dec 2014**
Active members	6,897,547.53
of which dependent on final salary	968,659.00
thereof not dependent on final salary	5,928,888.53
Vested benefits	476,357.00
	7,373,904.53

Number	**31 Dec 2014**
Active members	231
Former members with benefit entitlements	18

The average remaining service years of the active members with benefit entitlements on the financial statement date are 13.52 years.

16. Plan assets

The pension liabilities are largely funded by funds and to a minor extent by provisions. The funding by funds takes the form of a contractual trust arrangement (CTA), furthermore, there were agreements on deferred compensation (DC).

Composition of plan assets

In Euro	**31 Dec 2014**
Investment funds - quoted in an active market:	
CTA assets	4,690,990.07
DC assets	570,417.43
Current Euro balances	64.25
	5,261,471.75

Pension obligations under deferred employee compensation arrangements are funded by the purchase of retail fund units. The coverage of the obligations funded by the Helaba Pension Trust e. V. amounts to approximately 63.62 %; the overall coverage is 71.35 % .

The coverage of the defined benefit obligations by plan assets is shown in the table below:

In Euro	**31 Dec 2014**
Pension obligations covered by plan assets	6,650,015.53
Deferred Compensation covered by plan assets	723,889.00
	7,373,904.53
Fair value of plan assets	-5,261,471.75
	2,112,432.78

The size of the pension provisions is determined on an actuarial basis which involves estimations. Specifically, the underlying actuarial assumptions of the calculation are shown below.

The discount factors are derived from the Mercer Pension Discount Yield Curve Approach (MPDYC) taking into account the company-specific duration of the pension liabilities. The underlying biometric mortality assumptions are based on published country-specific statistics and experience. They were determined using the “2005 G Reference Tables” by Professor Dr. Klaus Heubeck.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

in percent	31 Dec 2014
Discount factor	2.50
Salary increases	3.00
Pension increases for VO2000+	1.00
Pension increases for other commitments	1.75
Inflation	1.75

The present value of the defined benefit obligations and of the fair value of the plan assets break down as follows:

In Euro	2014
Defined benefit obligations on 16 April 2014	0.00
Change in group structure	7,395,368.53
Current service cost	148,589.67
Interest expenses	48,778.00
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	-218,831.67
Defined benefit obligations on 31 December 2014	**7,373,904.53**

In Euro	2014
Plan assets on 16 April 2014	0.00
Change in group structure	5,317,013.86
Interest income from plan assets	34,538.00
Return on plan assets not included in net interest expenses or income	-90,080.11
Plan assets on 31 December 2014	**5,261,471.75**

Sensitivity analysis

The pension obligations in the Instone Real Estate are exposed to various risks. The main risks result from general changes in interest and inflation rates; there is no unusual risk inherent in the pension obligations.

Interest rate risk: The (notional) contributions are translated into benefits under a contribution-based pension scheme using a table of fixed interest rates, independent of the current market interest rate. Instone Real Estate thus bears the risk of general capital market interest rates with regard to the determination of benefits. Pension obligations have increased significantly in recent years due to the generally low level of capital market interest rates. The comparatively large impact is due to the relatively long term of the obligations.

Inflation risk: By law, company pensions in Germany must be raised level with the inflation rate at least every three years. German company pension commitments under the 2000+ pension scheme rise at a fixed 1 % annually, hence there is only a minor inflation risk in the pension phase for longer-term pension commitments.

Longevity risk: As lifelong pensions are granted, the risk of pensioners living longer than actual projections predict will be borne by the Instone Real Estate. The risk normally cancels out collectively across all pension plan members and only has an effect if general longevity is longer than expected.

The impact of the stated risks on the defined benefit obligations under a corresponding change in actuarial assumptions is shown in the sensitivity analysis shown below:

	31 Dec 2014	
In Euro	**Increase**	**Decrease**
Discount rate +0,50 %/-0,50 %	-850,166	1,035,717
Salary increases +0.50 1 - 0.50 %	33,419	-32,061
Pension increases +0.25 %/-0,25 %	145,213	-138,093
Life expectancy + 1.00 year	211,648	n/a*

*n/a: not available

The expenses from defined benefit obligations can be summarized as follows:

In Euro	16 Apr -31 Dec 2014
Current service cost	148,589.67
Interest expense for accrued benefits	48,778.00
Interest income from plan assets	-34,538.00
Net interest expense/income	**14,240.00**
Total amount recognised in profit or loss	**162,829.67**

The current service cost for the subsequent financial year is forecast at 385,112.47 Euro. For 2015 no benefits paid are expected.

17. Other provisions

In Euro	31 Dec 2014
Non-current	
Provisions for potential losses	1,008,217.40
Employee-related provisions	940,855.26
Other provisions	1,089,979.21
	3,039,051.87
Current	
Employee-related provisions	3,981,413.42
Warranty obligations	3,623,664.06
Restructuring costs	3,087,284.00
Provisions for potential losses	2,964,779.70
Provision for work pending completion	473,900.00
Litigation risks	398,000.00
Other provisions	2,278,967.23
	16,808,008.41
Other provisions	**19,847,060.28**

The non-current employee-related provisions primarily relate to provisions for long-service awards and early retirement arrangements.

The current employee-related provisions mainly relate to provisions for long-service awards, early retirement arrangements and restructuring measures.

Other current provisions include, without limitation, investment risks, preparation of financial statements, payments for damages and other contingent liabilities.

The development of other provisions can be seen from the table below:

in Euro	16 Apr 2014	Addition	Reversal	Changes in group structure	Utilization	31 Dec 2014
Employee-related provisions	0.00	3,831,937.07	-602,162.76	6,653,472.25	-4,960,977.88	4,922,268.68
Warranty obligations	0.00	1,833,820.00	-24,470.00	2,034,120.00	-219,805.94	3,623,664.06
Provisions for potential losses	0.00	7,632,415.57	-3,659,418.47	0.00	0.00	3,972,997.10
Litigation risks	0.00	0.00	0.00	398,000.00	0.00	398,000.00
Provision for work pending completion	0.00	0.00	0.00	473,900.00	0.00	473,900.00
Restructuring costs	0.00	3,087,284.00	0.00	165,000.00	-165,000.00	3,087,284.00
Other provisions	0.00	3,088,083.71	-929,228.40	3,175,214.76	-1,965,123.63	3,368,946.44
Other provisions	**0.00**	**19,473,540.35**	**-5.215,279.63**	**12,899,707.01**	**-7,310,907.45**	**19,847,060.28**

Personnel-related provisions include commitments to employees in connection with the stock option schemes of Hochtief AG. In the course of the transfer of the business unit, the commitments to the employees from the stock option schemes of Hochtief AG were transferred to the Instone Real Estate Development GmbH. For these share-based compensation plans, provisions in the amount of 361,318.00 Euro were recognised as per year end.

18. Financial liabilities

In Euro	31 Dec 2014
non-current	
Liabilities to third parties	82,435,003.60
Liabilities to banks	74,391,729.63
Liabilities to shareholders	57,350,346.20
	214,177,079.43
current	
Liabilities to banks	20,999,434.17
Liabilities to third parties	11,173,448.26
Liabilities to shareholders	20,000.00
	32,192,882.43
	246,369,961.86

The non-current and current liabilities to banks consist of loans from various banks with variable interest rates. The terms of the bank liabilities are between 1 and 3 years. Interest rates vary between 1.370 % and 4.00 %.

The Group's liabilities to banks are generally not subject to covenants but are secured by land charges.

The liabilities to third parties result from a loan received from Stornoway S.à r.l. amounting to 49,633,620.15 Euro and accrued interests of 849,410.88 Euro. Interest rate adds up 10 % plus 3 % PIK. Furthermore Instone Real Estate granted a put option for the remaining non-controlling interests in Instone Real Estate Development GmbH, to the seller Hochtief Solutions AG. The put option may be exercised in three tranches only, starting with the first tranche which is exercisable 12 months from the "Closing Date", the second tranche, which is exercisable 24 months from the "Closing Date", and the third tranche, which is exercisable 36 months from the "Closing Date". Interests are calculated based on an interest rate of 4 %. Please refer for additional information regarding the put option to section 1 acquisition of subsidiaries.

The non-current financial liabilities include liabilities to shareholders in the amount of 57,350,346.20 Euro, of which an amount of 37,147,872.81 Euro to Coöperatieve Activum SG Fund III Investments

U.A. and an amount of 20,202,473.39 Euro to Coöperatieve Formart Investments U.A.. The interests for both loans are calculated on interest rate of 7 %. Current financial liabilities include liabilities to the shareholder Coöperatieve Activum SG Fund III Investments U.A., in the amount of 20,000.00 Euro.

19. Deferred taxes

Deferred tax is measured on the basis of the individual tax rates that apply to the individual countries and companies at the time of realisation or are expected to be applied. Deferred tax assets and deferred tax liabilities are offset per entity or per tax group. In all other respects, the provisions of tax law valid or adopted on the financial statement date are used to measure deferred tax.

Deferred tax assets recognised for tax refund entitlements resulting from the anticipated use of existing tax loss carryforwards in subsequent years, provided it is sufficiently certain that they will be realised, amount to 6,051,533.28 Euro.

There are loss carryforwards of our entities which do not relate to deferred tax assets: in Germany amounting to 2,088,950.27 Euro, in Luxembourg in the amount of 23,355,000.00 Euro and in Austria in the amount of 20,993,285.00 Euro.

In principle, these loss carryforwards may be offset within each country with profits in the subsequent years. According to the current assessment we do not anticipate any use of these loss carryforwards.

Deferred tax liabilities in the amount of 11,243,545.95 Euro are solely attributable to taxable temporary differences which are primarily resulting from tax-wise different values compared with IFRS of the financial liabilities and the provisions for pensions as well as the application of the PoC method and other adjustments to consistent IFRS accounting principles within the Group.

Deferred tax assets and deferred tax liabilities are follows:

	31 Dec 2014	
In Euro	**Deferred tax assets**	**Deferred tax liabilities**
Non-current assets	153,063.67	1,002,758.32
Current assets	26,432,777.74	36,995,596.51
Non-current liabilities	**686,826.80**	**0.00**
- Pension provisions	657,504.04	0.00
- Other provisions	29,322.76	0.00
Current liabilities	**995,652.74**	**2,474,523.90**
- Other provisions	201,444.00	1,309.89
- Other current liabilities	794,208.74	2,473,214.01
	28,268,320.95	**40,472,878.73**
Loss carryforwards	961,011.83	0.00
Gross amount	29,229,332.78	40,472,878.73
Balance	**-29,229,332.78**	**-29,229,332.78**
Reported in the statement of financial position	**0.00**	**11,243,545.95**

20. Trade payables

In Euro	31 Dec 2014
Amount due from customers for contract work (PoC)	-58,723,457.30
Progress payments received	64,553,172.32
	5,829,715.02
Trade payables	62,583,039.83
Progress payments received	10,738,792.00
	73,321,831.83
Payables from non-consolidated subsidiaries	61,400.14
Payables from associates	2,975.00
	64,375.14
	79,215,921.99

The liabilities from PoC amounting to 5,829,715.02 Euro include accounts payable to customers from construction contracts, where the progress payments received exceed the cost of production including profit shares.

21. Other liabilities

The breakdown of other liabilities is as follows:

In Euro	31 Dec 2014
Liabilities to employees	754,874.36
Tax liabilities, others than income tax	740,686.22
Social security liabilities	437,507.51
Sundry liabilities	485,204.93
	2,418,273.02

C.3 Notes to the consolidated statement of profit or loss

22. Revenue

The revenue is attributable to the following regions:

in Euro	16 Apr - 31 Dec 2014
Germany	53,213,667.30
Rest of Europe	11,230,896.80
	64,444,564.10

For the breakdown of total revenue by types, please see the table below:

in Euro	16 Apr - 31 Dec 2014
Revenues from completed contracts	54,848,582.51
Revenues from percentage of completion	9,574,674.07
Other services	21,307.52
	64,444,564.10

For the projects accounted for under the PoC method at the balance sheet date, the costs incurred amounted to 751,410,894.64 Euro. From these projects cumulated results - after deduction of any losses - amount to 28,399,552.45 Euro.

23. Changes in inventories

The changes in inventory of the products in the amount of -7,786,423.45 Euro include cost of production for project developments not covered by percentage of completion method.

24. Other operating income

In Euro	16 Apr - 31 Dec 2014
Income from business acquisitions	20,131,662.13
Income from settlement agreement	6,861,900.00
Income from the reversal of provisions	4,266,748.16
Rental income	77,861.21
Insurance reimbursements	23,493.81
Cost reimbursements	16,607.05
Other income	78,662.23
	31,456,934.59

25. Cost of materials

In Euro	16 Apr - 31 Dec 2014
Cost of materials and supplies	18,242,881.36
Cost of purchased services	32,727,799.69
	50,970,681.05

26. Staff costs

In Euro	16 Apr - 31 Dec 2014
Wages and salaries	5,323,809.96
Social insurance, pensions	1,004,021.08
Long-term incentive	33,437,00
	6,361,268.04

Employer's contributions paid to state pension insurance institutions in the reporting year amounted to 265,916.66 Euro.

Expenditure on pensions totalled 148,589.67 Euro. This comprises new entitlements accrued during the year under defined pension plans and payments into defined contribution pension schemes.

On average in the reporting year, six employees were employed for vocational training. All employees were employed outside the Netherlands.

	16 Apr - 31 Dec 2014
Employees including trainees and working students	348
Industrial employees	78
	426

27. Other operating expenses

In Euro	16 Apr - 31 Dec 2014
Other operating expenses	
Court costs, attorneys' and notaries' fees	6,155,692.05
Restructuring and adjustment costs	3,579,210.78
Commission fees and other distribution costs	2,915,217.24
Rentals and lease rentals	1,168,247.26
Impairment losses and losses on disposal of current assets (excluding inventories)	742,577.60
Insurances	331,808.07
Travel expenses, transportation costs	303,693.69
Real estate tax, wealth tax and other taxes	274,119.42
Mail and funds transfer expenses	236,418.01
Advertising measures	110,659.38
Technical and business consulting	86,913.05
Entertainment expenses	75,268.18
Litigation costs	44,400.56
Management compensation	32,358.95
Stationery	28,915.37
Contributions to professional associations	24,396.15
Sundry operating expenses	2,854,455.35
	18,964,351.11

Sundry operating expenses mostly comprise order processing, costs of materials for administrative purposes, costs of preparing the annual financial statements and other expenses not reported elsewhere.

28. Income from associated affiliates

The income from associated affiliates can be made up as follows:

In Euro	16 Apr - 31 Dec 2014
Share of profits and losses of equity-accounted interests	
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co KG	1,402,194.72
Wohnentwicklung Theresienstraße GmbH & Co. KG	109,778.16
Wohnpark Gießener Straße GmbH & Co. KG	92,594.19
SEVERINS WOHNEN GmbH & Co. KG	17,345.92
	1,621,912.99

29. Depreciation and amortization

The depreciation and amortization of 107,285.15 Euro include depreciation on property, plant and equipment. There were no impairment losses on property, plant and equipment.

30. Financial result

The financial result can be split up as follows:

In Euro	16 Apr - 31 Dec 2014
Interest and similar income	229,977.69
Finance income	**229,977.69**
Interest and similar expenses	-4,981,245.19
Accrued interest put option	-418,075.74
Interest components of increase in provisions	-13,906.00
net interest expenses on pension obligations	-14,240.00
Finance costs	**-5,427,466.93**
Financial result	**-5,197,489.24**

Interest and similar income or expenses consists of interest income or expenses on cash investments, interest-bearing securities and other loans. Interest and similar income furthermore represent all profit shares and dividends from long-term and short-term securities. The resulting financial result amounts to -5,197,489.24 Euro.

In the financial year, interest income of 229,977.69 Euro was recorded for financial instruments not carried at fair value through profit or loss; interest expenses on such financial instruments were recorded in the amount of 5,399,320.93 Euro.

Net interest expenses on pension obligations in the amount of -14,240.00 Euro include the annual interest on the net present value of long-term pension obligations rolled over into the new year in the amount of 48,778.00 Euro, offset against interest income from plan assets in the amount of 34,538.00 Euro.

Finance income and finance cost not included in interest and similar income and expenses or in the interest component of increases in long-term provisions are reported as other finance income or finance cost.

31. Income taxes

In Euro	16 Apr - 31 Dec 2014
Income taxes	
Corporate income tax	-8,049.35
Trade income tax	-2,630,037.63
Current income taxes	**-2,638,086.98**
Deferred taxes	5,300,188.46
	2,662,101.48

Deferred taxes include an income item amounting to 4,115,178.22 Euro. They are derived from the reversal of deferred tax liabilities, which will not result in current taxes in the future; this is attributable to an agreement entered into in the financial year the former majority shareholder Hochtief Solutions AG.

In Euro	16 Apr - 31 Dec 2014
Income before taxes	**8,135,913.64**
Theoretical tax expenses at 25.00 %	-2,033,978.41
Tax effects on:	
Difference to foreign tax rates	1,899,139.73
Prior year adjustment	921,728.40
Non-taxable expenses according to § 8b KStG	-728,589.60
Equity accounting of associates	856,812.41
Effects from consolidation	-2,197,103.23
Non-tax-allowable expenses	-88,016.40
Unrecognised deferred tax assets for loss carryforwards	-1,220,241.70
Transaction-related special effect	4,115,178.22
Others	1,137,172.06
Current income taxes	**2,662,101.48**

It is based on the individual tax rates that apply to the individual countries and companies at the time of realisation or are expected to be applied. The Group`s tax rate of 25.00 percent was used as the expected tax rate.

Unrecognised deferred tax assets for loss carryforwards mainly relate to the losses of the entity in Luxembourg. Other tax effects mostly include tax-exempt income.

C.4 Other disclosures

Reporting on financial instruments

Financial instruments include financial assets and liabilities as well as contractual claims and obligations relating to exchanges and transfers of financial assets. There are no derivative financial instruments.

Financial assets mostly comprise cash and cash equivalents, receivables and other financial investments. Financial liabilities are mostly current liabilities measured at amortized cost.

The financial instruments held are shown in the statement of financial position. The maximum risk of loss or default is equal to total financial assets. Any such risk identified in respect of financial assets is accounted for with an impairment loss.

Risk management

All finance activities in the Instone Real Estate are conducted on the basis of a Group-wide financial directive. This is supplemented by function-specific operating work guidelines on subjects such as collateral management. These policies include principles for dealing with the various classes of financial risk.

Trading, control and settlement activities are divided between front and back offices. This ensures effective risk management where monitoring and settlement of front office external trading activities are performed by a separate and independent back office. Furthermore, the dual control principle must be observed at minimum for all external trading transactions. Internal authorizations to give instructions are strictly limited in number and monetary amount, and are reassessed at regular intervals (at least once a year) and adjusted if necessary.

Management of liquidity risk

Instone Real Estate uses largely centralized liquidity structures to pool liquidity at Group level, amongst other things to avoid cash flow bottlenecks at the level of individual entities. The central liquidity position is determined on a monthly basis and calculated in a bottom-up process over a rolling 12-months period. Liquidity budgets are supplemented with monthly stress testing.

The table details the Group`s remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the date on which the Group can be required to pay. The table includes both interest and principal cash flow. Interest payments on variable rate items are translated uniformly using the last interest rate fixed prior to the balance sheet date.

The maximum payments shown in the table below are offset by contractually fixed receipts in the same periods that are not shown here (for example, from trade receivables), which cover the shown cash outflows to a considerable extent.

Maturity analysis of financial liabilities

The following table summarises the contractual payments relating to financial liabilities:

	Carrying amount	**Cash outflows**		
In Euro	**31 Dec 2014**	**2015**	**2016 -2018**	**>2018**
Non-derivative financial liabilities				
Financial liabilities	246,369,961.86	34,523,680.77	173,141,204.36	76,085,188.84
Trade payables	79,215,921.99	79,215,921.99	0.00	0.00
	325,585,883.85	**127,507,444.81**	**173,141,204.36**	**76,085,188.84**

Furthermore, Group liquidity is sufficiently secured, also based on the available cash in hand and bank balances as well as undrawn cash credit lines. The table below shows the main liquidity instruments:

in Euro	**31 Dec 2014**
Cash-in-hand, available bank balances	25,094,496.70
Credit line - amount unused	64,454,608.59
	89,549,105.29

Management of default risks

The Instone Real Estate is exposed to default risk from operations and from certain financing activities.

Instone Real Estate performs risk management for operations by continuously monitoring trade receivables at a branch level. If a specific default risk is detected, it is countered by recognizing an individual impairment to the extent necessary.

The maximum default risk exposure of financial assets is equivalent to their carrying amounts in the statement of financial position. However, the actual default risk exposure is lower due to collateral given in favour of the Instone Real Estate. The maximum risk exposure on financial guarantees is the maximum amount that Instone would have to pay. The maximum default risk for loan commitments is the amount of the commitment. Recourse to these financial guarantees and loan commitments is very unlikely at the time of reporting.

Instone Real Estate accepts collateral to secure contract performance by subcontractors, subcontractors' warranty obligations, and claims to remuneration. Such collateral includes, without limitation, guarantees relating to warranty obligations, contract performance, advance payments, and payment bonds. Acceptance of collateral is governed by an Instone Real Estate policy. It includes, without limitation, the contractual drafting, implementation, and management of all agreements. The detailed instructions vary, depending on the country jurisdiction and current case law, for example. For default risks, Instone Real Estate examines the credit rating of the party providing the collateral for all guarantees accepted. Instone Real Estate engages external specialists (such as rating agencies) for assessing credit standings as far as possible. The fair values of accepted collateral are not disclosed as they cannot be measured reliably as a rule.

The age structure of financial assets that are past due is specific to the industry. Receipt of payment depends on order acceptance and invoice checking, which often takes a relatively long time.

Most of these past due unimpaired financial assets are due from contracting authorities with top credit ratings.

The following table shows the past due, unimpaired financial assets:

	31 Dec 2014			
In Euro	**Up to 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**
Trade receivables	3,643,250.34	623,370.21	891,577.55	17,232,073.36

Individually impaired financial assets are shown below:

Trade receivables	**31 Dec 2014**
Gross amount	16,893,162.45
Impairment	-14,861,721.92
Net amount	**2,031,440.53**

With regard to financial assets that are neither past due nor impaired, there are currently no indications of any need to recognise impairments for reasons relating to credit ratings.

Management of interest risks

The interest rate risk in the Instone Real Estate mainly consists of medium and long-term interest-bearing financial assets and liabilities due to fluctuations in market interest rates. Depending on the market situation, this risk is countered by a mix of fixed and variable interest financial instruments. The risk is not controlled separately, as the external borrowings are usually redeemed within a short time by payments of the acquirers.

Changes in the market interest rates of non-derivative financial instruments with a fixed interest rate have an impact on the result only if they are recognized at fair value. For this reason, all fixed-interest financial instruments carried at amortized cost are not subject to interest rate risks as defined by IFRS 7.

As part of a sensitivity analysis, we examined the impact of the change in market interest rates in a range of 100 basis points on the earnings after tax. In the financial year, a hypothetical increase/decrease in the market interest rate of 100 basis points, with other variables remaining constant, would result in higher/lower earnings after tax of -802,955.00 Euro / +802,955.00 Euro.

Capital risk management

The Instone Real Estate manages its capital with the aim of ensuring that all Group companies can continue to operate as a going concern. The Group keeps the cost of capital as low as possible by optimizing the balance between equity and debt as the need arises. These measures primarily serve to secure the best possible credit standing as well as to maximize shareholder returns.

The Group's capital structure consists of the current and non-current liabilities less cash and cash equivalents as net borrowed capital and equity recognised in the statement of financial position. The Group's capital structure is assessed at regular intervals, taking into account the risk-adjusted cost of capital.

Additional information on financial instruments

In the following, carrying amounts and fair values are shown for each class of financial instrument and carrying amounts for each IAS 39 category:

In Euro	Available for sale	Loans and receivables	At (amortised) cost	Total 31 Dec 2014	Total fair value 31 Dec 2014
ASSETS	**435,074.05**	**142,652,207.03**	**0.00**	**143,087,281.08**	**143,087,281.08**
Other financial assets	**435,074.05**	**0.00**	**0.00**	**435,074.05**	**435,074.05**
Financial receivables	**0.00**	**2,132,579.52**	**0.00**	**2,132,579.52**	**2,132,579.52**
Current	0.00	2,132,579.52	0.00	2,132,579.52	2,132,579.52
Trade receivables	**0.00**	**115,425,130.81**	**0.00**	**115,425,130.81**	**115,425,130.81**
Cash and cash equivalents	**0.00**	**25,094,496.70**	**0.00**	**25,094,496.70**	**25,094,496.70**
EQUITY AND LIABILITIES	**0.00**	**0.00**	**325,585,883.85**	**325,585,883.85**	**325,585,883.85**
Financial liabilities	**0.00**	**0.00**	**246,369,961.86**	**246,369,961.86**	**246,369,961.86**
Non-current	0.00	0.00	214,177,079.43	214,177,079.43	214,177,079.43
Current	0.00	0.00	32,192,882.43	32,192,882.43	32,192,882.43
Trade payables	**0.00**	**0.00**	**79,215,921.99**	**79,215,921.99**	**79,215,921.99**

As current financial instruments have short remaining maturities, their carrying amounts correspond to fair value as of the financial statement date. Non-current securities amounting to 259,822.26 Euro included in other financial assets and shown under "available-for-sale" category are measured at fair value through equity; as such their carrying amounts also correspond to fair value. For other investments there are no reliable fair values. They are measured at cost within the "available-for-sale" category. There were no transfers between the categories of financial instruments in the financial year.

Net result from financial instruments

The following table shows the net result from financial instruments by IAS 39 category:

In Euro	16 Apr - 31 Dec 2014
Loans and receivables	23,084.52
Liabilities at amortised cost	-5,009,391.19
	-4,986,306.67

The calculation of net result from financial instruments includes interest income and expenses, impairments and impairment reversals, income and expenses from currency translation, dividend income, gains and losses on disposal, and other changes in the fair value of financial instruments recognized in income.

In the financial year, impairment losses on trade receivables amounted 45,874.33 Euro.

Contingent liabilities and other financial obligations

In Euro	31 Dec 2014
Obligations under guarantees and letters of comfort	11,250,000.00

The contingent liabilities were predominantly used to secure bank loans, for performance of contracts, warranty obligations and advance payments are given. At the balance sheet date, the Group mainly vouched for affiliated and associated companies.

Operating leases

The future minimum lease payments are as follows:

In Euro	31 Dec 2014
Due within one year	1,602,205.75
Due in one to five years	1,619,623.81
	3,221,829.56

Notes to the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows classifies cash flows into operating, investing, and financing activities. All non-cash income and expense and all income from asset disposals is eliminated in cash flow from operations.

Cash outflow from investing activities is marked primarily by the purchase price payment for the shares in Instone Real Estate Development GmbH.

The cash inflow from financing activities totalling 157.174.835,93 Euro was primarily marked by new shareholders loans and loans from third parties. Furthermore the shareholders contributed an amount of 21,000,000.00 Euro to the capital reserve. The share capital has been increased by 2.500.00 Euro.

Cash and cash equivalents as of 31 December 2014 exclusively comprised cash amounting to 25,094,496.70 Euro, of which an amount of 1,795,622.44 Euro was subject to restrictions.

Related party disclosures

Significant related parties mostly include the significant equity-accounted entities and shareholders. Material transactions were entered into with significant related parties, which had an effect on the following items in the financial statements:

Relations to shareholders

In Euro	2014
Financial liabilities	
Coöperatieve Activum SG Fund III Investments U.A.	37,167,872.81
Coöperatieve Formart Investments U.A.	20,202,473.39
	57,370,346.20
Trade payables	
ActivumSG Capital Management L.P., Jersey / UK	956,995.75
Coöperatieve Activum SG Fund III Investments U.A.	23,530.62
	980,526.37
Other operating expenses	
ActivumSG Capital Management L.P., Jersey / UK	956,995.75
Coöperatieve Activum SG Fund III Investments U.A.	23,530.62
	980,526.37
Interest	
Coöperatieve Activum SG Fund III Investments U.A.	650,945.20
Coöperatieve Formart Investments U.A.	354,009.59
	1,004,954.79

Shareholders of Instone Real Estate Group B.V. are Coöperatieve Activum SG Fund III Investments U.A., by 66.67 %, and Coöperatieve Formart Investments U.A., by 33.33 %. The direct parent company, Coöperatieve Activum SG Fund III Investments U.A., neither prepared nor published consolidated financial statements.

ActivumSG Capital Management L.P., Jersey / UK, is the group parent company for the largest group of entities in the ActivumSG Group and also the ultimate party for the group of entities in Instone Real Estate.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties. For terms and conditions of financial liabilities please refer to note 18 “financial liabilities”. Services were bought based on the prices in force and terms that would be available to third parties.

Relations to associates

In Euro	2014
Total revenue	
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	765.96
Wohnpark Gießener Straße GmbH & Co. KG	273.70
	1,039.66

Relations to joint ventures

In Euro	2014
Loans	
Wohnentwicklung Theresienstraße GmbH & Co. KG	**1,000,000.00**
Receivables	
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co. KG	157,448.79
SEVERINS WOHNEN GmbH & Co. KG	76,318.91
Wohnentwicklung Theresienstraße GmbH & Co. KG	345,763.56
	579,531.26
Total revenue	
Wohnentwicklung Theresienstraße GmbH & Co. KG	**408,395.44**
Interest	
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co. KG	-204.66
Wohnentwicklung Theresienstraße GmbH & Co. KG	1,484.39
	1,279.73

Relations to other parties

In Euro	2014
Robert Victor van Beemen	3.225,86
Stefan Mohr	156.488,35
Amr Abulaban	64.829,00
	224.543,21

Robert Victor van Beemen, Stefan Mohr and Amr Abulaban were working for a superordinate company with significant influence and provided consulting services for the Group.

No other material transactions were entered into between Instone Real Estate or any group company and executive or related parties in the reporting period. There were no conflicts of interest involving Executives.

Compensation of key management

The management appointed for the financial year 2014 did not receive any remuneration for the management activities in the financial year.

Auditor`s fee

The total fees for services provided by auditors Deloitte Accountants B.V., Amsterdam, the Netherlands, and Deloitte GmbH, Düsseldorf, Germany, were recognized as expenses as follows:

In Euro	16 Apr - 31 Dec 2014
Financial statement audits	312,728.52
Other services	42,670.99
Other assurance services	23,049.47
	378,448.98

Deloitte Accountants B.V., Amsterdam, the Netherlands

In Euro	16 Apr - 31 Dec 2014
Financial statement audits	71,760.06
	71,760.06

Deloitte GmbH, Düsseldorf, Germany,

In Euro	16 Apr - 31 Dec 2014
Financial statement audits	240,968.46
Other services	42,670.99
Other assurance services	23,049.47
	306,688.92

Events after the financial statement date

Based on a purchase and assignment contract dated 2 October 2015, 94 % of the shares in Instone Real Estate Leipzig GmbH and its subsidiaries and investees as well as 6 % of the shares in GRK Revion Hamburg GmbH, Leipzig, Germany, and 6 % of the shares in OPUS Wohnbau GmbH, Leipzig, Germany, (together referred to as the GRK Group) were transferred to Instone Real Estate at a purchase price of 68,900,432.45 Euro with effect to 10 December 2015.

For the first time ever, Instone Real Estate Development GmbH, placed a promissory note loan with a volume of €66.9 million, plus an increase of €3.1 million. The promissory note loan was paid out as at July 14, 2017. This transaction serves to refinance any existing liabilities and to finance growth. It facilitates a significant reduction of current interest payments, an extension of financing terms and a diversification of financing sources.

With sale and purchase agreement of 14 November 2017, Coöperative Activum SG Fund V Investments U.A., Amsterdam, the Netherlands, acquired 10.57% of the shares in the Instone Real Estate Group B.V. held by Mr. Steffen Göpel.

Until 28 February 2017, Instone Real Estate Group B.V. acquired from Hochtief Solutions AG the remaining shares of Instone Real Estate Development GmbH in three different tranches. This acquisition had an impact on liquidity and financial liabilities of Instone Real Estate.

There are no other reportable transactions that are of special relevance post-December 31, 2014 (balance sheet date).

C.5 Subsidiaries, associates and other participating interests as at 31 December 2014

	Percentage of capital	**Equity** in Euro	**Net profit/loss of the year** in Euro
I. Affiliated entities which are included in the consolidated financial statements			
Instone Real Estate Development GmbH, Essen, Germany	75.97	158,439,399.84	22,046,139.58
formart Management GmbH, Essen, Germany	100.00	25,301.59	-1,423.50
DURST-BAU GmbH, Vienna, Austria	99.9	4,586,521.90	-785,778.83
Area of Sports mbH & Co. KG, Mönchengladbach, Germany	50.0	10,612.25	-7,803.42
RheinauArtOffice GmbH & Co. KG, Essen, Germany	50.0	21,463.79	-3,536.21
Uferpalais GmbH & Co. KG, Essen, Germany	70.0	60,714.93	55,360.82
formart Luxembourg S.A., Luxembourg, Luxembourg	100.0	7,942,287.44	-7,262,714.15
Immobiliere de Hamm S.A., Luxembourg, Luxembourg	100.0	3,166,648.63	-993,674.39
formart Kirchberg Services S.A., Luxembourg, Luxembourg	100.0	2,612,149.09	375,776.09
formart Immobilien GmbH, Essen, Germany*	100.0	700,518.93	0.00
Flensburg Kaufhaus GmbH & Co. KG, Essen, Germany	100.0	6,075.35	-3,924.65
Flensburg Parkhaus GmbH & Co. KG, Essen, Germany	100.0	-269.90	-204.27
II. Investments accounted for using the equity method			
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt, Germany	50.0	1,330,019.49	10,701,679.89
Wohnentwicklung Theresienstraße GmbH & Co. KG, Munich, Germany	50.0	14,587,280.82	-130,888.23
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt, Germany	50.0	339,488.83	248,514.12
SEVERINS WOHNEN GmbH & Co. KG, Cologne, Germany	50.0	-36,957.39	-35,139.15
CONTUR Wohnbauentwicklung und Projektsteuerung GmbH & Co. KG, Cologne, Germany	49.5	187,452.14	-14,748.86
III. Other investments			
Projektverwaltungsgesellschaft Mönchengladbach - Area of Sports mbH, Düsseldorf, Germany	50.0	23,899.59	-170.38
ArtOffice GmbH, Cologne, Germany	50.0	16,277.92	-8,100.72
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0	24,850.94	-750.97
formart Wilma Verwaltungsgesellschaft mbH, Kriftel, Germany	50.0	33,768.17	7,949.76
formart Beteiligungsverwaltungsgesellschaft mbH, Hannover, Germany	100.0	24,136.94	1,349.97
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany	50.0	34,210.55	393.70
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH, Cologne, Germany	50.0	32,457.95	1,278.16
Immobiliengesellschaft CSC Kirchberg S.A., Luxembourg, Luxembourg	99.9	67,308.20	-10,521.68
Warenhaus Flensburg Verwaltungsgesellschaft mbH, Essen, Germany	100.0	25,308.87	2,228.87
WTS GmbH, Munich, Germany	50.0	16,830.95	-4,330.57

* *Profit transfer agreement*

Essen, 22 December 2017

Kruno Crepulja Oliver Schmitt Andreas Gräf Manfred Torsten Kracht

D. COMPANY FINANCIAL STATEMENTS

D.1 Statement of financial position as at 31 December 2014

EURO	Note	31 Dec 2014	16 Apr 2014
ASSETS			
Non-current assets			
Shares in affiliated companies	1	135,826,089.11	0.00
		135,826,089.11	0.00
Current assets			
Financial receivables	2	544,785.44	5,000.00
Cash and cash equivalents	3	834,046.10	0.00
		1,378,831.54	5,000.00
Total assets		**137,204,920.65**	**5,000.00**
EQUITY AND LIABILITIES			
Equity			
Share capital		7,500.00	5,000.00
Capital reserve		21,000,000.00	0.00
Retained earnings / loss carryforwards		-3,786,979.33	0.00
	4	17,220,520.67	5,000.00
Non-current liabilities			
Accrued expenses	5	422,579.21	0.00
Financial liabilities	6	114,091,166.22	0.00
Deferred taxes	7	651,698.75	0.00
		115,165,444.18	0.00
Current liabilities			
Accrued expenses	5	9,000.00	0.00
Financial liabilities	6	20,000.00	0.00
Trade payables	8	4,789,955.80	0.00
		4,818,955.80	0.00
Total equity and liabilities		**137,204,920.65**	**5,000.00**

D.2 Statement of profit or loss for the period from 16 April to 31 December 2014

EURO	Note	16 Apr - 31 Dec 2014
Other operating expenses	9	-648,933.76
Earnings before interest and tax (EBIT / EBITDA)		**-648,933.76**
Finance income		547,566.60
Finance costs		-3,033,913.42
Financial result	**10**	**-2,486,346.82**
Earnings before tax (EBT)		**-3,135,280.58**
Income taxes	11	-651,698.75
Earnings after tax (EAT)		**-3,786,979.33**

D.3 Statement of comprehensive income for the period from 16 April to 31 December 2014

EUR	16 Apr - 31 Dec 2014
Earnings after tax	**-3,786,979.33**
Items to be reclassified to profit or loss in subsequent periods	0.00
Items not to be reclassified to profit or loss in subsequent periods	0.00
Total comprehensive income for the year	**-3,786,979.33**

D.4 Statement of changes in equity for the period from 16 April to 31 December 2014

EURO	**Note**	Share capital	Capital reserve	Retained earnings	**Total shareholders' equity**
16 April 2014		**5,000.00**	**0.00**	**0.00**	**5,000.00**
Earnings after tax		0.00	0.00	-3,786,979.33	-3,786,979.33
Other comprehensive income		0.00	0.00	0.00	0.00
Total comprehensive income		**0.00**	**0.00**	**-3,786,979.33**	**-3,786,979.33**
Increase of share capital		2,500.00	0.00	0.00	2,500.00
Payment to the capital reserve		0.00	21,000,000.00	0.00	21,000,000.00
31 December 2014	4	**7,500.00**	**21,000,000.00**	**-3,786,979.33**	**17,220,520.67**

D.5 Statement of cash flows for the period from 16 April to 31 December 2014

	EURO	Note	16 Apr - 31 Dec 2014
	Earnings after tax		**-3,786,979.33**
+/-	Increase / decrease of provisions		0.00
+/-	Increase / decrease of deferred taxes		651,698.75
+	Finance costs		3,033,913.42
-	Finance income		-547,566.60
+/-	Other non-cash income and expenses		2,781.15
+/-	Decrease / increase of financial receivables and other assets		0.00
+/-	Increase / decrease of financial and other liabilities		4,901,909,64
	Cash flow from operating activities		**4,255,757.03**
-	Acquisition of subsidiaries	1	-135,506,463.74
	Cash flow from investing activities		**-135,506,463.74**
+	Contributions to share capital	4	7,500.00
+	Contributions to the capital reserve	4	21,000,000.00
+	Cash proceeds from shareholder loans		56,365,391.41
+	Cash proceeds from borrowings		55,143,708.62
-	Paid interests		-431,847.22
	Cash flow from financing activities		**132,084,752.81**
	Increase in cash and cash equivalents		**834,046.10**
+	Cash and cash equivalents at the beginning of period		0.00
	Cash and cash equivalents at end of period	3	**834,046.10**

E. NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2014

E.1 Accounting principles

General principles

The company Formart Holding B.V. was formed on 16 April 2014 in Amsterdam, the Netherlands, and registered in the Dutch Commercial Register under number 60490861 at the main registered place of business Amsterdam, the Netherlands. In accordance with the shareholder resolution from 16 April 2015 the company's place of effective management is Baumstraße 25, 45128 Essen, Germany. With registration from 9 June 2017 Formart Holding B.V was renamed into Instone Real Estate Group B.V. (hereinafter: "Instone Real Estate Group B.V." or "company").

The Company invests in subsidiaries whose principal activity consists of the acquisition, development, construction, letting, management and sale or other utilisation of land and buildings and equity interests in other companies operating in this business sector.

The financial statements were approved for issue by the management of Instone Real Estate Group B.V. on 22 December 2017.

For more details please see section 'General principles' of the consolidated financial statements 2014.

Basis for the preparation of the financial statements

The separate financial statements of Instone Real Estate Group B.V. were prepared in accordance with IAS 27.17 and the related requirements for financial reporting set forth in part 9 of book 2 of the Dutch Civil Code.

The separate financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and Interpretations of those standards, as issued by the International Accounting Standards Board (IASB) to the extent that they have been adopted into European Union law.

The statement of profit or loss was determined using the nature of expense method. The financial statements are prepared on the going concern basis.

Accounting policies

For the preparation of the separate financial statements of Instone Real Estate Group B.V. the same accounting policies have been used as for the consolidated financial statements. For more details please see section 'Accounting policies' of the consolidated financial statements 2014.

E.2 Notes to the statement of financial position

1. Shares in affiliated companies

Shares in affiliated companies are composed as follows:

In Euro	31 Dec 2014
Shares in Instone Real Estate Development GmbH	135,801,089.11
Shares in Instone Real Estate Management GmbH	25,000.00
	135,826,089.11

In 2014, Instone Real Estate Group B.V. acquired 75.97% of the participating interests in Instone Real Estate Development GmbH and its subsidiaries and investments, a Company Group based in Essen, Germany, which is mainly active in the field of development, construction and marketing of residential condominium units for own use and for investors in the medium and higher price segments.

The significant affiliates of the Instone Real Estate Group B.V. are listed below:

Name	Registered office of the entity	Business activity	Ownership interest in %
Instone Real Estate Development GmbH	Essen, Germany	Project development	75.97%
Instone Real Estate Management GmbH	Essen, Germany	General partner	100%

Shares in affiliated companies are accounted at cost less impairment losses. For further details on the acquisition refer to note ‘1. Acquisition of subsidiaries’ of the notes to the consolidated financial statements 2014.

2. Financial receivables

The financial receivables in the amount of 544,785.44 Euro include receivables from the affiliated company Instone Real Estate Development GmbH due to participation profits. In the prior year the financial receivables contain the outstanding contribution to capital reserve amounting to 5,000.00 Euro to the majority owner Coöperatieve Activum SG Fund III Investments U.A..

3. Cash and cash equivalents

Cash and cash equivalents in the amount of 834,046.10 Euro (on 16 April 2014: 0.00 Euro) include cash-in-hand and bank balances. Cash and cash equivalents are not subject to restrictions.

4. Equity

The share capital in the amount of 7,500.00 Euro was contributed in the financial year by the shareholder Coöperatieve Activum SG Fund III Investments U.A., at a rate of 66.67 %, and by the shareholder Coöperatieve Formart Investments U.A., at a rate of 33.33 %. In the financial year the share capital was increased from 5,000.00 Euro by 2,500.00 Euro to 7,500.00 Euro with effect to 31 December 2014. With effect to 16 April 2014 the entity issued 500 shares. During the financial year another 250 shares were issued in the course of increasing the share capital by 2,500.00 Euro nominally. As per 31 December 2014 the share capital is divided into 750 shares with a nominal value of 10.00 Euro each.

The capital reserve in the amount of 21,000,000.00 Euro (on 16 April 2014: 0.00 Euro) relates to the fully paid additional contributions by the shareholders as share premium on the share capital.

According to their share ownership ratio an amount of 14,000,000.00 Euro belongs to the shareholder Coöperatieve Activum SG Fund III Investments U.A. and to Coöperatieve Formart Investments U.A., a share premium of 7,000,000.00 Euro.

The income tax effects on the change of the shares of profits and losses break down as follows:

In Euro	**16 Apr – 31 Dec 2014**
Amount before income tax	-3,135,280.58
Income taxes	-651,698.75
Amount after income tax	**-3,786,979.33**

The table below shows the reconciliation of the consolidated equity to the equity of the separate financial statements for the year ending 31 December 2014:

In Euro	**31 Dec 2014**
Total consolidated equity	31,964,494.94
non-controlling interests	-34,252.50
Individual net result	-14,574,056.02
Other changes recognized directly in equity	-324,313.74
Individual other comprehensive income	188,647.99
Total stand-alone equity	**17,220,520.67**

The reconciliation from the consolidated annual result to the annual result of the separate financial statements for the reporting period 16 April 2014 to 31 December 2014 is shown in the table below:

In Euro	**16 Apr – 31 Dec 2014**
Total consolidated profit for the year	10,798,015.12
Attributable to non-controlling interests	-10,938.43
Individual net result	-14,574,056.02
Total stand-alone profit for the year	**-3,786,979.33**

The main reason for the difference between the consolidated equity and the stand-alone equity is driven by the positive effects on the consolidated profit for the year concerning the gain recognised in accordance with IFRS 3.34 of Instone Real Estate Development GmbH.

The individual net result is shown in the table below:

In Euro	**16 Apr – 31 Dec 2014**
Profit/loss subsidiaries	-9,036,042.24
Profit/loss Formart group (1.1.-30.9.2014)	11,010,079.65
Addition of accrued interest Put Option Hochtief	418,075.74
Lucky Buy	-20,131,662.13
Rolling forward PPA (Formart)	3.328,528.28
Deferred Taxes	-1,409,809.24
Reversal provisions for hidden liabilities (sale of projects)	-3,659,418.47
Expenses of acquisition Formart KG	4,678,277.64
Other	227,914.75
Individual net result	**-14.574,056.02**

5. Accrued expenses

Accrued expenses were set up for financial statement and annual audit expenses.

In Euro	**31 Dec 2014**	**16 Apr 2014**
Accrued expenses		
Non-current	422.579,21	0.00
Current	9,000.00	0.00
	431,579.21	**0,00**

6. Financial liabilities

In Euro	31 Dec 2014	16 Apr 2014
non-current		
Liabilities to shareholders	57,350,346.20	0.00
Liabilities to third parties	50,483,031.03	0.00
Liabilities to affiliated companies	6,257,788.99	0.00
	114,091,166.22	**0.00**
current		
Liabilities to shareholders	20,000.00	0.00
	114,111,166.22	**0.00**

The non-current financial liabilities include liabilities to shareholders in the amount of 57,350,346.20 Euro (on 16 April 2014: 0.00 Euro), which consist of a loan to Coöperatieve Activum SG Fund III Investments U.A., in the amount of 37,147,872.81 Euro (on 16 April 2014: 0.00 Euro) and a loan to Coöperatieve Formart Investments U.A., in the amount of 20,202,473.39 Euro (on 16 April 2014: 0.00 Euro). Interests are calculated based on an interest rate of 7 % for both loans.

The liabilities to third parties result from a loan received from Stornoway S.à r.l. amounting to 49,633,620.15 Euro and accrued interests of 849,410.88 Euro. Interest rate adds up 10% plus 3% PIK.

Liabilities to affiliated companies result from an upstream loan of Instone Real Estate Development GmbH amounting to 6,147,811.47 Euro and accrued interests amounting to 109,977.52 Euro with an interest rate of 7% and a due date on 1 October 2018.

Current financial liabilities include liabilities to the shareholder Coöperatieve Activum SG Fund III Investments U.A., in the amount of 20,000.00 Euro (on 16 April 2014: 0.00 Euro).

7. Deferred taxes

Deferred tax assets and deferred tax liabilities are as follows:

	31 Dec 2014	
In Euro	Deferred tax assets	Deferred tax liabilities
Non-current assets	0.00	20,015,266.16
Current assets	0.00	86,212.30
Non-current liabilities	**18,054,927.05**	**1,309.89**
- Financial liabilities	18,054,927.05	0.00
- Accrued Expenses	0.00	1,309.89
Current liabilities	**742,047.98**	**0.00**
- Financial liabilities	3,165.00	0.00
- Trade liabilities	738,882.98	0.00
	18,796,975.03	**20,102,788.35**
Loss carryforwards	654,114.57	0.00
Gross amount	19,451,089.60	20,102,788.35
Balance	**-19,451,089.60**	**-19,451,089.60**
Reported in the statement of financial position	**0.00**	**651,698.75**

8. Trade payables

The trade payables amounting to 4,789,955.80 Euro (on 16 April 2014: 0.00 Euro) mainly contain payables in connection with the acquisition of Instone Real Estate Development GmbH. Furthermore, an amount of 250,000.00 Euro for management fees of ActivumSG Capital Management Ltd. is included.

E.3 Notes to the statement of profit or loss

9. Other operating expenses

In Euro	16 Apr - 31 Dec 2014
Financial statement and annual audit	431,579.21
Court, advocate, notary and advisory	184,698.18
Management	32,358.95
Other	297.42
	648,933.76

Other operating expenses mostly comprise costs for court, advocates and notary, financial statement and annual audit, management fees and other expenses not reported elsewhere.

10. Financial result

In Euro	16 Apr - 31 Dec 2014
Interest and similar income	2,781.16
Other financial income	544,785.44
Finance income	**547,566.60**
Interest and similar expenses	-3,033,913.42
Finance costs	**-3,033,913.42**
Financial result	**-2,486,346.82**

Finance costs arise from accrued interest on loans and borrowings presented in '6. Financial liabilities'.

11. Income taxes

Income taxes consist of the following:

In Euro	16 Apr - 31 Dec 2014
Current income taxes	0.00
Deferred income taxes	-651,698.75
Total	**-651,698.75**

The income tax for the year can be reconciled as follows:

	16 Apr - 31 Dec 2014
Income before tax	**-3,135,280.58**
Expected tax at 25.00 %	783,820.14
Tax effects on:	
Difference to foreign tax rates	-287,662.00
Non-tax-allowable expenses	-88,016.40
Non-taxable expenses according to § 8b KStG	-728,589.60
Recognition and measurement of deferred tax assets	-330,576.38
Other	-674.52
Current income taxes	**-651,698.75**

The company's tax rate of 25.00 percent was used as the expected tax rate. The differences between expected tax expenses and current income taxes mainly relates to German income tax.

E.4 Other disclosures

Reporting on financial instruments

For additional analyses and information please see section 'Reporting on financial instruments' of the notes to the consolidated financial statements 2014.

Risk management

For additional analyses and information please see section ‘Risk management’ of the notes to the consolidated financial statements 2014.

Management of liquidity risk

The following table summarises the contractual agreed payments relating to financial liabilities:

In Euro	Carrying amount 31 Dec 2014	Cash outflows 2015	2016 -2018	>2018
Non-current financial liabilities	114,091,166.22	0.00	68,744,499.82	76,085,188.84
Current financial liabilities	20,000.00	20,000.00	0.00	0.00
Trade payables	4,789,955.80	4,789,955.80	0.00	0.00
	118,901,122.02	**4,809,955.80**	**68,744,499.82**	**76,085,188.84**

Maximum payments after 31 December 2014:

In Euro	2015	2016	2017
Financial liabilities	11,494,876.22	11,925,801.62	22,976,800,21

The cash outflows shown above affect put options that can be exercised in 2015, 2016 and 2017. With effect from 30 September 2015 the shareholder Hochtief Solutions AG, will exercise a granted put option relating to ownership interests Instone Real Estate Development GmbH, and sold 6.23% of the ownership interests in Instone Real Estate Development GmbH to Instone Real Estate Group B.V., at a purchase price of 11,494,876.22 Euro. Instone Real Estate Group B.V., increased its ownership interest in Instone Real Estate Development GmbH, from 75.97 % to 82.20 %.

Furthermore, liquidity is sufficiently secured also based on the available cash in hand and bank balances as well as unused credit facilities.

The table below shows the main liquidity instruments as per year end:

In Euro	31 Dec 2014	16 Apr 2014
Cash-in-hand, available bank balances	834,046.10	0.00
Credit facilities unused	3,654,608.59	0.00
	4,488,654.69	**0.00**

For additional analyses and information please see section ‘Management of liquidity risk’ of the notes to the consolidated financial statements 2014.

Management of interest risks

In the Instone Real Estate Group B.V., interest risks are resulting from new borrowings at variable interest rates. The risk is not controlled separately, as the external borrowings are usually redeemed within a short time by payments of the acquirers.

As at 31 December 2014 the company recognised borrowings with fixed interest rates only, therefore no interest rate risk resulting from variable interest rates occurs.

For additional analyses and information please see section ‘Management of interest risks’ of the notes to the consolidated financial statements 2014.

Management of default risks

For additional analyses and information please see section ‘Management of default risks’ of the notes to the consolidated financial statements 2014.

Capital risk management

For additional analyses and information please see section ‘Capital risk management’ of the notes to the consolidated financial statements 2014.

Additional information on financial instruments

In the following, carrying amounts and fair values are shown for each class of financial instruments and carrying amounts for each IAS 39 category:

In Euro	Loans and receivables	At (amortised) cost	Total 31 Dec 2014	Total fair value 31 Dec 2014
ASSETS	**1,378,831.54**	**0.00**	**1,378,831.54**	**1,378,831.54**
Financial receivables	**544,785.44**	**0.00**	**544,785.44**	**544,785.44**
Current	544,785.44	0.00	544,785.44	544,785.44
Cash and cash equivalents	**834,046.10**	**0.00**	**834,046.10**	**834,046.10**
EQUITY AND LIABILITIES	**0.00**	**118,901,122.02**	**118,901,122.02**	**118,901,122.02**
Financial liabilities	**0.00**	**114,111,166.22**	**114,111,166.22**	**114,111,166.22**
Non-current	0.00	114,091,166.22	114,091,166.22	114,091,166.22
Current	0.00	20,000.00	20,000.00	20,000.00
Trade payables	**0.00**	**4,789,955.80**	**4,789,955.80**	**4,789,955.80**

In Euro	Loans and receivables	At (amortised) cost	Total 16 Apr 2014	Total fair value 16 Apr 2014
ASSETS	**5,000.00**	**0.00**	**5,000.00**	**5,000.00**
Financial receivables	**5,000.00**	**0.00**	**5,000.00**	**5,000.00**
Current	5,000.00	0.00	5,000.00	5,000.00

Due to the short maturity, the book values of the above shown financial instruments correspond to their fair values. For additional analyses and information please see section ‘Additional information on financial instruments’ of the notes to the consolidated financial statements 2014.

Net result from financial instruments

In Euro	16 Apr - 31 Dec 2014
Loans and Receivables	2,781.16
At cost	544,785.44
Liabilities at amortised costs	-3,033,913.42
	-2,486,346.82

For additional analyses and information please see section ‘Net result from financial instruments’ of the notes to the consolidated financial statements 2014.

Notes to the statement of cash flows

The Company Statement of Cash Flows classifies cash flows into operating, investing, and financing activities.

The 834,046.10 Euro (on 16 April 2014: 0.00 Euro) year-end total for cash and cash equivalents shown on the cash flow statement matches the cash and cash equivalents item on the statement of financial position. Cash and cash equivalents are not subject to restrictions.

All non-cash income and expenses are eliminated in cash flow from operations. No income taxes have been paid for the period from 16 April to 31 December 2014.

Related party disclosures

Material related parties' transactions were as follows:

Relations to shareholders

In Euro	31 Dec 2014
Financial liabilities	
Coöperatieve Activum SG Fund III Investments U.A.	37,167,872.81
Coöperatieve Formart Investments U.A.	20,202,473.39
	57,370,346.20
Trade payables	
Coöperatieve Activum SG Fund III Investments U.A.	23,530.62
ActivumSG Capital Management L.P., Jersey / UK	956,995.75
	980,526.37
Other operating expenses	
ActivumSG Capital Management L.P., Jersey / UK	956,995.75
Coöperatieve Activum SG Fund III Investments U.A.	23,530.62
	980,526.37
Finance costs	
Coöperatieve Activum SG Fund III Investments U.A.	650,945.20
Coöperatieve Formart Investments U.A.	354,009.59
	1,004,954.79

ActivumSG Capital Management L.P., Jersey / UK, is the group parent company for the largest group of entities in the ActivumSG Group and also the ultimate party for the group of entities in Instone Real Estate.

The other operating expenses for ActivumSG Capital Management L.P., Jersey / UK were capitalised as incidental acquisition costs for the acquisition of the shares of Instone Real Estate Development GmbH in full amount.

Relations to affiliated companies

In Euro	31 Dec 2014
Financial liabilities	
Instone Real Estate Development GmbH	**6,257,788.99**
Financial receivables	
Instone Real Estate Development GmbH	**544,785.44**
Finance income	
Instone Real Estate Development GmbH	**544,785.44**
Finance costs	
Instone Real Estate Development GmbH	**109,977.52**

Relations to other parties

In Euro	2014
Robert Victor van Beemen	3.225,86
Stefan Mohr	156.488,35
Amr Abulaban	64.829,00
	224.543,21

Robert Victor van Beemen, Stefan Mohr and Amr Abulaban were working for a superordinate company with significant influence and provided consulting services for the Group.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties. For terms and conditions of financial liabilities please refer to note 6 “financial liabilities”. Services were bought based on the prices in force and terms that would be available to third parties. Outstanding balances are unsecured and are repayable in cash.

Compensation of key management

The management appointed for the financial year 2014 did not receive any remuneration for the management activities in the financial year.

For additional analyses and information please see section ‘Related party disclosures’ of the notes to the consolidated financial statements 2014.

Auditor’s fees

The total fees for services provided by auditors Deloitte Accountants B.V., Amsterdam, the Netherlands, and Deloitte GmbH, Düsseldorf, Germany, were recognized as expenses as follows:

In Euro	**31 Dec 2014**
Financial statement audits	**210,760.06**

Deloitte Accountants B.V., Amsterdam, the Netherlands

In Euro	**31 Dec 2014**
Financial statement audits	**71,760.06**

Deloitte GmbH, Düsseldorf, Germany

In Euro	**31 Dec 2014**
Financial statement audits	**139,000.00**

Events after the financial statement date

Based on a purchase and assignment contract dated 2 October 2015, 94 % of the shares in Instone Real Estate Leipzig GmbH and its subsidiaries and investees as well as 6 % of the shares in GRK Revion Hamburg GmbH, Leipzig, Germany, and 6 % of the shares in OPUS Wohnbau GmbH, Leipzig, Germany, (together referred to as the GRK Group) were transferred to Instone Real Estate at a purchase price of 68,900,432.45 Euro with effect to 10 December 2015.

With sale and purchase agreement of 14 November 2017, Coöperative Activum SG Fund V Investments U.A.,

Amsterdam, the Netherlands, acquired 10.57% of the shares in the Instone Real Estate Group B.V. held by Mr. Steffen Göpel.

Until 28 February 2017, Instone Real Estate Group B.V. acquired from Hochtief Solutions AG the remaining shares of Instone Real Estate Development GmbH in three different tranches. This acquisition had an impact on liquidity and financial liabilities of Instone Real Estate.

There are no other reportable transactions that are of special relevance post-December 31, 2014 (balance sheet date).

Essen, 22 December 2017

Kruno Crepulja Oliver Schmitt Andreas Gräf Manfred Torsten Kracht

F. OTHER INFORMATION

F.1 Independent Auditor's Report

To the shareholders of Instone Real Estate Group B.V. (formerly Formart Holding B.V.)

Report on the financial statements

We have audited the accompanying financial statements 2014 of Instone Real Estate Group B.V., Amsterdam, the Netherlands, which comprise the consolidated and company statement of financial position as per December 31, 2014, the consolidated and company statement of profit or loss, the consolidated and company statements of comprehensive income, cash flows and changes in equity for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Group Management Report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Instone Real Estate Group B.V. as per December 31, 2014 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Group Management Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Group Management Report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, December 22, 2017

Deloitte Accountants B.V.

P. Kuijpers

F.2 Provisions of the Articles of Association governing profit appropriation

Article 23. Profits.

1. The General Meeting is authorised to resolve to allocate the profits as determined by virtue of the adoption of the Annual Accounts. A resolution of the General Meeting to allocate profits requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the issued and outstanding Shares are present or represented.

2. The General Meeting is authorised to determine a distribution of the profits, to the extent that its net assets exceed the reserves which must be maintained under the law or the articles of association. A resolution of the General Meeting to distribute profits requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the issued and outstanding Shares are present or represented.

3 The General Meeting may, subject to and with due observance of the provisions as set out in paragraph 2 of this article and the relevant statutory provisions, resolve to distribute the reserves in whole or in part. A resolution of the General Meeting to distribute reserves requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the Issued and outstanding Shares are present or represented.

4. The General Meeting may, subject to and with due observance of the provisions as set out in paragraph 2 of this article and the relevant statutory provisions, resolve to pay interim-dividend. A resolution of the General Meeting to pay interim-dividend requires a majority of more than fifty per cent (50%) of the votes cast, in a meeting in which at least fifty per cent (50%) of the issued and outstanding Shares are present or represented.

5. Subject to and with due observance of the provisions of article 21 paragraph 4, any resolution of the General Meeting to make a distribution, as referred to in the previous paragraphs of this article, shall be without any effect until the Management Board has granted Its approval to such resolution.

6. The Management Board shall only withhold the approval as referred to in paragraph 5 of this article, if the Management Board is aware or reasonably should be aware of any circumstances by virtue of which the Company cannot continue to meet its obligations after the relevant distribution

7 Any claim of a Shareholder for payment of a distribution shall be barred after five (5) years have elapsed.

F.3 Events after the financial statement date

Based on a purchase and assignment contract dated 2 October 2015, 94 % of the shares in Instone Real Estate Leipzig GmbH and its subsidiaries and investees as well as 6 % of the shares in GRK Revion Hamburg GmbH, Leipzig, Germany, and 6 % of the shares in OPUS Wohnbau GmbH, Leipzig, Germany, (together referred to as the GRK Group) were transferred to Instone Real Estate at a purchase price of 68,900,432.45 Euro with effect to 10 December 2015.

For the first time ever, Instone Real Estate Development GmbH, placed a promissory note loan with a volume of €66.9 million, plus an increase of €3.1 million. The promissory note loan was paid out as at July 14, 2017.

This transaction serves to refinance any existing liabilities and to finance growth. It facilitates a significant reduction of current interest payments, an extension of financing terms and a diversification of financing sources.

With sale and purchase agreement of 14 November 2017, Coöperative Activum SG Fund V Investments U.A., Amsterdam, the Netherlands, acquired 10.57% of the shares in the Instone Real Estate Group B.V. held by Mr. Steffen Göpel.

Until 28 February 2017, Instone Real Estate Group B.V. acquired from Hochtief Solutions AG the remaining shares of Instone Real Estate Development GmbH in three different tranches. This acquisition had an impact on liquidity and financial liabilities of Instone Real Estate.

There are no other reportable transactions that are of special relevance post-December 31, 2014 (balance sheet date).

F.4 Appropriation of result

According to the article 23 of the articles of association as of 17 April 2015 the shareholders decided to add the result for the year to the retained earnings. This proposal has been reflected in the stand-alone financial statements and consolidated financial statements.

17. VALUATION REPORT

BNP PARIBAS REAL ESTATE

Real Estate
for a changing world

VALUATION

IPO VALUATION REPORT

In accordance with International Valuation Standards,
IVS 103 and RICS Valuation – Global Standards
by the Royal Institution of Chartered Surveyors

PROPERTIES	German real estate portfolio consisting of 51 projects primarily for residential use and mainly under development
EFFECTIVE DATES	Date of valuation: 30 September 2017 Date of condition: 30 September 2017 Conclusion of report: 24 November 2017
CLIENT	Instone Real Estate Group B.V. Baumstraße 25, 45128 Essen
PREPARED BY	BNP Paribas Real Estate Consult GmbH Goetheplatz 4, 60311 Frankfurt
PROJECT DIRECTORS	Mrs Anne Tonscheidt MRICS, Regional Director Mrs Anne Schondey MRICS, Associate Director
DATE OF ISSUE	Frankfurt am Main, 20 December 2017
SIGNED COPY NO.	Final version – electronic copy!

BNP Paribas Real Estate Consult GmbH

Geschäftsführer: Wolfgang Schneider, Andreas Völker, Manuel Westphal, Loïc Niederberger
Sitz der Gesellschaft: Düsseldorf • Registergericht: Amtsgericht Düsseldorf • HRB 22709

CONTENT

1 BASIS OF VALUATION

BNP PARIBAS REAL ESTATE

1 BASIS OF VALUATION

Report Date	20 December 2017
Instructing Party (Client)	Instone Real Estate Group B.V. Baumstraße 25, 45128 Essen
Subject of Valuation	Our valuations are prepared on an individual basis by analysing 86 valuation units. The reported portfolio Market Value is an aggregation of all individual Market Values derived by using the respective appropriate method in line with common market practice and without consideration of any portfolio or platform premium.
Instruction	BNPP REC was instructed on 12 October 2017 by the Client to prepare this written valuation short report of the Market Value of the Subject Portfolio (hereinafter "the Report").
Purpose of Valuation	The Report has been prepared solely for the purpose of serving as one basis among others for enabling the Client to determine the value of the Subject Portfolio for an Initial Public Offering (hereinafter "IPO") of the Company and their respective real estate portfolio.
Addressee	The Report is addressed to, and may be relied upon by, the Client as well as Activum SG Capital Management Limited, Ordnance House, 31 Pier Road, JE4 8PW St. Helier, Jersey, United Kingdom, and the following banks that will become part of the underwriting consortium in the IPO (together the "Addressees"): • Deutsche Bank AG, Mainzer Landstraße 11 – 17, 60329 Frankfurt am Main • Credit Suisse (Deutschland) AG, Taunustor 1, 60311 Frankfurt am Main The Report is intended for the Addressees and may be used only within the context of an offering circular and any other legally necessary documentation in the course of the offering process. The Addressees of the Report are not entitled to assign their rights – in whole or part – to third parties. Notwithstanding the above the Client shall be permitted to disclose information received from BNPP REC (i) to its affiliates and its affiliates directors, officers, employees, partners and its advisors or (ii) if required by law or regulation or if disclosed in connection with a judicial or regulatory proceeding or inquiry. However, such disclosure will only be undertaken on a strict non-reliance basis.
Inspection date	Between 09 October 2017 and 20 November 2017 the properties and the respective sites where inspected by BNPP REC.

Inspections of the Properties and the immediate vicinity were conducted on a selective basis only. Our Report does not pertain to be exhaustive in this respect.

Date of Valuation

The effective date of valuation is 30 September 2017.

Valuer

The valuation has been carried out by dully qualified employees of BNPP REC.

Assumptions and Special Assumptions

The valuation was carried out on the presupposition that the information on the areas and the costs, provided by the Client and verified by BNPP REC for reasonability only, were correct, complete and not misleading and that the definition of the areas corresponded to the practices of the properties' submarket in which the Subject Portfolio is located.

We have considered legal or other documentation, but will not take responsibility for the legal interpretation of it. Formal defects as validity issues concerning written form requirements and the validity of certain clauses as well as legal disputes between lessor and lessee have not been examined and are explicitly excluded from this valuation.

The valuation was carried out on the unverified presupposition that any real division of the complete sites to be carried out at a later date will not result in any reciprocal rights or obligations that represent factors needing to be taken into particular consideration in this valuation.

The valuation is based on the figures as provided by the client within the project calculations ("Projektübersicht kurz" or "PÜK") with regard to saleable and lettable areas, sales prices for already sold units or properties, costs for infrastructural works, costs resulting from urbanisation agreements, costs for decontamination and the timetable of the developments.

Further special assumptions are reflected within the individual valuations.

Market Value Definition

The definition of Market Value is that set by the International Valuation Standards Committee (International Valuation Standards IVS Framework), which was adopted by the Royal Institution of Chartered Surveyors (RICS Valuation – Global Standards 2017 VPS 4.4).

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Conditions

For our general conditions and assumptions please refer to BNPP REC's General Terms and Conditions, attached as an appendix to this Report.

Property related Documents

Between the 27 September 2017 and the 16 November 2017 we were provided by the client with property documentation via a virtual dataroom.

Compliance

In accordance with the requirements of the International Valuation Standards, General Standards IVS 101 2 (A) and IVS Framework 30, Market Value Terms and of the Royal Institution of Chartered Surveyors (RICS Valuation - Global Standards 2017) we declare as follows:

- Within the framework of this assignment, BNPP REC acted for the client in the capacity of an external valuer, as defined by the International Valuation Standards.
- BNPP REC has and had no personal or business relationship, direct or indirect with the client that could or might lead to a conflict of interest.
- The agreed fee within this contract does not depend upon market values of the subject properties valued.
- The proportion of the total fees payable by the client during the preceding year relative to the total fee income during the preceding year is minimal.

Insurance and Liability

In cases of damages caused by negligence and claims regardless of culpability the liability of BNPP REC and its agents shall be limited to the amount as specified at the engagement letter signed between the Client and BNPP REC on 12 October 2017.

2 INVESTMENT VALUE

2 INVESTMENT VALUE

2.1 General remarks

The subject portfolio mainly consists of project developments in different conditions. We have clustered the valuation units according to their conditions and have assessed different valuation methods to derive the Investment Value.

Cluster	Project estimate	Investment Value based on valuation method
Projects under development and distribution (refer to no. 4.2 of this report)	**Investment method** (Direct capitalisation) **Comparison method** (sales price condominiums/units) **Instone sales price** (block sale or sales price condominiums/units)	**Residual Value** (without consideration of development status) **Residual Value** (As Is)
Existing buildings and partial ownerships (refer to no. 4.3 of this report)		**Investment method** (Direct capitalisation) **Investment method** (Core and Topslice) **Comparison method** (sales price condominiums/units) **Instone sales price** (block sale or sales price condominiums/ units)
Undeveloped land (refer to no. 4.4 of this report)		**Comparison method** (Land Value)

The major part of the Portfolio comprises project developments with a proceeded disposal and/or development status, which have been valued with the residual valuation method. The developments possess of different disposal status, which have been provided by the client. The valuation reflects the already achieved sales prices.

2.2 Residual Value of projects under development and distribution

2.2.1 General description of methodology

The Residual Value method is based on the assumption that the value of an undeveloped site can be assessed on the basis of an utilisation concept by deducting the total costs for development from the project value. From the developer's point of view this Residual Value defines the price limit for a site at which the investment is still profitable.

To calculate the acceptable Land Value, the project value of the completed development is reduced by the necessary investment costs, taking into consideration financing costs of acquisition and construction and potential developer's profits. This results in the Residual Value of the undeveloped site.

To begin with, the capital value from project estimate is calculated. Depending on the respective development and the future utilisation the project value is calculated on the basis of:

A) Investment method (direct capitalisation)

B) Comparison method (sales price condominiums)

C) Investment method and comparison method (sales price condominiums and direct capitalisation)

In a second step, costs for the realisation of the development are deducted from the achievable sales proceeds, in particular (listed cost types are according to DIN 276):

- Building costs
  - Prepare/development (cost type 200 – as provided by the Client)
  - Construction costs (cost type 300/400 – assessed by BNPP REC)
  - Outdoor facilities (cost type 500 – assessed by BNPP REC)
  - Equipment (cost type 600 – as provided by the Client)
  - Soft costs (cost type 700 – assessed by BNPP REC)
- Letting fees and marketing costs (assessed by BNPP REC)
- Costs of financing (construction and site) (assessed by BNPP REC)
- Developers profit & contingency (assessed by BNPP REC)
- Purchaser's costs (assessed by BNPP REC)

BNPP REC has not been provided for all developments with the necessary information regarding the gross areas. Therefore we derived the gross areas from the net areas provided by the client. The construction costs provided by the client were cross checked for plausibility but were assessed based on market benchmarks.

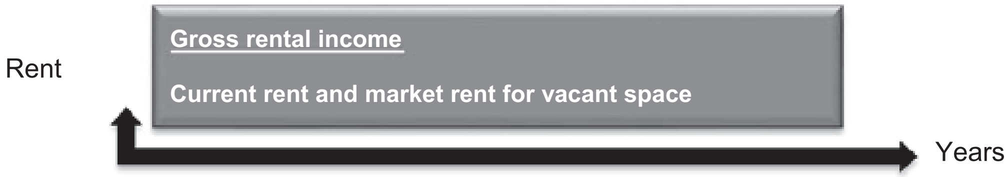
Following the deduction of the above costs, the resulting value represents the net Residual Value of the property.

2.2.2 Calculation of the capital value of project estimate

The capital value of project estimate considers only the parts of the property which are not handed over as at the date of valuation, meaning all parts where transfer of benefits and rewards has taken place before the date of valuation have not been considered for the purpose of this valuation.

A) Investment method (direct capitalisation)

In line with common market practice, residential real estate is usually valued and exchanged on the basis of its income potential. For purposes of this market value appraisal, consistently with the recommendations of the International Valuation Standards (IVS) and the RICS Valuation – Global Standards 2017, we applied a net present value approach using the Investment method (without separating the Land Value and without considering any financing costs or tax related issues).



For this the fill-up rent, based on current rents plus market rents for vacant spaces, is reduced by estimated non-recoverable costs of the landlord and the thereof resulting net operating income is capitalised with the capitalisation rate in perpetuity. Capital expenditures, letting costs for vacant space and other value-influencing factors have been taken into account separately. Out of these components results the Gross Investment Value, which is reduced by the estimated purchaser's costs. Thereof results the Net Investment Value of the property.

This method has been applied for the commercial and rental housing parts of the project developments. If the respective property has already been sold before the date of valuation but the transfer of benefits and rewards has not taken place, BNPP REC has reflected the net sales price as provided by the client within the project calculation (PÜK) and the disposal list.

Fill-up rent
The fill-up rent as at the date of valuation comprises gross revenues from i) leased, occupied spaces according to the tenancy schedule provided by the Client ii) agreed rents for subsidized residential housing spaces and iii) market rents for vacant and planned lettable residential spaces. It is assumed that the property being appraised is let as of the date of valuation on terms according to common market practice.

Market rent
According to RICS Valuation – Global Standards VPS 4.5 the market rent is defined as follows:

"The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Non-recoverable costs
The non-recoverable operating costs of the owner and lessor which are not passed on to the tenant alongside the rent as so-called incidental or assessment costs, or which do not have to be borne directly by the tenant, have to be taken into consideration.

Ongoing maintenance costs are costs resulting from wear and tear, ageing and weathering, to maintain the structural facilities in line with their intended purpose throughout the period of utilisation.

Vacancy and credit collection loss is the risk of reduced revenues as a result of unrecoverable rent arrears or of a regular exchange of tenants in the building.

Property management includes letting, the administration of the lease contract, property book-keeping, controlling, accounting of service charges and the planning and implementation of maintenance operations. The cost estimate must take the remaining economic useful life and the principles of orderly management into account.

Operating costs are those costs incurred through ownership of the land or hereditary building right or the orderly use of the land and its buildings or other facilities. In line with the practice of the local real estate market, the operating costs are generally borne by the tenants alongside the rent. The nature and age of the subject property, together with the tenant and user structure has led us to assume that part of the operating expenses may not be recoverable from the existing tenants.

Based on the information provided to us, potential non recoverable Value Added Tax (VAT non-opting units) is assumed on a percentage basis in relation to the area. Increased costs for paying the ongoing maintenance, the property management and the non-recoverable operating expenses is considered separately in the expected amount, based on the provided rental information.

Net operating target rent
The net operating target rent results from the gross rental income less the non-recoverable costs.

Capitalisation rates
The capitalisation rates are in conformity with typical return rate expectations (taking into consideration the market net operating income and total investment costs or purchase price plus purchaser’s costs) of capital investors in respect of comparable properties in comparable locations.

Gross capital value
The net income is capitalised with the capitalisation rate in perpetuity to derive the gross capital value of the property.

Letting costs vacant space
In line with current market practice, BNPP REC considered costs for tenant improvements, rental loss during vacancy, operating costs during vacancy and broker/marketing costs for the currently vacant space. Increased costs that might occur for paying the above mentioned costs are considered separately in the expected amount, based on the provided rental information.

In line with common valuation practice an additional risk discount is applied when assessing the letting costs for vacant space.

Other value-influencing factors
BNPP REC considered under other value influencing factors further incidents having an impact on value such as rental loss resulting from future lease starts, penalty payments, outstanding incentives (rent-free periods, tenant improvements), upcoming step rents and the like.

Gross Investment Value
The Gross Investment Value of the property is derived from the capital value, the letting costs for vacant space and the other value-influencing factors in the amount.

Net Investment Value
The Gross Investment Value less the calculated purchaser's costs gives the Net Investment Value of the property. In line with common market practice purchaser's costs include land transfer tax, notary fee and brokerage.

B) Comparison method (sales prices condominiums)

In line with common market practice condominiums and saleable parking units are valued on the basis of comparable transactions as at the date of valuation on 30 September 2017. For purposes of this market value appraisal, consistently with the recommendations of the International Valuation Standards (IVS) and the RICS Valuation – Global Standards 2017, we applied the comparison method.

We have been informed by the client about the disposal status of the respective developments and the sales prices of the already sold units, including commercial units, condominiums and parking units. The project value is therefore derived from the sales prices as provided by the client for the already sold units and the sales prices for the remaining units derived from comparative transactions and offers. The sales price for the remaining units is discounted over an appropriate marketing period.

C) Investment method and comparison method (sales price condominiums and direct capitalisation)

In the case that the subject property consists of different utilisations by means of a mixture of income generating lettable spaces and saleable units as condominiums and parking units, BNPP REC applied the valuation methods as depicted under A) and B) for the respective parts of the subject property.

2.2.3 Investment costs

Building costs
The building costs include costs for prepare and development of the site (cost type 200 acc. to DIN 276), construction costs (cost types 300 and 400), costs for outdoor facilities (cost type 500), costs for equipment (cost type 600) and construction soft costs (cost type 700). BNPP REC has also allowed for a percentage for contingency.

For the purpose of this valuation BNPP REC has been provided by the client with the development calculations. The reported costs have been checked for plausibility. Costs for cost type 200 have been considered as provided by the client as they contain cost approaches for infrastructural works, demolition (if necessary) and decontamination (if necessary). The approaches for cost type 300 and 400 have been derived from market benchmarks considering the building quality as well as the location of the subject property.

Furthermore, cost type 500 has been taken into account at normal market rates. Cost type 600 has been adapted as provided by the client. The construction soft costs (cost type 700) have also been derived from comparative figures considering the complexity of the respective project development with regard to new constructions and refurbishments as a percentage of cost types 200 to 600. Additionally we have allowed contingency as a percentage of the building costs.

Financing costs
Debt financing of 50% during the construction phase has been considered for total building costs (cost types 200 to 700) inclusive contingency.

Risk and profit
For the project developments we have considered an appropriate level of developer's profit according to the planning status.

Gross Residual Value for the site
The financing costs for the purchase of the site are applicable to the hold-back period (planning phase and construction phase). This results in a Gross Residual Value for the site.

Net Residual Value
The Gross Residual Value less the calculated purchaser's costs gives the Net Residual Value of the property. In line with common market practice purchaser's costs include land transfer tax, notary fee and brokerage.

2.3 Investment Value based on Residual Value

The Investment Value for the cluster of the projects under development and distribution is either based on, if the development status is 0%, the Residual Value (without consideration of development status) as described under no. 4.2.2 and no. 4.2.3 of this report or if the development status is above 0% the Investment Value is based on the Residual Value (As Is).

Residual Value (As Is)
To calculate the Residual Value (As Is) we have analysed the development status, meaning the already invested costs as provided by the client in relation to the total construction costs as provided by the client (cost type 200-600), as well as the disposal status as provided by the client. BNPP REC has not relied on the development status as reported by the client within the project calculations as this percentage includes acquisition and internal costs.

In a first step, the total construction costs (cost type 200-700 incl. financing costs) as assessed within the calculation of the Residual Value without considering the development status as described under no. 2.2 have been adjusted with the development status. Moreover, the assessed marketing costs have been adjusted with the disposal status, resulting in the adjusted Gross Residual Value before profit and risk share. The assessed profit and risk share was adjusted equally in each case with the development status and the disposal status. Financing costs for the resulting Gross Residual Value have been considered for the remaining construction period. To finally derive the Net Residual Value (As Is) we have adjusted the purchaser's costs with the development status.

2.4 Land value

In accordance with property market practice, the value of plots of land is generally assessed by means of comparative values. For the purposes of this appraisal, in accordance with the recommendations of the Royal Institution of Chartered Surveyors (Red Book), the "Comparative Value Method" was applied in assessing the Land Value.

Instead of purchase prices for comparable sites, relevant standard land values (Bodenrichtwerte) can also be applied in assessing the value of a plot of land. Standard land values are ascertained by means of the purchase price collection and taking into consideration the state of development of the site. They are comprehensively ascertained average values. If the area is developed, the value of the fictitious undeveloped land is reported. The defined standard land value zones comprise those territories that largely correspond in terms of land-use type and land-use intensity.

In Germany the officially appointed Committee of Valuers (Gutachterausschuss) assess the Land Values.

Deviations between the condition of the subject site and the reference site must be taken into account in accordance with local property market practice.

For the purpose of this valuation we have been provided with the respective net development land sizes, which we have used accordingly to derive the Land Value of the subject properties.

In the case that the respective properties are let as at the date of valuation we have considered the remaining income over an appropriate potential planning period and discounted the Land Value accordingly.

BNP PARIBAS REAL ESTATE

3 MARKET VALUE

3 MARKET VALUE

3.1 General remarks

The Subject Portfolio consists of sites in different development stages. We have clustered the valuation units according to their conditions and have assessed different valuation methods to derive the Market Value.

As instructed, the following development projects, which according to information received from the client have an aggregate expected sales volume for fully developed projects of 359 million EUR, were not considered in the derived market value:

- Land development, Wiesbaden-Delkenheim
- Fermont, Frankfurt
- Lange Straße, Frankfurt
- Essener Straße, Hamburg
- Schulterblatt, Hamburg
- Ottobrunner Straße, Munich

The exclusion of the above-mentioned projects from the determination of the derived market value is due to the fact that although the necessary approvals to changes in zoning have already been negotiated with the relevant authorities, the initial step of the start of the process of publicizing this decision is still pending (e.g., resolution by the city parliament to set up a zoning plan and the integration of extensions of already implemented procedures or the participation of representatives of the district for zoning rights according to §34 BauGB).

3.2 Derived Market Value

3.2.1 Market Value

On the date of valuation 30 September 2017 the aggregated Market Value of the Subject Portfolio, consisting of 51 properties, split in 86 valuation units, is assessed as:

867,900,623 EUR
=============
(in words: Eight hundred sixty seven Million, nine hundred Thousand, six hundred twenty three Euro)

3.2.2 Summary of values

The Market Value for the Portfolio is derived pursuant to the International Valuation Standards and, in accordance with standard property market practice in normal business transactions from the Investment Value, the Residual Value or Land Value as appropriate. The value was ascertained in line with value levels conformant with the property market on the date of valuation. For this reason, no specific adjustment for the property market's situation needed to be made.

On the date of valuation 30 September 2017 the Market Values for the Properties were ascertained as follows:

UID	City	Street	MV derived from	Market Value
1	Berlin	Chausseestraße 37	Sales price condominiums	689,756
2	Berlin	Stallschreiber Straße BA 1	Residual value (As Is)	41,700,000
3	Berlin	Stallschreiber Straße BA 3	Residual value (As Is)	51,500,000
4	Berlin	Stallschreiber Straße BA 4	Residual value (As Is)	3,900,000
5	Berlin	Wendenschlossstraße 142	Residual value (As Is)	8,500,000
6	Berlin	Wendenschlossstraße 142	Residual value (without dev. status)	4,500,000
7	Berlin	Wendenschlossstraße 142	Investment value	13,200,000
10	Bonn	Sebastianstraße 180	Land value	1,340,000
11	Bonn	Sebastianstraße 180	Residual value (without dev. status)	3,900,000
12	Bonn	Sebastianstraße 180	Residual value (without dev. status)	11,300,000
14	Bonn	Siemensstraße 21-23 - MW1	Residual value (without dev. status)	4,200,000
15	Bonn	Siemensstraße 21-23 - MW2	Residual value (without dev. status)	5,700,000
16	Bonn	Siemensstraße 21-23 - ETW 2	Residual value (without dev. status)	1,620,000
17	Bonn	Siemensstraße 21-23 - ETW1	Residual value (without dev. status)	3,700,000
18	Bonn	Siemensstraße 21-23 - GE	Sales price condominiums	16,000,000
19	Dusseldorf	Moselstraße	Sales price condominiums	839,000

UID	City	Street	MV derived from	Market Value
20	Dusseldorf	Niederkasseler Lohweg 20	Residual value (As Is)	13,900,000
23	Dusseldorf	Gerresheimer Landstraße 75	Residual value (without dev. status)	7,600,000
24	Dusseldorf	Gerresheimer Landstraße 75	Residual value (without dev. status)	1,420,000
25	Dusseldorf	Gerresheimer Landstraße 75	Land value	4,600,000
26	Dusseldorf	Gerresheimer Landstraße 75	Residual value (without dev. status)	6,400,000
27	Dusseldorf	Gerresheimer Landstraße 75	Residual value (without dev. status)	6,600,000
28	Dusseldorf	Gerresheimer Landstraße 75	Residual value (without dev. status)	5,500,000
29	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Residual value (without dev. status)	6,400,000
30	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Residual value (without dev. status)	8,900,000
31	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Residual value (without dev. status)	4,600,000
32	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Residual value (without dev. status)	9,700,000
33	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Residual value (without dev. status)	10,600,000
331	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Residual value (without dev. status)	7,100,000
332	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Residual value (without dev. status)	5,100,000
34	Frankfurt am Main	Nordendstraße 50	Residual value (As Is)	3,100,000
35	Frankfurt am Main	Niddastraße 27	Sales price condominiums	421,050
36	Frankfurt am Main	Richard-Wagner-Straße 14	Residual value (As Is)	61,600,000

UID	City	Street	MV derived from	Market Value
40	Frankfurt am Main	Richard-Wagner-Straße 14	Sales price condominiums	7,006,017
41	Frankfurt am Main	Leonardo-da-Vinci-Allee	Residual value (As Is)	18,700,000
42	Frankfurt am Main	Friedberger Landstraße	Residual value (without dev. status)	13,100,000
44	Frankfurt am Main	Ginnheimer Straße 1-3	Residual value (without dev. status)	20,100,000
46	Frankfurt am Main	Steinbacher Hohl 72-74	Residual value (without dev. status)	6,100,000
47	Freiburg	Eugen-Martin-Str.	Residual value (As Is)	16,700,000
48	Hamburg	Harkortstraße	Residual value (As Is)	53,600,000
49	Hamburg	Harkortstraße	Residual value (As Is)	25,600,000
50	Hamburg	Harkortstraße	Residual value (As Is)	39,600,000
55	Hamburg	Friedrichsbergerstr. 53	Sales price condominiums	20,000
56	Hamburg	Friedrichsbergerstr. 53	Sales price condominiums	380,000
58	Herrenberg	Schwarzwaldstraße	Residual value (As Is)	4,600,000
59	Cologne	Luftschiff-Platz 1	Residual value (As Is)	21,700,000
60	Leipzig	Wilhelm-Sammet-Str. 93	Residual value (As Is)	3,900,000
61	Leipzig	Hans-Driesch-Str. 54	Residual value (without dev. status)	5,200,000
62	Leipzig	Wilhelm-Sammet-Str. 93	Residual value (As Is)	3,000,000
63	Leipzig	Breslauer Straße 56	Land value	100,000
64	Leipzig	Friedrich-Ebert-Str. 112	Residual value (without dev. status)	1,070,000

UID	City	Street	MV derived from	Market Value
65	Leipzig	Kantstr. 55-57	Residual value (without dev. status)	1,670,000
66	Leipzig	Altranstädter Str. 28	Land value	70,000
68	Leipzig	Fregestr. 1 + 3	Residual value (without dev. status)	1,200,000
73	Leipzig	Virchowstr. 41+43	Residual value (As Is)	5,600,000
74	Leipzig	Kantstr. 59a+b	Residual value (As Is)	1,930,000
75	Leipzig	Kantstr. 61a+b	Residual value (As Is)	1,940,000
76	Leipzig	Kantstr. 63a+b	Residual value (As Is)	2,000,000
77	Leipzig	Karl-Liebknecht-Str. 119	Residual value (As Is)	500,000
78	Leipzig	Kolonnadenstr. 9	Residual value (As Is)	3,200,000
79	Leipzig	Mühlenstr. 17	Residual value (As Is)	12,400,000
80	Leipzig	Mühlenstr. 19, 19a	Residual value (As Is)	1,970,000
82	Leipzig	Theodor-Neubauer-Str. 1	Investment value	920,000
84	Leipzig	Olbrichtstr. 5	Residual value (As Is)	12,700,000
85	Leipzig	Olbrichtstr. 5	Residual value (As Is)	4,700,000
86	Leipzig	Olbrichtstr. 5	Residual value (As Is)	3,500,000
87	Leipzig	Olbrichtstr. 5	Residual value (As Is)	9,300,000
88	Leipzig	Olbrichtstr. 5	Residual value (As Is)	5,700,000
89	Leipzig	Olbrichtstr. 5	Residual value (As Is)	1,930,000
92	Leipzig	Holbeinstr. 28	Residual value (without dev. status)	850,000
93	Leipzig	Holbeinstr. 30	Residual value (without dev. status)	840,000
94	Leipzig	Kurt-Eisner-Str. 45	Residual value (As Is)	2,200,000

UID	City	Street	MV derived from	Market Value
101	Leipzig	Martin-Drucker-Str.; Fleißnerstr. 10,11	Residual value (As Is)	7,000,000
102	Leipzig	Chemnitzer Str. 50	Residual value (As Is)	18,000,000
103	Leipzig	Chemnitzer Str. 50	Residual value (without dev. status)	1,330,000
104	Leipzig	Chemnitzer Str. 50	Residual value (As Is)	4,100,000
108	Leipzig	Thüringer Str. 6	Investment value	520,000
109	Mannheim	Thomas-Jefferson-Straße	Residual value (As Is)	2,600,000
110	Mannheim	Thomas-Jefferson-Straße	Residual value (As Is)	4,700,000
111	Mannheim	Thomas-Jefferson-Straße	Sales price condominiums	3,804,800
112	Munich	Theresienstraße 71 a und 75	Residual value (As Is)	41,400,000
113	Munich	Theresienstraße 71 a und 75	Residual value (As Is)	52,500,000
114	Stuttgart	Maybachstraße	Residual value (As Is)	23,100,000
116	Ulm	Steinhövelstr. 9	Residual value (As Is)	28,100,000
118	Wiesbaden	Rheinstraße 5	Residual value (As Is)	27,400,000
119	Wolfratshausen	Bahnhofstrasse 22	Investment value	1,620,000
Total				**867,900,623**

3.3 Notes

Explicit attention is drawn to the conditions (appendix 3 to this report) and special assumptions (No. 1 of this Report) of this valuation.

In addition we refer to the terms and conditions of BNPP REC as attached in the appendix to this Report.

The ascertained Market Values are based largely on figures and information which we have included in the valuation without further examination. Any change in this figures e.g. the lease contracts assumed as instructed or the area figures employed can impact substantially on the value.

This valuation Report is subject to copyright. It is intended for the exclusive use of the named Client, and solely for the stated purpose (No. 1 of this Report). The valuation contract is an agreement between the named parties only, and they alone are therefore entitled to assert rights in connection with it. Third parties are expressly prohibited from making use of this Report or its findings.

The use of these professional statements by BNPP REC for advertising purposes is not permitted.

The statements and forecasts made in this Report have been drawn up with all due care. They presuppose stable economic and political conditions. As far as possible, the data was verified by drawing on the sources used and our own inquiries. BNPP REC can accept no liability for the full validity, in particular of the forecasts or the marketing possibilities.

Completed:
Frankfurt am Main, 20 December 2017

This Report is 22 pages long plus appendices.

BNP Paribas Real Estate Consult GmbH

Manuel Westphal FRICS
Managing Director

ppa. Anne Tonscheidt MRICS
Regional Director

i.V. Anne Schondey MRICS
Associate Director

Appendices:

(1) Appendix 1 - Results summary

(2) BNPP REC’s General Terms and Conditions

BNP PARIBAS REAL ESTATE

86							2,354,804,712	277,359,674	317,000,000	6,110,000			
100%							100%	100%	100%	100%			
86							2,354,804,712	277,359,674	317,000,000	6,110,000			

							Project Estimate / Already achieved sales prices			Land value	Residual calculation			
UID	ZIP	City	Street	Project name extern	Instone Projekt ID	MV based on	Sales Price condominiums in EUR	Instone block sales price in EUR	Investment Value in EUR	Land Value incl. remaining income in EUR	Development status in % (already invested costs (cost type 200-500)/prognosted costs (cost type 200-500))	Disposal status in %	Start of construction	Date of completion
1	10115	Berlin	Chausseestraße 37	Chausseestraße 37	BG01094	Sales price condominiums	689,756	0	0	0	-	-	-	-
2	10179	Berlin	Stallschreiber Straße BA 1	QStall1	FG00062	Residual value (As Is)	91,008,310	0	0	0	6.28%	52.27%	1. Oct. 17	1. May. 19
3	10969	Berlin	Stallschreiber Straße BA 3	QStall3	FG00063	Residual value (As Is)	125,569,720	0	0	0	3.98%	0.00%	1. May. 18	1. Apr. 20
4	10969	Berlin	Stallschreiber Straße BA 4	QStall4	FG00064	Residual value (As Is)	0	15,930,202	0	0	16.32%	100.00%	1. Aug. 17	1. May. 19
5	12557	Berlin	Wendenschlossstraße 142	Wendenschloss Neubau	FG00088	Residual value (As Is)	70,501,100	0	0	0	0.55%	0.00%	1. Mar. 19	1. Mar. 21
6	12557	Berlin	Wendenschlossstraße 142	Wendenschloss Loft	FG00089	Residual value (without dev. status)	23,655,000	0	12,000,000	0	0.00%	0.00%	1. Nov. 18	1. Feb. 20
7	12557	Berlin	Wendenschlossstraße 142	Wendenschloss Gewerbe	FG00090	Investment value	0	0	13,200,000	0	-	-	-	-
10	53115	Bonn	Sebastianstraße 180	Grdst. Bonn BF A Pflege-Grundstück	FG00082	Land value	0	0	0	1,340,000	-	-	-	-
11	53115	Bonn	Sebastianstraße 180	Grdst. Bonn BF B/C	FG00083	Residual value (without dev. status)	7,554,250	0	9,200,000	0	0.00%	0.00%	1. Jul. 18	1. May. 20
12	53115	Bonn	Sebastianstraße 180	Grdst. Bonn BF D/E/F	FG00084	Residual value (without dev. status)	44,814,800	0	0	0	0.00%	0.00%	1. Jan. 19	1. Dec. 20
14	53121	Bonn	Siemensstraße 21-23 - MW1	west.side MW1	FZ13003	Residual value (without dev. status)	0	36,103,992	0	0	0.00%	0.00%	30. Sep. 18	30. Jun. 20
15	53121	Bonn	Siemensstraße 21-23 - MW2	west.side MW2	FZ13004	Residual value (without dev. status)	0	48,196,008	0	0	0.00%	0.00%	1. Jun. 18	31. Mar. 20
16	53121	Bonn	Siemensstraße 21-23 - ETW 2	west.side ETW2	FZ13006	Residual value (without dev. status)	27,599,062	0	0	0	0.00%	0.00%	1. Aug. 19	1. Jun. 21
17	53121	Bonn	Siemensstraße 21-23 -ETW1	west.side ETW1	FZ13005	Residual value (without dev. status)	43,821,569	0	0	0	0.00%	0.00%	1. Dec. 20	1. Dec. 22
18	53121	Bonn	Siemensstraße 21-23 - GE	west.side GE-Grundstücke	FZ13002	Sales price condominiums	0	16,000,000	0	0	-	-	-	-
19	40219	Dusseldorf	Moselstraße	Nemo 33, Düsseldorf Moselstraße	BG01032	Sales price condominiums	839,000	0	0	0	-	-	-	-
20	40547	Dusseldorf	Niederkasseler Lohweg 20	Niederkasseler Lohweg Düsseldorf	FG00053	Residual value (As Is)	49,255,400	0	23,000,000	0	0.15%	0.00%	1. Mar. 19	30. Nov. 20
23	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. GHL 71/75	FG00076	Residual value (without dev. status)	0	0	39,200,000	0	0.00%	0.00%	1. Jun. 19	1. Mar. 21
24	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. SW-Grundstücke	FG00077	Residual value (without dev. status)	0	0	12,700,000	0	0.00%	0.00%	1. Jul. 19	1. Oct. 19
25	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. EFH-Grundstücke	FG00078	Land value	0	0	0	4,600,000	-	-	-	-
26	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. Scholle 1	FG00079	Residual value (without dev. status)	31,094,148	0	0	0	0.00%	0.00%	1. Jul. 19	1. Mar. 21
27	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. Scholle 2	FG00080	Residual value (without dev. status)	32,907,176	0	0	0	0.00%	0.00%	1. Mar. 20	1. Jan. 22
28	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. Scholle 3	FG00081	Residual value (without dev. status)	28,412,800	0	0	0	0.00%	0.00%	1. Jun. 21	1. Apr. 23
29	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 1	FG00091	Residual value (without dev. status)	30,279,950	0	7,900,000	0	0.00%	0.00%	1. Jan. 19	1. Dec. 20
30	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 2	FG00092	Residual value (without dev. status)	42,883,500	0	11,200,000	0	0.00%	0.00%	1. Mar. 19	31. Dec. 20
31	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 3	FG00093	Residual value (without dev. status)	22,586,500	0	5,900,000	0	0.00%	0.00%	1. Mar. 20	31. Dec. 21
32	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 4	FG00094	Residual value (without dev. status)	47,677,000	0	12,400,000	0	0.00%	0.00%	1. Jul. 20	31. Dec. 21
33	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 5	FG00095	Residual value (without dev. status)	53,574,000	0	13,900,000	0	0.00%	0.00%	1. Feb. 21	1. Dec. 22
331	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 6	FG00096	Residual value (without dev. status)	36,293,000	0	9,400,000	0	0.00%	0.00%	1. Mar. 21	1. Jan. 23
332	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 7	FG00098	Residual value (without dev. status)	26,670,000	0	6,900,000	0	0.00%	0.00%	1. Aug. 22	1. Jun. 24
34	60318	Frankfurt am Main	Nordendstraße 50	Schwesternwohnheim Marie	FG00059	Residual value (As Is)	0	11,282,000	0	0	0.39%	100.00%	1. Apr. 18	1. Nov. 20
35	60329	Frankfurt am Main	Niddastraße 27	Niddastraße, Frankfurt	FG00007	Sales price condominiums	421,050	0	0	0	-	-	-	-
36	60318	Frankfurt am Main	Richard-Wagner-Straße 14	St. Marienkrankenhaus	FG00041	Residual value (As Is)	178,841,873	0	0	0	0.07%	0.00%	1. Mar. 18	1. Sep. 21
40	60318	Frankfurt am Main	Richard-Wagner-Straße 14	Grundstücksverkauf Bürgerhospital	FG00058	Sales price condominiums	0	7,006,017	0	0	-	-	-	-
41	60486	Frankfurt am Main	Leonardo-da-Vinci-Allee	Rebstock BF 1.2	FG00060	Residual value (As Is)	0	49,225,094	0	0	0.01%	100.00%	1. Oct. 17	1. Dec. 19
42	60389	Frankfurt am Main	Friedberger Landstraße	Friedberger Landstraße, Frankfurt	FG00125	Residual value (without dev. status)	305,085,000	0	0	0	0.00%	0.00%	1. Sep. 19	31. Mar. 25
44	60487	Frankfurt am Main	Ginnheimer Straße 1-3	Elisabethen Areal	FG00100	Residual value (without dev. status)	50,421,000	0	9,300,000	0	0.00%	0.00%	1. Sep. 19	1. Sep. 21
46	60488	Frankfurt am Main	Steinbacher Hohl 72-74	Steinbacher Hohl	FG00106	Residual value (without dev. status)	0	41,095,152	0	0	0.00%	0.00%	1. Jun. 19	1. Jun. 21
47	79106	Freiburg	Eugen-Martin-Str.	Freiburg Güterbahnhof (Eugen-Martin-Str)	FG00042	Residual value (As Is)	20,493,737	0	0	0	67.88%	94.39%	1. Jul. 16	1. Feb. 18
48	22765	Hamburg	Harkortstraße	NMA BF6	FG00028	Residual value (As Is)	54,884,076	0	0	0	95.72%	100.00%	1. Dec. 15	31. Oct. 17
49	22765	Hamburg	Harkortstraße	NMA BF Halb7	FG00029	Residual value (As Is)	29,365,615	0	0	0	76.04%	100.00%	1. Jun. 16	1. Mar. 18
50	22765	Hamburg	Harkortstraße	NMA BF5	FG00030	Residual value (As Is)	59,864,783	0	0	0	35.69%	93.92%	1. Dec. 16	28. Feb. 19
55	22081	Hamburg	Friedrichsbergerstr. 53	Fr.53 HH-BT Anbau u.TG	GE30701	Sales price condominiums	20,000	0	0	0	-	-	-	-
56	22081	Hamburg	Friedrichsbergerstr. 53	Fr.53 HH-BT Wohnen	GE30702	Sales price condominiums	380,000	0	0	0	-	-	-	-
58	71083	Herrenberg	Schwarzwaldstraße	Herrenberg - Schwarzwaldstraße	FG00111	Residual value (As Is)	32,069,176	0	2,400,000	0	0.02%	0.00%	1. Jun. 19	30. Nov. 20
59	50735	Cologne	Luftschiff-Platz 1	Halle 17 - Clouth - Areal	FG00020	Residual value (As Is)	30,734,999	0	0	0	63.20%	94.05%	1. Jul. 16	1. Jul. 18
60	04157	Leipzig	Wilhelm-Sammet-Str. 93	Bleichert Werke, Haus 13 und Parkhaus	GE30001	Residual value (As Is)	10,394,056	0	0	0	11.08%	100.00%	1. Feb. 17	1. Nov. 18
61	04179	Leipzig	Hans-Driesch-Str. 54	Theaterfabrik	GE30003	Residual value (without dev. status)	26,250,000	0	0	0	0.00%	0.00%	1. Jun. 20	1. Nov. 21
62	04157	Leipzig	Wilhelm-Sammet-Str. 93	Bleichert Werke, Haus 1 und Parkhaus	GE30004	Residual value (As Is)	9,491,013	0	0	0	3.15%	100.00%	1. Jun. 17	1. Dec. 18
63	04299	Leipzig	Breslauer Straße 56	Breslauer Straße	GE30101	Land value	0	0	0	100,000	-	-	-	-
64	04105	Leipzig	Friedrich-Ebert-Str. 112	Friedrich-Ebert-Str. 112	GE30102	Residual value (without dev. status)	9,480,000	0	0	0	0.00%	0.00%	1. May. 18	1. May. 20
65	04275	Leipzig	Kantstr. 55-57	Kantstr. 55+57	GE30103	Residual value (without dev. status)	5,705,000	0	0	0	0.00%	0.00%	1. Nov. 18	1. Aug. 20

UID	ZIP	City	Street	Project name extern	Instone Projekt ID	MV based on	Project Estimate / Already achieved sales prices: Sales Price condominiums in EUR	Instone block sales price in EUR	Investment Value in EUR	Land value: Land Value incl. remaining income in EUR	Residual calculation: Development status in % (already invested costs (cost type 200-500)/prognosted costs (cost type 200-500))	Disposal status in %	Start of construction	Date of completion
86 100% 86							2,354,804,712 100% 2,354,804,712	277,359,674 100% 277,359,674	317,000,000 100% 317,000,000	6,110,000 100% 6,110,000				
66	04229	Leipzig	Altranstädter Str. 28	Altranstädter - Grundstück	GE30301	Land value	0	0	0	70,000	-	-	-	-
68	04105	Leipzig	Fregestr. 1 + 3	Fregestr. 1 und 3	GE30305	Residual value (without dev. status)	4,120,000	0	0	0	0.00%	0.00%	1. Jan. 19	1. Nov. 20
73	04157	Leipzig	Virchowstr. 41+43	Gohlis Carré 4-Neubau	GE30310	Residual value (As Is)	0	5,730,049	0	0	97.60%	100.00%	1. Jun. 16	1. Oct. 17
74	04275	Leipzig	Kantstr. 59a+b	Kantstr. 59a+b	GE30311	Residual value (As Is)	6,370,000	0	0	0	1.67%	0.00%	1. Sep. 18	1. May. 20
75	04275	Leipzig	Kantstr. 61a+b	Kantstr. 61a+b	GE30312	Residual value (As Is)	6,369,720	0	0	0	1.47%	0.00%	1. Jun. 18	1. Dec. 19
76	04275	Leipzig	Kantstr. 63a+b	Kantstr. 63a+b	GE30313	Residual value (As Is)	6,534,360	0	0	0	1.47%	0.00%	30. Sep. 17	1. Dec. 19
77	04275	Leipzig	Karl-Liebknecht-Str. 119	Karl-Liebknecht-Str. 119	GE30314	Residual value (As Is)	4,340,000	0	0	0	0.07%	0.00%	1. Apr. 18	1. Feb. 20
78	04109	Leipzig	Kolonnadenstr. 9	Kolonnadenstraße 9	GE30315	Residual value (As Is)	3,429,917	0	0	0	86.45%	100.00%	12. Jun. 16	1. Oct. 17
79	04159	Leipzig	Mühlenstr. 17	Mühle-Haupt und Inselgebäude	GE30316	Residual value (As Is)	23,177,936	0	0	0	33.25%	100.00%	25. Aug. 16	1. Nov. 18
80	04159	Leipzig	Mühlenstr. 19, 19a	Mühle-Remise	GE30317	Residual value (As Is)	3,085,353	0	0	0	30.87%	100.00%	1. Feb. 17	30. Nov. 18
82	04318	Leipzig	Theodor-Neubauer-Str. 1	Theodor-Neubauer-Str.1	GE30321	Investment value	3,640,000	0	920,000	0	-	-	-	-
84	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 1.BA	GE30326	Residual value (As Is)	34,805,315	0	0	0	5.02%	100.00%	30. Sep. 17	31. May. 19
85	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 2.BA	GE30327	Residual value (As Is)	14,808,325	0	0	0	4.37%	100.00%	1. Sep. 17	1. Jun. 19
86	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 3.BA	GE30328	Residual value (As Is)	13,232,223	0	0	0	1.73%	80.05%	1. Nov. 17	30. Nov. 19
87	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 4.BA	GE30329	Residual value (As Is)	26,931,437	0	0	0	3.29%	100.00%	1. Nov. 17	1. Mar. 20
88	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 5.BA-Neubau	GE30330	Residual value (As Is)	26,749,619	0	0	0	1.70%	15.34%	1. Nov. 17	1. May. 19
89	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 6-BA-Neubau	GE30331	Residual value (As Is)	0	6,675,001	0	0	3.42%	100.00%	1. Feb. 18	1. Apr. 20
92	04229	Leipzig	Holbeinstr. 28	Holbeinstr. 28	GE30501	Residual value (without dev. status)	3,459,261	0	0	0	0.00%	0.00%	1. Nov. 18	1. Sep. 20
93	04229	Leipzig	Holbeinstr. 30	Holbeinstr. 30	GE30502	Residual value (without dev. status)	3,233,646	0	0	0	0.00%	0.00%	1. Nov. 18	1. Aug. 20
94	04275	Leipzig	Kurt-Eisner-Str. 45	Rohbau/Leifra	GE30503	Residual value (As Is)	0	5,000,000	0	0	2.70%	100.00%	1. May. 17	1. Sep. 18
101	04157	Leipzig	Martin-Drucker-Str.; Fleißnerstr. 10,	Sporthalle TKK	GE30510	Residual value (As Is)	9,976,541	0	0	0	56.23%	100.00%	20. Jun. 16	1. Jan. 18
102	04289	Leipzig	Chemnitzer Str. 50	Parkresidenz Leipzig-Altbau	GE30901	Residual value (As Is)	118,993,235	0	1,340,000	0	0.25%	0.00%	1. Oct. 18	1. Apr. 21
103	04289	Leipzig	Chemnitzer Str. 50	Parkkrankenhaus-Kita-Versorger	GE30903	Residual value (without dev. status)	3,690,000	0	8,700,000	0	0.00%	0.00%	1. Oct. 19	1. Aug. 21
104	04289	Leipzig	Chemnitzer Str. 50	Parkresidenz Leipzig-Neubau	GE30905	Residual value (As Is)	63,204,832	0	0	0	0.15%	0.00%	1. Jun. 19	1. Sep. 21
108	04179	Leipzig	Thüringer Str. 6	Thüringer Str. 6	GE31104	Investment value	0	0	520,000	0	-	-	-	-
109	68309	Mannheim	Thomas-Jefferson-Straße	MA Franklin, ETW	FG00073	Residual value (As Is)	32,896,262	0	0	0	0.03%	0.00%	1. Feb. 18	1. Feb. 20
110	68309	Mannheim	Thomas-Jefferson-Straße	MA Franklin, MWB	FG00074	Residual value (As Is)	0	31,311,359	0	0	0.00%	100.00%	1. Feb. 18	1. Dec. 19
111	68309	Mannheim	Thomas-Jefferson-Straße	MA Franklin, Bestand	FG00075	Sales price condominiums	0	3,804,800	0	0	-	-	-	-
112	80333	München	Theresienstraße 71 a und 75	München, Theresienstr. BA I	FG00049	Residual value (As Is)	62,817,056	0	0	0	30.00%	84.32%	1. Feb. 16	1. Nov. 18
113	80333	München	Theresienstraße 71 a und 75	München, Theresienstr. BA II	FG00050	Residual value (As Is)	74,558,536	0	0	0	41.52%	80.54%	1. Oct. 16	1. Nov. 18
114	70469	Stuttgart	Maybachstraße	City Prag (Theaterviertel)	FG00039	Residual value (As Is)	0	0	115,300,000	0	1.26%	0.00%	1. Feb. 19	1. Aug. 21
116	89075	Ulm	Steinhövelstr. 9	ULM Wohnen am Safranberg	FG00046	Residual value (As Is)	49,018,079	0	0	0	42.96%	99.95%	11. Jul. 16	1. Oct. 18
118	65185	Wiesbaden	Rheinstraße 5	Wiesbaden Wilhelmstraße	FZ13201	Residual value (As Is)	93,775,640	0	0	0	0.06%	20.68%	1. Nov. 17	30. Nov. 19
119	82515	Wolfratshausen	Bahnhofstrasse 22	München, WA Wolfratshausen	BG00895	Investment value	0	0	1,620,000	0	-	-	-	-
@	@	@	@	@	@	@	@	@	@	@	@	@	@	@

BNP PARIBAS
REAL ESTATE

86							-1,526,431,877	-37,016,090	-127,451,143	-530,045,873	-41,926,084	-40,543,219	596,850,000
100%							100%	100%	100%	100%	100%	100%	100%
86							-1,526,431,877	-37,016,090	-127,451,143	-530,045,873	-41,926,084	-40,543,219	596,850,000

UID	ZIP	City	Street	Project name extern	Instone Projekt ID	MV based on	Residual Value (without cons. of dev. status) Construction costs without site incl. soft costs and contingency in EUR	Costs of financing (50% of construction costs on construction period) (for Residual Value without cons. of dev. status)	Marketing total incl. void and brokerage	Risk discount (absolut) as reflected within Residual Value without dev. status	Gross costs of financing Residual Value during construction period (for Residual Value without cons. of dev. status)	Purchaser's costs	Net Residual Value (without cons. of dev. status) in EUR
1	10115	Berlin	Chausseestraße 37	Chausseestraße 37	BG01094	Sales price condominiums	0	0	0	0	0	0	0
2	10179	Berlin	Stallschreiber Straße BA 1	QStall1	FG00062	Residual value (As Is)	-35,442,010	-561,165	-4,550,416	-13,651,247	-1,165,443	-2,486,374	33,200,000
3	10969	Berlin	Stallschreiber Straße BA 3	QStall3	FG00063	Residual value (As Is)	-43,878,757	-841,010	-6,278,486	-18,835,458	-2,786,800	-3,694,131	49,300,000
4	10969	Berlin	Stallschreiber Straße BA 4	QStall4	FG00064	Residual value (As Is)	-13,202,230	-231,039	-159,302	-1,593,020	-26,061	-50,131	670,000
5	12557	Berlin	Wendenschlossstraße 142	Wendenschloss Neubau	FG00088	Residual value (As Is)	-39,023,511	-780,470	-3,525,055	-17,625,275	-652,364	-620,541	8,300,000
6	12557	Berlin	Wendenschlossstraße 142	Wendenschloss Loft	FG00089	Residual value (without dev. status)	-19,879,751	-248,497	-1,517,718	-8,913,750	-237,780	-338,896	4,500,000
7	12557	Berlin	Wendenschlossstraße 142	Wendenschloss Gewerbe	FG00090	Investment value	0	0	0	0	0	0	0
10	53115	Bonn	Sebastianstraße 180	Grdst. Bonn BF A Pflege-Grundstück	FG00082	Land value	0	0	0	0	0	0	0
11	53115	Bonn	Sebastianstraße 180	Grdst. Bonn BF B/C	FG00083	Residual value (without dev. status)	-8,985,427	-164,733	-676,624	-2,513,138	-228,074	-310,093	3,900,000
12	53115	Bonn	Sebastianstraße 180	Grdst. Bonn BF D/E/F	FG00084	Residual value (without dev. status)	-22,434,024	-429,985	-2,240,740	-6,722,220	-822,563	-901,131	11,300,000
14	53121	Bonn	Siemensstraße 21-23 - MW1	west.side MW1	FZ13003	Residual value (without dev. status)	-24,824,893	-434,436	-598,510	-5,415,599	-265,681	-338,139	4,200,000
15	53121	Bonn	Siemensstraße 21-23 - MW2	west.side MW2	FZ13004	Residual value (without dev. status)	-33,124,945	-607,291	-806,428	-7,229,401	-321,397	-452,337	5,700,000
16	53121	Bonn	Siemensstraße 21-23 - ETW 2	west.side ETW2	FZ13006	Residual value (without dev. status)	-19,831,992	-363,587	-1,379,953	-4,139,859	-138,136	-129,299	1,620,000
17	53121	Bonn	Siemensstraße 21-23 -ETW1	west.side ETW1	FZ13005	Residual value (without dev. status)	-29,972,745	-599,455	-2,191,078	-6,573,235	-463,456	-297,896	3,700,000
18	53121	Bonn	Siemensstraße 21-23 - GE	west.side GE-Grundstücke	FZ13002	Sales price condominiums	0	0	0	0	0	0	0
19	40219	Dusseldorf	Moselstraße	Nemo 33, Düsseldorf Moselstraße	BG01032	Sales price condominiums	0	0	0	0	0	0	0
20	40547	Dusseldorf	Niederkasseler Lohweg 20	Niederkasseler Lohweg Düsseldorf	FG00053	Residual value (As Is)	-38,190,700	-668,337	-3,019,369	-14,451,080	-1,008,641	-1,104,983	13,800,000
23	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. GHL 71/75	FG00076	Residual value (without dev. status)	-20,603,556	-360,562	-1,564,595	-7,840,000	-603,471	-609,468	7,600,000
24	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. SW-Grundstücke	FG00077	Residual value (without dev. status)	-8,260,042	-20,650	-284,115	-2,540,000	-63,808	-113,436	1,420,000
25	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. EFH-Grundstücke	FG00078	Land value	0	0	0	0	0	0	0
26	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. Scholle 1	FG00079	Residual value (without dev. status)	-15,673,297	-261,222	-1,554,707	-6,218,830	-504,716	-509,732	6,400,000
27	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. Scholle 2	FG00080	Residual value (without dev. status)	-16,584,743	-304,054	-1,645,359	-6,581,435	-662,285	-528,096	6,600,000
28	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. Scholle 3	FG00081	Residual value (without dev. status)	-14,345,338	-262,998	-1,420,640	-5,682,560	-737,139	-441,787	5,500,000
29	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 1	FG00091	Residual value (without dev. status)	-21,388,177	-409,940	-1,563,698	-7,635,990	-454,869	-469,345	6,300,000
30	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 2	FG00092	Residual value (without dev. status)	-30,290,670	-555,329	-2,215,064	-10,816,700	-663,373	-665,746	8,900,000
31	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 3	FG00093	Residual value (without dev. status)	-15,959,858	-292,597	-1,166,718	-5,697,300	-456,452	-342,807	4,600,000
32	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 4	FG00094	Residual value (without dev. status)	-33,680,008	-505,200	-2,460,618	-12,015,400	-970,341	-728,751	9,700,000
33	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 5	FG00095	Residual value (without dev. status)	-37,840,078	-693,735	-2,763,608	-13,494,800	-1,310,450	-793,348	10,600,000
331	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 6	FG00096	Residual value (without dev. status)	-25,638,824	-470,045	-1,871,518	-9,138,600	-900,271	-535,377	7,100,000
332	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 7	FG00098	Residual value (without dev. status)	-18,829,613	-345,210	-1,374,974	-6,714,000	-840,827	-381,305	5,100,000
34	60318	Frankfurt am Main	Nordendstraße 50	Schwesternwohnheim Marie	FG00059	Residual value (As Is)	-6,851,572	-176,999	-112,820	-1,692,300	-150,979	-160,279	2,100,000
35	60329	Frankfurt am Main	Niddastraße 27	Niddastraße, Frankfurt	FG00007	Sales price condominiums	0	0	0	0	0	0	0
36	60318	Frankfurt am Main	Richard-Wagner-Straße 14	St. Marienkrankenhaus	FG00041	Residual value (As Is)	-68,890,361	-2,411,163	-8,942,094	-26,826,281	-5,622,138	-4,615,105	61,500,000
40	60318	Frankfurt am Main	Richard-Wagner-Straße 14	Grundstücksverkauf Bürgerhospital	FG00058	Sales price condominiums	0	0	0	0	0	0	0
41	60486	Frankfurt am Main	Leonardo-da-Vinci-Allee	Rebstock BF 1.2	FG00060	Residual value (As Is)	-24,671,805	-534,556	-492,251	-6,618,764	-732,668	-1,128,492	15,000,000
42	60389	Frankfurt am Main	Friedberger Landstraße	Friedberger Landstraße, Frankfurt	FG00125	Residual value (without dev. status)	-172,185,180	-9,613,673	-15,254,250	-91,525,500	-2,475,960	-978,868	13,100,000
44	60487	Frankfurt am Main	Ginnheimer Straße 1-3	Elisabethen Areal	FG00100	Residual value (without dev. status)	-26,154,682	-523,094	-597,210	-8,958,150	-1,839,883	-1,510,324	20,100,000
46	60488	Frankfurt am Main	Steinbacher Hohl 72-74	Steinbacher Hohl	FG00106	Residual value (without dev. status)	-26,852,100	-537,042	-410,952	-6,164,273	-522,924	-461,014	6,100,000
47	79106	Freiburg	Eugen-Martin-Str.	Freiburg Güterbahnhof (Eugen-Martin-Str)	FG00042	Residual value (As Is)	-8,967,543	-141,986	-1,024,687	-3,074,061	-230,706	-430,572	6,600,000
48	22765	Hamburg	Harkortstraße	NMA BF6	FG00028	Residual value (As Is)	-22,771,881	-436,461	-2,744,204	-8,232,611	-793,459	-1,126,724	18,800,000
49	22765	Hamburg	Harkortstraße	NMA BF Halb7	FG00029	Residual value (As Is)	-11,919,936	-208,599	-1,468,281	-4,404,842	-397,738	-620,729	10,300,000
50	22765	Hamburg	Harkortstraße	NMA BF5	FG00030	Residual value (As Is)	-22,710,271	-510,981	-2,993,239	-8,979,718	-1,110,176	-1,333,607	22,200,000
55	22081	Hamburg	Friedrichsbergerstr. 53	Fr.53 HH-BT Anbau u.TG	GE30701	Sales price condominiums	0	0	0	0	0	0	0
56	22081	Hamburg	Friedrichsbergerstr. 53	Fr.53 HH-BT Wohnen	GE30702	Sales price condominiums	0	0	0	0	0	0	0
58	71083	Herrenberg	Schwarzwaldstraße	Herrenberg - Schwarzwaldstraße	FG00111	Residual value (As Is)	-22,070,703	-331,061	-1,723,459	-5,170,376	-327,660	-295,760	4,600,000
59	50735	Cologne	Luftschiff-Platz 1	Halle 17 - Clouth - Areal	FG00020	Residual value (As Is)	-20,064,145	-401,283	-1,536,750	-4,610,250	-164,903	-293,161	3,700,000
60	04157	Leipzig	Wilhelm-Sammet-Str. 93	Bleichert Werke, Haus 13 und Parkhaus	GE30001	Residual value (As Is)	-6,238,796	-109,179	-519,703	-1,559,108	-68,854	-90,401	1,810,000
61	04179	Leipzig	Hans-Driesch-Str. 54	Theaterfabrik	GE30003	Residual value (without dev. status)	-14,859,038	-210,503	-1,312,500	-3,937,500	-484,321	-259,340	5,200,000
62	04157	Leipzig	Wilhelm-Sammet-Str. 93	Bleichert Werke, Haus 1 und Parkhaus	GE30004	Residual value (As Is)	-5,779,789	-86,697	-474,551	-1,423,652	-51,790	-79,740	1,590,000
63	04299	Leipzig	Breslauer Straße 56	Breslauer Straße	GE30101	Land value	0	0	0	0	0	0	0
64	04105	Leipzig	Friedrich-Ebert-Str. 112	Friedrich-Ebert-Str. 112	GE30102	Residual value (without dev. status)	-6,273,893	-125,478	-474,000	-1,422,000	-61,206	-53,496	1,070,000
65	04275	Leipzig	Kantstr. 55-57	Kantstr. 55+57	GE30103	Residual value (without dev. status)	-2,678,391	-46,872	-285,250	-855,750	-104,195	-82,597	1,650,000

UID	ZIP	City	Street	Project name extern	Instone Projekt ID	MV based on	Residual Value (without cons. of dev. status) Construction costs without site incl. soft costs and contingency in EUR	Costs of financing (50% of construction costs on construction period) (for Residual Value without cons. of dev. status)	Marketing total incl. void and brokerage	Risk discount (absolut) as reflected within Residual Value without dev. status	Gross costs of financing Residual Value during construction period (for Residual Value without cons. of dev. status)	Purchaser's costs	Net Residual Value (without cons. of dev. status) in EUR
86							-1,526,431,877	-37,016,090	-127,451,143	-530,045,873	-41,926,084	-40,543,219	596,850,000
100%							100%	100%	100%	100%	100%	100%	100%
86							-1,526,431,877	-37,016,090	-127,451,143	-530,045,873	-41,926,084	-40,543,219	596,850,000
66	04229	Leipzig	Altranstädter Str. 28	Altranstädter - Grundstück	GE30301	Land value	0	0	0	0	0	0	0
68	04105	Leipzig	Fregestr. 1 + 3	Fregestr. 1 und 3	GE30305	Residual value (without dev. status)	-1,927,068	-35,330	-206,000	-618,000	-82,239	-59,589	1,190,000
73	04157	Leipzig	Virchowstr. 41+43	Gohlis Carré 4-Neubau	GE30310	Residual value (As Is)	-4,032,426	-53,766	-57,300	-859,507	-19,388	-33,698	670,000
74	04275	Leipzig	Kantstr. 59a+b	Kantstr. 59a+b	GE30311	Residual value (As Is)	-2,977,339	-49,622	-318,500	-955,500	-106,900	-93,435	1,870,000
75	04275	Leipzig	Kantstr. 61a+b	Kantstr. 61a+b	GE30312	Residual value (As Is)	-2,974,846	-44,623	-318,486	-955,458	-89,973	-94,587	1,890,000
76	04275	Leipzig	Kantstr. 63a+b	Kantstr. 63a+b	GE30313	Residual value (As Is)	-2,978,642	-64,537	-326,718	-980,154	-94,653	-99,507	1,990,000
77	04275	Leipzig	Karl-Liebknecht-Str. 119	Karl-Liebknecht-Str. 119	GE30314	Residual value (As Is)	-2,873,174	-52,675	-217,000	-651,000	-25,487	-24,794	500,000
78	04109	Leipzig	Kolonnadenstr. 9	Kolonnadenstraße 9	GE30315	Residual value (As Is)	-1,624,134	-21,655	-171,496	-514,488	-29,284	-50,898	1,020,000
79	04159	Leipzig	Mühlenstr. 17	Mühle-Haupt und Inselgebäude	GE30316	Residual value (As Is)	-13,529,593	-293,141	-1,158,897	-3,476,690	-204,517	-215,005	4,300,000
80	04159	Leipzig	Mühlenstr. 19, 19a	Mühle-Remise	GE30317	Residual value (As Is)	-1,234,137	-22,626	-154,268	-462,803	-44,422	-55,576	1,110,000
82	04318	Leipzig	Theodor-Neubauer-Str. 1	Theodor-Neubauer-Str.1	GE30321	Investment value	0	0	0	0	0	0	0
84	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 1.BA	GE30326	Residual value (As Is)	-19,537,046	-325,617	-1,740,266	-5,220,797	-266,053	-367,406	7,300,000
85	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 2.BA	GE30327	Residual value (As Is)	-9,014,206	-157,749	-740,416	-2,221,249	-93,615	-122,909	2,500,000
86	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 3.BA	GE30328	Residual value (As Is)	-8,127,539	-169,324	-661,611	-1,984,833	-99,186	-104,273	2,100,000
87	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 4.BA	GE30329	Residual value (As Is)	-15,060,844	-351,420	-1,346,572	-4,039,716	-296,423	-277,927	5,600,000
88	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 5.BA-Neubau	GE30330	Residual value (As Is)	-15,873,918	-238,109	-1,337,481	-4,012,443	-167,443	-243,820	4,900,000
89	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 6-BA-Neubau	GE30331	Residual value (As Is)	-4,157,775	-90,085	-66,750	-1,001,250	-67,957	-61,485	1,230,000
92	04229	Leipzig	Holbeinstr. 28	Holbeinstr. 28	GE30501	Residual value (without dev. status)	-1,792,118	-32,855	-172,963	-518,889	-54,975	-42,260	850,000
93	04229	Leipzig	Holbeinstr. 30	Holbeinstr. 30	GE30502	Residual value (without dev. status)	-1,643,890	-28,768	-161,682	-485,047	-51,808	-41,069	820,000
94	04275	Leipzig	Kurt-Eisner-Str. 45	Rohbau/Leifra	GE30503	Residual value (As Is)	-2,357,793	-31,437	-50,000	-750,000	-48,287	-83,928	1,680,000
101	04157	Leipzig	Martin-Drucker-Str.; Fleißnerstr. 10,	Sporthalle TKK	GE30510	Residual value (As Is)	-5,701,678	-85,525	-498,827	-1,496,481	-65,821	-101,343	2,000,000
102	04289	Leipzig	Chemnitzer Str. 50	Parkresidenz Leipzig-Altbau	GE30901	Residual value (As Is)	-69,071,262	-1,726,782	-5,423,632	-24,066,647	-1,403,144	-887,703	17,800,000
103	04289	Leipzig	Chemnitzer Str. 50	Parkkrankenhaus-Kita-Versorger	GE30903	Residual value (without dev. status)	-7,787,963	-142,779	-472,200	-2,478,000	-115,694	-66,351	1,330,000
104	04289	Leipzig	Chemnitzer Str. 50	Parkresidenz Leipzig-Neubau	GE30905	Residual value (As Is)	-41,864,501	-941,951	-3,160,242	-12,640,966	-360,112	-201,765	4,000,000
108	04179	Leipzig	Thüringer Str. 6	Thüringer Str. 6	GE31104	Investment value	0	0	0	0	0	0	0
109	68309	Mannheim	Thomas-Jefferson-Straße	MA Franklin, ETW	FG00073	Residual value (As Is)	-21,372,422	-427,448	-1,644,813	-6,579,252	-134,042	-167,125	2,600,000
110	68309	Mannheim	Thomas-Jefferson-Straße	MA Franklin, MWB	FG00074	Residual value (As Is)	-22,798,360	-417,970	-313,114	-6,262,272	-65,851	-88,729	1,370,000
111	68309	Mannheim	Thomas-Jefferson-Straße	MA Franklin, Bestand	FG00075	Sales price condominiums	0	0	0	0	0	0	0
112	80333	München	Theresienstraße 71 a und 75	München, Theresienstr. BA I	FG00049	Residual value (As Is)	-20,932,500	-575,644	-3,140,853	-9,422,558	-1,581,003	-1,293,548	25,900,000
113	80333	München	Theresienstraße 71 a und 75	München, Theresienstr. BA II	FG00050	Residual value (As Is)	-25,011,663	-521,076	-3,727,927	-11,183,780	-1,421,420	-1,556,794	31,100,000
114	70469	Stuttgart	Maybachstraße	City Prag (Theaterviertel)	FG00039	Residual value (As Is)	-67,075,413	-1,676,885	-3,652,438	-17,295,000	-1,962,687	-1,442,669	22,200,000
116	89075	Ulm	Steinhövelstr. 9	ULM Wohnen am Safranberg	FG00046	Residual value (As Is)	-30,782,811	-692,613	-2,450,904	-7,352,712	-348,257	-451,081	6,900,000
118	65185	Wiesbaden	Rheinstraße 5	Wiesbaden Wilhelmstraße	FZ13201	Residual value (As Is)	-44,491,546	-926,907	-6,564,295	-14,066,346	-1,201,484	-1,850,586	24,700,000
119	82515	Wolfratshausen	Bahnhofstrasse 22	München, WA Wolfratshausen	BG00895	Investment value	0	0	0	0	0	0	0
@	@	@	@	@	@	@	@	@		@	@	@	@

BNP PARIBAS REAL ESTATE

UID	ZIP	City	Street	Project name extern	Instone Projekt ID	MV based on	Residual Value (As Is)						Market Value	Scenario Value
86 100% 86							-34,792,177 100% -34,792,177	-97,387,055 100% -97,387,055	-459,660,188 100% -459,660,188	-42,220,056 100% -42,220,056	-36,185,796 100% -36,185,796	816,220,000 100% 816,220,000	867,900,623 100% 867,900,623	1,243,710,000 100% 1,243,710,000
UID	ZIP	City	Street	Project name extern	Instone Projekt ID	MV based on	Costs of financing (50% of construction costs on construction period) (for Residual Value As-Is)	Marketing total incl. void and brokerage	Risk discount (absolut) as reflected within Residual Value As Is	Gross costs of financing Residual Value during remaining construction period (for Residual Value As-Is)	Purchaser's costs	Net Residual Value (As Is) in EUR	Market Value in EUR	Scenario Value (Residual Value As-Is - without profit and risk share) in EUR - Just for information purposes!
1	10115	Berlin	Chausseestraße 37	Chausseestraße 37	BG01094	Sales price condominiums	0	0	0	0	0	0	689,756	-
2	10179	Berlin	Stallschreiber Straße BA 1	QStall1	FG00062	Residual value (As Is)	-525,922	-2,171,913	-9,654,824	-1,438,918	-2,330,222	41,700,000	41,700,000	51,000,000
3	10969	Berlin	Stallschreiber Straße BA 3	QStall3	FG00063	Residual value (As Is)	-807,508	-6,278,486	-18,460,309	-2,894,627	-3,546,977	51,500,000	51,500,000	69,900,000
4	10969	Berlin	Stallschreiber Straße BA 4	QStall4	FG00064	Residual value (As Is)	-193,336	0	-666,528	-127,381	-41,950	3,900,000	3,900,000	4,500,000
5	12557	Berlin	Wendenschlossstraße 142	Wendenschloss Neubau	FG00088	Residual value (As Is)	-776,209	-3,525,055	-17,577,160	-670,502	-617,153	8,500,000	8,500,000	25,700,000
6	12557	Berlin	Wendenschlossstraße 142	Wendenschloss Loft	FG00089	Residual value (without dev. status)	-248,497	-1,517,718	-8,913,750	-237,780	-338,896	4,500,000	4,500,000	13,000,000
7	12557	Berlin	Wendenschlossstraße 142	Wendenschloss Gewerbe	FG00090	Investment value	0	0	0	0	0	0	13,200,000	-
10	53115	Bonn	Sebastianstraße 180	Grdst. Bonn BF A Pflege-Grundstück	FG00082	Land value	0	0	0	0	0	0	1,340,000	-
11	53115	Bonn	Sebastianstraße 180	Grdst. Bonn BF B/C	FG00083	Residual value (without dev. status)	-164,733	-676,624	-2,513,138	-228,074	-310,093	3,900,000	3,900,000	6,300,000
12	53115	Bonn	Sebastianstraße 180	Grdst. Bonn BF D/E/F	FG00084	Residual value (without dev. status)	-429,985	-2,240,740	-6,722,220	-822,563	-901,131	11,300,000	11,300,000	17,600,000
14	53121	Bonn	Siemensstraße 21-23 - MW1	west.side MW1	FZ13003	Residual value (without dev. status)	-434,436	-598,510	-5,415,599	-265,681	-338,139	4,200,000	4,200,000	9,300,000
15	53121	Bonn	Siemensstraße 21-23 - MW2	west.side MW2	FZ13004	Residual value (without dev. status)	-607,291	-806,428	-7,229,401	-321,397	-452,337	5,700,000	5,700,000	12,500,000
16	53121	Bonn	Siemensstraße 21-23 - ETW 2	west.side ETW2	FZ13006	Residual value (without dev. status)	-363,587	-1,379,953	-4,139,859	-138,136	-129,299	1,620,000	1,620,000	5,500,000
17	53121	Bonn	Siemensstraße 21-23 -ETW1	west.side ETW1	FZ13005	Residual value (without dev. status)	-599,455	-2,191,078	-6,573,235	-463,456	-297,896	3,700,000	3,700,000	9,600,000
18	53121	Bonn	Siemensstraße 21-23 - GE	west.side GE-Grundstücke	FZ13002	Sales price condominiums	0	0	0	0	0	0	16,000,000	-
19	40219	Dusseldorf	Moselstraße	Nemo 33, Düsseldorf Moselstraße	BG01032	Sales price condominiums	0	0	0	0	0	0	839,000	-
20	40547	Dusseldorf	Niederkasseler Lohweg 20	Niederkasseler Lohweg Düsseldorf	FG00053	Residual value (As Is)9	-667,350	-3,019,369	-14,440,410	-1,012,951	-1,103,351	13,900,000	13,900,000	28,300,000
23	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. GHL 71/75	FG00076	Residual value (without dev. status)	-360,562	-1,564,595	-7,840,000	-603,471	-609,468	7,600,000	7,600,000	14,900,000
24	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. SW-Grundstücke	FG00077	Residual value (without dev. status)	-20,650	-284,115	-2,540,000	-63,808	-113,436	1,420,000	1,420,000	3,900,000
25	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. EFH-Grundstücke	FG00078	Land value	0	0	0	0	0	0	4,600,000	-
26	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. Scholle 1	FG00079	Residual value (without dev. status)	-261,222	-1,554,707	-6,218,830	-504,716	-509,732	6,400,000	6,400,000	12,200,000
27	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. Scholle 2	FG00080	Residual value (without dev. status)	-304,054	-1,645,359	-6,581,435	-662,285	-528,096	6,600,000	6,600,000	12,600,000
28	40627	Dusseldorf	Gerresheimer Landstraße 75	D-Unterb. Scholle 3	FG00081	Residual value (without dev. status)	-262,998	-1,420,640	-5,682,560	-737,139	-441,787	5,500,000	5,500,000	10,600,000
29	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 1	FG00091	Residual value (without dev. status)	-409,940	-1,563,698	-7,635,990	-454,869	-469,345	6,300,000	6,400,000	13,400,000
30	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 2	FG00092	Residual value (without dev. status)	-555,329	-2,215,064	-10,816,700	-663,373	-665,746	8,900,000	8,900,000	19,000,000
31	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 3	FG00093	Residual value (without dev. status)	-292,597	-1,166,718	-5,697,300	-456,452	-342,807	4,600,000	4,600,000	9,800,000
32	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 4	FG00094	Residual value (without dev. status)	-505,200	-2,460,618	-12,015,400	-970,341	-728,751	9,700,000	9,700,000	20,700,000
33	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 5	FG00095	Residual value (without dev. status)	-693,735	-2,763,608	-13,494,800	-1,310,450	-793,348	10,600,000	10,600,000	22,700,000
331	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 6	FG00096	Residual value (without dev. status)	-470,045	-1,871,518	-9,138,600	-900,271	-535,377	7,100,000	7,100,000	15,300,000
332	60487	Frankfurt am Main	Rödelheimer Landstraße 5,7,9	Siemens 7	FG00098	Residual value (without dev. status)	-345,210	-1,374,974	-6,714,000	-840,827	-381,305	5,100,000	5,100,000	10,900,000
34	60318	Frankfurt am Main	Nordendstraße 50	Schwesternwohnheim Marie	FG00059	Residual value (As Is)	-176,306	0	-842,835	-212,018	-159,651	3,100,000	3,100,000	3,900,000
35	60329	Frankfurt am Main	Niddastraße 27	Niddastraße, Frankfurt	FG00007	Sales price condominiums	0	0	0	0	0	0	421,050	-
36	60318	Frankfurt am Main	Richard-Wagner-Straße 14	St. Marienkrankenhaus	FG00041	Residual value (As Is)	-2,409,509	-8,942,094	-26,817,084	-5,626,688	-4,611,941	61,600,000	61,600,000	87,100,000
40	60318	Frankfurt am Main	Richard-Wagner-Straße 14	Grundstücksverkauf Bürgerhospital	FG00058	Sales price condominiums	0	0	0	0	0	0	7,006,017	-
41	60486	Frankfurt am Main	Leonardo-da-Vinci-Allee	Rebstock BF 1.2	FG00060	Residual value (As Is)	-534,496	0	-3,309,014	-897,542	-1,128,367	18,700,000	18,700,000	21,900,000
42	60389	Frankfurt am Main	Friedberger Landstraße	Friedberger Landstraße, Frankfurt	FG00125	Residual value (without dev. status)	-9,613,673	-15,254,250	-91,525,500	-2,475,960	-978,868	13,100,000	13,100,000	90,800,000
44	60487	Frankfurt am Main	Ginnheimer Straße 1-3	Elisabethen Areal	FG00100	Residual value (without dev. status)	-523,094	-597,210	-8,958,150	-1,839,883	-1,510,324	20,100,000	20,100,000	28,400,000
46	60488	Frankfurt am Main	Steinbacher Hohl 72-74	Steinbacher Hohl	FG00106	Residual value (without dev. status)	-537,042	-410,952	-6,164,273	-522,924	-461,014	6,100,000	6,100,000	11,900,000
47	79106	Freiburg	Eugen-Martin-Str.	Freiburg Güterbahnhof (Eugen-Martin-Str)	FG00042	Residual value (As Is)	-45,601	-57,485	-579,866	-112,872	-138,284	16,700,000	16,700,000	17,300,000
48	22765	Hamburg	Harkortstraße	NMA BF6	FG00028	Residual value (As Is)	-18,686	0	-176,230	-89,524	-48,238	53,600,000	53,600,000	53,800,000
49	22765	Hamburg	Harkortstraße	NMA BF Halb7	FG00029	Residual value (As Is)	-49,991	0	-527,810	-216,093	-148,758	25,600,000	25,600,000	26,100,000
50	22765	Hamburg	Harkortstraße	NMA BF5	FG00030	Residual value (As Is)	-328,593	-181,989	-3,160,242	-1,178,379	-857,593	39,600,000	39,600,000	42,600,000
55	22081	Hamburg	Friedrichsbergerstr. 53	Fr.53 HH-BT Anbau u.TG	GE30701	Sales price condominiums	0	0	0	0	0	0	20,000	-
56	22081	Hamburg	Friedrichsbergerstr. 53	Fr.53 HH-BT Wohnen	GE30702	Sales price condominiums	0	0	0	0	0	0	380,000	-
58	71083	Herrenberg	Schwarzwaldstraße	Herrenberg - Schwarzwaldstraße	FG00111	Residual value (As Is)	-330,992	-1,723,459	-5,169,841	-327,988	-295,699	4,600,000	4,600,000	9,700,000
59	50735	Cologne	Luftschiff-Platz 1	Halle 17 - Clouth - Areal	FG00020	Residual value (As Is)	-147,674	-91,437	-985,450	-331,901	-107,884	21,700,000	21,700,000	22,700,000
60	04157	Leipzig	Wilhelm-Sammet-Str. 93	Bleichert Werke, Haus 13 und Parkhaus	GE30001	Residual value (As Is)	-97,080	0	-693,169	-87,888	-80,383	3,900,000	3,900,000	4,600,000
61	04179	Leipzig	Hans-Driesch-Str. 54	Theaterfabrik	GE30003	Residual value (without dev. status)	-210,503	-1,312,500	-3,937,500	-484,321	-259,340	5,200,000	5,200,000	8,800,000
62	04157	Leipzig	Wilhelm-Sammet-Str. 93	Bleichert Werke, Haus 1 und Parkhaus	GE30004	Residual value (As Is)	-83,965	0	-689,394	-72,800	-77,227	3,000,000	3,000,000	3,600,000
63	04299	Leipzig	Breslauer Straße 56	Breslauer Straße	GE30101	Land value	0	0	0	0	0	0	100,000	-
64	04105	Leipzig	Friedrich-Ebert-Str. 112	Friedrich-Ebert-Str. 112	GE30102	Residual value (without dev. status)	-125,478	-474,000	-1,422,000	-61,206	-53,496	1,070,000	1,070,000	2,400,000
65	04275	Leipzig	Kantstr. 55-57	Kantstr. 55+57	GE30103	Residual value (without dev. status)	-46,872	-285,250	-855,750	-104,195	-82,597	1,650,000	1,670,000	2,500,000

BNP PARIBAS REAL ESTATE

UID	ZIP	City	Street	Project name extern	Instone Projekt ID	MV based on	Residual Value (As Is): Costs of financing (50% of construction costs on construction period) (for Residual Value As-Is)	Marketing total incl. void and brokerage	Risk discount (absolut) as reflected within Residual Value As Is	Gross costs of financing Residual Value during remaining construction period (for Residual Value As-Is)	Purchaser's costs	Net Residual Value (As Is) in EUR	Market Value: Market Value in EUR	Scenario Value: Scenario Value (Residual Value As-Is - without profit and risk share) in EUR - Just for information purposes!
86							-34,792,177	-97,387,055	-459,660,188	-42,220,056	-36,185,796	816,220,000	867,900,623	1,243,710,000
100%							100%	100%	100%	100%	100%	100%	100%	100%
86							-34,792,177	-97,387,055	-459,660,188	-42,220,056	-36,185,796	816,220,000	867,900,623	1,243,710,000
66	04229	Leipzig	Altranstädter Str. 28	Altranstädter - Grundstück	GE30301	Land value	0	0	0	0	0	0	70,000	-
68	04105	Leipzig	Fregestr. 1 + 3	Fregestr. 1 und 3	GE30305	Residual value (without dev. status)	-35,330	-206,000	-618,000	-82,239	-59,589	1,190,000	1,200,000	1,770,000
73	04157	Leipzig	Virchowstr. 41+43	Gohlis Carré 4-Neubau	GE30310	Residual value (As Is)	-1,293	0	-10,333	0	-810	5,600,000	5,600,000	5,600,000
74	04275	Leipzig	Kantstr. 59a+b	Kantstr. 59a+b	GE30311	Residual value (As Is)	-48,792	-318,500	-947,506	-109,930	-91,872	1,930,000	1,930,000	2,900,000
75	04275	Leipzig	Kantstr. 61a+b	Kantstr. 61a+b	GE30312	Residual value (As Is)	-43,968	-318,486	-948,449	-92,197	-93,200	1,940,000	1,940,000	2,900,000
76	04275	Leipzig	Kantstr. 63a+b	Kantstr. 63a+b	GE30313	Residual value (As Is)	-63,590	-326,718	-972,964	-96,900	-98,048	2,000,000	2,000,000	3,000,000
77	04275	Leipzig	Karl-Liebknecht-Str. 119	Karl-Liebknecht-Str. 119	GE30314	Residual value (As Is)	-52,640	-217,000	-650,788	-25,586	-24,777	500,000	500,000	1,130,000
78	04109	Leipzig	Kolonnadenstr. 9	Kolonnadenstraße 9	GE30315	Residual value (As Is)	-2,934	0	-34,855	0	-6,896	3,200,000	3,200,000	3,200,000
79	04159	Leipzig	Mühlenstr. 17	Mühle-Haupt und Inselgebäude	GE30316	Residual value (As Is)	-195,658	0	-1,160,263	-277,153	-143,505	12,400,000	12,400,000	13,500,000
80	04159	Leipzig	Mühlenstr. 19, 19a	Mühle-Remise	GE30317	Residual value (As Is)	-15,641	0	-159,967	-47,987	-38,420	1,970,000	1,970,000	2,100,000
82	04318	Leipzig	Theodor-Neubauer-Str. 1	Theodor-Neubauer-Str.1	GE30321	Investment value	0	0	0	0	0	0	920,000	-
84	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 1.BA	GE30326	Residual value (As Is)	-309,255	0	-2,479,227	-448,717	-348,944	12,700,000	12,700,000	15,100,000
85	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 2.BA	GE30327	Residual value (As Is)	-150,854	0	-1,062,086	-165,838	-117,537	4,700,000	4,700,000	5,700,000
86	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 3.BA	GE30328	Residual value (As Is)	-166,393	-131,991	-1,173,227	-163,529	-102,468	3,500,000	3,500,000	4,600,000
87	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 4.BA	GE30329	Residual value (As Is)	-339,870	0	-1,953,473	-486,825	-268,792	9,300,000	9,300,000	11,200,000
88	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 5.BA-Neubau	GE30330	Residual value (As Is)	-234,067	-1,132,311	-3,670,633	-193,425	-239,681	5,700,000	5,700,000	9,200,000
89	04157	Leipzig	Olbrichtstr. 5	Heeresbäckerei 6-BA-Neubau	GE30331	Residual value (As Is)	-87,006	0	-483,513	-104,441	-59,383	1,930,000	1,930,000	2,400,000
92	04229	Leipzig	Holbeinstr. 28	Holbeinstr. 28	GE30501	Residual value (without dev. status)	-32,855	-172,963	-518,889	-54,975	-42,260	850,000	850,000	1,330,000
93	04229	Leipzig	Holbeinstr. 30	Holbeinstr. 30	GE30502	Residual value (without dev. status)	-28,768	-161,682	-485,047	-51,808	-41,069	820,000	840,000	1,280,000
94	04275	Leipzig	Kurt-Eisner-Str. 45	Rohbau/Leifra	GE30503	Residual value (As Is)	-30,588	0	-364,870	-42,358	-81,661	2,200,000	2,200,000	2,500,000
101	04157	Leipzig	Martin-Drucker-Str.; Fleißnerstr. 10,	Sporthalle TKK	GE30510	Residual value (As Is)	-37,437	0	-327,524	-35,579	-44,361	7,000,000	7,000,000	7,400,000
102	04289	Leipzig	Chemnitzer Str. 50	Parkresidenz Leipzig-Altbau	GE30901	Residual value (As Is)	-1,722,434	-5,423,632	-24,036,349	-1,417,743	-885,468	18,000,000	18,000,000	41,200,000
103	04289	Leipzig	Chemnitzer Str. 50	Parkkrankenhaus-Kita-Versorger	GE30903	Residual value (without dev. status)	-142,779	-472,200	-2,478,000	-115,694	-66,351	1,330,000	1,330,000	3,600,000
104	04289	Leipzig	Chemnitzer Str. 50	Parkresidenz Leipzig-Neubau	GE30905	Residual value (As Is)	-940,516	-3,160,242	-12,631,333	-365,977	-201,457	4,100,000	4,100,000	16,300,000
108	04179	Leipzig	Thüringer Str. 6	Thüringer Str. 6	GE31104	Investment value	0	0	0	0	0	0	520,000	-
109	68309	Mannheim	Thomas-Jefferson-Straße	MA Franklin, ETW	FG00073	Residual value (As Is)	-427,337	-1,644,813	-6,578,392	-134,348	-167,082	2,600,000	2,600,000	8,900,000
110	68309	Mannheim	Thomas-Jefferson-Straße	MA Franklin, MWB	FG00074	Residual value (As Is)	-417,964	0	-3,131,091	-215,118	-88,728	4,700,000	4,700,000	7,700,000
111	68309	Mannheim	Thomas-Jefferson-Straße	MA Franklin, Bestand	FG00075	Sales price condominiums	0	0	0	0	0	0	3,804,800	-
112	80333	München	Theresienstraße 71 a und 75	München, Theresienstr. BA I	FG00049	Residual value (As Is)	-402,950	-492,486	-4,036,618	-936,699	-905,482	41,400,000	41,400,000	45,300,000
113	80333	München	Theresienstraße 71 a und 75	München, Theresienstr. BA II	FG00050	Residual value (As Is)	-304,724	-725,455	-4,358,304	-1,181,772	-910,409	52,500,000	52,500,000	56,700,000
114	70469	Stuttgart	Maybachstraße	City Prag (Theaterviertel)	FG00039	Residual value (As Is)	-1,655,719	-3,652,438	-17,185,850	-2,037,586	-1,424,459	23,100,000	23,100,000	40,200,000
116	89075	Ulm	Steinhövelstr. 9	ULM Wohnen am Safranberg	FG00046	Residual value (As Is)	-395,051	-1,225	-2,098,748	-579,305	-257,286	28,100,000	28,100,000	30,200,000
118	65185	Wiesbaden	Rheinstraße 5	Wiesbaden Wilhelmstraße	FZ13201	Residual value (As Is)	-926,360	-5,206,799	-12,607,733	-1,324,677	-1,849,493	27,400,000	27,400,000	39,500,000
119	82515	Wolfratshausen	Bahnhofstrasse 22	München, WA Wolfratshausen	BG00895	Investment value	0	0	0	0	0	0	1,620,000	-
@	@	@	@	@	@	@	@		@	@		@	@	@

BNP PARIBAS REAL ESTATE

Allgemeine Geschäftsbedingungen der BNP Paribas Real Estate Consult GmbH

1 Einführung

Die allgemeinen Geschäftsbedingungen gelten für Verträge zwischen uns und unserem Auftraggeber (AG) über die Erbringung allgemeiner Beratungs- und Bewertungsleistungen (nachfolgend Auftrag oder Vertrag), soweit nicht etwas anderes ausdrücklich schriftlich vereinbart ist.

2 Leistungsumfang / Erfüllung / Gewährleistung

2.1 Der Umfang der beauftragten Leistung und der Zeitplan ergeben sich aus dem Auftrag.

2.2 Wir führen den durch den AG erteilten Auftrag nach den Grundsätzen ordnungsmäßiger Berufsausübung im Sinne der „Royal Institution of Chartered Surveyors" (RICS) in der jeweils aktuellen Fassung aus (Rules of Conduct for Members).

2.3 Ergibt sich bei der ordnungsgemäßen Durchführung des Auftrags, dass Änderungen und Erweiterungen des Auftragsumfangs erforderlich sind, vereinbaren wir mit dem AG vor einer weiteren Tätigkeit den geänderten Umfang sowie die Änderungen des Entgelts schriftlich. Sollte keine Einigung zustande kommen und ein Festhalten am Auftrag im Hinblick auf die Erweiterungen für den AG unzumutbar sein, kann er den Auftrag kündigen. Uns steht auch in diesem Fall das vereinbarte Entgelt abzüglich ersparter Aufwendungen, mangels Vereinbarung ein angemessenes Entgelt für die bereits erbrachte Arbeitsleistung zu. Soweit die Hinzuziehung Dritter für die vollständige oder teilweise Durchführung des Auftrags erforderlich wird, vereinbaren wir dies im Voraus mit dem AG.

2.4 Die Abnahme unserer Leistung gilt als erfolgt, wenn der AG nicht innerhalb von 14 Tagen nach Erhalt der Leistung Mängel geltend macht. Bei Übermittlung der Leistung (Berichte, Gutachten etc.) weisen wir den Kunden nochmals auf diesen Punkt hin.

2.5 Soweit unsere Leistung mängelbehaftet sein sollte, haften wir dem AG zunächst ausschließlich auf Nacherfüllung. Für den Fall, dass diese Nacherfüllung fehlschlägt, hat uns der AG eine schriftliche Nachfrist von weiteren zwei Wochen zur Mängelbeseitigung zu setzen. Kommen wir der Aufforderung zur Nacherfüllung innerhalb dieser Frist nicht nach oder schlägt die Nacherfüllung erneut fehl, so kann der AG vom Vertrag zurücktreten oder die vereinbarte Vergütung mindern. Soweit darüber hinaus Schadenersatzansprüche bestehen, gilt Nr. 11.

2.6 Offenbare Unrichtigkeiten wie Schreib- und Rechenfehler sowie formelle Mängel, die in einer von uns getätigten beruflichen Äußerung (Bericht, Gutachten und dergleichen) enthalten sind, können wir jederzeit auch Dritten gegenüber berichtigen. Unrichtigkeiten, die geeignet sind, in der von uns getätigten beruflichen Äußerung enthaltene Ergebnisse in Frage zu stellen, berechtigten uns, die Äußerung auch Dritten gegenüber zurückzunehmen. In den vorgenannten Fällen ist der AG von uns vorher zu hören.

3 Bewertungen

Unsere Bewertungen erfolgen – soweit nicht anders vereinbart – in Übereinstimmung mit den „RICS Valuation Standards" in der jeweils aktuellen Fassung. Die Bewertungen werden von einem externen Gutachter erstellt, der den Maßgaben der „RICS Valuation Standards" entspricht. Die Standards sind für den AG verfügbar und können in unseren Geschäftsräumen eingesehen werden.

4 Bedingungen der Leistungserbringung, insbesondere bei Bewertungsleistungen

4.1 Alle von uns getätigten Feststellungen zur Beschaffenheit und zu tatsächlichen Eigenschaften der baulichen Anlagen und des Grund und Bodens erfolgen ausschließlich aufgrund auftraggeberseitig vorgelegter Unterlagen, die dem Gutachten auf Plausibilität hin überprüft zugrunde gelegt wurden, und auf Grund der Ortsbesichtigung.

4.2 Bei der Ortsbesichtigung werden keine Maßprüfungen vorgenommen und keine Funktionsprüfungen haustechnischer oder sonstiger Anlagen durchgeführt. Alle Feststellungen des Sachverständigen bei der Ortsbesichtigung erfolgen nur durch Augenscheinnahme (rein visuelle Untersuchung).

4.3 Zerstörende Untersuchungen werden nicht ausgeführt, weshalb Angaben über nicht sichtbare Bauteile bzw. Baustoffe auf erhaltenen Auskünften, vorgelegten Unterlagen oder Vermutungen beruhen.

4.4 Eine fachtechnische Untersuchung etwaiger Baumängel oder Bauschäden erfolgt nicht. Es wird ungeprüft unterstellt, dass keine Baustoffe, Bauteile und Eigenschaften des Grund und Bodens vorhanden sind, die eine nachhaltige Gebrauchstauglichkeit oder Gesundheit von Bewohnern und Nutzern beeinträchtigen oder gefährden.

General Terms and Conditions of BNP Paribas Real Estate Consult GmbH

1 Introduction

These general terms and conditions (hereinafter 'terms of business') are applicable to contracts concluded between BNP Paribas Real Estate Consult GmbH (hereinafter 'we', 'our', 'us', 'our company') and any client in respect of general consulting services and valuation services provided by us, unless otherwise agreed expressly and in writing.

2 Scope of Services / Performance / Warranty

2.1 The scope of services and the time schedule arise from the mandate.

2.2 We shall carry out the mandate in accordance with the professional standards of the Royal Institution of Chartered Surveyors (Rules of Conduct for Members) in the respectively relevant version.

2.3 If it becomes apparent during the execution of the mandate that services need to be varied and extended, we and the client will agree in writing on the modified scope of services and on the amended fee for the services before any further action is undertaken by us. If no agreement is reached and if, in view of the amendment, it is unreasonable for the client to adhere to the mandate. The client may terminate the mandate. If the client terminates the mandate, we shall be entitled to demand a reasonable remuneration; however we must allow the setting-off of expenses saved as a result of the cancellation of the mandate by the client. As far as we need to appoint a third party to fulfil all or part of the services, we will agree on this with the client in advance.

2.4 If the client does not give notice of defects within 14 days of the receipt of the results, this shall be considered equivalent to acceptance. We will indicate the consequences of failing to comply with this period of notice when delivering the results (general reports, valuation reports etc.)

2.5 As far as the performance is defective, the client may at first solely demand cure. In the event that this cure fails, the client is obliged to give further 14 days of grace in writing for us to remedy the defects. If we fail to comply with the request for subsequent performance or if we fail to remedy the defects within the given time, the client is entitled to withdraw from the contract or to reduce fees accordingly. As far as the client is also entitled to claim damages, No. 11 of the terms of business applies.

2.6 Obvious mistakes, such as mistakes in writing, arithmetic errors and formal deficiencies contained in any professional statement by us (general reports, valuation reports and the like), can be corrected by us also vis-à-vis third parties at any time. Incorrectness capable of calling into question the result of the services provided by us can also be withdrawn vis-à-vis third parties. In all the cases mentioned above, we shall hear the client in advance.

3 Valuation Services

Unless otherwise agreed, the valuation services we provide are carried out in accordance with the "Royal Institution of Chartered Surveyors (RICS) Valuation Standards" in the currently valid version. The valuations are prepared by an external values who as a Chartered Surveyor meets the prerequisites of the "RICS Valuation Standards". The standards are available for the client to consult at our business premises.

4 Conditions of Performance in Particular in Respect of Valuation Services

4.1 All of our conclusions regarding the condition and the state of repair of the building and the condition of the property are based solely on the information supplied to us by the client and verified for reasonability by us or which we have obtained from our inquiries and from the property inspection.

4.2 During the property inspection, we do not carry out a measured survey of the property, nor do we undertake functional testing of technical or any other installations in the property. All the valuer's observations made during the property inspection are based on a visual inspection only.

4.3 We do not carry out investigations involving the destruction or removal of construction elements. Any remarks relating to covered building elements or building materials are based solely on information provided to us or result from intuitive analysis or assumptions.

4.4 We do not make any professional investigations of building defects or damage. Without verification, it is assumed that the property does not contain any materials, any elements and that the site does not have any form of contamination, that would affect the long-term use of the subject property or have any influence on the health of residents and users.

BNP PARIBAS REAL ESTATE

4.5 Eine Überprüfung der Einhaltung öffentlich-rechtlicher Bestimmungen (einschließlich Genehmigung, Abnahmen, Auflagen usw.) oder eventueller privatrechtlicher Bestimmungen zu Bestand und Nutzung des Grund und Bodens und der baulichen Anlagen erfolgt nicht.
4.6 Es wird zum Bewertungsstichtag ungeprüft unterstellt, dass sämtliche öffentlich-rechtlichen Abgaben, Beiträge, Gebühren usw., die eventuell wertbeeinflussend sein können, erhoben und bezahlt sind.
4.7 Es wird zum Bewertungsstichtag ungeprüft unterstellt, dass das Bewertungsobjekt unter Versicherungsschutz steht, sowohl nach Art möglicher Schäden als auch in angemessener Höhe der Versicherungssumme.
4.8 Äußerungen von Amtspersonen, insbesondere Auskünfte, können entsprechend der Rechtsprechung nicht als verbindlich gewertet werden. Für die Verwendung derartiger Äußerungen in diesem Gutachten kann der Sachverständige keine Gewährleistung übernehmen.
4.9 Für die Bewertung wird vorausgesetzt, dass der zum Bewertungsstichtag auftragsgemäß zu unterstellende Betrieb nach Art und Umfang für die Dauer der im Kapitalisierungszinssatz implizierten Restnutzungsdauer der baulichen Anlagen anhaltend bestehen bleibt bzw. vergleichbare Betriebe als Nutzer zur Verfügung stehen.
4.10 Wir unterstellen stabile wirtschaftliche und politische Rahmenbedingungen.
4.11 Eine Berücksichtigung von Rechten, Lasten und Beschränkungen erfolgt nur insofern, als von diesen ein erkennbar besonders zu berücksichtigender Einfluss auf den Ertrag des Bewertungsgegenstands ausgeht.
4.12 Wir verlassen uns auf die Richtigkeit und Vollständigkeit der zur Verfügung gestellten Informationen. Wir gehen davon aus, dass keine außergewöhnlich erschwerenden Beschränkungen, Verpflichtungen oder andere Belastungen bestehen, sofern keine anderweitigen Informationen vorliegen. Werden uns juristische Unterlagen zur Verfügung gestellt, so berücksichtigen wir diese, nehmen jedoch keine juristische Auslegung diesbezüglich vor. Sofern nicht anders vereinbart, fordern wir keine Informationen beim Grundbuchamt an.
4.13 Wir treffen keine Aussagen zur Bonität von Mietern. Außer bei gegenteiliger Information durch den AG gehen wir davon aus, dass der Mieter sich nicht in erheblichem Zahlungsrückstand befindet und dass er seinen Verpflichtungen gemäß Mietvertrag bzw. anderer getroffener Vereinbarungen nachkommt.
4.14 Falls wir beauftragt werden, indikative Angaben zu den Wiederherstellungskosten zu machen, sind diese Angaben nur als Richtwert zu betrachten.

5 Honorare

5.1 Die vereinbarten Honorare und die Grundlagen zur Ermittlung des Honorars für unsere Leistungen sind dem Vertrag zu entnehmen.
5.2 Zusätzlich zu den in Rechnung gestellten Honoraren und Auslagen (zusammen „Entgelt") hat der AG Umsatzsteuer in der jeweils gesetzlich festgelegten Höhe zu zahlen.
5.3 Rechnungen sind innerhalb einer Frist von 14 Tagen nach Rechnungsdatum ohne Abzug fällig und zahlbar. Bei fortgesetzter Beauftragung bzw. bei einer Projektdauer von mehr als drei Monaten sind wir berechtigt, Zwischenrechnungen zu stellen.
5.4 Wird zum Zwecke der Kreditsicherheit ein Gutachten erstellt, entsteht unser Entgeltanspruch unabhängig davon, ob der Kredit in Anspruch genommen wird oder ob etwaige auf die Kreditvergabe bezogene Bedingungen erfüllt werden, es sei denn, die Parteien hätten ausdrücklich etwas anderes vereinbart.
5.5 Sollte sich der Zweck, zu welchem die Leistung ursprünglich in Auftrag gegeben wurde, ändern und sich in diesem Zusammenhang eine Erhöhung des Haftumfangs (vgl. Nr. 11) ergeben, behalten wir uns das Recht vor, ein zusätzliches Honorar zu erheben, welches nach Maßgabe der §§ 315 ff BGB festgesetzt wird.
5.6 Kündigt der AG vorzeitig den Vertrag, so bestimmen wir das Entgelt für die bis zum Zeitpunkt der Kündigung erbrachten Leistungen nach billigem Ermessen gemäß § 315 BGB auf der Grundlage der Abrechnungsgrundsätze nach § 649 BGB. Wurde bereits ein Entwurf der schriftlichen Ergebnisse (Berichte, Gut) übermittelt, so ist das ursprünglich vereinbarte Entgelt in voller Höhe zu zahlen.

6 Auslagen

Erforderliche und sachdienliche Auslagen, die uns entstehen, sind durch den AG zu erstatten. Tatsächlich angefallene Reise- und Verpflegungskosten nach Aufwand und Kilometergeld werden nach den Lohnsteuerrichtlinien Abschnitt 9 in der jeweils aktuellen Fassung berechnet.

4.5 No examination is conducted of compliance with rules under public laws (including approvals, acceptances, specially imposed conditions or the like) or with civil law terms concerning the utilisation of the land and the structure on it.
4.6 We assume without verification that all charges and other financial liabilities subject to public law that could affect the value have been charged and been met in full at the date of valuation.
4.7 Without verification, it is assumed that the subject property was appropriately insured both in terms of the potential damages that might occur and for the sum of likely damages.
4.8 In accordance with the consistent ruling of German Courts, statements and information made or provided by civil servants or civil representatives may not be considered as being legally binding. Thus, if such statements are taken into account, the application of such statements in the valuation report is without guarantee.
4.9 For the purpose of this valuation, it is assumed that the current or a comparable use will last during the remaining economic lifetime of the physical structure as expressed by the capitalisation rate.
4.10 We presume stable economic and political conditions.
4.11 Rights, charges and restrictions are taken into consideration only to the extent that they have an identifiable influence needing particularly to be taken into account on the investment value of the subject property.
4.12 We will rely on the information supplied as being correct and complete. Unless other information is available, we shall assume the absence of unusually onerous restrictions, covenants or other encumbrances. If supplied with legal documentation, we will consider it, but will not take responsibility for the legal interpretation of it. Unless otherwise agreed, we will not obtain information from the Land Registry.
4.13 We do not make any statements on the creditworthiness of tenants. Unless informed to the contrary by the client, we will assume that there are no significant arrears and that the tenant is able to meet his obligations under the lease agreement or under other agreements.
4.14 In the case that we are instructed to provide an indication of current reinstatement costs, this indication is to be seen as providing initial orientation only.

5 Fees

5.1 The fees and the basis of the fees for our services are set out in the contract.
5.2 VAT is to be paid by the client at the legally applicable rate in addition to the fees and disbursements invoiced (together "payment").
5.3 Payment is due and payable without allowance within 14 days after the invoice date. In the case of an ongoing instruction or a duration of more than three months, we shall be entitled to submit interim bills.
5.4 In the case that valuations are undertaken for loan security purposes, our claim for payment will arise irrespective of the loan being used or of the conditions of the loan agreement being met, unless the parties have agreed otherwise.
5.5 If there is a change in the stated purpose for which our services are being commissioned and hence liability increases (see No.11 of the business terms), we reserve the right to charge an additional fee specified in compliance with §§ 315 et seq. of the German Civil Code (BGB).
5.6 In the event that the client withdraws from the contract prior to the completion of the services commissioned, the fees charged by us for the services carried out prior to the withdrawal shall be calculated by us in accordance with reasonably exercised discretion pursuant to § 315 of the German Civil Code (BGB) based on the accounting standards as set out in § 649 of the German Civil Code (BGB). In the case that we have already sent the client a draft of the written results (general reports, valuation reports), the client is obliged to pay us the complete fee originally agreed.

6 Expenses

If, for the purpose of performing the mandate, we incur expenses that in the circumstances may reasonably be considered necessary, the client is obliged to reimburse these expenses. The client is obliged to make reimbursement of actual travelling expenses and subsistence costs calculated on expenditure and car mileage allowance pursuant to Part 9 of the pay-as-you earn income tax guidelines (Lohnsteuerrichtlinien Abschnitt 9) in the respectively relevant version.

BNP PARIBAS REAL ESTATE

7 Zinsen

Kommt der AG mit der Zahlung in Verzug, sind wir gemäß § 288 BGB berechtigt, für den Zeitraum des Verzugs Zinsen in der jeweils geltenden gesetzlichen Höhe zu erheben.

8 Aufrechnung / Zurückbehaltung

Der AG ist zur Aufrechnung und Zurückbehaltung nur berechtigt, wenn die Gegenansprüche unbestritten oder rechtskräftig festgestellt sind. Zur Zurückbehaltung ist der AG jedoch auch wegen Gegenansprüchen aus demselben Vertragsverhältnis berechtigt.

9 Interessenkonflikte

9.1 Wir setzen Konfliktmanagementverfahren ein, die verhindern, dass Handlungen für einen AG zum Konflikt mit den Interessen eines anderen seiner AG führen. Sollte der AG dennoch einen möglichen Interessenkonflikt feststellen, hat er uns unverzüglich darauf hinzuweisen. Bei einem solchen Konflikt entscheiden wir unter Berücksichtigung des geltenden Rechts, der Vorgaben der zuständigen Behörden und der sachlichen Interessen der beteiligten AG, ob wir den Auftrag weiterhin für beide (z. B. unter Einsatz von getrennten Teams mit der entsprechenden internen Abschottung der Abteilungen – so genannte „Chinese Walls"), nur für einen oder für keinen AG durchführen können. Soweit unserer Meinung nach ein möglicher oder tatsächlicher Interessenkonflikt nicht angemessen bewältigt werden kann, informieren wir den AG unverzüglich und beraten uns mit ihm. Bei Fragen kann der AG uns jederzeit ansprechen.

9.2 Wird während einer Auftragsdurchführung ein Interessenkonflikt erkennbar und führt er zur Beendigung der Auftragsbearbeitung, haben wir Anspruch auf einen angemessenen Teil des vereinbarten Entgelts für die bereits erbrachte (Teil-)Leistung.

10 Kündigung

Das ordentliche Kündigungsrecht des AG nach § 649 BGB wird ausgeschlossen. Das Recht der Parteien, den Vertrag aus wichtigem Grund außerordentlich zu kündigen, bleibt unberührt.

11 Haftung

11.1 Schadenersatzansprüche sind unabhängig von der Art der Pflichtverletzung, einschließlich unerlaubter Handlungen, ausgeschlossen, soweit nicht vorsätzliches oder grob fahrlässiges Handeln vorliegt.

11.2 Bei Verletzung wesentlicher Vertragspflichten haften wir für jede Fahrlässigkeit, jedoch nur bis zur Höhe des vorhersehbaren, vertragstypischen Schadens, höchstens jedoch bis zu einem Gesamtbetrag von 100.000 € je begutachteter Immobilie und bei mehr als 10 aufgrund desselben Auftrags begutachteten Immobilien auf einen Höchst- und Gesamtbetrag von 1 Mio. €. Folgeschäden und mittelbare Schäden, wie z. B. Ansprüche auf entgangenen Gewinn, können nicht verlangt werden, es sei denn, ein von uns garantiertes Beschaffenheitsmerkmal bezweckt gerade, den AG gegen solche Schäden abzusichern, oder aber die Schäden waren vorhersehbar.

11.3 Die Haftungsbeschränkungen und -ausschlüsse in 11.1 und 11.2 gelten nicht für Ansprüche, die wegen arglistigen Verhaltens unsererseits entstanden sind, sowie bei einer Haftung für garantierteBeschaffenheitsmerkmale, für Ansprüche nach dem Produkthaftungsgesetz sowie für Schäden aus der Verletzung des Lebens, des Körpers oder der Gesundheit.

11.4 Ein einzelner Schadensfall ist auch bezüglich eines aus mehreren Pflichtverletzungen stammenden einheitlichen Schadens gegeben. Der einzelne Schadensfall umfasst sämtliche Folgen einer Pflichtverletzung ohne Rücksicht auf die Entstehungsdaten. Dabei gilt mehrfaches auf gleicher oder gleichartiger Fehlerquelle beruhendes Tun oder Unterlassen als einheitliche Pflichtverletzung, wenn die betreffenden Angelegenheiten miteinander in rechtlichem oder wirtschaftlichem Zusammenhang stehen.

11.5 Soweit unsere Haftung ausgeschlossen oder beschränkt ist, gilt dies auch für unsere Angestellten, Arbeitnehmer, Vertreter und Erfüllungsgehilfen.

11.6 Unsere Vertragshaftung entfällt, wenn der Anspruchsteller sie nicht längstens innerhalb sechs Monaten nach Kenntnis vom Anspruchsgrund schriftlich uns gegenüber geltend macht.

11.7 Vertragliche Schadenersatzansprüche uns gegenüber verjähren, ausgenommen bei vorsätzlicher Verursachung, innerhalb eines Jahres nach Abnahme der Leistung durch den AG.

11.8 Unabhängig von den Haftungsbeschränkungen nach 11.1 bis 11.7 ist jede Haftung unsererseits aus einem Vertragsverhältnis auf den Höchst- und Gesamtbetrag von 5 Mio. € für das jeweilige Vertragsverhältnis beschränkt; dies gilt nicht für

7 Interest

If the client defaults in payment, we shall be entitled to claim default interest for the period of default at the statutory default rate of interest set out in § 288 of the German Civil Code (BGB) in the respectively relevant version.

8 Set-Off / Retention

Set-off and the right of retention are permissible only if the counterclaims are undisputed or have been declared final and absolute. The client ho ever may refuse the performance owed by him because of counterclaims that are part of the same contractual relationship and owed to him.

9 Conflicts of Interest

9.1 We implement conflict management procedures to prevent us from acting for one client in a matter where there is or could be a conflict with the interests of another client for whom we are acting. If the client is aware or becomes aware of a possible conflict of this type, the client is obliged to indicate this conflict to us immediately. In the case that a conflict of this nature arises, we will decide, taking into account the existent law, requirements set by the relevant authorities and the material interests of the clients involved, whether we can continue to act for both parties (e.g. by the use of different teams working separately and apart, so-called "Chinese Walls") for one party only or for neither. In the case that we do not believe that a potential or actual conflict of interest can be managed appropriately, we will inform the client without undue delay and consult with him. Should the client have any queries on this matter, he may contact his contact person at our company at any time.

9.2 If during the performance of the mandate a conflict occurs resulting in the termination of the contract, we shall be entitled to demand a reasonable portion of the agreed remuneration for the (partial) performance already effected by us.

10 Termination

The client's right to give notice of termination according to § 649 of the German Civil Code (BGB) is excluded. But the client may terminate the contract for cause without notice for a compelling reason.

11 Liability

11.1 Claims for damages irrespective of the nature of the breach of duty, including torts, are excluded, unless the damages caused by us are caused by intent or gross negligence.

11.2 If there is a fundamental breach of contract, we shall be liable for all negligence, but our liability shall be limited to foreseeable damages and to damages that are specific for such kind of contract, however not exceeding an aggregate total of 100,000 € per appraised property and in the case of more than 10 properties appraised within the same mandate not exceeding an aggregate total of 1 million €. The client cannot claim indirect and consequential damages, such as lost profits, unless we gave a guarantee of quality, given only to protect the client against such damages or the damages have been foreseeable.

11.3 We may not invoke the limitations of liability and exclusions of liability under 11.1 and 11.2 of the business terms if we have acted fraudulently, given a guarantee of quality or if claims pursuant to the Product Liability Act (Produkthaftungsgesetz) as well as damages from injury to life, body or health are concerned.

11.4 One single case of damage is deemed to be obtained in relation to a uniform damage resulting from several breaches of duty. The single case of damage comprises all consequences of a breach of duty regardless of their date of origin. Doing or refraining from an act that is based on the same or on similar source of defects shall be deemed to be one single breach of duty if the relevant issues are related legally or in business terms.

11.5 To the extent to which our liability is excluded or limited, this also applies to salary earners, employees, agents and persons engaged by us to perform our obligation.

11.6 Any contractual liability on our part shall expire if the claimant has not asserted the claim against us within six months after becoming aware of the facts giving rise to the claim.

11.7 Contractual damage claims against us, except for claims for damages caused by intent, become statute barred one year after the client accepted the performance.

11.8 Not with standing the limitations of liability according to 11.1 to 11.7 of the business terms, any contractual liability on our part is limited to an aggregate total of 5 million € for each contractual relationship. This does not apply for

BNP PARIBAS
REAL ESTATE

vorsätzliche oder grob fahrlässig verursachte Haftungsfälle und nicht für Schäden nach dem Produkthaftungsgesetz sowie für Schäden aus der Verletzung des Lebens, des Körpers oder der Gesundheit.
Der AG kann jederzeit eine höhere Haftungssumme von uns erbitten. Wir sagen diese erhöhte Summe Zug um Zug gegen Zahlung der Aufwendungen zu, die wir aufwenden müssen, um die betragsmäßig höhere Summe bei unserem Versicherer abzudecken.

12 Datenschutz

12.1 Wir (für die Zwecke dieser Ziffer 12 einschließlich unserer internationalen Partnerschaften, Konzerngesellschaften und angegliederten Organisationen) erfassen während der Durchführung von Aufträgen personenbezogene Daten. Wir verwenden diese aus anderen Quellen gewonnenen Daten und Informationen zur Erstellung der beauftragten Leistungen. Wir sind berechtigt, personenbezogene Daten zu diesem Zweck in gesetzlich zulässigem Zeitraum zu speichern. Wir erteilen nur aufgrund gesetzlicher Verpflichtungen Auskunft über personenbezogene Daten.

12.2 Um uns Entscheidungen bezüglich der Bonität des AG zu erleichtern sowie Betrug und Geldwäsche vorzubeugen und die jeweilige Identität zu prüfen, sind wir berechtigt, diesbezüglich Auskünfte bei hierfür spezialisierten Agenturen einzuholen.

13 Kundenidentifikation

Dem Kunden ist bekannt, dass wir gemäß dem Geldwäschegesetz (GwG) zur Identifikation unserer Kunden verpflichtet sind. Darüber hinaus verpflichtet das GwG den Kunden, uns die dafür notwendigen Informationen und Unterlagen zur Verfügung zu stellen sowie Änderungen, die sich im Laufe der Geschäftsbeziehung ergeben, unverzüglich mitzuteilen.

14 Elektronische Kommunikation

14.1 Wir sind dazu berechtigt, per E-Mail, gegebenenfalls auch mit Datenanhängen, zu kommunizieren, es sei denn, der AG weist uns ausdrücklich schriftlich an, eine andere Form der Kommunikation zu nutzen. Im Falle einer solchen Anweisung sind wir berechtigt, uns die entstehenden Mehrkosten zuzüglich eines angemessenen Gemeinkostenzuschlags vom AG erstatten zu lassen.

14.2 Erteilt der AG keine Weisung zur Nutzung eines anderen Kommunikationsmittels als E-Mail, akzeptieren beide Parteien die damit verbundenen Risiken (einschließlich Sicherheitsrisiken wie Abfangen, unberechtigter Zugriff auf derartige Kommunikation, Manipulation dieser Kommunikationsform sowie dem Risiko von Viren oder anderen schädlichen Angriffen).

15 Vertraulichkeit / Geistiges Eigentum / Weitergabe an Dritte

15.1 Wir verpflichten uns, alle Daten, Informationen, Materialien, Zeichnungen, Artikel und Know-how (nachfolgend „Informationen“), die aufgrund des Auftrags vom AG überlassen wurden, nicht für Zwecke zu verwenden, die nicht im Zusammenhang mit dem Auftrag stehen. Wir bewahren über die Informationen Stillschweigen, es sei denn, sie sind öffentlich zugänglich oder wir ist zur Offenlegung nach dem jeweils geltenden Recht verpflichtet.

15.2 Der AG steht dafür ein, dass die im Rahmen des Auftrags von uns gefertigten beruflichen Äußerungen (Gutachten, Entwürfe, Aufstellungen und dergleichen) nur für seine eigenen Zwecke und nur für die Zwecke des Auftrags verwendet werden.

15.3 Die Weitergabe von uns getätigter beruflicher Äußerungen (Berichte, Gutachten, Ergebnisse und dergleichen) an einen Dritten ist untersagt.

15.4 Für eine Veröffentlichung von uns getätigter beruflicher Äußerungen oder Auszügen daraus gilt 15.3 entsprechend.

15.5 Wir bewahren über Inhalt und Ziel des Auftrags sowie über die von uns erarbeiteten Ergebnisse Stillschweigen.

15.6 Das Urheberrecht an den beauftragten Leistungen steht uns ohne Einschränkung zu. Der AG ist ausschließlich berechtigt, die von uns getätigten beruflichen Äußerungen zu dem vereinbarten Zweck zu verwenden.

15.7 Der AG ist nicht berechtigt, Änderungen an den von uns getätigten urheberrechtlich geschützten beruflichen Äußerungen vorzunehmen.

15.8 Die Ausfertigungen der schriftlichen Ergebnisse (Berichte, Gutachten) bleiben bis zur vollständigen Bezahlung des vereinbarten Honorars unser Eigentum.

16 Rechte Dritter und Abtretung

Die Parteien können übertragbare Ansprüche aus dem Vertragsverhältnis nur mit der vorherigen schriftlichen Zustimmung des Vertragspartners an Dritte abtreten. § 354 a) HGB bleibt unberührt.

damages caused by intent or gross negligence or for damages pursuant to the Product Liability Act (Produkthaftungsgesetz) or for damages from injury to life, body or health.
The client is entitled to ask us for higher liability coverage at any time. If the client asks for higher liability coverage, we will agree, but only in return for reimbursement of the expenses that we incur for the purpose of providing higher liability coverage (concurrent performance).

12 Data Protection

12.1 We (and for the purpose of Section 12 of the terms of business any of our international partnerships, group companies and affiliated organisations) collect personal data during the performance of the mandate. We use the personal data and information obtained from other sources in order to perform the services instructed. We are entitled to save such personal data for this purpose only for the period of time permitted by law. We may disclose personal data only in order to comply with legal obligations.

12.2 To help us to make credit decisions about the client, to prevent fraud, to prevent money laundering and to check identity, we may ask credit reference agencies and other specialised agencies for information.

13 Money Laundering Regulations

The client is aware that in accordance with existing law we are obliged to undertake reporting, report keeping and identification procedures.We may be required to verify certain data of our clients. We ask the client to assist us in complying with such requirements. If such information is necessary, the client is obliged to provide the information without undue delay to enable us to adhere to the law.

14 Electronic Communications

14.1 We may communicate with the client by electronic mail, sometimes attaching electronic data, unless the client has instructed us expressly and in writing to use some other means of communication. If such instructions are given by the client, the client must pay us the additional costs plus a reasonable addition to cover overheads.

14.2 In the case that the client does not instruct us to use any other means of communication rather than electronic mail, both parties accept the inherent risks (including the security risks of interception or unauthorized access to such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices).

15 Confidentiality / Intellectual Property / Transmission to Third Parties

15.1 We shall not use data, information, materials, drawings, articles and/or know-how provided to us by the client for the purpose of carrying out the mandate for any purposes that are not associated with the mandate. We are obliged to keep the information confidential unless the information is publicly available or we are obliged to disclose information under any valid law.

15.2 The client ensures that the professional statements given by us during the mandate (general reports, valuation reports, results and the like) are used only for his own purposes and only for purposes connected with the mandate.

15.3 The transmission of professional statements from us (general reports, valuation reports, results and the like) to third parties is prohibited.

15.4 With regard to any publication of professional statements from us or abstracts from such professional statements, No. 15.3 of the business terms shall apply mutatis mutandis.

15.5 We are obliged to maintain confidentiality regarding the content and the purpose of the mandate and also regarding the results.

15.6 We hold the unrestricted copyright to the instructed services. Our professional statements may be used only by the client and only for the agreed purpose.

15.7 The client is not authorized to carry out changes to our copyrightprotected professional statements.

15.8 Copies of the written results (general reports, valuation reports) remain our property until fees are paid in full.

16 Third Parties Rights and Assignment

The effectiveness of the assignment of transferable claims to third parties depends on the prior approval of the contracting party. § 354 a) of the German code of commercial law (Handelsgesetzbuch) is unaffected.

17 Streitbeilegungsverfahren für Verbraucher nach dem VSBG

Im Rahmen des VSBGs (Verbraucherstreitbeilegungsgesetz) steht Ihnen die Allgemeine Verbraucherschlichtungsstelle des Zentrums für Schlichtung e.V., Straßburger Straße 8 in 77694 Kehl am Rhein unter www.verbraucher-schlichter.de zur Verfügung. Im Falle einer streitigen Auseinandersetzung mit einem Verbraucher erklären wir uns nicht zur alternativen Streitbeilegung nach dem VSBG bereit.

18 Allgemeines

Für den Vertrag, seine Durchführung und die sich hieraus ergebenden Ansprüche gilt ausschließlich deutsches Recht für innerstaatliche Parteien. Ausschließlicher Gerichtsstand für alle Streitigkeiten aus und im Zusammenhang mit dem Vertrag und seiner Durchführung ist Frankfurt am Main.

19 Schlussbemerkung

Die deutsche Version ist allein maßgebend. Die englische Übersetzung ist nicht rechtlich bindend.

17 Dispute resolution procedures for consumers pursuant to VSBG

The general office for the settlement of consumer disputes ("Allgemeine Verbraucherschlichtungsstelle") at the Zentrum für Schlichtung e.V., Strassburger Strasse 8 in 77694 Kehl am Rhein, Germany, is available to you at www.verbraucher-schlichter.de in accordance with the German act on alternative dispute resolution for consumer disputes (VSBG). In the event of a dispute with a consumer, we shall not submit to the alternative resolution of such dispute in accordance with the German act on alternative dispute resolution for consumer disputes (VSBG).

18 General

The contract, the execution of the contract and any claims arising from the contract shall be governed solely by German Law if domestic parties are involved. Any dispute arising out of or in connection with the services shall be submitted to the exclusive jurisdiction of the Court of Frankfurt am Main/ Germany.

19 Closing Remark

The German version is the only legally binding version. The English version is just a courtesy translation and not legally binding.

18. GLOSSARY

€ .... The single European currency adopted by certain participating member states of the European Union, including Germany.

Adjusted EBIT .... EBIT as adjusted by all of the PPA Effects and One-Off Items.

Adjusted Operating Performance .... Operating Performance adjusted for inventories-related PPA Effects.

AFM .... Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*).

AG Conversion............................... The Company plans to propose to its General Meeting to resolve upon the conversion of the Company into a German stock corporation (*Aktiengesellschaft*), governed by the laws of the Federal Republic of Germany and having its registered seat in Essen, Germany.

Allocated Amount .... The annual base allocation of virtual shares allocated under the New LTIP.

Anticipated Gross Project Margin .... Anticipated Gross Project Margin is defined as the quotient of (i) total estimated project income minus total estimated project costs for fully developed projects and (ii) total estimated project income on the basis of the current estimated market price for such project. Total estimated project costs include a 1.5% construction cost inflation assumption and sales commission but do not include financing, personnel, corporate expense or PPA Effects.

Articles of Association .... The Company's articles of association.

BaFin... The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

Base Shares.................................... The New Shares and the Existing Shares.

BGB.. German Civil Code (*Bürgerliches Gesetzbuch* (BGB)).

BNP Paribas .... BNP Paribas, 16, boulevard des Italiens, 75009 Paris, France.

BNP Paribas Real Estate............... BNP Paribas Real Estate Consult GmbH, Kurfürstendamm 22, 10719 Berlin, Germany.

CET .... Central European Time or Central European Summertime, as the case may be.

Clearstream................................... Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.

Commencement of Trading .... Commencement of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Company .... Instone Real Estate Group B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law, with its corporate seat in Amsterdam, the Netherlands, and its registered business address at Baumstraße 25, 45128 Essen, Germany, registered with the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under number 60490861. Its legal form will be converted into a public company with limited liability (*naamloze vennootschap* (*N.V.*)), incorporated under the laws of the Netherlands, shortly after the determination of the placement price of the Placement Shares and before payment for, and delivery of, the Placement Shares. Immediately following the execution of the notarial deed of conversion and amendment to convert the Company into a public company with limited liability (*naamloze vennootschap* (*N.V.*)).

Contamination .... It applies to currently existing and future soil contaminations and/or harmful soil alterations on soil functions that are able to emit hazards, considerable disadvantages or considerable nuisances for individuals of the general public, such as excessive compression or dehydration of the soil.

Coöperatieve Activum III	Coöperatieve Activum SG Fund III Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), registered in the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under registration number 59216239 and having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.
Coöperatieve Activum V	Coöperatieve Activum SG Fund V Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), registered in the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under registration number 67273300 and having its registered offices at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.
Coöperatieve Formart	Coöperatieve Formart Investments U.A., a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*), registered in the commercial register of the Dutch Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under registration number 61216275, respectively, and having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.
Credit Suisse	Credit Suisse Securities (Europe) Limited, London, United Kingdom.
D&O	Directors and officers.
DCC	Dutch Civil Code (*Burgerlijk Wetboek*).
DDT	Dichlorodiphenyltrichloroethane (DDT).
Designated Sponsor	Deutsche Bank.
Deutsche Bank	Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany.
DFSA	Dutch Financial Supervision Act (*Wet op het financieel toezicht*).
Dissenting Shareholder	Each shareholder voting against the resolution to effect the AG Conversion in the General Meeting.
Domestic Paying Agent	A domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks and financial service institutes).
Dutch Code	Dutch Corporate Governance Code.
Dutch Corporate Income Tax Act	Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).
Dutch Income Tax Act	Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).
Dutch Resident Entities	Corporate legal entities who are resident or deemed to be resident in the Netherlands for Dutch tax purposes.
Dutch Resident Individuals	Individuals who are resident or deemed to be resident in the Netherlands for Dutch tax purposes.
EBIT	An accounting metric that measures a company's profit including all expenses except interest and tax expenses.
EBITDA	Earnings before interest, taxes depreciation and amortization.
ECB	European Central Bank.
EEA	European Economic Area.
EEA Member State	A member state of the EEA.

Effectiveness of the AG Conversion..................................... The Company's conversion from a public company with limited liability (*naamloze vennootschap* (N.V.)) into a German stock corporation (*Aktiengesellschaft*), governed by the laws of the Federal Republic of Germany, (AG Conversion), becoming effective upon registration of the AG Conversion in the commercial register of the local court (*Amtsgericht*) of Essen, Germany.

Effectiveness of the N.V. Conversion..................................... The Company's conversion from a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid* (B.V.)) into a public company with limited liability (*naamloze vennootschap* (N.V.)) in accordance with a resolution of the Company's General Meeting effected by a notarial deed of conversion and amendment of its Articles of Association.

Energy Saving Act .... Energy Saving Act (*Energieeinsparungsgesetz* (EnEG)).

EnEV... Energy Saving Ordinance (*Energieeinsparverordnung* (EnEV)).

Enterprise Chamber...................... Enterprise Chamber of the Amsterdam Court of Appeal (*ondernemingskamer van het gerechtshof te Amsterdam*).

Euro .... The single European currency adopted by certain participating member states of the European Union, including Germany.

Existing Shareholders.................... Coöperatieve Activum III, Coöperatieve Activum V, and Coöperatieve Formart.

Existing Shares.............................. Up to 13,350,000 existing bearer shares of the Company with a nominal value of €1.00 sold by the Existing Shareholders.

Favorable Binding Tax Rulings.... Favorable binding tax rulings by the competent German tax authorities that the AG Conversion can be consummated without triggering substantial German corporate income, German trade tax, German withholding tax or German real estate transfer tax on the level of the Company or its consolidated subsidiaries and would not be treated as an actual or deemed liquidation from a German tax perspective.

Flat Tax... For individuals who are tax resident in Germany and who hold their shares in the Company as private assets, the withholding tax of 25% plus solidarity surcharge of 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if any) will generally serve as a final tax (*i.e.*, once such tax has been deducted, the shareholder's income tax liability on the dividends will be settled, and he or she will no longer have to declare them on his or her annual tax return).

Formart SPA .... The acquisition agreement relating to the acquisition of Instone Development.

FoSiG .... Enforcement of Payment Claims (*Forderungssicherungsgesetz* (FoSiG))

FoSiG Surety .... Instone's requirement to issue another surety with respect to 5% of the aggregate purchase price upon beginning of construction works (*i.e.*, when the first instalment under the MaBV is due and payable) to private purchasers.

FRSA.. Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*).

General Meeting .... The Company's general shareholders' meeting.

German Building Code .... German Building Code (*Baugesetzbuch* (BauGB)).

German Federal Soil Protection Act .... German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz* (BBodSchG)).

GVO .... German Real Estate Transfer Ordinance (*Grundstücksverkehrsordnung*).

Germany.. The Federal Republic of Germany.

GewO	German Trade Regulation (*Gewerbeordnung*).
Greenshoe Option	The option to acquire the Over-Allotment Shares at the placement price, less agreed commissions, which the Existing Shareholders will grant the Underwriters.
Gross domestic product (GDP)	Measurement of economic performance of a national economy, *i.e.*, combined value of all goods and services earned within the country within a certain period.
HGB	The German Commercial Code (*Handelsgesetzbuch*).
HOAI	The German Fee Regulations for Architects and Engineers (*Honorarordnung für Architekten und Ingenieure* (HOAI)).
Historical Gross Project Margin	Historical Gross Project Margin is defined as quotient of (i) total historical project income minus total historical project costs and (ii) total historical project income. Total historical project costs include sales commission but do not include financing, personnel, corporate expense or PPA Effects.
HSE	Health, safety and environmental.
IAS	International accounting standards.
ID Shareholder Loans	Shareholder loans granted to the Company by Coöperatieve Activum III and Coöperatieve Formart in an aggregate amount of €60 million with respect to the acquisition of Instone Development.
IL Shareholder Loans	Shareholder loans granted to the Company by Coöperatieve Activum III and Coöperatieve Formart in an aggregate amount of €24 million with respect to the acquisition of Instone Leipzig.
IFRS	International Financial Reporting Standards, as adopted by the European Union.
Instone	The Company, together with its consolidated subsidiaries.
Instone Development	Instone Real Estate Development GmbH.
Instone Leipzig	Instone Real Estate Leipzig GmbH.
IT	Information technology.
IRR	Internal rate of return.
Joint Bookrunners	BNP Paribas, Morgan Stanley and UniCredit, together with the Joint Global Coordinators.
Joint Global Coordinators	Credit Suisse and Deutsche Bank.
LTIP Indemnification	Indemnification (*Freistellung*) of the Company by each of the Existing Shareholders, each as partial debtor (*als Teilschuldner*) *pro rata* to its respective shareholding in the Company, in relation to any payments made by Instone under the Pre-Placement LTIP by way of a contribution to the equity of the Company, if and when such payments become due, upon first demand of the Company.
MaBV	Real Estate Agent and Commercial Contractor Regulation (*Makler- und Bauträgerverordnung* (MaBV)).
MaBV Aval	Surety that can be issued to the purchaser in order to be able to request instalment payments from such purchaser if certain other conditions are not met.
Management Board	The Company's management board.
Management Director	A member of the Management Board of the Company.
Management LTIP Lock-Up Period	Locked-up for a period of up to three years for 70% of the Re-Invested STI Amounts.

MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, as amended, on market abuse.
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended.
MiFID II Product Governance Requirements	MiFiD II and Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures.
Morgan Stanley	Morgan Stanley & Co. International plc, London, United Kingdom.
Net Working Capital	Sum of inventories plus trade receivables minus trade payables.
New Shares	7,000,000 newly issued bearer shares with a nominal value of €1.00.
New STI	New short-term incentive program in which the Participating Management are entitled to participate.
New STI	New long-term incentive cash program in which the Participating Management are entitled to participate.
N.V. Conversion	Company's conversion from a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid* (B.V.)) into a public company with limited liability (*naamloze vennootschap* (N.V.)).
One-Off Items	One-off items refers to items which, in management's view, are exceptional or incurred on a non-recurring basis in particular due to acquisition events, disposals, structural changes within Instone.
Operating Performance	Sum of total revenues and change in inventories.
Order	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
Over-Allotment	The allocation of up to 3,050,000 Over-Allotment Shares as part of the allocation of the Base Shares.
Over-Allotment Shares	Up to 3,050,000 existing bearer shares of the Company with a nominal value of €1.00 sold by the Existing Shareholders.
Parent-Subsidiary Directive	Council Directive 2011/96/EU of November 30, 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states, as amended.
Participating Management	The Management Board and up to four additional key executives entitled to participate in the New STI and the New LTIP.
Participating Member States	Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia.
Payout Amount	Cash payment from the respective share of the Participating Members of the Allocated Amount.
PCB	Polychlorinated Biphenyl (PCB).
PCP	Pentachlorophenol (PCP).
PDMR	Person discharging managerial responsibility.
Placement Shares	The Base Shares and the Over-Allotment Shares, if any.
Portfolio Dividends	Dividends earned on direct shareholdings in a distributing corporation equal to less than 10% of its share capital at the start of the respective calendar year.
Post–Conversion Share Capital Increase	On February 13, 2018, upon Effectiveness of the N.V. Conversion, the General Meeting will resolve upon the Post–Conversion Share Capital Increase to convert €29,938,020.00 of the Company's share premium into share capital of the Company.

Post-Placement per Share Net Book Value	The adjusted net book value attributable to shareholders is expressed as a per share figure, assuming 36,988,336 shares of the Company outstanding upon completion of the Private Placement.
PPA Effects	As a result of the acquisition of Instone Development and Instone Leipzig, the Company was required to allocate the purchase prices to the assets and liabilities that were acquired based on estimated fair values. The allocation of the purchase price resulted in a step up in the value of the acquired assets, which in turn resulted in other income, increases in inventories and in equity and negatively affected Operating Performance and EBIT in subsequent periods.
Pre–Conversion Certificate	Certificate of a Dutch civil law notary (*notaris*), no earlier than one month after the General Meeting has adopted the resolution to effect the AG Conversion, certifying that the procedural formalities (*vormvoorschriften*) regarding all resolutions required by applicable Dutch law and the Articles of Association to effect the AG Conversion, and all other formalities (*voorschriften*) stipulated by applicable Dutch law in respect of the AG Conversion have been observed.
Pre–Conversion Share Capital Increase	On February 13, 2018, shortly after determination of the placement price and prior to listing and settlement, the General Meeting will resolve to convert €41,930.00 of the Company's share premium into share capital of the Company.
Pre–Placement Share Capital Increases	Pre–Conversion Share Capital Increase and Post–Conversion Share Capital Increase.
Pre-Placement STI	Short-term incentive program previously agreed with the members of the Management Board.
Pre-Placement LTIP	The long-term incentive plan previously agreed with the members of the Pre-Placement LTIP Beneficiaries.
Pre-Placement LTIP Beneficiaries	(i) the four members of the Management Board as well as (ii) two managing directors of Instone Development and (iii) one managing director of Instone Leipzig.
Price Range	The price range of €21.50 to €25.50 per share, jointly set by the Joint Bookrunners, the Company and the Existing Shareholders on February 1, 2018.
Private Placement	The private placement of up to 23,400,000 bearer shares of the Company with a nominal value of €1.00 and with full dividend rights from January 1, 2017.
Prospectus	This prospectus.
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, as last amended on July 20, 2017.
QIBs	Qualified institutional buyers as defined in Rule 144A.
Qualified Participation	At least 1% of the share capital of the Company.
Regulation S	Regulation S under the Securities Act.
Re-Invested STI Amounts	Amounts re-invested under the Pre-Placement STI with respect to the financial years 2015 to 2017.
RETT	Real Estate Transfer Tax.
Rule 144A	Rule 144A under the Securities Act.
Securities Act	The United States Securities Act of 1933, as amended.

Shareholder Loan Conversion	On December 28, 2017, shareholder loans extended to the Company were partially converted in an amount of €48.0 million and contributed into the Company's share premium.
SG Shareholder Loan	Shareholder loan granted to the Company by Steffen Göpel in an aggregate amount of €5.1 million.
Shareholder Loans	ID Shareholder Loan, IL Shareholder Loan and SG Shareholder Loan.
Stabilization Manager	Credit Suisse.
Stabilization Period	The period which starts from the date the Company's shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must end no later than 30 calendar days thereafter (*i.e.*, on March 16, 2018).
Supervisory Board	The Company's supervisory board (*Aufsichtsrat*).
Supervisory Director	A member of the Supervisory Board of the Company.
Target Market Assessment	Product approval process relating to the Placement Shares, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II.
Total Financial Liabilities	Total financial liabilities consist of total non-current financial liabilities and total current financial liabilities.
UmwG	The German Transformation Act (*Umwandlungsgesetz*).
Underwriters	The Joint Global Coordinators together with the Joint Bookrunners.
Underwriting Agreement	The underwriting agreement, entered into between the Company, the Existing Shareholders and the Underwriters on February 2, 2018.
UniCredit	UniCredit Bank AG, Munich, Germany.
United States	The United States of America.
Valuation Report	Condensed valuation report from the independent, external appraiser, *i.e.*, BNP Paribas Real Estate.
VAT	Value added tax.
VOB/B	German Construction Contract Procedures (*Vergabe- und Vertragsordnung für Bauleistungen, Teil B* (VOB/B)).
Waste Water Ordinance	Waste Water Ordinance (*Verordnung über Anforderungen an das Einleiten von Abwasser in Gewässer* (AbwV)).
WHG	German Federal Water Management (*Wasserhaushaltsgesetz* (WHG)).
WpÜG	The German Securities and Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

19. RECENT DEVELOPMENTS AND OUTLOOK

The economic situation in Germany was characterized by strong economic growth in 2017 (*Source: Destatis, German Federal Statistical Office*). According to first calculations of the Federal Statistical Office (Destatis), the price-adjusted GDP was 2.2% higher in 2017 than in the previous year. The German economy has grown for the eighth year in a row. Compared with the preceding years, the growth rate accelerated once again. In 2016, the GDP had already risen significantly by 1.9%, and by 1.7% in 2015 (*Source: Destatis, German Federal Statistical Office*). From a longer term perspective, German economic growth in 2017 exceeded the average growth rate of the last ten years (+1.3%) by almost one percentage point (*Source: Destatis, German Federal Statistical Office*).

The economic performance in Germany was achieved in 2017 on an annual average by just under 44.3 million persons in employment whose place of employment was in Germany. This was the highest number since German reunification (*Source: Destatis, German Federal Statistical Office*). According to first calculations, the number of persons in employment was roughly 638,000 or 1.5% higher in 2017 than a year earlier. This was the largest increase since 2007 which was due to a rise in employment subject to social insurance. Higher labor force participation and the immigration of foreign workers offset age-related demographic effects (*Source: Destatis, German Federal Statistical Office*).

Furthermore, the general government recorded a surplus of €38.4 billion in 2017 which, according to provisional calculations, was the fourth consecutive year with a surplus at year-end. Measured as a percentage of the GDP at current prices, this was a 1.2% surplus ratio of general government for 2017.

On December 28, 2017, shareholder loans extended to the Company were partially converted in an amount of €48.0 million and contributed into the Company's share premium by the Shareholder Loan Conversion. On February 13, 2018, shortly after determination of the placement price and prior to listing and settlement, the General Meeting will resolve to convert €41,930.00 of the Company's share premium into share capital of the Company. Following this Pre–Conversion Share Capital Increase, the Company's share capital will amount to €50,316. On the same day, upon Effectiveness of the N.V. Conversion, the General Meeting will resolve upon the Post–Conversion Share Capital Increase to convert €29,938,020.00 of the Company's share premium into share capital of the Company. Following the Post–Conversion Share Capital Increase and prior to the Placement Capital Increase, the Company's share capital will amount to €29,988,336.00.

On December 29, 2017, Coöperatieve Activum V sold and transferred 295 shares in the Company to Coöperatieve Formart increasing Coöperatieve Formart's shareholding in the Company to 33.3%. As of the date of this Prospectus, Coöperatieve Activum V holds 7.1% of the shares in the Company.

As of September 30, 2017, Instone's project portfolio comprised 48 development projects with an aggregate expected sales volume for fully developed projects of approximately €3.4 billion. Since that date and until the date of this Prospectus, Instone's Management Board has approved 3 additional projects with an aggregate expected sales volume for fully developed projects of approximately €128.0 million including the following:

- "Project Teemanufaktur" in Halle (for which Instone already completed the acquisition of land plots) with an aggregate expected sales volume when fully developed of approximately €25.0 million;
- "Project Kosmos" (Siemens Areal) in Frankfurt with an aggregate expected sales volume when fully developed of approximately €33.0 million; and
- "Project Schorndorf" with an aggregate expected sales volume when fully developed of approximately €69.8 million.

As of December 31, 2017, Instone had identified 71 acquisition opportunities with an aggregate potential sales volume for fully developed projects of more than €13.0 billion. In the medium term, Instone aims to annually acquire land plots or properties with an aggregate expected sales volume for fully developed projects of €900 million to €1.0 billion.

In the last quarter of 2017, Instone delivered 190 residential units with an aggregate sales volume for fully developed projects of €75.6 million. In the years to come, Instone expects to deliver residential units, subject to market and other conditions, as follows:

- In 2018, approximately 700 residential units with an aggregate expected sales volume for fully developed projects of €328 million;

- In 2019, approximately 1,450 residential units with an aggregate expected sales volume for fully developed projects of €507 million (aggregate expected sales volume of €489 million as shown in the Valuation Report and including additional condominiums in Wiesbaden-Delkenheim with an expected additional sales volume of €15 million and other condominiums with an expected additional sales volume of €3 million each of which have not been included in Valuation Report);
- In 2020, approximately 1,300 residential units with an aggregate expected sales volume for fully developed projects of €588 million; and
- From 2021 onwards, Instone expects to deliver, subject to market and other conditions, approximately 2,000 residential units with an aggregate expected sales volume for fully developed projects of €900 million to €1,000 million. Out of these 2,000 units, approximately 1,800 units relate to projects covered by the Valuation Report with an aggregate expected sales volume for fully developed projects of €874 million. Instone expects to deliver the additional 200 units based on new projects not covered by the Valuation Report with an aggregate expected sales volume for fully developed projects of €26 million to €126 million.

Instone generally expects to fund approximately 15% of the expected total development costs for fully developed projects through its own cash funds. Its third party debt investments typically amount to approximately 25% of the expected total development costs for fully developed projects while the remaining 60% is generally funded by the incoming cash flow resulting from the favorable staggered payment framework under the MaBV. This effect is furthermore supported by the fact that capital intensive construction does not begin until at least 30% of the projected residential units have been sold. Instone estimates its aggregate expected sales volume for fully developed projects to be comprised of approximately 18% land costs, approximately 57% construction and other costs and an average Anticipated Gross Project Margin of approximately 25%. On this basis, Instone targets a minimum required unlevered project level IRR of more than 15%, a minimum required levered project level IRR of more than 20% and a stabilized return on capital employed (ROCE) of more than 30%. Instone's goal is to obtain a critical mass of projects in each of its focus markets to drive operational synergies and support higher margins.

Based on an annual expected sales volume of €900 million to €1.0 billion and a medium term target inventory of €1.5 billion, Instone expects an aggregate third party funding requirement of €1.2 billion. Instone further estimates that the majority of this external funding requirement will be covered by customer's instalment payments in the amount of approximately €900 million. This would result in the remaining amount of €300 million being subject to interest-bearing third party financing. Based on its current financing structure and interest rates, the Company assumes that out of this amount, approximately €67 million will be covered by the promissory note loans (*Schuldscheindarlehen*) subject to an interest rate of approximately 3%. Instone expects to finance the remaining amount of approximately €233 million by third party financing including both building construction financing and land acquisition financing subject to an interest rate of approximately 3% of the drawn debt plus 1% of the expected sales volume for fully developed projects as financing fee.

Except for the developments mentioned above, between September 30, 2017 and the date of this Prospectus, there have been no significant changes in Instone's financial or trading position.