

C.3 COMPANY FINANCIAL STATEMENTS

This company financial statements is after proposed result appropriation.

C.3.1 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

in euros	Notes	31 December 2017	31 December 2016
Assets			
Non-current assets			
Investment in subsidiaries	1	252,503,760.29	229,639,334.96
		252,503,760.29	229,639,334.96
Current assets			
Financial receivables	2	29,530,908.11	2,763,786.06
Other receivables and other assets	3	5,295,080.45	24,864.01
Cash and cash equivalents	4	4,440,152.11	6,005,035.35
		39,266,140.67	8,793,685.42
Total assets		291,769,900.96	238,433,020.38
Equity and Liabilities			
Equity			
Share capital		8,386.00	8,386.00
Capital reserve		85,353,772.19	37,394,560.00
Retained earnings / loss carryforwards		-11,939,078.21	-22,739,088.87
Accumulated other comprehensive income		-377,398.00	0.00
Equity attributable to shareholders	5	73,045,681.98	14,663,857.13
Non-current liabilities			
Provisions for pensions and similar obligations	6	495,798.00	0.00
Other provisions	7	0.00	8,730,687.98
Financial liabilities	8	69,003,544.19	196,194,297.57
Deferred taxes	9	15,317,687.49	11,939,919.74
		84,817,029.68	216,864,905.29
Current liabilities			
Other provisions	7	31,421,162.63	0.00
Financial liabilities	8	97,574,440.74	20,000.00
Trade payables	10	3,918,987.39	1,675,760.04
Other liabilities	11	652,501.87	4,868,401.25
Income tax liabilities	12	340,096.67	340,096.67
		133,907,189.30	6,904,257.96
Total equity and liabilities		291,769,900.96	238,433,020.38

C.3.2 STATEMENT OF PROFIT OR LOSS FOR THE YEAR 2017

in euros	Notes	31 December 2017	31 December 2016
Revenue	13	155,050.14	250,000.00
Change in inventories		0.00	-250,000.00
Other operating income	14	22,212.99	4,358,776.90
Staff costs	15	-8,699,698.14	-60,212.45
Other operating expenses	16	-12,012,441.15	-8,895,398.95
Other income from investments	17	22,581,828.61	11,247,926.27
Earnings before interest, tax, depreciation and amortization (EBITDA)		2,046,952.45	6,651,091.77
Earnings before interest and tax (EBIT)		2,046,952.45	6,651,091.77
Finance income		468.00	543.00
Finance costs		-17,042,617.00	-15,680,566.90
Interest components of increase in provisions		-297,037.02	30,939.44
Write-down of long-term securities		-2,022.77	0.00
Finance result	18	-17,341,208.79	-15,649,084.46
Earnings before tax (EBT)		-15,294,256.34	-8,997,992.69
Income taxes	19	-3,432,891.11	-5,013,785.54
Earnings after tax (EAT)		-18,727,147.45	-14,011,778.23

C.3.3 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR 2017

in euros	31 December 2017	31 December 2016
Earnings after tax	-18,727,147.45	-14,011,778.23
Items that will not be reclassified to profit or loss		
Actuarial gains/losses on defined benefit obligation	-377,398.00	0.00
Other comprehensive income for the year	-377,398.00	0.00
Total comprehensive income for the year	-19,104,545.45	-14,011,778.23

C.3.4 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2017

in euros	Notes	Share capital	Capital reserve	Retained earnings/loss carryforwards	Accumulated other comprehensive income	Total
1 January 2016		8,386.00	37,394,560.00	-8,727,310.64	0.00	28,675,635.36
Earnings after taxes		0.00	0.00	-14,011,778.23	0.00	-14,011,778.23
Changes in actuarial profits and losses		0.00	0.00	0.00	0.00	0.00
Total comprehensive income		0.00	0.00	-14,011,778.23	0.00	-14,011,778.23
31 December 2016 / 1 January 2017		8,386.00	37,394,560.00	-22,739,088.87	0.00	14,663,857.13
Earnings after taxes		0.00	0.00	-18,727,147.45	0.00	-18,727,147.45
Changes in actuarial profits and losses		0.00	0.00	0.00	-377,398.00	-377,398.00
Total comprehensive income		0.00	0.00	-18,727,147.45	-377,398.00	-19,104,545.45
Indemnification Agreement						
Contribution from shareholders		0.00	0.00	29,527,158.11	0.00	29,527,158.11
Contribution to capital reserve		0.00	47,959,212.19	0.00	0.00	47,959,212.19
		0.00	47,959,212.19	29,527,158.11	0.00	77,486,370.30
31 December 2017	5	8,386.00	85,353,772.19	-11,939,078.21	-377,398.00	73,045,681.98

A. INTRODUCTION

B. GROUP MANAGEMENT REPORT

C. CONSOLIDATED FINANCIAL STATEMENTS

D. CORPORATE GOVERNANCE

E. OTHER INFORMATION

C.3.5 STATEMENT OF CASH FLOWS FOR THE YEAR 2017

in euros	Notes	31 December 2017	31 December 2016
Earnings after tax		-18,727,147.45	-14,011,778.23
± Increase/decrease of provisions		23,186,272.65	6,847,714.54
± Increase/decrease of deferred taxes		3,377,767.75	4,690,055.03
± Other non-cash income and expenses		17,945,501.55	15,649,627.46
± Increase/decrease of inventories, trade receivables and other assets		-2,510,180.38	-13,289,156.43
± Increase/decrease of trade payables and other liabilities		-1,972,672.03	-6,972,570.84
Cash flow from operating activities		21,299,542.09	-7,086,108.47
- Income taxes paid		0.00	16,366.15
Net cash flow from operating activities		21,299,542.09	-7,069,742.32
- Payments for acquisitions of shares in consolidated companies		-22,864,425.33	-65,669.29
Cash flow from investing activities		-22,864,425.33	-65,669.29
+ Cash proceeds from borrowings		0.00	10,486,243.20
- Cash repayments of borrowings		0.00	0.00
- Interest paid		0.00	-67.00
Cash flow from financing activities		0.00	10,486,176.20
Increase (decrease) in cash and cash equivalents		-1,564,883.24	3,350,764.59
+ Cash and cash equivalents at the beginning of the period		6,005,035.35	2,654,270.76
Cash and cash equivalents at the end of period	4	4,440,152.11	6,005,035.35

A. INTRODUCTION

B. GROUP MANAGEMENT
REPORTC. CONSOLIDATED
FINANCIAL STATEMENTSD. CORPORATE
GOVERNANCE

E. OTHER INFORMATION

C.4 NOTES TO THE COMPANY FINANCIAL STATEMENTS

C.4.1 ACCOUNTING PRINCIPLES

General principles

Instone Real Estate Group N.V., Amsterdam, Netherlands (formerly: Formart Holding B.V., thereafter: Instone Real Estate Group B.V., now: Instone Real Estate Group N.V.) was incorporated in Amsterdam, the Netherlands on 16 April 2014 and entered in the Dutch commercial register, number 60490861, at the Company's head office, which is in Amsterdam, the Netherlands. According to the shareholders' resolution of 16 April 2015, the Company's place of management is on Baumstraße 25, 45128 Essen, Germany. According to the entry in the register dated 9 June 2017, Format Holding B.V., Amsterdam, the Netherlands was renamed Instone Real Estate Group B.V., Amsterdam, the Netherlands. By entry in the register dated 13 February 2018, the Company changed its legal form to become a public company with limited liability organised under the laws of the Netherlands (Naamloze Vennootschap, N.V.).

The object of the Company is the purchase, the development, the building, the letting, the management and the sale or other exploitation of land and buildings; the development, realisation and coordination of real estate projects as well as the participation in other companies and the formation, the financing and the consultation of companies which operate within this line of business.

The Management Board of Instone Real Estate Group N.V. approved these statements on 7 May 2018.

For additional details please see section "General Principles" in the consolidated financial statements 2017.

Principles for the preparation of the financial statements

The separate financial statements of Instone Real Estate Group N.V. have been prepared in compliance with IAS 27.17 and the respective requirements as to financial reporting in accordance with Part 9 of the 2nd Volume of the Dutch Civil Code.

The separate financial statements have been prepared in accordance with International Financial Reporting

Standards (IFRS) and the interpretations as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

The statement of profit or loss was prepared in accordance with the total cost method. In preparing its financial statements, it was assumed that the Company would continue its activities (going concern).

IFRS 9 "Financial Instruments"

The main impact of IFRS 9 "Financial Instruments" is shown below:

Classification and Measurement

In particular, IFRS 9 contains a new approach to the classification and measurement of financial assets that reflects both the business model in which the assets are held and the characteristics of their cash flows. The criteria determine whether the instrument in the subsequent measurement is to be measured at cost or fair value. Whenever financial investments are categorised as equity instruments, the Company will exercise an irrevocable option to state future changes to the fair value under other comprehensive income in equity. Gains or losses recognised in other comprehensive income are never reclassified from equity to the income statement when disposed of. In general, the new classification requirements will not have any material impact.

IFRS 16 "Leases"

In January 2016, the IASB published the new standard IFRS 16 "Leases". IFRS 16 replaces the previous standard on the recognition of leases (IAS 17) and the interpretations IFRIC 4, SIC-15 and SIC-27. The standard is mandatory as of 1 January 2019. Voluntary early adoption is permitted, but only if IFRS 15 "Revenue from Contracts with Customers" is adopted at the same time. The essential changes due to IFRS 16 refer to disclosure requirements for lessees. The differentiation by Operate Lease and Finance Lease for the lessee is removed. For all leases, assets have to be recognised for the usage rights acquired (the "Right-of-Use approach") and liabilities for the payment obligations incurred by the lessee. Simplified application is permitted for "low-value" leases and short-term leases with a term of up to one year.

For low-value leases, this simplification even applies if they are to be classified as material in total. The simplified application comprises an option right for application of the recognition and disclosure requirements of IFRS 16.

The disclosure requirements for lessors were only slightly changed and mostly continue to correspond to the previous provisions of IAS 17. The changed disclosure requirements for leases in which the Company is the lessee will affect the separate financial statements. In particular, rights of use for leased vehicles or real property will be capitalised. Additionally, the type of expenses connected to these leases will change, since IFRS 16 replaces the recognition of expenses for operating leases on a straight-line basis by a depreciation expense for right-of-use assets and interest expenses for debt from the lease. The Company has

completed its initial assessment of possible effects on its separate financial statements, but the detailed evaluation has not yet been completed. The actual effects depend on the interest rate to be applied as of 1 January 2019, the composition of the leasing portfolio or the assessment of the exercise of extension options. Major effects on the separate financial statements are not expected.

Accounting principles

In preparing the separate financial statements of Instone Real Estate Group N.V., the same accounting policies were applied as were endorsed for the consolidated financial statements. Unless otherwise stated, the same accounting policies were applied as had been endorsed in previous years. For additional details please see section "Accounting Policies" in the consolidated financial statements 2017.

C.4.2 NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are composed as follows:

in euros

	31 December 2017	31 December 2016
Instone Real Estate Development GmbH	181,795,870.81	159,262,436.26
Instone Real Estate Leipzig GmbH	70,387,169.48	70,056,178.70
GRK REVION Hamburg GmbH	155,880.00	155,880.00
OPUS Wohnbau GmbH	114,840.00	114,840.00
Instone Real Estate Landmark GmbH	25,000.00	25,000.00
Instone Real Estate Assets GmbH	25,000.00	0.00
Instone Real Estate Management GmbH	0.00	25,000.00
	252,503,760.29	229,639,334.96

The costs for the acquisition of Instone Real Estate Development GmbH increased by virtue of a third call and put option exercised with Hochtief Solutions AG in 2017. Also, Instone Real Estate Assets GmbH, Essen, Germany was formed by deed of incorporation of 19 June 2017. The Company was entered in commercial register B of the Essen Local Court, no. HR B 28251 on 26 June 2017. The object of the Company is to accept liability and to provide

collaterals and/or guarantees to third parties in the real estate sector.

By notarised contract of 11 August 2017, Instone Real Estate Management GmbH merged with Instone Real Estate Development GmbH as per 1 January 2017 24:00 hours retrospectively.

The essential affiliates of Instone Real Estate Group N.V. are listed below:

Name	Seat	Activities	Participation in %
Instone Real Estate Development GmbH	Essen, Germany	Development	100.00
Instone Real Estate Landmark GmbH	Leipzig, Germany	Development	100.00
Instone Real Estate Leipzig GmbH	Leipzig, Germany	Development	94.00
GRK REVION Hamburg GmbH	Leipzig, Germany	Development	6.00
OPUS Wohnbau GmbH	Leipzig, Germany	Development	6.00

The investments in affiliates are posted at acquisition cost minus impairment. For additional analyses and information please see section 1, "Acquisition of subsidiaries" in the notes to the consolidated financial statements 2017.

2. FINANCIAL RECEIVABLES

Financial receivables in the amount of €29,530,908.11 (prior year: €2,763,786.06) primarily include receivables against shareholders (€29,527,158.11).

3. OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets include receivables against the former minority shareholder Hochtief Solutions AG, Essen, Germany, under an indemnification agreement for real estate income tax liabilities (€2,758,072.96) as well as accrued expenses and deferred income (€2,532,633.69).

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the amount of €4,440,152.11 (prior year: €6,005,035.35) comprise cash on hand and cash in banks. There are no restrictions for cash and cash equivalents.

5. EQUITY

The components of and the changes in equity are shown in the statement of changes in equity.

The subscribed capital in the amount of €8,386.00 was divided into 8,386 shares with a nominal value of €1.00 each and is fully paid.

Upon conclusion of a contribution agreement on 28 December 2017, major parts of the shareholder loans were converted to equity and allocated to the capital reserve. The capital reserve, which amounts to €85,353,772.19 (prior year: €37,394,560.00) is held by the shareholder Coöperatieve Activum SG Fund III Investments U.A. (€50,594,808.13), Coöperatieve Formart Investments U.A. (€25,297,404.06) and Coöperatieve Activum SG Fund V Investments U.A. (€9,461,560.00) respectively.

Other significant effects in the retained earnings/loss carryforwards include the contribution from shareholders in the amount of €29,527,158.11. This was a result of the indemnity of the Company from the costs relating to the planned private placement and the Company's listing on the Frankfurt Stock Exchange by the shareholders.

By the end of the year the subscribed capital and the capital reserve was divided between the shareholders as follows:

31 December 2017 in euros	Subscribed capital	in %	Capital reserve	in %
Coöperatieve Activum SG Fund III Investments U.A.	5,000.00	59.62	50,594,808.13	59.28
Coöperatieve Activum SG Fund V Investments U.A.	591.00	7.05	9,461,560.00	11.08
Coöperatieve Formart Investments U.A.	2,795.00	33.33	25,297,404.06	29.64
	8,386.00	100.00	85,353,772.19	100.00

31 December 2016 in euros	Subscribed capital	in %	Capital reserve	in %
Coöperatieve Activum SG Fund III Investments U.A.	5,000.00	59.62	22,000,000.00	58.83
Steffen Göpel	886.00	10.57	4,394,560.00	11.75
Coöperatieve Formart Investments U.A.	2,500.00	29.81	11,000,000.00	29.42
	8,386.00	100.00	37,394,560.00	100.00

Retained earnings show the revenue generated by the Company until the 2017 financial year. The income tax

impact on the changes in the participation in profits and losses recognised directly in equity is as follows:

in euros	31 December 2017	31 December 2016
Amount before income taxes	-15,294,256.34	-8.997.992,69
Income taxes	-3,432,891.11	-5.013.785,54
Amount after income taxes	-18,727,147.45	-14.011.778,23

The table below shows the reconciliation of the consolidated equity to the equity of the separate financial statements:

in euros	31 December 2017	31 December 2016
Total consolidated equity	52,220,011.31	2,684,201.45
non-controlling interests	521,416.29	9,452,301.67
individual retained earnings	7,595,285.75	-7,122,252.49
individual net result	12,360,934.34	8,397,731.19
individual other comprehensive income	348,034.29	1,251,875.31
Total stand-alone equity	73,045,681.98	14,663,857.13

The following table contains a reconciliation of the consolidated profit or loss for the year with the profit/loss for the

year shown in the separate financial statements for the following reporting periods:

in euros	31 December 2017	31 December 2016
Total comprehensive income for the year	-30,959,543.08	-22.200.770,24
thereof non-controlling interest	-128,538.71	-208.739,18
Net result shown in the separate financial statements of the subsidiaries	12,360,934.34	8.397.731,19
Comprehensive income for the year shown in the separate financial statements	-18,727,147.45	-14.011.778,23

The difference between the consolidated equity and the equity shown in the separate financial statements was primarily due to the negative impact of the consolidated profit for the year in relation to the development of the purchase price allocation resulting from the acquisition of

Instone Real Estate Development GmbH in 2014, and of Instone Real Estate Leipzig GmbH in 2015.

The net income/loss in the separate financial statements for the subsidiaries is shown in the table below:

in euros	31 December 2017	31 December 2016
Results subsidiaries	-22,837,225.96	-36,692,999.38
Income from investments in subsidiaries	22,637,424.98	11,247,926.27
Current adjustment PPA (Instone Real Estate Leipzig GmbH)	19,182,393.97	38,060,012.38
Shares GRK Beteiligungen GmbH	6,244,267.39	-5,065,899.23
Current adjustment PPA (Instone Real Estate Development GmbH)	3,888,220.68	11,853,028.35
Provision for trade tax group division Formart	-1,031,478.32	1,031,478.32
Deferred taxes on current adjustment for PPA	-6,950,049.01	-18,921,437.64
Deferred Taxes	-9,254,442.06	0.00
Addition of inventories Parkresidenz Leipzig GmbH	0.00	3,812,733.19
Settlement Agreement - acquisition of land below market price	0.00	2,250,000.00
Interest accrued from put options Hochtief	0.00	1,123,968.87
Reversal of provisions for subsequent consolidation (disposal of projects)	0.00	-765,349.74
Other	481,822.67	464,269.80
Net result recognized in the separate financial statements of the subsidiaries	12,360,934.34	8,397,731.19

Appropriation of result

According to Art. 23 of the Articles of Association of 9 June 2017 the shareholders decided to add the result for the year to the retained earnings. This proposal has been reflected in the separate financial statements and consolidated financial statements.

6. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The pension scheme of Instone Real Estate Development GmbH comprises a basic pension in the form of a modular defined contribution plan and a supplementary pension linked to Company performance, plus a few direct commitments. The module for the basic pension is tied partially to the income and the age of the employee (annuity factor), and partially to a general contribution which is reviewed every three years. The module for the supplementary pension is tied to the trends in earnings after taxes according to IFRS. Up to 20% of the basic pension can be achieved from this. The pension scheme that applied until 31 December 1999 provided for benefit groups based on collective agreements. They have been

integrated into the new pension scheme as so-called initial modules. Benefits comprise a retirement pension, a disability pension and a survivor's pension.

Discount factor	1.9%
Salary increase rate	2.5%
Pensions increases for VO2000+	1.0%
Pension increase for other commitments	1.3%
Inflation	1.3%

To finance pension pensions, Instone Real Estate Development GmbH participates in a Contractual Trust Arrangement (CTA). The assets that were transferred are held in trust by Helaba Pension Trust e. V., Frankfurt am Main, and exclusively serve to finance these pension obligations. Funds that were assigned are invested in the capital market in accordance with investment principles endorsed under the trust agreement. The pension fund assets, just like the re-insurance policies pledged to the staff, meet the requirements of Section 246 (2) sentence 2 of the German Commercial Code (Handelsgesetzbuch – HGB). According to this, the fair value of the assets is to be offset against the repayment amount of the

pension obligations; the proceeds from these assets are to be offset against the interest expenses incurred by the pension obligations. Offsetting is separated by type of pension commitment. A surplus or a deficit will show in the statement of financial position either on the asset or the liability side, respectively.

As at 1 December 2017, the obligations of Instone Real Estate Development GmbH in the amount of €815,001.00 were assumed. At the same time, fund assets in the amount of €707,936.00 were transferred from Instone

Real Estate Development GmbH.

The pension obligations were cleared by €706,926.00 (prior year: €0.00) against covered funds. As at 31 December 2017, the provisions for pensions amounted to €495,798.00.

For additional analyses and information please see section 14, "Provisions for pensions and similar obligations" in the notes to the consolidated financial statements 2017.

7. OTHER PROVISIONS

in euros	1 January 2017	Additions	Transfers	Change of basis of consolidation	31 December 2017
Non-current					
Personnel provisions	8,730,687.98	0.00	-8,730,687.98	0.00	0.00
	8,730,687.98	0.00	-8,730,687.98	0.00	0.00
Current					
Tax provisions	0.00	2,758,072.96	0.00	0.00	2,758,072.96
Personnel provisions	0.00	16,172,338.60	8,073,887.98	4,416,863.09	28,663,089.67
	0.00	18,930,411.56	8,073,887.98	4,416,863.09	31,421,162.63
	8,730,687.98	18,930,411.56	-656,800.00	4,416,863.09	31,421,162.63

For additional analyses and information please see section 15, "Other provisions" in the notes to the consolidated financial statements 2017.

8. FINANCIAL LIABILITIES

in euros	31 December 2017	31 December 2016
Non-current		
Liabilities towards shareholders	55,180,256.10	96,570,637.02
Liabilities towards subsidarie	13,823,288.09	99,623,660.55
	69,003,544.19	196,194,297.57
Current		
Liabilities towards shareholders	20,000.00	20,000.00
Liabilities towards subsidarie	97,554,440.74	0.00
	97,574,440.74	20,000.00
	166,577,984.93	196,214,297.57

in euros	1 January 2017	Financing Cash Flows	Non-cash changes	Fair value adjustments	31 December 2017
			shareholder contribution	capitalized interests	
Liabilities towards shareholders	96,590,637.02		-47,959,212.19	6,568,831.27	55,200,256.10
Liabilities towards associates	99,623,660.55			11,754,068.28	111,377,728.83
	196,214,297.57	0.00	-47,959,212.19	18,322,899.55	166,577,984.93

The non-current financial liabilities include liabilities towards shareholders in the amount of €55,180,256.11 (prior year: €96,570,637.02), of which €36,862,004.07 (prior year: €61,668,979.07) from loans towards Coöperatieve Activum SG Fund III Investments U.A., as well as loans of Coöperatieve Formart Investments U.A., in the amount of €18,318,252.04 (prior year: €30,730,489.53). The interest rate for these loans is 7%.

The liabilities towards subsidiaire include two (prior year: two) loans to Instone Real Estate Development GmbH in the amount of €78,482,375.99 (prior year: €73,891,209.89). The term for the loans is four years and three years respectively. Interest is calculated at 7% and 14.5%. To finance the purchase of shares in

Instone Real Estate Group during the financial year 2015, Instone Real Estate Leipzig GmbH extended three (prior year: two) loans to Instone Real Estate Group N.V. As at 31 December 2017, the loans total €33,358,142.06 (prior year: €25,732,450.57) with a total term of three years and two years respectively subject to an 8% interest rate.

The current financial liabilities towards the shareholder, Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands total €20,000.00 (prior year: €20,000.00).

For additional analyses and information please see section 16, "Financial Liabilities" in the notes to the consolidated financial statements 2017.

9. DEFERRED TAXES

Deferred tax assets and deferred tax liabilities are structured as stated below:

in euros	31 December 2017		31 December 2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	0.00	22,374,382.59	0.00	15,031,005.83
Current assets	0.00	552,315.77	0.00	167,664.13
Non-current liabilities	0.00	1,607,585.09	202,391.80	302,615.72
Financial liabilities	0.00	1,586,634.62	0.00	302,615.72
Other provisions	0.00	20,950.47	202,391.80	0.00
Current liabilities	9,216,596.06	0.00	1,569,561.17	10,412.07
Financial liabilities	0.00	0.00	0.00	0.00
Other provisions	8,861,285.67	0.00	1,569,561.17	0.00
Trade payables	0.00	0.00	0.00	10,412.07
Other current liabilities	355,310.29	0.00	0.00	0.00
	9,216,596.06	24,534,283.45	1,771,952.97	15,511,697.75
Loss carryforwards	0.00	0.00	1,799,825.04	0.00
Gross amount	9,216,596.06	24,534,283.45	3,571,778.01	15,511,697.75
Balance	-9,216,596.06	-9,216,596.06	-3,571,778.01	-3,571,778.01
Reported in the statement of financial position	0.00	15,317,687.49	0.00	11,939,919.74

Deferred tax assets were stated insofar as it seems likely that the Company will generate taxable revenue in the future against which these tax losses will be offset.

10. TRADE PAYABLES

Trade payables in the amount of €3,918,987.39 (prior year: €1,675,760.04) primarily comprise incurred costs and outstanding invoices.

11. OTHER LIABILITIES

Other liabilities in the amount of €652,501.87 (prior year: €4,868,401.25) essentially include accrued/deferred liabilities from bonus commitments and costs for employee holidays not yet taken.

12. INCOME TAX LIABILITIES

Income tax liabilities regard taxes from income.

C.4.3 NOTES TO THE STATEMENT OF PROFIT OR LOSS

13. REVENUE

Revenue in the amount of €155,050.14 (prior year: €250,000.00) essentially regards revenue with affiliates. Of these amounts, €33,955.26 are attributed to Instone Real Estate Development GmbH; €116,826.82 to Instone Real Estate Leipzig GmbH; €3,750.00 to

Gartenhöfe GmbH; and €518.06 are attributed to other revenue.

14. OTHER OPERATING INCOME

Other operating income in the amount of €22,212.99 (prior year: €4,358,776.90) results from a de-recognition of a trade payable from previous years.

15. STAFF COSTS

Staff costs are comprised of a change to the contribution to provisions for long term incentive programmes in the amount of €8,004,119.84 (prior year: €0.00); salaries paid out in the amount of €530,749.31 (prior year: €50,000.00) and social insurance contributions in the amount of €5,348.99 (prior year: €10,212.45) plus changes to pension provisions in the amount of €8,590.00 (prior year: €0.00) and changes to the contribution to other provisions for staff costs €150,890.00 (prior year: €0.00). During the financial year, the Company employed 2.3 (2016: 0.4) employees in Germany on average.

16. OTHER OPERATING EXPENSES

in euros	2017	2016
Long-term incentives	7,721,016.74	6,900,793.03
Consulting	1,518,935.38	36,432.21
Subsequent adjustment resulting from the acquisition of a rental portfolio	697,073.55	900,780.77
Non-deductible input tax	606,862.46	0.00
Court, attorney and notary fees	548,984.05	355,542.35
Distribution costs	298,344.54	0.00
Preparation and auditing of annual financial statements	239,687.81	383,503.50
Management	199,114.50	70,383.72
Insurance premiums	83,512.97	0.00
Postage costs and bank fees	5,828.50	0.00
Rental expense	2,400.00	0.00
Other	90,680.65	247,963.37
	12,012,441.15	8,895,398.95

17. OTHER NET INCOME FROM INVESTMENTS

Other net income from investments includes all income and expenses regarding subsidiaries, in the amount of €22,581,828.61 (prior year: €11,247,926.27).

18. FINANCE RESULT

in euros	2017	2016
Interest and similar income	468.00	543.00
Financial income	468.00	543.00
Interest and similar expenses	-17,042,617.00	-15,680,566.90
Interest portion of allocations to provisions	-297,037.02	30,939.44
Depreciation of securities classified as financial investments	-2,022.77	0.00
Finance costs	-17,341,676.79	-15,649,627.46
Financial result	-17,341,208.79	-15,649,084.46

19. INCOME TAXES

Income taxes are composed as follows:

in euros	2017	2016
Income taxes		
Corporate income tax	-55,123.36	-323,730.52
Current income taxes	-55,123.36	-323,730.52
Deferred taxes	-3,377,767.75	-4,690,055.02
	-3,432,891.11	-5,013,785.54

Income taxes for the year can be deducted as follows:

in euros	2017	2016
Income before taxes	-15,294,256.34	-8,997,992.69
Theoretical tax expenses at 25.00 %	3,823,564.09	2,249,498.17
Tax effects on		
Difference in tax rates	1,166,187.04	686,096.94
Prior year adjustment	1,308,078.31	16,366.08
Non-tax-allowable expenses	-5,917,967.51	-1,317,315.24
Tax rate difference	0.00	-5,691,289.99
Use of unrecognised loss carryforwards	-3,756,682.99	0.00
Recognition and measurement of deferred tax assets	0.00	-880,874.02
Others	-56,070.05	-76,267.48
Current income taxes	-3,432,891.11	-5,013,785.54

The corporate income tax rate of 25.0% (2016: 25.0%) was applied as the tax rate to be expected. The difference between the expected tax expense and the recognised tax expense is primarily due to the difference in German and Dutch income tax laws.

C.4.4 OTHER DISCLOSURES

Reporting on financial instruments

For additional analyses and information please see section "Reporting on financial instruments" in the notes to the consolidated financial statements 2017.

Risk management

For additional analyses and information please see section "Other provisions" in the notes to the consolidated financial statements 2017.

Management of liquidity risks

The following table summarises the contractually agreed payments relating to financial liabilities:

	Carrying amount		Cash outflows	
in euros	31 December 2017	2018	2019 - 2021	>2021
Non-current liabilities	69,003,544.19	55,549,464.67	15,641,293.75	0.00
Current liabilities	97,574,440.74	102,073,459.82	0.00	0.00
Trade payables	3,918,987.39	3,918,987.39	0.00	0.00
	170,496,972.32	161,541,911.88	15,641,293.75	0.00

	Carrying amount		Cash outflows	
in euros	31 December 2016	2017	2018 - 2020	>2020
Non-current liabilities	196,194,297.57	20,163,074.57	213,551,601.63	0.00
Current 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

Furthermore, liquidity is sufficiently secured, also based on the available cash in hand and bank balances as well

as available, unused cash credit facilities.

The table below shows the main liquidity instruments:

in euros	31 December 2017	31 December 2016
Cash-in-hand and available bank balances	4,440,152.11	6,005,035.35
Credit facilities unused	2,604,608.59	2,604,608.59
	7,044,760.70	8,609,643.94

For additional analyses and information please see section "Management of liquidity risks" in the notes to the consolidated financial statements 2017.

For additional analyses and information please see section "Management of interest risks" in the notes to the consolidated financial statements 2017.

Management of interest risks

Interest risks at Instone Real Estate Group N.V. are the result of borrowing new funds at variable rates of interest. The risk is not controlled separately, as external borrowings tend to be redeemed within a short period of time by payments from the buyers.

Management of default risks

For additional analyses and information please see section "Management of default risks" in the notes to the consolidated financial statements 2017.

Capital risk management

For additional analyses and information please see section "Capital risk management" in the notes to the consolidated financial statements 2017.

As at 31 December 2017 and 31 December 2016, the Company posted borrowings with fixed interest rates only, so that there is no interest rate risk due to variable interest rates.

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:

values. For additional analyses and information please see section "Additional information on financial instruments" in the notes to the consolidated financial statements 2017.

Due to the short maturity, the carrying amounts of the above financial instruments correspond to their fair

in euros	Loans and receivables	at (amortised) cost	Total 31 December 2017	Total fair value 31 December 2017
ASSETS	33,971,060.22	0.00	33,971,060.22	33,971,060.22
Financial receivables	29,530,908.11	0.00	29,530,908.11	29,530,908.11
current	29,530,908.11	0.00	29,530,908.11	29,530,908.11
Cash and cash equivalents	4,440,152.11	0.00	4,440,152.11	4,440,152.11
EQUITY AND LIABILITIES	0.00	170,496,972.32	170,496,972.32	170,496,972.32
Financial liabilities	0.00	166,577,984.93	166,577,984.93	166,577,984.93
non-current	0.00	69,003,544.19	69,003,544.19	69,003,544.19
current	0.00	97,574,440.74	97,574,440.74	97,574,440.74
Trade payables	0.00	3,918,987.39	3,918,987.39	3,918,987.39
in euros	Loans and receivables	at (amortised) cost	Total 31 December 2016	Total fair value 31 December 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

Net result from financial instruments

The net result from financial instruments can be summarised as follows:

in euros	31 December 2017	31 December 2016
At cost	22,545,036.01	11,247,926.27
Loans and receivables	468.00	-543.00
Liabilities at amortised cost	-17,042,617.00	-15,556,215.33
	5,502,887.01	-4,308,832.06

For additional analyses and information please see section "Net result from financial instruments" in the notes to the consolidated financial statements 2017.

Operating leases

The future minimum lease payments are as follows:

in euros	31 December 2017	31 December 2016
Due within one year	55,877.64	0.00
Due in one to five years	46,803.43	0.00
	102,681.07	0.00

Instone Real Estate as a lessee has concluded long-term leases on commercial properties and company cars.

Notes to the statement of cash flows

The statement of cash flows classifies cash flows from operating, investing, and financing activities. The year-end total for cash and cash equivalents in the amount of €4,440,152.11 (prior year: €6,005,035.35) shown on the statement of cash flows matches the total shown for

cash and cash equivalents in the statement of financial position. There are no restrictions for cash and cash equivalents. All non-cash income and expenses are cleared in cash flow from operating activities.

Related party disclosures

Transactions with related parties are as follows (by category):

Relations to shareholders**in euros****31 December 2017****31 December 2016****Financial receivables**

Coöperatieve Activum SG Fund III Investments U.A.	17,605,031.08	0.00
Coöperatieve Activum SG Fund V Investments U.A.	2,080,914.67	0.00
Coöperatieve Formart Investments U.A.	9,841,212.36	0.00
	29,527,158.11	0.00

Financial liabilities

Coöperatieve Activum SG Fund III Investments U.A.	36,882,004.07	61,688,979.07
Coöperatieve Formart Investments U.A.	18,318,252.03	30,730,489.53
Steffen Göpel	0.00	4,171,168.42
	55,200,256.10	96,590,637.02

Other liabilities

Coöperatieve Activum SG Fund III Investments U.A.	0.00	7,001.42
Steffen Göpel	0.00	4,739,845.29
	0.00	4,746,846.71

Other operating expenses

Coöperatieve Activum SG Fund III Investments U.A.	0.00	63,763.72
	0.00	63,763.72

in euros**2017****2016****Finance costs**

Coöperatieve Activum SG Fund III Investments U.A.	3,787,833.13	3,814,707.63
Coöperatieve Activum SG Fund V Investments U.A.	673,866.47	0.00
Coöperatieve Formart Investments U.A.	1,885,166.56	1,898,579.84
Steffen Göpel	221,965.11	224,417.77
	6,568,831.27	5,937,705.24

The financial receivables to Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands, in the amount of €17,605,031.08, Coöperatieve Activum SG Fund V Investments U.A., Amsterdam, the Netherlands, in the amount of €2,080,914.67 and Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands, in the amount of €9,841,212.36 were interest-free and have a maturity of less than one year.

These financial receivables were a result of the indemnity of the Company from the costs relating to the planned

private placement and the Company's listing on the Frankfurt Stock Exchange by the shareholders.

The financial liabilities to Coöperatieve Activum SG Fund III Investments U.A., Amsterdam, the Netherlands, in the amount of €36,882,004.07 and Coöperatieve Formart Investments U.A., Amsterdam, the Netherlands, in the amount of €18,318,252.03 were interest-bearing at a rate of 7% and are due for repayment in December 2020.

Relations to affiliated companies**in euros****31 December 2017****31 December 2016****Financial liabilities**

Instone Real Estate Development GmbH

78,482,375.99

73,891,209.98

Instone Real Estate Leipzig GmbH

32,895,352.84

25,732,450.57

111,377,728.83**99,623,660.55****Financial assets**

Instone Real Estate Development GmbH

0.00

2,763,786.06

Gartenhöfe GmbH

3,750.00

4,739,845.29

3,750.00**7,503,631.35****Other liabilities**

Instone Real Estate Development GmbH

0.00

24,737.01

0.00**24,737.01****Revenues**

Instone Real Estate Development GmbH

33,955.26

0.00

Instone Real Estate Leipzig GmbH

116,826.82

0.00

Gartenhöfe GmbH

3,750.00

0.00

154,532.08**0.00****Other net income from investments**

Instone Real Estate Development GmbH

22,508,243.41

11,247,926.27

22,508,243.41**11,247,926.27****Other operating expenses**

Instone Real Estate Development GmbH

288,750.00

2,400.00

Instone Real Estate Leipzig GmbH

68,750.00

0.00

357,500.00**2,400.00****Finance costs**

Instone Real Estate Development GmbH

8,284,003.08

8,253,689.94

Instone Real Estate Leipzig GmbH

2,188,772.65

1,364,820.15

10,472,775.73**9,618,510.09**

The financial liabilities to Instone Real Estate Development GmbH, Essen, in the amount of €78,482,375.99 are interest-bearing at a rate between 7% and 14.5% and have an average maturity of less than one year. The financial liabilities to Instone Real Estate Leipzig GmbH, Leipzig, in the amount of €32,895,352.84 are interest-bearing at a rate of 8% and have an average maturity of one and three quarters of a year.

The financial asset to Gartenhöfe GmbH, Leipzig, in the amount of €3,750.00 is interest-free and has a maturity of less than one year.

ActivumSG Capital Management L.P., Jersey/UK is the ultimate group parent company for the largest group of entities in the ActivumSG Group and also the ultimate parent for the group of entities in Instone Real Estate.

There is no specific allowance for impairment losses in relation to outstanding balances, and no expense has been recognised in respect of impaired receivables due from affiliated companies. For the terms and conditions of financial liabilities, please refer to the section "Financial liabilities" in the notes. Services were bought based on the prices that stand up to third-party comparison. Outstanding balances are unsecured and are repayable in cash.

Remuneration of key management

For analyses and information please see section "Related party disclosures" in the notes to the consolidated financial statements 2017.

Auditor's fees

For analyses and information please see section on "Related party disclosures" in the notes to the consolidated financial statements 2017.

Events after the reporting period

On 22 January 2018, Instone Real Estate published the press release about the planned listing of its shares on the regulated market of the Frankfurt Stock Exchange (Prime Standard) in 2018. As part of the planned previous private placement, both new and existing shares were planned to be offered. As a result of a capital increase, new shares were planned to be issued with gross proceeds to the Company, and existing shares were planned to be offered by the Company's shareholders, funds launched by ActivumSG Capital Management Limited.

On 13 February 2018, part of Company's share premium was converted into share capital, thereby increasing the Company's share capital from €8,386.00 to €50,316.00 and, following the effectiveness of the conversion of the Company into a public limited liability company (naamloze vennootschap) and the change of its name which took place in this context, from €50,316.00 to €29,988,336.00. On the same day, a further capital increase took place according to which €7,000,000.00 new shares were issued with a par value of €1.00 each. These measures together resulted in an increase of the Company's share capital to €36,988,336.00.

On 13 February 2018, the Placement was completed, and on 15 February 2018, the Company's shares were listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

In the Placement, a total of 19,900,000 shares were placed with institutional investors. The placed shares consisted of 7,000,000 new shares from the capital increase and 12,900,000 existing shares held by the Company's shareholders Coöperatieve Activum SG Fund III Investments U.A., Coöperatieve Formart Investments U.A. and Coöperatieve Activum SG Fund V, including additional shares from an over-allotment option. The placement price for the shares of the Company was €21.50.

Around €56 million of the net proceeds from the capital increase were used to fully repay an existing shareholder loan. With the remaining approximately €86 million, the Company plans to finance the acquisition and development of new housing projects and other corporate expenses. One portion of this remaining capital was also used to repay an intercompany loan.

The free float on 23 April 2018 was around 50.4%. The remaining shares were still held by Coöperatieve Activum SG Fund III Investments U.A., Coöperatieve Formart Investments U.A. and Coöperatieve Activum SG Fund V.

In addition, certain of the Company's organisational documents were revised (and additional internal rules were adopted) so that its internal organisation became suitable for a listed company; also, a Supervisory Board (the "Supervisory Board") and certain Supervisory Board committees were established.

The Supervisory Board is composed of the following five members:

Stefan Brendgen, born in 1964 in Mönchengladbach, Germany, as chairman of the Supervisory Board and chairman of the nomination committee.

Stefan Mohr, born in 1967 in Frankfurt am Main, Germany, as deputy chairman of the Supervisory Board.

Marija Korsch, born in 1948, in Zadar, Croatia, as member of the Supervisory Board.

Dr. Jochen Scharpe, born in 1959 in Werdohl, Germany, as member of the Supervisory Board and chairman of the audit committee.

Richard Wartenberg, born 1968 in Stuttgart, Germany, as member of the Supervisory Board and chairman of the remuneration committee.

Furthermore, as our business activities and properties are geographically concentrated in Germany, we have filed with the Dutch trade registry, on 9 February 2018, a proposal to convert 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 to the Company's general shareholders meeting (the "General Meeting") by the Management Board and the Supervisory Board, subject to certain conditions (as specified in the proposal) having been met.

There are no other events which might influence the Company's outlook and which are not discussed in the statutory annual accounts included in this report.

Signing of the financial statements

Essen, 7 May 2018

Signed

Management Board members

Kruno Crepulja, Oliver Schmitt, Andreas Gräf,
Manfred Torsten Kracht

Signed

Supervisory Board members

Stefan Brendgen, Stefan Mohr, Marija Korsch,
Dr. Jochen Scharpe, Richard Wartenberg