SIGNA Prime Selection AG,
Innsbruck, Austria

Translation of the local Report on the Audit of the Consolidated Financial Statements for the year ended 31 December 2018

This English language audit report is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SIGNA Prime Selection AG,
Innsbruck, Austria

Translation of the local Report on the Audit of the Consolidated Financial Statements for the year ended 31 December 2018

8 March 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
10156680

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Annexes

Note

The use of automated calculation systems may give rise to rounding differences.

To the Members of the Board of Directors and Supervisory Board of
SIGNA Prime Selection AG,
Innsbruck, Austria

We have audited the consolidated financial statements for the year ended 31 December 2018 of

SIGNA Prime Selection AG,
Innsbruck, Austria
(referred to as "the Company"),

and **report** on the result of our audit as follows:

1. Audit Contract and Scope of the Engagement

At the Annual General Meeting of SIGNA Prime Selection AG, Innsbruck, Austria, dated 12 July 2018, we were elected as auditors for the financial year 2018. In accordance with Section 270 Paragraph 2 UGB (Austrian Commercial Code) we shall also act as group auditor since no other auditor has been engaged as group auditor.

The Company, represented by the supervisory board concluded an **audit contract** with us to audit the consolidated financial statements of the Company as of 31 December 2018. Our audit also comprised the accounting system and the group management report in accordance with Section 269 et seq UGB (Austrian Commercial Code). [1)]

The audited Group is a large corporation per Section 221 and an **extra-large** corporation per Section 271a Paragraph 1 UGB.

The Company meets the criteria for the mandatory establishment of a **supervisory board**.

The audit is a **statutory** audit.

1) A separate report is issued on the audit of the financial statements as of 31 December 2018.

The **audit includes** assessing whether the statutory requirements and additional regulations as stipulated in the Company's articles of association were adhered to. The group management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it was prepared in accordance with legal requirements.

Regarding the report in accordance with Article 11 EU Regulation 537/2014 ("AP Regulation"), we refer to our separate report to the audit committee; the report in accordance with Article 11 EU Regulation is not part of this report.

Our audit was performed in accordance with the **legal requirements and Austrian Standards on Auditing**. These standards require that we comply with International Standards on Auditing (ISAs). We would like to emphasize that the goal of the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Absolute assurance is not attainable due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system. There is an unavoidable risk that even material misstatements may remain undetected. Areas which are generally covered in special engagements were not included in our scope of work.

In the course of the audit of the consolidated financial statements, the financial information of the components included in the consolidated financial statements was audited, to ensure their compliance with generally accepted accounting standards and adherence to the regulations and standards for inclusion therein.

Several components included in the consolidated financial statements were audited by other external auditors. We supervised their work in an appropriate manner.

We performed the audit at our office in Linz between October and December 2018 (interim audit) and between January and March 2019 (final audit). The audit was substantially completed at the date of this report.

Engagement partner of the engagement is Mr Mag. Ernst Pichler, Wirtschaftsprüfer (Austrian Chartered Accountant).

Our audit is based on the audit contract concluded with the Company. The "General **Conditions of Contract**" issued by the Chamber of Tax Advisers and Auditors (see Annex III) form an integral part of the audit contract. The conditions of contract do not only apply to the Company and the auditor, but to third parties as well. Our liability as auditors is guided under Section 275 UGB.

2. Summary of Audit Findings

2.1. Compliance with Statutory Requirements of the Consolidated Financial Statements and Group Management Report

During our audit of the consolidation and the financial information of the components included in the consolidated financial statements, we obtained evidence that the accounting system is in compliance with statutory requirements and the Company's article of association. The financial information of the components essentially complies with the uniform accounting policies of the parent Company. As such, the financial information of the components represents an adequate basis for inclusion in the consolidated financial statements. The regulations and standards for inclusion into the consolidated statements have been adhered to.

In line with our risk and controls based audit approach, and to the extent we considered necessary for the purpose of expressing an opinion, we considered internal controls related to sub processes of the financial reporting process as part of our audit.

With regard to the compliance of the consolidated financial statements and the group management report with all applicable statutory requirements, we refer to the auditor's report.

2.2. Explanations and Evidence

Management has sufficiently provided all evidence and explanations requested by us as well as their signed management representation letter.

2.3. Reporting per Section 273 Paragraph 2 UGB

During our audit we did not note any facts which indicate that could be substantial doubt about the Group's ability to continue as a going concern nor indicate a material deterioration of the Group's performance. Neither did we note any indications of non-compliance with Austrian law or the Company's articles of association, whether by the management or its employees. We did not note any material weaknesses in the internal controls over the financial reporting process.

3. Auditor's report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

SIGNA Prime Selection AG,
Innsbruck, Austria

and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cashflows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245 a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Responsibility of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

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

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

— We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— We conclude 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

— We communicate to the audit committee regarding, among other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Linz, 8 March 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Mag. Ernst Pichler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

Consolidated Financial Statements

in accordance with IFRS

(International Financial Reporting Standards)

for the period from 01.01.2018 to 31.12.2018

SIGNA Prime Selection AG

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Consolidated statement of profit and loss and other comprehensive income

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EURk	Note	2018	2017
Revenue	5.1	237,889	197,368
Other operating income	5.2	61,188	18,907
Operating expenses	5.3	-23,752	-17,834
Employee benefit expenses	5.4	-23,102	-20,948
Other operating expenses	5.5	-58,658	-50,425
Earnings before interest, taxes, depreciation, amortization and remeasurement (EBITDA)		**193,565**	**127,068**
Depreciation and amortization		-1,521	-188
Net result from changes in fair value	5.6	324,104	1,001,935
Operating profit (EBIT)		**516,148**	**1,128,815**
Share of profit of equity-accounted investees	6.3	190,406	40,087
Financial income	5.7	22,639	25,892
Financial expense	5.8	-235,434	-206,828
Profit before tax (EBT)		**493,758**	**987,966**
Income tax expense	5.9	-71,954	-170,178
Profit from continuing operations (Net Profit)		**421,805**	**817,788**
Profit of subsidiaries to resell		0	-12,697
Net profit		**421,805**	**805,089**
Net profit attributable to owners of the company		416,464	785,127
Net profit attributable to non-controlling interests		5,340	19,964

OTHER COMPREHENSIVE INCOME

EURk	2018	2017
Items that may be reclassified to profit or loss in the future		
Valuation of cash flow hedges	-56,885	26,357
Deferred taxes on cash flow hedges	9,884	-7,203
Valuation of available-for-sale financial assets	0	29
Deferred taxes on available-for-sale financial assets	0	-7
Sub total	**-47,000**	**19,175**
Other comprehensive income (OCI)	**-47,000**	**19,175**
TOTAL COMPREHENSIVE INCOME	**374,804**	**824,264**
Total comprehensive income attributable to owners of the company	371,023	804,301
Total comprehensive income attributable to non-controlling interests	3,781	19,964

Consolidated statement of financial position

ASSETS EURk	Note	31.12.2018	31.12.2017
NON-CURRENT ASSETS			
Investment Property	6.1	8,854,290	7,070,272
Property, plant and equipment		5,682	5,385
Intangible assets and goodwill	6.2	151,201	146,436
Equity-accounted investees	6.3	888,324	32,278
Financial investments	6.4	19,053	24,809
Receivables and other financial assets	6.5	19,358	24,799
Non-current assets		**9,937,908**	**7,303,980**
CURRENT ASSETS			
Financial receivables	6.5	294	1,570
Operating receivables	6.5	21,299	8,733
Income tax receivables	6.5	2,695	1,381
Other receivables and current assets	6.5	434,015	418,799
Cash and cash equivalents		188,611	224,695
Current assets		**646,913**	**655,178**
Non-current assets classified as held for sale	6.6	319,378	815,584
TOTAL ASSETS		**10,904,200**	**8,774,742**

EQUITY AND LIABILITIES

EURk	Note	31.12.2018	31.12.2017
EUQITY			
Equity attributable to owners of the company	6.8	3,271,774	2,537,024
Non-controlling interests		200,316	145,457
Total equity		**3,472,090**	**2,682,481**
PROFIT PARTICIPATION RIGHTS			
Profit participation rights	6.9	1,057,174	932,281
Total profit participation rights		**1,057,174**	**932,281**
Total equity and profit participation rights		**4,529,264**	**3,614,762**
NON-CURRENT LIABILITIES			
Bonds	6.11	517,000	325,000
Financial liabilities	6.11	4,259,855	2,861,424
Other financial liabilities	6.11	61,545	53,921
Provisions	6.12	34,400	0
Other liabilities	6.14	31,837	45,249
Deferred tax liabilities	6.7	379,020	278,270
Total other non-current liabilities		**5,283,657**	**3,563,864**
CURRENT LIABILITIES			
Bonds	6.11	0	50,000
Financial liabilities	6.11	135,880	683,951
Income tax liabilities	6.11	27,157	31,576
Operating liabilities	6.11	26,371	29,186
Other liabilities	6.14	663,051	255,756
Total current liabilities		**852,461**	**1,050,469**
Non-current liabilities classified as held for sale	6.6	238,819	545,647
TOTAL EQUITY AND LIABILITIES		**10,904,200**	**8,774,742**

Consolidated statement of cash flows

EURk	2018	2017
Cash flow from operating activities		
Operating profit (EBIT)	516,148	1,128,815
Profit (loss) from valuation of investment property	-324,104	-1,001,935
Depreciation, amortization and impairment losses on property, plant and equipment	1,521	188
Interest received	19,870	16,216
Income tax paid	6,412	20,430
Cash flow from earnings	**219,846**	**163,714**
Changes in receivables and other assets	207,133	-61,116
Changes in liabilities	373,130	105,655
Changes in provisions	0	-846
Changes in net positions of subsidiaries classified as held for sale	189,378	42,095
Changes in working capital	**769,640**	**85,789**
Cash flow from operating activities	**989,487**	**249,503**
Cash flow from investing activities		
Acquisition of investment property less cash and cash equivalents	-380,226	-923,759
Acquisition of subsidiaries less cash and cash equivalents	0	-12,206
Investments in investment property	-466,626	0
Investments in financial assets	-688,390	228,090
Dividends received	1,884	9,649
Proceeds from sale of subsidiaries less cash and cash equivalents	885	0
Cash flow from investing activities	**-1,532,472**	**-698,266**
Free cash flow	**-542,985**	**-448,723**
Cash flow from financing activities		
Proceeds from the issue of bonds	201,000	175,000
Repayment of bonds	-59,000	0
Proceeds from issue of profit participation rights	120,000	0
Repayment of profit participation rights	0	-12,313
Proceeds from long-term loans and borrowings	1,019,940	186,873
Repayment of long-term loans and borrowings	-113,317	-35,953
Repayment from the reduction of derivatives	0	-26,322
Changes in other financial liabilities	-596,772	98,630
Interest paid	-230,415	-177,708
Dividends paid	-122,123	-84,948
Proceeds from issue share capital	250,994	420,853
Transactions with non-controlling interests	36,594	-13,071
Cash flow from financing activities	**506,901**	**531,040**
Cash flow	**-36,084**	**82,317**
Cash and cash equivalents at the beginning of the period	224,695	156,214
Increase of cash and cash equivalents from reclassification of disposal groups	0	-13,837
Cash and cash equivalents at the end of the period	188,611	224,695

Consolidated statement of changes in equity

EURk	Share capital	Capital reserves	AfS-reserve	Cash flow hedge-reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2017	**28,945**	**614,011**	**223**	**-21,493**	**552,808**	**1,174,494**	**105,137**	**1,279,631**
Profit	0	0	0	0	785,127	785,127	19,964	805,091
Other comprehensive income	0	0	22	19,153	0	19,175	0	19,175
Total comprehensive income	0	0	22	19,153	785,127	804,301	19,964	824,266
Capital increase nominal	19,231	980,769	0	0	0	1,000,000	0	1,000,000
Cost of the capital increase	0	0	0	0	-9,000	-9,000	0	-9,000
Contribution of synthetic projects	0	0	0	0	-291,393	-291,393	0	-291,393
Contribution of non-controlling interests	0	0	0	0	-23,003	-23,003	-12,246	-35,249
Total capital increase	19,231	980,769	0	0	-323,396	676,604	-12,246	664,358
Dividends	0	0	0	0	-72,363	-72,363	-12,585	-84,948
Transactions with non-controlling interests	0	0	0	0	-46,012	-46,012	45,187	-825
Balance at December 31, 2017 = January 1, 2018	**48,176**	**1,594,780**	**245**	**-2,339**	**896,163**	**2,537,024**	**145,457**	**2,682,481**
Initial application of IFRS 9	0	0	-245	0	0	-245	0	-245
Balance at January 1, 2018 (adjusted)	**48,176**	**1,594,780**	**0**	**-2,339**	**896,163**	**2,536,780**	**145,457**	**2,682,236**
Profit	0	0	0	0	416,464	416,464	5,340	421,805
Other comprehensive income	0	0	0	-45,442	0	-45,442	-1,559	-47,000
Total comprehensive income	0	0	0	-45,442	416,464	371,023	3,781	374,804
Capital increase nominal	8,534	491,466	0	0	0	500,000	0	500,000
Cost of the capital increase	0	0	0	0	-36	-36	0	-36
Total capital increase	8,534	491,466	0	0	-36	499,964	0	499,964
Dividends	0	0	0	0	-120,440	-120,440	-1,683	-122,123
Reclassification	0	0	0	614	0	614	0	0
Transactions with non-controlling interests	0	0	0	0	-16,167	-16,167	52,761	36,594
Balance at December 31, 2018	**56,710**	**2,086,246**	**0**	**-47,167**	**1,175,984**	**3,271,774**	**200,316**	**3,472,090**

Notes of consolidated financial statements

1 Reporting entity

SIGNA Prime Selection AG and its subsidiaries (collectively "SIGNA Prime Group") are operating in Austria, Germany and Italy. SIGNA Prime Group holds, develops and manages properties in prime locations in the above mentioned countries. SIGNA Prime Selection AG, group parent of SIGNA Prime Group, has been recorded in the commercial register at the Provincial and Commercial Court in Innsbruck, Austria, under file number FN 353435h. SIGNA Prime Selection AG has its registered office in 6020 Innsbruck, Austria, Maria-Theresien-Straße 31, a recorded branch is located in 1010 Vienna, Austria, Freyung 3.

2 Principles of financing reporting and accounting policies

2.1 Principles of financing reporting

2.1.1 General information

The consolidated financial statements have been prepared on a historical cost basis except for the following items, which are measured at fair value:

- investment property (including investment property held for sale)
- financial instruments
- assets and liabilities that might be measured at fair value within a fair value hedge as underlying transaction.

Long-term assets held for sale and disposal groups - as far as they do not concern property - are measured at fair value less costs to sell as long as this amount does not exceed its carrying amount.

In order to improve the clarity and informative value of the financial statements, individual items of the consolidated statement of profit or loss and other comprehensive income and of the consolidated statement of financial position have been aggregated. These items are shown and explained separately in the notes to the consolidated financial statements. SIGNA Prime Group uses the total cost (nature of expense) method for its consolidated financial statements. Unless deviations from the general rule are indicated specifically, all amounts are rounded to 1,000 euros (EURk), which may give rise to rounding differences.

The Supervisory Board is expected to review and approve the consolidated financial statements on March 19, 2019.

2.1.2 Statement of compliance with IFRS

The present consolidated financial statement of SIGNA Prime Group has been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU as of December 31, 2018 and the additional regulations of § 245a UGB.

2.1.3 Consolidation principles

The consolidated financial statements include the financial statements of SIGNA Prime Selection AG, Innsbruck, and its subsidiaries as of December 31, 2018.

All Group companies use the same accounting and valuation methods. Decision of judgement and options are exercised equally. All intragroup balances, income and expenses and interim results are fully eliminated. The financial statements of the full consolidated companies and at-equity accounted joint ventures and associated companies are set up at balance sheet date. If financial statements with a different reporting date are included, the effects of significant business transactions or other events that occurred between the balance sheet date of the group company and that of SIGNA Prime Group are taken into account.

2.1.3.1 Full consolidation

A subsidiary company is a company, which is controlled by a parent company. From the moment the parent company gets the control of the subsidiary company, up to the moment the control ends, the subsidiary company is included at full consolidation in the consolidated financial statements of SIGNA Prime Group. In general a controlled influence due to voting rights is assumed, if the direct or indirect quotes of the investee is over 50 percent.

If subsidiaries are acquired, it has to be assessed if they include a business according to IFRS 3. The assessment whether the business of the acquired property asset is according to IFRS 3 is discretionary and requires a periodic detailed analysis of the adopted processes and structures, particularly with regard to asset and property management. If there is a business, this acquisition must be reported according to IFRS 3 as business combination following the purchase method. Transaction costs are recognized in the income statement. Deferred taxes are recognized on all temporary differences and affect the goodwill, which result as technical figure. If there is no business, the purchase method must not be applied. In this case the fair value of consideration transferred including the transaction costs are allocated on purchased assets and assumed liabilities. Deferred taxes must not be recognized (initial recognition exemption); goodwill can’t be created.

Transactions with owners of non-controlling interests that do not result in a loss of control are recognized directly, and exclusively, in equity.

Losses are accounted to non-controlling interests even if this leads to a negative balance.

When control of the subsidiary is lost, following is recorded:

- The financial assets (including goodwill) and the liabilities of the subsidiary are derecognized.
- The carrying value of shares without controlled influence is derecognized.
- The fair value of received consideration is recognized.
- The fair value of remaining investment is recognized.
- The profit and loss are recognized in P&L
- Components of the other comprehensive income accruing to the parent company are recognized in P&L or if required reclassified as retained earnings

2.1.3.2 Equity-Methode

The Group´s shares in joint ventures and associated companies are accounted at-equity.

IFRS 11 distinguishes between joint ventures and joint operations. The joint arrangements in which SIGNA Prime Group participates are generally joint ventures. A joint venture is a joint arrangement in which the co-investors exercise joint control of a company and have (only) rights to the net assets of that company.

Associated companies are companies on which SIGNA Prime Group can exercise decisive influence. Decisive influence is the possibility to contribute on financial and operating policy decisions without exercise control or joint control. In principle a decisive influence is assumed if the direct or indirect quotes on the investee is equally great 20 percent. Due to substantiate influence under company law there can be a decisive influence at participation rate of under 20 percent.

According to the equity method shares on joint venture companies or associated companies are recognized with acquisition costs at the time of the purchase. Any excess of cost of the acquired shares over the acquired portion of fair value from identifiable assets, liabilities and contingent liabilities is recognized as goodwill. Negative differences are immediately recognized. The goodwill is part of the carrying value of the shares and will not be examined separate if depreciation exist. After initial recognition the carrying amount is adjusted by the shares in profit or loss and other comprehensive income attributable to SIGNA Prime Group until the date when significant influence or joint control ceases.

Intra-group profits are eliminated with the portion of the investment accounted following the equity method. Distributions received reduce the carrying amount of the investment.

The portion on gain or loss of an associated company or joint venture company is recognized in the P&L. This is the profit attributable to shareholders and therefore the profit after tax and non-controlling interests. Recognized investments in participations following the equity method are examined at every reporting date whether there any indications of impairment. If impairment triggers exist, then the impairment test is performed according to IAS 36.

2.1.4 Reporting date

The consolidated financial statement was prepared as of December 31, 2018. The financial year of all consolidated and at-equity accounted companies is – except for the companies listed below – the calendar year.

At-equity accounted investments in joint ventures HBS Global Properties Luxembourg S.a.r.l, Luxembourg (hereinafter "HBS") and HBC Luxembourg Property Holding Company S.a.r.l, Luxembourg (hereinafter "HBC"), which together hold 100% of the German Kaufhof-Group portfolio, consisting of 39 department store properties, have a reporting date as of January 31. The inclusion of HBS and HBC in the consolidated financial statements of SIGNA Prime Group as of December 31, 2018 is based on an interim financial statement of HBS and HBC as of December 31, 2018.

2.2 Changes in accounting policies

SIGNA Prime Group has applied all existing and new IFRSs and IFRICs, endorsed by the European Commission, which have to be mandatorily applied as from December 31, 2018. New or revised standards and interpretations are applied as mandatorily required by the relevant Standard.

2.2.1 For the first time applied standards and interpretations

SIGNA Prime Group applies for the first time the following new or revised standards and interpretations for their financial statement.

Standard Interpretation	Content	Effective date[1]	Impact on consolidated financial statements
IFRS 15	Revenue from contracts with customers	01.01.2018	No
Changes to IFRS 15	Revenue from contracts with customers – clarification	01.01.2018	No
IFRS 9	Financial instruments	01.01.2018	Yes
Changes to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4	01.01.2018	No
Various	Annual improvements to IFRS standards 2014-2016 cycle	01.01.2018	No
Changes to IFRS 2	Clarification regarding classification and measurement of share-based payment transactions	01.01.2018	No
IFRIC 22	Foreign currency transactions and advance consideration	01.01.2018	No
Changes to IAS 40	Transfers of investment property	01.01.2018	No

[1] to be applied for the financial year beginning on or after the effective date

IFRS 9 Financial Instruments

Beginning January 1, 2018 IFRS 9 replaces the accounting rules of financial instruments the former regulations according to IAS 39. SIGNA Prime Group does not adapt previous financial years, but recognizes the carrying amount differences of the initial application of IFRS 9 at January 1, 2018 with no impact in income.

IFRS 9 has a new classification of financial assets compared to IAS 39. This classification is based on the business model under the asset is hold and controlled and is based on the contractual cash flows of financial instruments.

At amortized cost measured financial assets are those instruments, whose business model is held to maturity and receive the cash flows from repayments and interest payments (SPPI – *solely payments of principal and interest)*.

If „hold and sell" of instruments is the intended use of the financial assets, then these instruments are (under the SPPI criterion) recognized with no impact in income at fair value (*fair value through* OCI – FVOCI). The SIGNA Prime Group does not hold such financial assets which are measured at FVOCI.

The remaining financial assets are recognized in profit and loss at fair value (*fair value through profit or loss* – FVPL).

For equity instruments not held for trading, there is a one-off option for measurement at FVOCI, but without the possibility to reclassify amounts from OCI to P&L (*recycling*). The SIGNA Prime Group measures equity instruments at FVPL.

Due to the new classifications there have been changes in other financial assets (securities and bonds). The equity effect at January 1, 2018 is EUR -245k (see next table).

With regard to impairment of financial assets the expected-loss-model of IFRS 9 replaces the incurred-loss-model of IAS 39. Therefore impairment is recognized either in the expected amount of credit defaults, whose defaults occur in the next 12 months, or in the expected amount of credit defaults over the total term of the asset. The former is used if the credit risk hasn't significant increased since initial recognition; the second one is used if the credit risk has significantly increased since initial recognition or if as a result of an event of a default references to impairment are available like the events of default illustrated in IAS 39. In comparison to IAS 39 there are no significant changes in impairment of IFRS 9 and therefore no equity effects (further details to impairment in chapter 8.2).

For receivables and trades with no significant financial component, as well as optionally for receivables from leases the simplified approach is used, which provides the calculation of impairment in expected amount of credit loss over the term. SIGNA Prime Group uses simplified approach for receivables from leases.

SIGNA Prime Group applies IFRS 9 for hedge accounting, therefore makes no use of the one-time option to continue account hedge transactions according IAS 39.

The following table shows a summary of the effect on items of the statement of financial position after initial application of IFRS 9 on January 1, 2018:

EURk	**31.12.2017 as reported**	**Initial application IFRS 9**	**01.01.2018 adjusted**
Receivables and other financial assets	24,799	-326	24,473
Total non-current assets	**7,303,980**	**-326**	**7,303,653**
TOTAL ASSETS	**8,774,742**	**-326**	**8,774,416**
Equity attributable to owners of the company	2,537,024	-245	2,536,779
Total equity	**2,682,481**	**-245**	**2,682,236**
Deferred tax liabilities	278,270	-82	278,188
Total of other non-current liabilities	**3,563,864**	**-82**	**3,563,782**
TOTAL EQUITY AND LIABILITIES	**8,774,742**	**-326**	**8,774,416**

IFRS 15: Revenue from contracts with customers

IFRS 15 replaces from January 1, 2018 the former regulations of revenue according to IAS 18, IAS 11 and the related interpretations. IFRS 15 proposes the date on which or the length of time on which and to what amount the revenues are recognized via a five-step-model. The risk- and chance criterion is replaced by the control criterion.

In SIGNA Prime Group revenues are realized from fees, these fees either refer to a certain point in time (e.g. acquisition fee) or to a period in time (e.g. renting fee) according to IFRS 15. Compared to IAS 18 this has not led to any changes.

Rental income is in the scope of IAS 17 leases and is therefore excluded from the scope of IFRS 15.

The SIGNA Prime Group classifies all properties in accordance with IAS 40 as investment properties, held for rental income or increase in value. In the case of a sale, the investment properties are reclassified beforehand in accordance with IFRS 5 as assets held for sale. IFRS 15 is not applicable for income from the disposal from assets held for sale, because the sale does not belong to ordinary business.

IFRS 15 therefore has no significant effects on the financial statements of SIGNA Prime Group. The initial application of IFRS 15 did not result in any adjustments in equity.

2.2.2 Standards and interpretations which are published but not yet applied

The following standards have been published, however, mandatory application of these standards is in the future. SIGNA Prime Group has not yet applied these standards. They will be applied as soon as they have to be applied mandatorily.

Standard Interpretation	Content	Effective date	Impact on consolidated financial statements
IFRS 16	Leasing	01.01.2019	Yes
IFRIC 23	Uncertainty over income tax treatments	01.01.2019	Analyzed at the moment
Changes to IFRS 9	Clarification regarding the classification of financial assets with a negative prepayment penalty	01.01.2019	No
Changes to IAS 28	Clarification regarding the application of IFRS 9 Financial Instruments to associated companies and joint ventures that are not accounted at equity	01.01.2019	Analyzed at the moment
Various	Annual improvements to the 2015-2017 IFRS cycle	01.01.2019[2]	No
Changes to IAS 19	Clarification to the procedure of plan changes, -reduction and settlements of pension obligations	01.01.2019[2]	No
IFRS 17	Insurance Contracts	01.01.2021[2]	No
Various	Changes to the reference of the framework in IFRS standards	01.01.2020[2]	Analyzed at the moment
Changes to IFRS 3	Definition of business combination	01.01.2020[2]	Analyzed at the moment
Changes to IAS 1 and IAS 8	Definition of materiality	01.01.2020[2]	Analyzed at the moment

[1] according EU, to be applied to financial years beginning on or after the effective date.
[2] not yet endorsed by the EU.

IFRS 16: Leases

As of January 1, 2019 IFRS 16 replaces the former accounting rules for leases according to IAS 17. IFRS 16 requires lessees to recognize the right of use as an asset and a lease liability for the outstanding lease payments. For lessors there are hardly any differences compared to the previous procedure. Since SIGNA Prime Group is primarily a lessor, the expected effects on the financial statements are low.

2.3 Accounting policies

2.3.1 Investment properties

Recognition

Investment Properties“ includes properties (standing properties, properties in development and investment property under construction), which are held for generating rental income, for the purpose of increasing value or which are held for future unspecified use. Investment properties which are under construction and intended for the purposes above or whose future usage is unspecified, are classified as investment properties too.

Properties in development and investment properties under construction are reclassified to standing properties, as soon as the material construction work is done

If properties are built at the beginning of the project with a selling intension, they are recognized within inventory. Those properties, which are used by the Group itself (e.g. for administration), are recognized within property, plant and equipment. Properties under construction are recognized according to their intended future use.

If there is a change in use the properties are reclassified to the according balance sheet item. If there is the intention to sell properties, which are classified as investment properties, those properties are classified as held for sale (IFRS 5). At the end or the beginning of own use the properties are also transferred from or to investment properties.

Some properties are used partially for generating rental income and increasing value and partially for administrative purposes. If these parts can be separately sold SIGNA Prime Group recognizes them separately. If separation is not possible, the whole property is only classified as investment property, if the use for own purposes is less than 10.0 % of the whole rental income. Otherwise the property is classified as used by the group itself.

The classification of properties according to the criteria above depends on the basic business model and the prevailing management assessment as of the balance sheet date.

Measurement

SIGNA Prime Group decided to use the fair value model for the measurement of its investment properties. Investment property is measured at fair value at every balance sheet date. Changes to the current carrying amount before revaluation (fair value of the previous year plus subsequent/additional acquisition or production costs less subsequent reductions in the acquisition price and effects of accruals of incentive agreements) are recognized in profit or loss in the position "Change in fair value".

The valuation of properties held for sale in the ordinary course of business is done at the lower value of acquisition and production costs and net realizable value at reporting date.

Investment grants reduce acquisition or production costs as soon as they are formally committed. Properties used by the group itself do not currently exist.

Borrowing costs in the course of construction of property are capitalized with the production costs, if they are directly attributable to a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. If loans and borrowings are not directly raised for a single qualifying asset, the proportionate amount of the attributable general borrowing costs is attributed to the qualifying assets. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Fair value measurement

IFRS 13 requires financial assets and financial liabilities measured at fair value in the statement of financial position to be grouped into three levels of a fair value hierarchy, which are defined based on the observability of significant inputs to the measurement. As a result of various property measurement parameters, which cannot be directly or indirectly observed on the market, all investment properties are classified as Level 3 of the fair value hierarchy (refer to table below containing the major non-observable input-factors).

In Austria, Germany and Italy all properties were externally valued by independent experts at the balance sheet date December 31, 2018.

External valuations were made according to the requirements of IFRS 13, mainly of the defined standards of "Royal Institution of Chartered Surveyors" (RICS) and partly of "International Valuation Standards Committee" (IVSC). RICS defines fair value as estimated amount for which a property 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.

The method of valuation of the external expert depends particularly on the development stage and type of use of the property.

Rented commercial property, accounted for the major share of SIGNA Prime Group's portfolio, are valued mostly by the investment method, in particular the discounted cash flow method. Fair values of these properties are based on expected future capitalized rental income. Besides the current contract rents including rent expiration profiles, the external expert identifies and considers on basis of an qualified evaluation further parameters, in particular the expected rental value as well as object-related, adequate capitalization and discount rates.

In Austria interest rates within a range 2.75 % to 6.50 % are stable compared to the previous year (prior year: 2.75 % to 6.50 %). The majority of property is positioned on average at 4.02 % (prior year: 4.12 %, both values weighted). In Germany interest rates are similar to Austria, as the market proves to be stable as well. In Germany capitalization / discount rates are between 2.75 % and 7.00 % at December 31, 2018 (prior year: 3.20 % and 5.25 %).

Properties in development and under construction are normally valued using the residual value method. Fair values are based on the determined fair values after completion less additional expenses that are expected to be incurred as well as an appropriate developer profit. When properties are close to completion the deducted developer profits decrease due to the reduced risk. Any risk is among others included in future rents or capitalization/discount rates. Interest rates vary in particular depending on market behavior as well as location and kind-of-use. The nearer a project comes to completion, the bigger the share of actual figures or parameters derived from contractually agreed figures. After or near completion, properties are valued using the investment method (see above) taking into account the pending completion work.

The following table shows the principal input factors for valuation of finished properties and properties in development:

				31.12.2018
Essential non-observable input factors		**Retail incl hotel**	**Office**	**Mixed use**
Actual rent	€/m²/p.m.	37.37	24.63	59.40
Target rent	€/m²/p.m.	37.50	28.03	63.70
Vacancy	in %	0.3%	2.9%	3.9%
Discount rate	in %	4.7%	5.1%	4.6%
Capitalization rate	in %	3.7%	4.0%	3.3%

				31.12.2017
Essential non-observable input factors		**Retail incl hotel**	**Office**	**Mixed use**
Actual rent	€/m²/p.m.	37.82	25.14	59.19
Target rent	€/m²/p.m.	38.64	30.98	63.97
Vacancy	in %	0.5%	6.7%	2.8%
Discount rate	in %	4.8%	4.2%	4.6%
Capitalization rate	in %	3.7%	3.6%	3.4%

Interactions of input factors

Major input factors with properties are rents or rental rates as well as interest rates (rate of return). Rising rents (e.g. short supply opposed by increasing demand) would lead to rising market values. Conversely, if rents are falling market values are falling as well.

Increasing returns (for example if the market expects higher interest rates with increasing risk - excess supply, regional risks, etc.) implicate falling market values. Conversely, if returns are falling (e.g. increased market demand for such properties) market values are rising.

These two input factors strengthen one another - either positively or negatively - when they appear in common. This means higher demand for renting spaces as well as an increased market-demand for such properties at the same time would lead to an even more substantial rise of market value. Conversely, a low demand for renting spaces as well as a reduced market demand would lead to an even bigger decline in market prices.

An additional major input factor with properties under construction are construction costs. The market value of a property is mainly driven through rental income and the rate of return. In this environment new building projects are planned and calculated. The input factor construction costs has a major effect as the calculated construction costs can change during the whole construction period either market driven (e.g. shortage of raw materials on the market) or through planning (e.g. if changes are required subsequently, unpredictable hindrances appear, etc.). This influences again the return of the building project. These additional risks are included in a developer profit (risk/profit) accordingly in the total construction costs.

Evaluation process

SIGNA Prime Group engages for all parts of the property portfolio independent external real estate experts to determine the market value and supplies these experts therefore with all necessary information. After inspection of the property and clarification of outstanding questions the experts furnish a draft opinion. The drafts are verified from the point of view of plausibility and completeness and are then released for final preparation.

2.3.2 Property, plant and equipment

At initial recognition property, plant and equipment is measured at their acquisition costs or construction costs. Subsequent measurement is done by using the cost model, thus the acquisition costs or construction costs less accumulated depreciation and accumulated impairment reflect the carrying amount. If the reasons for impairment no longer exist, the impairment is reversed within the income statement. The increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) as if there had no impairment loss been recognized for the asset in prior years.

Subsequent acquisition costs or construction costs are to be recognized, if it is possible that the group generates the future economic benefit and if those additional costs can be measured reliably. Costs for repairs and maintenance, which are not substantial replacing investments, are recognized as an expense within the period of their occurrence.

Depreciation is made at a straight-line basis according to the expected useful life of the asset. In the case that there is an impairment-trigger for an asset and the net present value of the future cash flows is lower than the carrying amount, an impairment to the lower recoverable amount is recognized according to IAS 36.

The expected useful life of operating and office equipment is basically between 3 and 10 years.

2.3.3 Intangible assets

At acquisition time separately acquired intangible assets are measured at acquisition costs. Intangible assets with a limited useful life are amortized on a straight line basis. The estimated useful life and the depreciation method are reviewed at the end of the reporting period and any changes are taken into account at subsequent valuation. If there are any indications of impairment, intangible assets are subject to an impairment test. If the carrying value of the asset exceeds its recoverable amount, then it will be impaired to its lower value.

A goodwill arising from a business combination is measured at cost at initial recognition. The amount to be recognized is the difference between the consideration transferred and the net of the identifiable assets acquired and the liabilities assumed. After initial recognition goodwill is measured at cost less accumulated impairment. No planned amortization is made for goodwill, but an annual impairment test is made according to IAS 36. The group tests goodwill for impairment at the end of each period. An impairment-test is also made in the case of a triggering event. For the purpose of impairment-testing the generated goodwill is allocated to Cash Generating Units (CGUs) of the group that are expected to benefit from synergies of the business combination. The potential impairment of goodwill is determined by comparing the carrying amount of the corresponding CGU with the recoverable amount. In case of an impairment situation, the corresponding impairment expense is recognized in profit or loss. A reversal of impairment due to an increase of the recoverable amount is not allowed for goodwill.

2.3.4 Financial assets and financial liabilities

With regard to financial assets and liabilities accounting reference is made to the comments on IFRS 9 Financial Instruments in section 2.2.1.

The financial assets and financial liabilities classification is shown in the table in section 7.1.

Impairment is shown in the explanations of section 8.2.

The fair values of the financial assets and liabilities generally correspond to the market prices on the balance sheet date. If prices in active markets are not immediately available, they are calculated – unless they are not only of minor importance – by using recognized financial valuation models and current market parameters (especially interest rates, exchange rates and credit ratings of contracting parties). The cash flows of financial instruments are discounted to the balance sheet date for this purpose.

All financial assets and liabilities are measured as of the settlement date. The financial assets and liabilities are derecognized when the rights to payments from this investment have expired or have been transferred and SIGNA Prime Group has essentially transferred all the risks and rewards incident to ownership of the asset.

Derivatives are used in SIGNA Prime Group usually to limit and control risk, especially to reduce interest rate and currency risks. All derivative financial instruments are measured at fair value according to IFRS 9. The positive market values of derivatives are recognized in other receivables and current assets, negative market values are recognized in other financial liabilities.

SIGNA Prime Group recognizes hedge transactions according IFRS 9 (hedge accounting) for hedging fair values and future cash flows, if significant value fluctuation out of derivatives are expected. Gains and losses from derivative financial instruments which have been defined as qualified hedging tools within a fair value hedge or for which it was not possible to create a qualified hedge (category Held-for-Trading), will be shown as affecting the result in the profit or loss statement. The hedged item (underlying transaction) using fair value hedges is recognized at fair value, regardless of its initial valuation method. There are no fair value hedges within the SIGNA Prime Group financial statement.

Results from derivative financial assets for which a cash flow hedge was created, are recognized in other comprehensive income and cash-flow-hedge-reserve until the date upon which the underlying transaction is realized. Any potential changes in results due to the ineffectiveness of these financial instruments are recognized in the profit or loss statement with an immediate effect on profit.

2.3.5 Income taxes

Deferred taxes are calculated in accordance with IAS 12. Deferred taxes are recognized for all temporary differences arising between the carrying amounts in the consolidated financial statements and the corresponding tax values. The probable utilizable tax advantage from existing tax loss carry forwards is included in the calculation.

Deferred tax assets from deductible temporary differences, which exceed deferred tax liabilities from deductible temporary differences, are recognized if it is likely that the tax advantage from them can actually be utilized. Deferred taxes on tax loss carry forwards are reported to the extent that taxable income will be available in the foreseeable future.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority the same taxable subjects or a group of different taxable subjects which are assessed together for tax purposes.

2.3.6 Other non-financial assets and liabilities

Other non-financial assets include primarily receivables from financial authorities, prepaid expenses as well as accruals for not yet settled costs. Measurement is at cost less any impairments.

Other non-financial liabilities include primarily payables to financial authorities and social insurance carriers as well as short-term accruals for employees. They are valued initially at the amount corresponding to the anticipated outflow of funds. For the purpose of subsequent measurement changes in value that arise out of new knowledge, are recognized with an immediate effect on profit.

2.3.7 Cash and cash equivalents

Cash and cash equivalents include checks, cash on hand and bank accounts and are measured at the respective nominal value. For the purpose of the consolidated cash flow statement cash and cash equivalents include the above defined cash items and deposits at short notice.

2.3.8 Properties held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale, if the corresponding carrying amount is expected to be realized through a sale and not through continued use. This is the case when the respective non-current assets and disposal groups at its current condition are available for an immediate sale which is most likely. Prerequisite is that the sale transaction is expected to be completed within one year after classification as held for sale. Disposal groups include assets that should be sold in a single transaction and corresponding liabilities that should be transferred in the same transaction. The sale transaction equals the loss of control over a fully consolidated subsidiary. Furthermore subsidiaries, acquired exclusively with an intention to resale, are recognized as disposal groups.

Non-current assets and disposal groups, that are classified as held for sale, are measured in general at the lower of their carrying amount and fair value less costs to sell. Exceptions are made for investment properties, which are still measured in accordance with the fair value model, and borrowings and loans, which are further on measured at amortized cost.

2.3.9 Leases

According to IAS 17 the allocation of a leased asset to the lessor or lessee is based on the transfer of all material risks and rewards related to the leased asset

Where the Group is a lessee in a finance lease, the related asset is recognized at the inception of the lease at fair value of the leased asset or, if lower, at present value of the lease payments. The leased asset is depreciated on a straight-line basis over its expected useful life or the term of the lease, whichever is shorter.

In the case of operating leases, the economic ownership remains with the lessor. For the lessee the leasing payments have to be recognized in profit or loss, whereas the expense is recognized basically on a straight-line basis over the term of a lease.

The costs of the lease agreement and other similar expenses are recognized as expense to profit or loss analogously over the term of the lease.

According to IAS 40 it is possible to classify investment properties, which are used under operating lease, as such, if fair value model is used and the property meets the criteria of an investment property. These consolidated financial statements do not contain such cases.

Properties only include properties which are leased out under operating leases. They are classified as investment properties and measured at fair value on the balance sheet date in profit or loss.

2.3.10 Other provisions

Provisions are recognized in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), if the Group has a legal or constructive obligation to a third party resulting from a past transaction or event that is likely to result in an outflow of benefits that can be reliably determined. Provisions are carried at the expected settlement amount, taking into account all identifiable risks and are not offset against any claims to recourse. The settlement amount with the highest possible likelihood of occurrence is used.

2.3.11 Segment reporting

The segments subject to mandatory reporting were identified on the basis of the information regularly used by the Group's chief operating decision maker regards to decisions about the allocation of resources to these segments and the evaluation of their profitability. The chief operating decision maker of SIGNA Prime Group is the Executive Board. It controls and monitors the individual objects that are aggregated to geographical segments.

2.3.12 Revenue recognition

Rental income is recognized according to IAS 17 leases on a straight-line basis over the term of the rental agreement, unless there is another allocation more appropriate. Incentive arrangements such as suspension of rents, temporary reduced rents or single payments are part of the rental income. Therefore in material agreements incentive arrangements are allocated on a straight-line basis over the expected contractual term. If rental agreements include regular adjustments over the duration of the agreement (stepped rent), these adjustments are allocated on a straight-line basis as well. Adaptations for inflation (indexation) are not allocated. The entire rental period, on which the whole revenue is allocated on a straight-line basis, includes the non-cancellable period and further periods, for which the tenant has the option to continue to rent the object, with or without further payment, when at the inception of the rent it is reasonably certain that the tenant will exercise the option.

Contingent rental income, like payments depending on revenues of premises, are recognized in profit or loss at the date they are identified. Received installment due to premature termination of the rental period or payments for damages on the rented object, which are paid by tenants, are recognized as rental income at the time they are incurred.

Rental income is measured at fair value of the received or outstanding consideration less any direct revenue deductions.

Operating costs of SIGNA Prime Group for rented properties to third parties, which are passed on to tenants, are recognized in the consolidated statement of profit or loss in the position "Operating costs" within revenue.

Long-term accrued income received in advance (advance payment) is initially recognized at present value and for purposes of subsequent measurement it is compounded with a timely risk-adjusted market interest rate. The accrued interest is recognized in consolidated statement of profit or loss in financial result.

Fees revenues are realized either at the time of acquisition (acquisition fee) or in terms of time (rental fee).

Revenues out of property sales are realized according IFRS 5 assets held for sale (for more details section 2.2.1).

2.3.13 Net result from changes in the fair value

According to IAS 40 investment properties are measured at fair value at every balance sheet date and changes in valuation are generally recognized in the consolidated statement of profit or loss as valuation result. If properties are sold, the valuation result already realized in that financial year is reclassified and is shown in conjunction with the net disposal gain/loss as sale result.

2.4 Estimates and uncertainties in judgements and assumptions

The preparation of the consolidated financial statements requires that management makes decisions of judgment, estimates and assumptions, which affect valuation and assessment of the recognized assets and liabilities, income and expenses as well as information in the notes. The future actual values may deviate from the assumptions and estimates made. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recorded prospectively.

Important estimates and assumptions in the balance sheet, relating to future transactions that could cause significant adjustments to the carrying amounts of assets and liabilities in the next financial year, are set out below:

- To determine scheduled depreciation, estimates of economic useful life of assets must be made.
- As part of purchase price allocations for business combinations, assets and liabilities have to be identified and measured at fair value, which requires assumptions.
- Goodwill required as part of business combinations is allocated to cash-generating units. At least once a year an impairment test is done. For this purpose, the recoverable amount is determined, for which assumptions are required.
- Impairment of trade receivables and other financial assets require a management assumption about the customer’s creditworthiness.
- Significant estimates are used to determine provisions regarding the level of occurrence, the probability and the time of entry
- At each balance sheet date, it is checked if the carrying amount of the deferred taxes is still recoverable, i.e. whether future tax relief can be realized.
- Significant decisions of judgement are also made by management with regard to the scope of consolidation.

Property valuation

In every valuation a price has to be estimated that could be obtained in an arm's length transaction on the valuation date. Assumptions, like there is a regulated market in the region, have been used in assessing the value. Unpredictable political or macro-economic changes can have major impacts on the market. This can again lead to a significantly changed demand or supply curve of properties. If the valuation date is immediately after such an event, underlying data for valuation could be disputed, incomplete or inconsistent. This leads to a reduced reliability of the valuation.

Fair value of the properties of SIGNA Prime Group is determined with opinions from external independent experts. The opinions are based on different calculation models, which are in turn based on assumptions and judgments of a wide range of parameters that are partially characterized by complex interactions. It cannot be ruled out that if one or more of these assumptions and parameters change negatively the fair value of the property is reduced, which could lead to a negative impact on assets, liabilities, financial position and profit or loss of the Group. The used assumptions and parameters are estimated thoroughly and as best as possible through the external experts and management on basis of the current market conditions and are updated at every balance sheet date, which can lead to considerable price fluctuations of the property. For purposes of making a sensitivity analysis regarding the impact on fair value if a parameter is changed, simplifying assumptions are made to show possible changes (see chapter 6.1).

Goodwill

The valuation of SIGNA Real Estate Management GmbH and its subsidiaries is done on the basis of an independent expert opinion. The expert opinion is based on severs underlying calculation models, which itself rely on assumptions and estimates with a variety of different parameters that partly show complex interactions with each other. It is not possible to rule out that one or more of those assumptions and parameters changes negatively and result in a decrease of the value of goodwill, which would lead to a negative effect on the financial position and profit or loss of the group. Assumptions and parameters used are estimated carefully and in the best possibly way, and are updated at each valuation date by external experts and the management on the basis of prevailing market conditions (see chapter 6.2).

3 Scope of consolidation

Development of the scope of consolidation

Number of group companies	Full consolidation	At-equity measurement
As of January 1, 2017	**105**	**5**
Consolidation included during the reporting period for the first time	43	9
Deconsolidation during the reporting period	-10	-4
As of December 31, 2017 = January 1, 2018	**138**	**10**
Consolidation included during the reporting period for the first time	44	64
Deconsolidation during the reporting period	-10	-3
Reduction through reorganizations	-6	0
As of December 31, 2018	**166**	**71**

An overview of the Group companies is provided in the list of subsidiaries (see chapter 12).

First-time consolidation in the scope of full consolidation happened largely due to the first-time inclusion of formerly incorporated companies on the occasion of property acquisition.

First-time consolidation in the scope of full consolidation relates to the following property projects, each of them involves several companies:

- Mariahilfer Straße 10-18, Vienna
- Upper Zeil, Frankfurt am Main
- Passauerstraße, Berlin
- Deutsche Börse, Frankfurt
- Hohe Straße, Cologne
- Carschhaus, Düsseldorf

The initial recognition of at-equity accounted investments relates with 63 companies to the acquisition of 50% of a property-portfolio of the German Kaufland-Group (see chapter 6.3).

The deconsolidation in the scope of full consolidation relate to companies from the following projects:

- Generali Tower, Vienna
- Austria Campus, Vienna (Construction sector 5, 6 and 8)

Among the fully consolidated companies are six companies in the “Austria Campus” project, which were classified as held for sale according IFRS 5. The closing is expected in the first quarter of 2019.

4 Segment reporting

The reported segments "Austria", "Germany" and "Others" include real estate companies assigned directly to the respective country. The segment "Others" mainly contains business activities in Italy. The activities of the holding company "SIGNA Prime Selection AG" and the activities of "SIGNA Prime Capital Market GmbH" and "SIGNA Prime CM 2017 GmbH" are included in centralized functions. The "SIGNA REM"-business was assigned to "Germany", "Austria" and "Others".

Segment information is generally based on the values calculated in line with the International Financial Reporting Standards (IFRS). The assignment of real estate companies to the respective countries is in accordance with the geographical location of the property.

Reconciliation includes the valuation of derivative financial instruments, which are monitored separately in management-reporting and are not assigned to the different operating segments.

Dec 2018

in EURk	Austria	Germany	Others	Total segments	Centralized functions	Reconciliation	Group
External revenues	97,694	161,611	1,071	260,376	1,247	-23,733	237,889
Inter-segment revenues	5,031	19,620	3,448	28,100	4,434	-32,533	0
Segment revenue	**102,725**	**181,231**	**4,519**	**288,475**	**5,681**	**-56,267**	**237,889**
Operating profit	64,771	94,510	-2,171	157,110	-20,368	55,301	192,043
Net result from changes in fair value	16,300	309,759	-1,955	324,104	0	0	324,104
EBIT (= segment result)	**81,071**	**404,269**	**-4,126**	**481,214**	**-20,368**	**55,301**	**516,148**
Share profit/loss of equity accounted investees	0	189,300	0	189,300	0	1,106	190,406
Financial income	86,979	55,191	138,774	142,309	73,759	-193,429	22,639
Financial expense	-67,351	-226,025	-1,327	-294,704	-122,803	182,072	-235,434
Profit before tax	100,699	422,735	-5,314	518,120	-69,412	45,050	493,758
Income tax expense/income	-34,692	-108,520	1,554	-141,658	25,281	44,423	-71,954
Profit from continuing operations	**66,007**	**314,216**	**-3,761**	**376462**	**-44,130**	**89,473**	**421,805**
Investments in associates	23,530	864,794	0	888,324	0	0	888,324
Capital expenditure	198,371	1,320,858	263	1,519,492	0	0	1,519,492
Depreciation and amortization / fair value valuation	16,149	308,916	-2,482	322,583	0	0	322,583
Non-current assets	2,303,983	7,950,250	281,910	10,536,142	66,799	-671,408	9,931,533
Current assets	1,006,659	1,427,209	28,324	2,456,184	2,636,977	-4,120,495	972,667
Segment assets (total assets)	**3,310,642**	**9,377,459**	**310,234**	**12,992,327**	**2,703,776**	**-4,791,903**	**10,904,200**
Non-current liabilities	1,255,261	3,628,011	78,726	4,961,997	1,789,592	-410,758	6,340,831
Current liabilities	755,052	3,216,543	69,955	4,047,558	770,078	-3,726,357	1,091,279
Segment liabilities (total liabilities)	**2,010,313**	**6,844,554**	**148,680**	**9,009,556**	**2,559,670**	**-4,137,115**	**7,432,110**

in EURk	Austria	Germany	Others	Total segments	Centralized functions	Elimination	Reconciliation	Dec 2017 Group
External revenues	91,703	126,755	4,398	222,857	130	-25,619	0	197,368
Inter-segment revenues	9,042	13,088	9,386	31,516	3,565	-35,082	0	0
Segment revenue	**100,746**	**139,844**	**13,784**	**254,373**	**3,695**	**-60,701**	**0**	**197,368**
Operating profit	61,268	101,604	4,557	167,429	-27,421	-13,128	0	126,880
Net result from changes in fair value	126,084	813,759	62,092	1,001,935	0	0	0	1,001,935
EBIT (= segment result)	**187,352**	**915,363**	**66,648**	**1,169,364**	**-27,421**	**-13,128**	**0**	**1,128,815**
Share of profit/loss of equity-accounted investees	0	40,152	-64	40,087	0	0	0	40,087
Financial income	226,023	161,793	1,726	389,541	244,596	-608,245	0	25,892
Financial expense	-126,027	-131,777	-2,252	-260,056	-104,829	158,241	-184	-206,828
Profit before tax	287,348	985,531	66,058	1,338,936	112,346	-463,133	-184	987,966
Income tax expense/income	-42,976	-131,142	-17,352	-191,470	21,292	0	0	-170,178
Profit from continuing operations	**244,372**	**854,389**	**48,706**	**1,147,466**	**133,639**	**-463,133**	**-184**	**817,788**
Investments in associates	0	32,260	18	32,278	0	0	0	32,278
Capital expenditure	163,561	11,355	33,418	208,333	0	0	0	208,333
Depreciation and amortization / fair value valuation	126,084	813,759	62,092	1,001,935	0	0	0	1,001,935
Non-current assets	2,675,918	5,924,970	278,102	8,878,990	976,176	-2,551,609	422	7,303,980
Current assets	417,657	521,330	49,439	988,426	1,072,865	-590,528	0	1,470,763
Segment assets (total assets)	**3,093,575**	**6,446,301**	**327,541**	**9,867,417**	**2,049,041**	**-3,142,137**	**422**	**8,774,742**
Non-current liabilities	1,693,837	3,027,882	97,071	4,818,790	1,871,491	-2,196,437	2.300	4,496,145
Current liabilities	720,078	1,276,398	73,720	2,070,196	154,567	-628,648	0	1,596,116
Segment liabilities (total liabilities)	**2,413,915**	**4,304,280**	**170,791**	**6,888,986**	**2,026,059**	**-2,825,084**	**2.300**	**6,092,261**

5 Notes to the consolidated income statement

5.1 Revenues

EURk	2018	2017
Fees	27,805	37,697
Rental income	189,196	146,457
Operating costs	17,247	11,212
Services	643	0
Other sales	2,999	2,002
Revenues	**237,889**	**197,368**

Revenues were mainly realized as a result of successful rental of properties or shares of properties.

Fees include revenues from SIGNA REM Transaction GmbH from the successful rental of non-group properties, as well as project development and development fees, which were charged to various companies by SIGNA Real Estate Management Group.

Rental income and operating costs split up to the countries as follows:

EURk	Rental income	Operating costs	Total
Germany	128,180	8,539	136,719
Austria	60,748	8,708	69,456
Italy	267	0	267
Total	**189,196**	**17,247**	**206,442**

5.2 Other operating income

EURk	2018	2017
Profit from the disposal of investment properties	34,958	0
Income from the reversal of provisions	216	2,947
Other operating income – third parties	26,014	15,959
Other operating income	**61,188**	**18,907**

The profit from the disposal of investment properties comprises gains in the amount of EUR 46,824k from the sale of own components of the Austria Campus and losses in the amount of EUR 11,866k from the sale of Generali Tower and KHS from the previous year.

Other operating income includes income from SIGNA Real Estate Management GmbH and SIGNA Real Estate Management Germany GmbH in the amount of EUR 10,509k (prior year: EUR 11,051k) and income from the reversal of provisions.

5.3 Operating expenses

EURk	2018	2017
Service agreements	-148	-111
Energy, heating and cooling	-3,343	-2,298
Water supply	-431	-315
Other operating costs	-480	0
Property tax	-3,185	-2,389
Waste disposal	-332	-228
Insurance	-1,434	-1,369
Technical services and telecommunication	-1,590	-127
Maintenance and repair	-2,923	-4,550
Facility management	-2,851	-2,064
House owner costs	-4,614	-2,844
Other services rendered	-2,420	-1,537
Operating expenses	**-23,752**	**-17,834**

5.4 Employee benefit expenses

EURk	2018	2017
Wages	-1,210	-809
Salaries	-18,980	-17,911
Post-employment benefit expenses	-220	-172
Social security contributions and compulsory contributions	-2,689	-2,052
Other social expenditure	-4	-4
Employee benefit expenses	**-23,102**	**-20,948**

Employee benefit expenses include payments of EUR 247k (prior year: EUR 132k) into a staff severance payment fund set up by law.

5.5 Other operating expenses

EURk	2018	2017
Consulting services	-19,316	-10,219
Accounting and auditing	-1,855	-1,317
Marketing and distribution	-9,119	-6,080
Management fee	-6,624	-5,591
Insurance	-510	-421
Operating expenses	-320	-341
Administration expenses	-7,640	-3,785
Other expenses	-10,899	-18,044
Other taxes and charges	-2,375	-4,630
Other operating expenses	**-58,658**	**-50,425**

The, in other operating expenses included, expenses for the auditor of the financial statements, attributable to the financial year 2018 amount to EUR 214k (prior year: EUR 189k). These amounts comprise the audit of several property companies.

5.6 Net result from changes in fair value

EURk	2018	2017
Gain arising from changes in fair value	410,661	1,022,967
Loss arising from changes in fair value	-86,557	-21,032
Net result from changes in fair value	**324,104**	**1,001,935**

5.7 Financial income

EURk	2018	2017
Income from investments	885	9,649
Interest income	19,247	13,298
Other financial income	622	2,918
Income from disposal of financial investments	1,884	26
Financial income	**22,639**	**25,892**

5.8 Financial expense

EURk	2018	2017
Interest expense of profit participation rights – minimum return	-61,343	-59,278
Interest expense of profit participation rights – increase in asset value	-5,811	-6,830
Interest expense of bonds	-20,975	-8,996
Interest expense of banks	-91,440	-71,453
Interest expense of finance lease	184	-191
Interest expense of derivative financial instruments	-6,235	-26,050
Other interest expense (from financial instruments)	-2,840	-3,955
Other interest expense and ancillary costs of financing	-31,017	-17,053
Impairment of financial assets	-145	-6,434
Loss from disposal of financial assets	-1,350	-941
Expense from the valuation of derivatives	-105	-184
Other financial expenses (from financial instruments)	-13,529	-2
Other interest expense (from non-financial instruments)	-828	-5,463
Financial expense	**-235,434**	**-206,828**

5.9 Income tax expense

EURk	2018	2017
Current tax expense	-8,807	-17,274
Current tax expense from prior periods	-52	-24
Actual current tax expense	**-8,859**	**-17,297**
Change in recognized temporary differences	-50,199	-178,768
Consumption/ recognition of loss carry forwards	-14,570	24,622
Deferred tax expense of prior years	1,675	1,265
Deferred tax expense	**-63,094**	**-152,881**
Total income tax expense	**-71,954**	**-170,178**

The following table shows a reconciliation from the calculated income tax expenses and the income tax expenses according to the consolidated financial statement:

EURk	2018	2017
Profit before tax (EBT)	493,758	987,966
Tax rate	25.0 %	25.0 %
Calculated income tax expense	**-123,440**	**-246,991**
Income from investments	276	2,411
Equity-valuation	47,547	10,022
Non-deductible expenses	-7,764	-15,092
Effects from capitalized loss carry forwards	-332	-2.,701
Effect of foreign tax rates	11,778	79,174
Other effects	-19	3,000
Total tax expense	**-71,954**	**-170,178**

6 Notes to the consolidated statement of financial position

6.1 Investment property

EURk	Standing properties	Properties in development (conversion)	Investment property under construction (new construction)	Investment properties (total)
As of January 1, 2017	**3,749,600**	**847,500**	**541,060**	**5,138,160**
Additions of property objects	1,361,375	27	178,239	1,539,641
Development of properties	9,949	7,929	190,456	208,333
Construction costs	*9,949*	7,224	181,041	198,213
Borrowing costs	*0*	705	9,415	10,120
Result of the valuation of investment properties	672,966	216,545	112,424	1,001,935
Disposal of property objects	-20,117	0	0	-20,117
Reclassification according IFRS 5	-65,000	0	-724,390	-789,390
Other changes	15,928	0	-24,218	-8,290
As of December 31, 2017 = as of January 1, 2018	**5,724,700**	**1,072,000**	**273,572**	**7,070,272**
Additions of property objects	1,096,475	291,612	6,212	1,394,299
Development of properties	17,986	9,682	14,161	41,830
Construction costs	17,986	8,880	14,161	41,027
Borrowing costs	0	803	0	803
Result of the valuation of investment properties	295,522	60,940	-6,516	349,645
Reclassification	-377,700	377,700	0	0
Other changes	-36,423	34,666	0	-1,757
As of December 31, 2018	**6,720,260**	**1,846,600**	**287,430**	**8,854,290**

Regarding the additions of properties objects reference is made to section 3. Transfers to affiliates and reclassifications were made due to changes in project strategy and transfers between affiliates. Apart from the valuation gains shown in the previous table, the item “Result of the fair value adjustment” includes valuation losses in the amount of EUR 25,541k related to assets held for sale (IFRS 5).

In the financial year 2018 EUR 803k borrowing costs have been capitalized in investment properties (prior year: EUR 10,120k). An average interest rate of 1.71 % (prior year: 2.51 %) was used.

The direct attributable operating expenses for investment properties are constituted as follows:

EURk	2018	2017
Investment properties with rental income during the financial year	-18,188	-15,968
Investment properties with no rental income during the financial year	-11,596	-8,978
Total	**-29,784**	**-24,946**

The following table shows the sensitivity of the fair value of investment property to changes in major input factors.

31.12.2018

Change of fair value of standing property (in MEUR):

Input factor	Change of parameters	Increase of parameter	Decrease of parameter
Actual rent	+/- 5 %	193.7	-192.8
Target rent	+/- 5 %	74.3	-71.1
Discount rate	+/- 1 percentage point	-471.0	521.9
Capitalization rate	+/- 1 percentage point	-978.5	1,740.4

Change of fair value of properties in development (in MEUR):

Input factor	Change of parameters	Increase of parameter	Decrease of parameter
Construction costs	+/- 10 %	-97.8	79.8

Change of fair value of properties under construction (in MEUR):

Input factor	Change of parameters	Increase of parameter	Decrease of parameter
Construction costs	+/- 10 %	-27.6	35.0

31.12.2017

Change of fair value of standing property (in MEUR):

Input factor	Change of parameters	Increase of parameter	Decrease of parameter
Actual rent	+/- 5 %	147.4	-147.9
Target rent	+/- 5 %	81.8	-80.6
Discount rate	+/- 1 percentage point	-333.6	370.7
Capitalization rate	+/- 1 percentage point	-656.0	1,149.0

Change of fair value of properties in development (in MEUR):

Input factor	Change of parameters	Increase of parameter	Decrease of parameter
Construction costs	+/- 10 %	-107.6	111.0

Change of fair value of properties under construction (in MEUR):

Input factor	Change of parameters	Increase of parameter	Decrease of parameter
Construction costs	+/- 10 %	-16	16

6.2 Intangible assets

EURk	Goodwill	Other intangible assets	Total
Purchase costs or construction costs			
As of January 1, 2017	133,079	0	133,079
Acquisition by business combination	13,353	0	13,353
Other purchases	0	4	4
As of December 31, 2017 = January 1, 2018	**146,432**	**4**	**146,436**
Acquisition by business combination	0	0	0
Other purchases	264	4,501	4,765
As of December 31, 2018	**146,696**	**4,505**	**151,201**
Accumulated amortization and impairment			
As of January 1, 2017	0	0	0
Impairment	0	0	0
As of December 31, 2017 = January 1, 2018	**0**	**0**	**0**
Impairment	0	0	0
As of December 31, 2018	**0**	**0**	**0**
Carrying amounts			
As of January 1, 2017	133,079	0	133,079
As of December 31, 2017 = January 1, 2018	146,432	4	146,436
As of December 31, 2018	**146,696**	**4,505**	**151,201**

Goodwill is tested for impairment once a year at the end of the reporting period. As of December 31, 2018 an impairment test was performed. As of December 31, 2018 there are no indications that the CGU might be impaired.

Goodwill relates to the acquisition of SIGNA Real Estate Management Group as well as further acquisitions of companies by this group.

For the purpose of impairment testing goodwill was allocated to CGUs of the group:

EURk	31.12.2018	31.12.2017
SIGNA Real Estate Management Group	146,432	146,432
Thereof Italian entities	*13,353*	*13,353*
Total	**146,432**	**146,432**

For the purpose of impairment testing of goodwill on the level of a cash-generating unit (CGU), to which goodwill was allocated, the carrying amount of the cash-generating unit is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment needs to be recognized and the carrying amount is reduced to its recoverable amount.

The recoverable amount is the higher of fair value less cost to sell (FVLCTS) or value in use (VIU).

The value in use of a CGU is defined as the present value of expected cash flows which will flow to the company from the CGU.

To determine the fair value less cost to sell, an appropriate measurement model is used. Both value in use as well as fair value less cost to sell are generally based on the calculation of discounted cash flows (discounted-cash flow-measurement).

For the measurement of the recoverable amount the APV-Method (Adjusted Present Value Method) is used.

Substantial assumptions for estimating the recoverable amount are described as follows:

Planning data was prepared at the level the CGU and is based on the developments of the past and expectations of the future market developments. The measurement was based on a plan, approved by the management. The amounts, allocated to material assumptions, reflect the assessment of the management regarding future developments, and are based on historical data provided by external and internal sources.

For measurement purposes of SIGNA REM Group a 2-phase-modell is being used. Phase I affects the detailed planning phase (2019-2023) and phase II affects the growth phase (from 2024).

Substantial input factors for recoverable amount	**2018**	**2017**
Inflation	1.00%	2.00%
Capital costs	6.53%	6.53%

Furthermore, the factors "Revenue" and "EBIT-Margin" have substantial influence on the value of SIGNA Real Estate Management GmbH and its subsidiaries.

The values of the used parameters are based on internal sources (historical values) as well as external sources (market information). Simplified assumptions were made for the purpose of sensitivity analysis to show the effects on values when parameters change.

Both a higher risk-free interest rate and a higher beta-factor lead to a lower goodwill. Assuming (cumulative) a higher risk-free interest rate (1.05%) and a higher beta-factor (0.81) there is no need for impairment for the recognized goodwill.

In addition, the impact of a change in the planned fees (percentage of the total investment-volume) associated with a change in the project volume was analyzed. If the fees are reduced to 4% of the total investment and the total investments reduce by EUR 400,000k, there is also no need for an impairment for the recognized goodwill.

6.3 Equity-accounted investees

HBS Global Properties Luxembourg S.á.r.l, Luxembourg (hereinafter “HBS”) and HBC Luxembourg Property Holding Company S.a.r.l, Luxemboug (hereinafter „HBC“) are two joint ventures jointly managed by SIGNA Prime Group and in which SIGNA Prime Group holds 50%. The companies were included in the scope of consolidation of SIGNA Prime Group for the first time as of November 30, 2018. HBS holds 94.9% of a portfolio of the German Kaufhof-Group, consisting of 39 department store properties in Germany. HBC holds 5.1% of the same Kaufhof real estate portfolio.

The real estate portfolio does not constitute a business as defined in IFRS 3. At initial recognition of the real estate portfolio no deferred taxes were recognized in analogous application of IAS 12.15(b).

The following table summarizes the consolidated financial information of HBS and HBC (and thus the Kaufhof property portfolio) as presented in their own financial statements, fair value adjusted at acquisition time and differences in accounting policies. The table also shows a reconciliation of the summarized financial information to the carrying amount of the SIGNA Prime Group´s share in Kaufhof.

EURk	**31.12.2018**
Non-current assets	3,369,010
Thereof investment property	3,368,985
Current assets	41,727
Thereof cash and cash equivalents	14,762
Non-current liabilities	-1,344,944
Thereof non-current financial liabilities	-1,337,650
Current liabilities	-53,912
Thereof current financial liabilities	3,957
Net assets (100%)	**2,011,882**
Share of SIGNA Prime Group in net assets (50%)	1,005,941
Other adjustments	-122,707
Carrying amount of the share in the joint venture	**883,234**

EURk	**1.12.2018 – 31.12.2018**
Revenue	15,255
Other operating expenses	-2,615
Net profit from fair value adjustment	7,500
Financial expense	-3,590
Tax from profit and income	-2,458
Net profit and total profit (100%)	14,091
Share of the Group to total profit (50%)	**7,046**

The result from the at-equity valuation of EUR 190,406k contains the difference between the acquisition costs of SIGNA Prime Group´s share in the Kaufhof real estate portfolio and the share of the net fair value of the identified assets and liabilities. Out of this difference (caused mainly by a higher net fair value) results a gain of EUR 182,245k.

Furthermore, SIGNA Prime Group holds shares in a number of non-essential joint ventures. The aggregate carrying value of the shares in non-significant joint ventures is as December 31, 2018 EUR 5,089k (prior year: EUR 32,278k). The aggregate net profit of the shares in non-significant joint ventures is for the financial year 2018 EUR 1,106k (prior year: 40,087k).

6.4 Financial investments

EURk	31.12.2018	31.12.2017
Shares from affiliated non-consolidated companies	1,272	55
Other shares in companies	15,081	21,728
Non-current securities	2,700	3,026
Financial investments	**19,053**	**24,809**

6.5 Receivables and other financial assets

The non-current receivables are set up as follows:

EURk	31.12.2018	31.12.2017
Financial receivables from associated companies	6,001	5,072
Other financial receivables	6,660	4,247
Other non-current receivables	6,380	15,058
Positive market values of derivatives	317	422
Receivables and other financial assets (non-current)	**19,358**	**24,799**

The other non-current receivables mainly include claims for compensation against a hotel operator.

The current receivables are set up as follows:

EURk	31.12.2018	31.12.2017
Financial receivables from non-consolidated subsidiaries	2	0
Financial receivables from associated companies	77	422
Other financial receivables	216	1,149
Financial receivables	**294**	**1,570**
Receivables from non-consolidated subsidiaries	151	733
Receivables from associated subsidiaries	51	0
Trade receivables	21,097	8,000
Operating receivables	**21,299**	**8,733**
Income tax receivables	2,695	1,381
Income tax receivables	**2,695**	**1,381**
Inventory	80	1,088
Current securities	94	21,148
Receivables from other taxes	8,219	477
Accrued expenses	9,627	12,509
Other receivables (financial)	414,391	381,354
Other assets	1,605	2,222
Other receivables and assets	**434,015**	**418,799**
Receivables and other assets (current)	**458,303**	**430,484**

Other receivables (financial) relate to loans at standard market conditions granted to various companies.

6.6 Non-current assets classified as held for sale

The non-current assets held for sale include subsidiaries in the Austria Campus project as well as a residual amount of apartments in the Austria segment that will be sold within the next 12 months.

Non-current assets held for sale are stated at fair value less sale-costs and include the following assets and liabilities.

EURk	31.12.2018	31.12.2017
Investment properties	295,500	789,400
Other assets	23,878	26,184
Assets classified as held for sale	**319,378**	**815,584**
Financial liabilities	197,435	455,709
Deferred tax liabilities	10,153	43,430
Other liabilities	31,231	46,508
Liabilities classified as held for sale	**238,819**	**545,647**

6.7 Deferred taxes

EURk	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Balance sheet item	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Investment properties	0	-496,335	0	-402,179
Financial assets	0	0	0	-78
Receivables and other financial assets	0	0	29	0
Other receivables	0	-84	462	0
Non-current assets held for sale	63	0	0	0
Loss carry forwards	97,769	0	112,340	0
Participation rights	2,030	0	3,577	0
Provisions	8,600	0	0	0
Financial liabilities	6,740	0	5,276	0
Other financial liabilities	2,585	0	575	0
Other liabilities	0	-388	1,729	0
Total	**117,787**	**-496,807**	**123,987**	**-402,257**
Offsetting	-117,787	117,787	-123,987	123,987
Total	**0**	**-379,020**	**0**	**-278,270**

Distributions of SIGNA Prime Selection AG to owners have no tax consequences for SIGNA Prime Selection AG. For temporary differences in connection with subsidiaries and associated companies according to IAS 12.39 no deferred taxes were recognized, as profits are retained in the concerning companies. Distributions of group members to SIGNA Prime Selection AG are generally tax free.

Deferred Taxes on tax losses carried forward are considered to the extent of sufficient existing deferred tax liabilities. Additionally a sufficient taxable income will be available in the future, especially due to the sale of real estate.

6.8 Equity

The share capital of the company amounted to EUR 56,710k (prior year: EUR 48,176k) and is divided into 56,709,893 par value shares (prior year: 48,176,013 par value shares). They are registered under the name.

6.9 Profit participation rights

EURk	31.12.2018	31.12.2017
Nominal	1,024,300	904,300
Interest accrual	-5,850	-6,972
Sustained value growth	38,723	34,953
Total	**1,057,174**	**932,281**

SIGNA Prime Selection AG has placed in several tranches the following profit participation rights:

Tranche 2011: Several institutional investors participated in "tranche 2011" with an amount of EUR 309,300k and have the following significant conditions:

- Subordination according to § 67 (3) Insolvenzordnung to all other liabilities, but equal ranking to all other profit participation rights;
- Maturity until December 31, 2020, with an option to extend two times by the issuer; special termination rights by the issuer and extraordinary termination rights by the holders of the profit participation rights;
- Minimum profit share of 6 %, unless the following conditions for profit sharing are fulfilled, payable after the confirmation of the annual financial statements
  - Profit share is covered by the annual net profit
  - The payment does not lead to a negative accumulated profit and is covered by the accumulated profit, that is eligible for distribution
  - Existence of a minimum liquidity reserve
- Undistributed profit shares are carried forward and are accrued with 6 % effective interest;
- Loss participation, after equity of the shareholders has primarily been consumed;
- At the end of maturity, the holders of the profit participation rights are entitled to a yield of 8 % (Cap), if it is covered by the increase in asset value, including "silent reserves" in the investment property portfolio ("share in the increase in asset value");
- The current minimum profit share, which is due for payment after the approval of the annual financial statements, has been fully recognized on the liability side in 2016. The minimum profit shares of previous years were paid in full;
- Under the assumption that all minimum profit shares are paid during the term and the increase in asset value will incur in full, an amount of EUR 51,701k will be due on December 31, 2020, in addition to the nominal capital.

In financial year 2017, an amount of EUR 100 million was refinanced, which reduced the volume of this tranche to EUR 209.3 million.

7 %-tranche 2014: In 2014 participation certificates at the amount of EUR 50,000k were placed successfully. These are participation certificates with 7 % priority return, whereas no sustained value growth component is intended. All other conditions are similar to those of "tranche 2011". Term of this participation certificate ends on December 31, 2023, and the issuer has a renewal option for two times to extend the term by one further year each.

7%-tranche 2015: In 2015 participation certificates at the amount of EUR 255 million were placed successfully. These are participation certificates with 7 % priority return, whereas no sustained value growth component is intended. Other conditions are designed like those of the tranche 2011. Maturity date of these participation certificates is December 31, 2024, and the issuer has a renewal option for two times to extend the term by one further year each

In 2016 additional participation rights in the amount of EUR 45 million were placed. In the past financial year, an amount of EUR 100 million was refinanced from this tranche, which reduced the volume of this tranche to EUR 200 million.

6%-tranche 2016: In 2016 participation certificates at the amount of EUR 245 million were placed successfully. These are participation certificates with 6 % priority return, whereas no sustained value growth component is intended. Other conditions are - except to the component of growth of net assets - designed like those of the tranche 2011. Maturity date of these participation certificates is December 31, 2026, however at the earliest at December 31, 2019 due to special rights of termination for the issuer. In the past financial year, an amount of EUR 100 million was refinanced from this tranche, which reduced the volume of this tranche to EUR 145 million.

7%-tranche 2017: Additionally, in 2017 participation certificates at the amount of EUR 100 million each, were refinanced from the tranche 2011, tranche 2015 and tranche 2016 to a new tranche 2017. These are participation certificates with 7 % priority return, whereas no sustained value growth component is intended. Other conditions are - except to the component of growth of net assets - designed like those of the tranche 2011. Maturity date of these participation certificates is December 31, 2037.

6%-tranche 2018: In 2018 participation rights at the amount of 200 million were placed successfully. These are participation certificates with 6 % priority return, whereas no sustained value growth component is intended. Other conditions are - except to the component of growth of net assets - designed like those of the tranche 2011. Maturity date of these participation certificates is December 31, 2028, and the issuer has a renewal option for two times to extend the term by one further year each

5%-tranche 2018: Additionally in 2018 participation rights at the amount of 100 million were placed successfully. These are participation certificates with 5 % priority return, whereas no sustained value growth component is intended. Other conditions are - except to the component of growth of net assets - designed like those of the tranche 2011. Maturity date of these participation certificates is December 31, 2021.

6.10 Capital management

The capital management objective of SIGNA Prime Group is to maintain a strong capital base so that it can generate a return to the shareholders, promote the future development of the company and also benefit other interest groups. In doing so, attention is always paid to an equity capitalization of the Group companies that comply with local requirements. All related capital requirements were met in the reporting year.

Management considers equity as equity according IFRS and also the subordinated participation rights. For internal control purposes, the adjusted equity ratio is used taking into account participation rights.

Fiscal policy requirements result from the covenants contained in financing agreements, which typically consist of interest cover ratio (ICR) and debt cover ratio (DCR). In addition, the key figure loan-to-value (LTV) is decisive. For all existing finance agreements all covenants were complied as of December 31, 2018 and December 31, 2017.

Another central element of corporate management is the net asset value (NAV), which is confirmed annually by an independent expert. SIGNA Prime Group performs NAV calculations based on the recommendations issued by the European Public Real Estate Association (EPRA) which is the Best Practices Recommendation (BPR). Accordingly, the NAV is intended to reflect the fair value of the net profit of an active real estate company with a long-term investment strategy. Assets and liabilities that are not realized in normal circumstances, such as derivatives and deferred taxes, are excluded from the calculation. As SIGNA Prime Group applies the fair value model in accordance with IAS 40, the carrying values already correspond to the fair value and no adjustment of the fair value is necessary. The calculation is retrograde, based on the shareholders equity plus derivatives and deferred taxes.

The calculation of NAV, LTV and equity ratio is shown in the tables below:

Net Asset Value (NAV)

EURk	31.12.2018	31.12.2017
Total equity	3,472,090	2,682,481
Less non-controlling interests	-200,316	-145,457
Equity (attributable to owners of the company)	**3,271,774**	**2,537,024**
Derivatives	58,868	2,300
Lease liabilities	4,339	4,802
Deferred taxes	379,020	278,270
Net Asset Value (NAV)	**3,714,001**	**2,822,396**
Number of stocks (in pieces)	56,709,893	48,176,013
Net Asset Value per stock (EUR)	**65.49**	**58.59**

Loan to Value (LTV)

EURk	31.12.2018	31.12.2017
Bonds	517,000	375,000
Liabilities to banks	4,391,379	3,539,575
Liabilities to banks according IFRS 5	197,435	455,709
Total liabilities to banks	**5,105,814**	**4,370,284**
Balance sheet total	10,904,200	8,774,742
Loan to Value (LTV)	**47%**	**50%**

Equity ratio

EURk	31.12.2018	31.12.2017
Equity total	3,472,090	2,682,481
Participation rights	1,057,174	932,281
Adjusted equity incl participation rights	**4,529,263**	**3,614,762**
Balance sheet total	10,904,200	8,774,742
Equity ratio	**32%**	**31%**
Adjusted equity ratio incl participation rights	**42%**	**41%**

6.11 Financial liabilities

EURk	31.12.2018	31.12.2017
Bonds	**517,000**	**325,000**
Loans and borrowings from banks	4,255,791	2,856,939
Lease liabilities	4,063	4,485
Financial liabilities	**4,259,855**	**2,861,424**
Negative market values of derivatives	59,185	2,300
Other financial liabilities	2,360	51,621
Other financial liabilities	**61,545**	**53,921**
Non-current financial liabilities	**4,838,399**	**3,240,345**

Bonds	**0**	**50,000**
Loans and borrowings from banks	135,588	682,636
Lease liabilities	276	317
Financial liabilities to affiliated non-consolidated companies	17	0
Financial liabilities to associated companies	0	998
Financial liabilities	**135,880**	**683,951**
Current financial liabilities	**137,359**	**733,941**

SIGNA Prime Capital Market GmbH (granddaughter of SIGNA Prime Selection AG) issued a bond (ISIN: AT0000A0WPF1) in financial year 2012 with a nominal value of EUR 150,000k. Thereof EUR 9,000k have been paid back in financial year 2018. The issue price amounted to 100 % of the nominal value. Term of the bond ends on October 10, 2022, interest rate is 4.5 % p.a.

SIGNA Prime CM 2017 GmbH (granddaughter of SIGNA Prime Selection AG) issued a bond (ISIN: AT0000A1X101) in financial year 2017 with a nominal value of EUR 175,000k. The issue price amounted to 100 % of the nominal value. Term of the bond is August 15, 2047, interest rate is 4.0 % p.a. The bond was increased in financial year 2018 by EUR 60,000k to EUR 235,000k. The payment of due amounts under the bond is irrevocably and unconditionally guaranteed to the holders by SIGNA Prime Selection AG.

SIGNA Prime CM 2017 GmbH issued a bond (ISIN: AT0000A21PP7) in financial year 2018 with a nominal value of EUR 50,000k. The issue price amounted to 100% of the nominal value. Term of the bond is April 30, 2047, interest rate is 3.5% p.a. The payment of due amounts under the bond is irrevocably and unconditionally guaranteed to the holders by SIGNA Prime Selection AG.

SIGNA Prime CM 2017 GmbH issued a bond (ISIN: AT0000A25AV8) in financial year 2018 with a nominal value of EUR 20,000k. The issue price amounted to 100% of the nominal value. Term of the bond is November 30, 2029, interest rate is 3.25% p.a. payable annually and subsequently on November 30. The payment of due amounts under the bond is irrevocably and unconditionally guaranteed to the holders by SIGNA Prime Selection AG.

München, Alte Akademie I Immobilien GmbH & Co. KG, München, Alte Akademie II Immobilien GmbH & Co. KG and München, Alte Akademie III Immobilien GmbH & Co. KG have issued together a bond in financial year 2018 with a nominal value of EUR 71,000k. The issue price amounted to 100% of the nominal value. Term of the bond is June 30, 2024, interest rate is 7.32% p.a. payable later on the due date.

Reconciliation of financial liabilities

EURk	Bonds	Profit participation rights	Non-current financial liabilities	Current financial liabilities	Other non-current financial liabilities	Lease liabilities	Total
As of December 31, 2017	**325,000**	**932,281**	**2,861,424**	**733,941**	**49,120**	**4,802**	**4,906,577**
Proceeds from issuance	201,000	120,000	1,019,201	0	0	0	**1,340,201**
Payouts for the repayment	-9,000	0	-113,317	0	0	-278	**-122,595**
Change in other financial liabilities	0	0	0	-596,783	12,425	0	**-584,357**
Cash flow from financing activities	**192,000**	**120,000**	**905,885**	**-596,783**	**12,425**	**-278**	**633,249**
Changes from the acquisition or disposal of subsidiaries or other business operation	0	0	492,546	191	0	00	**492,737**
Change in fair value	0	38,723	0	0	0	0	**38,723**
Interest accruals	0	-33,831	0	0	0	-184	**-34,015**
As of December 31, 2018	**517,000**	**1,057,174**	**4,259,855**	**137,359**	**61,545**	**4,339**	**6,037,271**

6.12 Provisions

The provision of EUR 34,400k (prior year: EUR 0) was provided for an issue in connection with an onerous contract.

6.13 Lease

Finance lease

Lessee

Reconciliation from minimum lease payments to their present value can be described as follows:

	EURk 31.12.2018		EURk 31.12.2017	
	Minimum lease payments	**Present value**	**Minimum lease payments**	**Present value**
due within 1 year	284	276	327	317
due between 1 to 5 years	1,327	1,202	1,342	1,203
due after 5 years	4,176	2,862	4,779	3,282
Total	5,787	4,339	6,449	4,802

Operating-Leases

Lessee

The Group has commitments under operating leases of property, plant and equipment that are not presented in the consolidated statement of financial positions. The rental agreements of SIGNA Prime Group as lessee refer primarily to rented office spaces, especially for the branch in Vienna. Leasing contracts with SIGNA Holding Group are charged through the management fee and are included in other operating expenses in the statement of profit or loss.

The remaining operating leases of SIGNA Prime Group relate to operating and office equipment. Purchase options are not agreed.

Lessor

SIGNA Prime Group is lessor in operating lease agreements. Future minimum lease payments for the non-cancellable term of these leases basically refer to rented investment properties and can be summarized by years as follows:

EURk	**31.12.2018**	**31.12.2017**
due within 1 year	198,883	179,473
due between 1 to 5 years	757,544	648,021
due after 5 years	2,849,387	2,484,244
Total	**3,805,814**	**3,311,738**

Contracts are mainly concluded for defined terms. The average remaining lifetime of rental contracts of the existing portfolio are 18 years (previous year: 20 years), several contracts have a maturity date after 2050. Future payments are usually indexed.

6.14 Other liabilities

EURk	31.12.2018	31.12.2017
Other non-current accruals	0	6
Other non-current liabilities (financial)	31,820	45,243
Other non-current liabilities (non-financial)	17	0
Other non-current liabilities	**31,837**	**45,249**
Liabilities to affiliated non-consolidated companies	11	0
Liabilities to associated companies	688	1,516
Trade liabilities – third party	25,672	27,020
Received in advance payments	0	650
Operating liabilities	**26,371**	**29,186**
Liabilities from accruals of personnel expenses	2,429	3,008
Liabilities from social security	156	113
Liabilities from other taxes	27,138	26,403
Accrued liabilities and accrued expenses	7,129	1,792
Other liabilities (financial)	562,097	174,581
Other liabilities (non-financial)	1,038	1,424
Other financial liabilities	1,723	529
Property rights liabilities	61,343	47,906
Other liabilities	**663,051**	**255,756**
Current other liabilities	**689,423**	**284,942**

Other liabilities (financial) mainly include purchase price liabilities from the purchase of investment properties and subsidiaries.

7 Notes to financial instruments

7.1 Carrying amounts, fair values and measurement of financial instruments

The following table shows, for each class of financial assets and financial liabilities, the initial measurement category in accordance with IAS 39 and the measurement category in accordance with IFRS 9 as well as the carrying amounts as at December 31, 2018 and at the date of transition according IAS 39 and IFRS 9:

ASSETS EURk	Initial valuation category acc IAS 39	Valuation category acc IFRS 9	Carrying amount acc IAS 39 31.12.2017	Carrying amount acc IFRS 9 1.1.2018	Carrying amount acc IFRS 9 31.12.2018
Non-current financial assets					
Shares to affiliated non-consolidated companies	AfS/At Cost	FVPL	55	55	1,272
Other shares to companies	AfS/At Cost	FVPL	21,783	21,783	15,081
Fixed-income securities	AfS/At Cost	AC	3,026	2,700	2,700
Financial receivables to associated companies	LaR	AC	5,072	5,072	6,001
Other financial receivables	LaR	AC	4,247	4,247	6,660
Other non-current receivables	LaR	AC	15,058	15,058	6,380
Positive market values of derivatives	HfT	FVPL	422	422	317
Current financial assets					
Financial receivables to affiliated non-consolidated companies	LaR	AC	0	0	2
Financial receivables to associated companies	LaR	AC	422	422	77
Other financial receivables	LaR	AC	1,149	1,149	216
Receivables to affiliated non-consolidated companies	LaR	AC	733	733	151
Receivables to associated companies	LaR	AC	0	0	51
Trade receivables – third parties	LaR	AC	8,000	8,000	21,097
Other non-current securities	HfT	FVPL	21,148	21,148	94
Other receivables (financial))	LaR	AC	381,354	381,354	414,391
Cash and cash equivalents	LaR	AC	224,695	224,695	188,611

AfS: available for sale
At Cost: measured at cost
LaR: loans and receivables at amortized cost
FVPL: at fair value through profit or loss
FVOCI: at fair value through other comprehensive income
AC: measured at amortized cost
HfT: held for trading
FLAC: financial liabilities measured at amortized cost

LIABILITIES EURk	Initial valuation category acc IAS 39	Valuation category acc IFRS 9	Carrying amount acc IAS 39 31.12.2017	Carrying amount acc IFRS 9 1.1.2018	Carrying amount acc IFRS 9 31.12.2018
Non-current financial liabilities					
Bonds	FLAC	FLAC	325,000	325,000	517,000
Participation rights	FLAC	FLAC	932,281	932,281	1,057,174
Liabilities to banks	FLAC	FLAC	2,856,939	2,856,939	4,255,791
Negative market values of derivatives	HfT	FVOCI	2,300	2,300	59,185
Other financial liabilities	FLAC	FLAC	51,621	51,621	2,360
Other liabilities (financial)	FLAC	FLAC	45,249	45,249	0
Current financial liabilities					
Bonds	FLAC	FLAC	50	50	0
Liabilities to banks	FLAC	FLAC	682,636	682,636	135,588
Financial liabilities to affiliated non-consolidated companies	FLAC	FLAC	0	0	17
Financial liabilities to associated companies	FLAC	FLAC	998	998	0
Liabilities to affiliated non-consolidated companies	FLAC	FLAC	0	0	11
Liabilities to associated companies	FLAC	FLAC	1,516	1,516	688
Trade liabilities –third party	FLAC	FLAC	29,185	29,185	25,672
Other liabilities (financial)	FLAC	FLAC	222,488	222,488	727,380
Other financial liabilities	FLAC	FLAC	529	529	1,723
Participation rights liabilities	FLAC	FLAC	0	0	61,343

7.2 Fair value and fair value hierarchy of financial assets and liabilities

Fair value determination is as far as possible based on observable market data. Based on the used input factors in the valuation techniques fair values are categorized in different levels of the fair value hierarchy:.

- Level 1: This level refers to quoted prices (unadjusted) in active markets for identical assets or liabilities. In SIGNA Prime Group bonds of category fair value through profit and loss (FVPL) are at this level.

- Level 2: This level refers to inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices). Financial derivatives are normally at this level. Fair value of these financial derivatives is determined by the discounted cash flow method through discounting the expected cash flows and by the option pricing model taking into account the current market parameters (exchange rates, interest rates, volatilities). Counterparty risk is considered, if material, through Credit Valuation Adjustments and Debit Valuation Adjustments. SIGNA Prime Group doesn´t hold financial derivatives at this level at the moment.

- Level 3: This level refers to non-observable inputs for the asset or liability. Profit participation rights, loans and borrowings and leasing liabilities, which are measured at amortized cost, are assigned to this level. Fair value of these financial instruments is determined by discounted cash flow method through discounting the expected cash flows. Input factors observable on the market (interest rates, exchange rates) and input factors non-observable on the market (own credit risk) are included in valuation.

If used input factors for determining fair value of a financial asset or liability are categorized in different levels of the fair value hierarchy, the valuation of fair value in its entirety is categorized in the level of the fair value hierarchy, which is in accordance with the lowest input factor that is in all material for the valuation.

Reclassifications from one level to another are taken into account at the end of the reporting period in which the change has happened. There were no transfers between levels in the current financial year.

7.2.1 Carrying amount, fair values and fair value hierarchy of financial assets and liabilities measured at fair value

EURk	Level	Carrying amount 31.12.2018	Fair value 31.12.2018
Shares to affiliated non-consolidated companies	3	1,272	1,272
Other shares to companies	3	15,081	15,081
Positive market values of derivatives	2	317	317
Other current securities	1	94	94
Negative market values of derivatives	2	59,185	59,185

EURk	Level	Carrying amount 31.12.2017	Fair value 31.12.2017
Shares to affiliated non-consolidated companies	3	55	55
Other shares to companies	3	21,728	21,728
Other current securities	2	21,148	21,148
Fixed-income securities/ bonds	1	3,026	3,026
Positive market values of derivatives	2	422	422
Negative market values of derivatives	2	2,300	2,300

7.2.2 Carrying amount, fair values and fair value hierarchy of financial assets and liabilities not measured at fair value

Current financial assets and financial liabilities mostly have short residual terms. In case of short-term positions the management assumes that the carrying amount represents a reasonable approximation of the fair value. A fair value indication of these financial instruments is therefore omitted in the following tables.

The following table compares the carrying amounts of financial instruments recorded in the balance sheet with their fair value. In case of financial receivables and other financial liabilities the fair value corresponds to the carrying amount, since these are standard market interest instruments with high credit rating of the counterparties.

EURk	Level	Carrying amount 31.12.2018	Fair value 31.12.2018
Non-current financial assets			
Fixed-income securities	1	2,700	2,763
Financial receivables to associated companies	3	6,001	6,001
Other financial receivables	3	6,660	6,660
Other non-current receivables	3	6,380	6,380
Non-current financial liabilities			
Bonds	3	517,000	698,099
Participation rights	3	1,057,174	1,056,230
Liabilities to banks	3	4,255,791	4,713,793
Other financial liabilities	3	2,360	2,360

EURk	Level	Carrying amount 31.12.2017	Fair value 31.12.2017
Non-current financial assets			
Financial receivables to associated companies	3	5,072	5,072
Other financial receivables	3	4,247	4,247
Other non-current receivables	3	15,058	17,452
Non-current financial liabilities			
Bonds	3	325,000	497,010
Participation rights	3	932,281	1,302,326

7.3 Net result from financial instruments

The following table summarizes the results of financial instruments in the IFRS 9 (prior year: according to IAS 39) measurement categories. In the table above income is displayed with positive signs and expense with negative signs.

EURk	Dividends	Interest income	Interest expense	Fair value measurement	Disposal	2018 Total
AC	0	19,104	0	0	1,984	21,088
FVPL	885	143	0	-13,984	-1,450	-14,406
FVOCI	0	0	0	0	0	0
FLAC	0	0	-213,242	0	0	-213,242
Hedging instruments	0	0	-6,235	-56,885	0	-63,120
Net result	**885**	**19,247**	**-219,477**	**-70,869**	**534**	**-269,680**

EURk	Interests, Dividends	Fair value measurement	Disposal	Impairment	2017 Total
AfS	9,649	0	-914	-6,434	2,301
LaR	13,298	0	0	-293	13,005
FLAC	-150,511	0	0	0	-150,511
FVPL	-26,050	-184	0	0	-26,234
Hedging instruments	0	26,357	0	0	26,357
Net result	**-153,614**	**26,173**	**-914**	**-6,728**	**-135,083**

AC: measured at amortized cost
FVPL: at fair value through profit or loss
FVOCI: at fair value through other comprehensive income
FLAC: financial liabilities measured at amortized cost
AfS: available for sale
LAR: loans and receivables measured at amortized cost

8 Financial risk management and collaterals

8.1 Financial risk management principles

SIGNA Prime Group's assets, liabilities, firm commitments and planned transactions are exposed to various types of risk especially credit risk, interest rate risk, exchange rate risk, market price risk and risk of changing solvency of business partners. Moreover liquidity risk plays an essential role.

Financial risk management of SIGNA Prime Group aims to reduce and systematically manage all financial risk. For this purpose derivative and non-derivative hedging instruments are used or other appropriate measures are taken according to the estimated risk exposure. Derivative financial instruments are generally used as hedging instruments.

The operational and strategic framework for financial risk management is determined or updated at least annually by the management board and is constantly monitored. The operational financial risk management is in the responsibility of the Group's finance department and the finance departments of the operational entities of SIGNA Prime Group.

8.2 Default risk (credit risk)

SIGNA Prime Group has no major concentrations of credit risk towards third parties.

Default risks are taken into account by impairment. The maximum default risk is equivalent to the carrying amounts of financial assets in the consolidated statement of financial positions.

Default risk for receivables is low for SIGNA Prime Group as regular reviews are performed of the creditworthiness of counterparties. Thus there have not been any notable defaults on receivables in the past. To limit counterparty risk concerning derivatives with positive market value hedging transactions are settled with counterparties of high credit standing only. In management's assessment SIGNA Prime Group is not subject to any material default risk at the balance sheet date.

Due to the high creditworthiness of counterparties, non-current financial assets are neither impaired nor overdue.

The following table shows the current financial assets that are subject to impairment according IFRS 9. The figures as at December 31, 2017 were determined in accordance with IAS 39. The only class of financial assets that has been impaired, is the class of operating receivables. The operating receivables include trade receivables and receivables from operating leases. Operating receivables are classified according the simplified approach with regard to impairment. Therefore, the SIGNA Prime Group continues to present the default risk in its usual form.

EURk	31.12.2018	31.12.2017
Financial receivables	**294**	**422**
thereof neither impaired nor past due	*294*	*422*
Operating receivables	**21,299**	**8,000**
thereof neither impaired nor past due	*20,628*	*4,751*
thereof impaired	*420*	*1,973*
thereof past due and not impaired	*251*	*1,276*
overdue up to 30 days	*38*	*0*
31 to 60 days overdue	*50*	*0*
61 to 90 days overdue	*73*	*0*
overdue for more than 90 days	*90*	*0*
Other receivables and assets	**414,391**	**381,354**
thereof neither impaired nor past due	*414,391*	*381,354*

The impairment for operating receivables were determined as of December 31, 2018 according IFRS 9 and as of December 31, 2017 in accordance with IAS 39. Operating receivables are classified according the simplified approach with regard to impairment. The default rates of operating receivables are close to zero, which is also expected for the future. The expected credit losses are therefore zero. As in previous years, the disclosure of impairment is based on an impairment table.

The impairment of trade receivables developed as follows:

TEUR	31.12.2018	31.12.2017
As begin of the period	14,033	13,312
Allocations	2,151	1,973
Reversal	0	-606
Consumption	-14,954	-646
As end of period	**1,230**	**14,033**

As regards trade receivables and other receivables that have neither been impaired nor is payment in arrears, there is no indication as of the balance sheet date of debtors failing to make payment.

8.3 Liquidity risks

A major objective of the financial risk management of SIGNA Prime Group is to guarantee the liquidity and therefore the financial flexibility at every time. For this purpose a liquidity reserve is hold in terms of unused credit lines in sufficient amounts.

For short- and medium-term financing SIGNA Prime Group uses equity and loans and borrowings. Long-term financing takes generally place through equity, profit participation rights and loans and borrowings.

In management's assessment SIGNA Prime Group is due to this liquidity reserve at the balance sheet date not subject to any major liquidity risk.

Further information on the several financial risk positions as well as their prevalence, management and measurement can be seen in the respective notes to financial instruments.

The contractually agreed (undiscounted) interest- and redemption-payments of the underlying and derivative financial instruments constitute as follows:

Interest and Repayment

In EURk	31.12.2018	2019		2020-2023		ab 2024	
	Carrying amount	Interest	Repayment	Interest	Repayment	Interest	Repayment
Profit participation rights	1,057,174	71,173	0	216,339	359,300	340,399	697,874
Bonds	517,000	23,623	0	88,039	141,000	74,466	376,000
Loans and borrowings from banks	4,391,396	116,758	298,343	336,600	1,584,015	962,921	2,509,038
Lease liabilities	4,339	9	276	126	1.202	1,314	2,861
Operating liabilities	26,371	0	26,371	0	0	0	0
Other liabilities	694,889	29,471	663,069	0	31,820	0	0
Total	**6,691,169**	**241,034**	**988,059**	**641,104**	**2,117,337**	**1,379,100**	**3,585,773**

In EURk	31.12.2017	2018		2019-2022		ab 2023	
	Carrying amount	Interest	Repayment	Interest	Repayment	Interest	Repayment
Profit participation rights	932,281	59,758	0	213,916	237,281	381,300	695,000
Bonds	325,000	16,000	0	55,000	150,000	175,000	175,000
Loans and borrowings from banks	3,540,573	76,442	682,634	315,245	1,155,537	550,113	1,702,402
Lease liabilities	4,802	10	317	571	1,203	943	3,282
Operating liabilities	29,186	0	29,186	0	0	0	0
Other liabilities	301,005	0	255,217	0	45,788	0	0
Total	**5,132,847**	**152,210**	**967,354**	**584,732**	**1,589,809**	**1,107,356**	**2,575,684**

All financial instruments are included that are held on the balance sheet date and for which payments have been contractually agreed. Planned or budgeted figures for future new liabilities are not included. Amounts in foreign currency are converted at the spot rate prevailing on the balance sheet date. Variable interest payments arising from the financial instruments were calculated using the most recent interest rates fixed before the balance sheet date. Financial liabilities that are repayable at any time are always assigned to the earliest time band.

8.4 Market risk

8.4.1 Foreign currency risk

The foreign currency risk (transaction risk) of SIGNA Prime Group can be classified as low, on account of the low level of financial assets and liabilities exposed to the foreign currency risk, on account of payments denominated primarily in the functional currency as well as on account of the financing structure. If foreign currency transactions have to be done, foreign currency risk is hedged completely on basis of risk management policy.

8.4.2 Interest rate risk

Interest rate risk of SIGNA Prime Group results primarily from long-term interest-bearing financing measures (especially bank loans). The Group's finance department regularly defines the composition of fixed and floating rate financial assets and liabilities in order to limit interest rate risk.

Open interest rate risks are being hedged as far as they influence the cash flows or fair values of the Group essentially. Taking the existing and planned financial position into account the Group's finance department uses primarily interest options and interest swaps in order to adjust the interest profile. The interest rate gap between the hedging instrument and the underlying (loan) is recognized as correction of the interest expense. SIGNA Prime Group was due to natural spread of risks and hedging measures subject to interest rate risk on the balance sheet date which result mainly from non-derivative variable-interest financial instruments (cash flow risk).

For the interest rate risk of these financial instruments sensitivity analysis were carried out which show the impact of hypothetic changes of market interest rates on profit (after tax) and equity. The instruments held on the balance sheet date were used as basis for the analysis. It was assumed that the particular risk on the balance sheet date essentially represents the risk during the financial year. The Group corporate tax rate of 25% was applied. This analysis also assumes that all other variables - particularly exchange rates - will remain unchanged.

In the previous years several affiliated companies refinanced their financial liabilities. The capital structure was improved with regard to the maturity profile and capital costs and was adjusted to the long-term perspective of investments. As an alternative for interest-rate-swaps, fixed interest rate borrowings were brought up in material extent. The objective is to optimize the hedging against interest-rate-changes and to assure the currently favorable interest-rate-level.

The following table shows the effects on profit (after tax) and equity of a possible change of the interest rate:

EURk **Increase of interest level by 50 basis points**	**31.12.2018**	**31.12.2017**
Profit after tax	-7,274	-8,912
Cash flow hedge reserve	92,523	2,741
Group equity	85,249	-6,171

EURk **Decrease of interest level by 50 basis points**	**31.12.2018**	**31.12.2017**
Profit after tax	7,302	8,957
Cash flow hedge reserve	-107,458	-2,746
Group equity	-100,156	6,211

8.4.3 Other market risk

In addition to foreign exchange and interest rate risks SIGNA Prime Group is exposed to other price risks (such as market price risks related to securities in the Group's own holding) which are of subordinate importance as a whole.

8.5 Derivatives and hedging

To hedge the interest rate risk SIGNA Prime Group has concluded hedging transactions. The hedged items were designated exclusively as variable-rate financial liabilities. Only interest rate swaps were designated as hedging instruments. There is no ineffectiveness. The interest rate hedges have a maximum term until 2045.

Interest rate risk		**Financial Liabilities**
EURk	**2018**	**2017**
Hedging instruments		
Carrying amount	-59,185	-2,300
Nominal	1,558,337	121,900
Cash flow hedge reserve	-47,167	-2,339
Balance sheet item		Other financial liabilities
Hedging loss (-) or -gains (+) in OCI	-56,885	26,357

Cash flow changes of the underlying which result from changes in reference interest rates are reduced or compensated through the cash flow changes of the interest derivatives. The aim of these hedges is to transform the variable-interest into fixed-interest financial liabilities or limit the amount of interest expense.

8.6 Offsetting of financial assets and liabilities

SIGNA Prime Group concludes derivatives in accordance with Austrian and German basic agreements for financial futures trading as well as global netting agreements of International Swaps and Derivative Association (ISDA). Basically amounts, which every counterparty owes on every single day in view of all outstanding transactions in the same currency on basis of such agreements, are summarized to one single net amount, which one party has to pay to the other party. In certain cases - for instance if a default occurs - all outstanding transactions under the agreement are terminated, the value of the termination is determined and only one single net amount has to be paid to settle all transactions.

Offsetting in the statement of financial positions in accordance with IAS 32 is not made in SIGNA Prime Group, as in ongoing operations usually no net settlement of several transactions appears.

8.7 Collaterals and restriction for disposal

In project financing, Group members typically provide collaterals for existing loans and borrowings. Financing is concluded at the individual project level, and each company or property is responsible for the related debt service.

The conditions, nature and scope of the collaterals are agreed individually (per company and property) and depend on project volume, amount and term of the loan.

All loans and borrowings against banks are secured by collateral as in the previous year. These are typical collaterals for property companies. In detail following securities are provided:

Mortgages / pledges on properties: In total mortgages and unregistered annexable certificates of pledging amount to EUR 4,794,942k (prior year: EUR 3,912,162k) whereas not all certificates of pledging are registered in the land register.

Moreover following collaterals have been provided:

- Liens
- Assignment of securities
- Pledges of receivables
- Account pledges
- Loan collateral guarantees

9 Related party transactions

The following companies and persons obtain as related for SIGNA Prime Group:

- Companies with significant influence to SIGNA Prime Group and its subsidiaries (category 1)
- Associated companies and joint ventures including their subsidiaries (category 2)
- Not consolidated subsidiaries (category 3)

The following tables show the relationships with related companies and persons:

Companies with significant influence to SIGNA Prime Group and its subsidiaries **EURk**	**31.12.2018**	**31.12.2017**
Receivables and other financial assets non-current	0	4,721
Other receivables and assets current	258,802	265,169
Other liabilities non-current	0	-676
Total	**258,802**	**269,214**

Companies with significant influence to SIGNA Prime Group and its subsidiaries **EURk**	**31.12.2018**	**31.12.2017**
Revenue	0	30,351
Other operating expense	0	-5,614
Financial income	3,696	1,587
Total	**3,696**	**26,324**

The following table shows all service relationships (category 1) in detail:

Companies with significant influence to SIGNA Prime Group and its subsidiaries

Type of relationship	Type of transaction	Expense / income	Previous year	Balance	(previous year)	Conditions / collaterals
Category 1	Rentals	0	9,567	0	0	None
Category 1	Services	0	20,784	0	255	None
Category 1	Financing	0	456	0	1,422	None
Category 1	Financing	0	533	0	3,417	Interest rate 6 % p.a.; maturity undetermined; no collaterals;
Category 1	Financing	0	6	0	17,728	Interest rate 2 % p.a.; no collaterals;
Category 1	Financing	0	997	0	242,347	Interest rate 6,0% p.a.; maturity undetermined; dividend rights;
Category 1	Financing	3,696	0	258,802	0	Interest rate 6,0% p.a.; maturity undetermined;
Category 1	Services	0	-5,614	0	-676	None
Category 1	Financing	0	0	0	4,721	None
Category 1	Financing	0	-405	0	0	Various
		3,696	**26,324**	**258,802**	**269,214**	

The following tables show the relationships with associated companies and joint ventures including their subsidiaries:

Associated companies and Joint ventures including their subsidiaries EURk	31.12.2018	31.12.2017
Receivables and other financial assets non-current	6,001	17,172
Other receivables and assets non-current	4,375	8,740
Other non-current liabilities	0	-5,392
Other current liabilities	-274	-1,516
Total	**10,102**	**19,004**

Associated companies and Joint ventures including their subsidiaries EURk	31.12.2018	31.12.2017
Results from equity accounted investments	296,914	40,087
Revenues	30	0
Financial income	396	10,506
Total	**297,340**	**50,593**

The following table shows all relationships (category 2) in detail:

Associated companies and
Joint ventures including their subsidiaries
EURk

Type of relationship	Type of transaction	Expense / income	Previous year	Balance	(previous year)	Conditions / collaterals
Category 2	Financing	0	10,506	549	0	Interest rate 10.00% p.a.; maturity 31.12.2019; no collaterals
Category 2	Equity accounting	296,914	40	0	0	None
Category 2	Financing	271	0	1,582	-5,392	Interest rate 3.00 % p.a.; maturity 04.01.2019; no collaterals
Category 2	Financing	0	0	51	-1,516	None
Category 2	Financing	53	0	4,974	0	Interest rate 6.35 % p.a.; maturity 31.12.2026; no collaterals
Category 2	Financing	55	0	3,221	0	Interest rate 2.25 % p.a.; maturity 30.03.2022; no collaterals
Category 2	Financing	13	0	-208	0	Interest rate 6.35 % p.a. maturity 31.12.2019, no collaterals
Category 2	Financing	4	0	-66	0	Interest rate 6.35 % p.a. maturity 31.12.2019, no collaterals
Category 2	Services	30	0	0	0	None
		297,340	**50,593**	**10,102**	**-6,908**	

The following table shows the relationships with non-consolidated subsidiaries and their subsidiaries:

Non-consolidated subsidiaries and their subsidiaries EURk	**31.12.2018**	**31.12.2017**
Receivables and other financial assets non-current	0	2,261
Operating receivables	0	730
Other receivables and assets current	818	0
Other liabilities current	-1,307	-7,000
Total	**-488**	**-4,009**

Non-consolidated subsidiaries and their subsidiaries EURk	**31.12.2018**	**31.12.2017**
Results from equity accounted investments	0	0
Revenues	77	0
Financial income	48	0
Total	**125**	**0**

The following table shows all relationships (category 3) in detail:

Non-consolidated subsidiaries and their subsidiaries
EURk

Type of relationship	**Type of transaction**	**Expense / income**	**Previous year**	**Balance**	**(previous year)**	**Conditions / collaterals**
Category 3	Financing		0	0	2,261	None
Category 3	Financing	0	0	785	730	None
Category 3	Financing	14	0	-822		None
Category 3	Financing	0	0	-485	0	None
Category 3	Financing	33	0	33	-7,000	Interest rate 2.00 % p.a.; maturity undetermined; no collaterals
Category 3	Services	77	0	0	0	None
		125	**0**	**-488**	**-4,009**	

10 Information on executive bodies and employees

Average number of employees

	2018	2017
Employees	144	108

The following individuals are members of the Executive Board of SIGNA Prime Selection AG:

DI Christoph Stadlhuber (chairman, CEO), born September 8, 1967, represents since December 13, 2012 jointly with another member of the executive board or authorized officer

Mag. Manuel Pirolt (CFO), born October 10, 1983, represents since June 19, 2013 jointly with another member of the executive board or authorized officer

Timo Herzberg, born May 4, 1976, represents since January 1, 2017 jointly with another member of the executive board or authorized officer

Tobias Sauerbier, born in July 14, 1977, represents since March 1, 2019 jointly with another member of the executive board or authorized officer

In the financial year the following member was represented as authorized officer:

Bernhard Jost, born October 7, 1973, represents since April 28, 2015 jointly with one member of the executive board

The following individuals are members of the Supervisory Board of SIGNA Prime Selection AG:

Dr. Alfred Gusenbauer (chairman), born February 8, 1960

Dr. Karl Stoss (deputy chairman), born November 26, 1956

Dr. Helmut Linssen (member), born June 21, 1942

KR Karl Samstag (member), born December 3, 1944

Rainer de Backere (member), born August 13, 1942

Dr. Karl Sevalda (member), born January 31, 1950

Dr. Susanne Riess (member), born January 3, 1961

11 Events after the balance sheet date

After the balance sheet date on December 31, 2018 no significant events that would have affected the presentation of the Group's financial position or financial performance have occurred.

Innsbruck, 8 March 2019

The Executive Board

DI Christoph Stadlhuber

Mag. Manuel Pirolt

Timo Herzberg

Tobias Sauerbier

12 List of subsidiaries as of December 31, 2018

The following companies are either directly held through SIGNA Prime Selection AG or through their subsidiaries. The shares in subsidiaries held by the joint ventures “Kaufhof” are reported in the statement of investments as equity-accounted company (total 63 companies).

Following companies are within the consolidation scope of SIGNA Prime Selection AG:

Company	Company domicile	Share (%) 2)	Consolidation type 1)
Affiliated companies:			
Kaufhaus Tyrol GmbH	Vienna (AUT)	100	FC
SPS Ibk. Zentrum Immo Holding GmbH	Vienna (AUT)	100	FC
SPS Ibk. Zentrum Immo Management GmbH	Vienna (AUT)	100	FC
Ludwig Schirmer GmbH & Co OG	Vienna (AUT)	100	FC
SPS Ibk. Zentrum Immo Beteiligung GmbH & Co KG	Vienna (AUT)	100	FC
Objekt Anichstraße 1 GmbH & Co OG	Vienna (AUT)	100	FC
Renngasse 2 Immobilien GmbH	Vienna (AUT)	100	FC
Am Hof 2 Immobilien GmbH	Vienna (AUT)	100	FC
Am Hof 2 Penthouse GmbH	Vienna (AUT)	100	FC
Kratochwjlestraße 4 Beteiligung GmbH	Vienna (AUT)	100	FC
Kratochwjlestraße 4 Management GmbH	Vienna (AUT)	100	FC
Kärntner Straße 11 Beteiligung GmbH	Vienna (AUT)	100	FC
Kärntner Straße 11 Management GmbH	Vienna (AUT)	100	FC
Kärntner Straße 11 Immobilien GmbH & Co OG	Vienna (AUT)	100	FC
Graben 19 Beteiligung GmbH	Vienna (AUT)	100	FC
Graben 19 Immobilien GmbH	Vienna (AUT)	100	FC
Tuchlauben Immobilien GmbH	Vienna (AUT)	100	FC
SIGNA Prime Capital Market GmbH	Vienna (AUT)	100	FC
SIGNA Prime CM 2017 GmbH	Vienna (AUT)	100	FC
Immobilienprojekte BOZEN GmbH	Vienna (AUT)	100	FC

1) FC = Full consolidation; EQ = at-equity consolidated; NC = no consolidated companies
2) Indirect shares have been calculated from a Group perspective..

Company	Company domicile	Share (%) 2)	Consolidation type 1)
Affiliated companies:			
Viva Virgolo S.R.L.	Bolzano (ITA)	100	FC
BZ.Immo G.m.b.H.	Bolzano (ITA)	100	FC
WALTHERPARK A.G.	Bolzano (ITA)	100	FC
Mariahilfer Straße 38-40 Immobilien GmbH	Vienna (AUT)	100	FC
Georg-Coch-Platz Beteiligungs GmbH	Vienna (AUT)	100	FC
Georg-Coch-Platz Management GmbH	Vienna (AUT)	100	FC
Georg-Coch-Platz Immobilien GmbH & Co OG	Vienna (AUT)	100	FC
SIGNA Prime Assets GmbH	Vienna (AUT)	100	FC
SIGNA Prime GmbH & Co OG	Vienna (AUT)	100	FC
SIGNA Prime Capital Invest GmbH	Vienna (AUT)	100	FC
SIGNA Prime Capital Invest GmbH & Co OG	Vienna (AUT)	100	FC
SIGNA Prime CENSI GmbH	Vienna (AUT)	100	FC
SIGNA 2018 Vier GmbH	Vienna (AUT)	100	FC
Mariahilfer Straße 32 Management GmbH	Vienna (AUT)	100	FC
Mariahilfer Straße 32 Holding GmbH	Vienna (AUT)	100	FC
Mariahilfer Straße 32 Immobilien GmbH & Co OG	Vienna (AUT)	100	FC
Mariahilfer Straße 32 Beteiligung GmbH & Co KG	Vienna (AUT)	100	FC
Mariahilfer Straße 10-18 Beteiligung S.à r.l.	Senningerberg LUX)	100	FC
Mariahilfer Straße 10-18 Co-Invest S.à r.l.	Senningerberg LUX)	100	FC
Mariahilfer Straße 10-18 Immobilien GmbH	Vienna (AUT)	100	FC
SIGNA Real Estate Management GmbH	Vienna (AUT)	100	FC
Shopping Center Services GmbH	Innsbruck (AUT)	100	FC
SIGNA REM Beteiligung GmbH	Vienna (AUT)	100	FC
SIGNA REM Beteiligungs GmbH & Co OG	Vienna (AUT)	100	FC
SIGNA REM Transactions GmbH	Vienna (AUT)	100	FC
SIGNA Real Estate Management Germany GmbH	Munich (GER)	100	FC
SIGNA REM Germany Rent GmbH	Munich (GER)	100	FC
SIGNA RE Transactions Management GmbH	Munich (GER)	100	FC
SIGNA RE Transactions GmbH & Co. KG	Munich (GER)	100	FC
SIGNA REM ITALIA G.M.B.H.	Bolzano (ITA)	100	FC
SIGNA Mönckeberg Beteiligung GmbH	Vienna (AUT)	100	FC
Mönckebergstraße 2-4 Beteiligung S.à r.l.	Senningerberg LUX)	100	FC
Upper Zeil Beteiligungs Holding GmbH	Vienna (AUT)	100	FC
München, Alte Akademie Holding S.à r.l.	Senningerberg LUX)	94.9	FC
München, Alte Akademie I Management GmbH	Munich (GER)	94.9	FC
München, Alte Akademie I Beteiligung A S.à r.l.	Senningerberg LUX)	94.9	FC
München, Alte Akademie I Beteiligung B S.à r.l.	Senningerberg LUX)	94.9	FC
München, Alte Akademie II Beteiligung A S.à r.l.	Senningerberg LUX)	94.9	FC

1) FC = Full consolidation; EQ = at-equity consolidated; NC = no consolidated companies
2) Indirect shares have been calculated from a Group perspective..

Company	Company domicile	Share (%) 2)	Consolidation type 1)
Affiliated companies:			
München, Alte Akademie II Beteiligung B S.à r.l.	Senningerberg LUX)	94.9	FC
München, Alte Akademie III Beteiligung A S.à r.l.	Senningerberg LUX)	94.9	FC
München, Alte Akademie III Beteiligung B S.à r.l.	Berlin (GER)	94.9	FC
München, Alte Akademie I Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC
München, Alte Akademie II Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC
München, Alte Akademie III Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC
München, Alte Akademie Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC
AOC Holding GmbH	Vienna (AUT)	100	FC
AOC Fünf Beteiligung GmbH	Vienna (AUT)	100	FC
AOC Fünf Management GmbH	Vienna (AUT)	100	FC
AOC Sechs Beteiligung GmbH	Vienna (AUT)	100	FC
AOC Sechs Management GmbH	Vienna (AUT)	100	FC
AOC Sieben Beteiligung GmbH	Vienna (AUT)	100	FC
AOC Sieben Management GmbH	Vienna (AUT)	100	FC
AOC Sieben Inter GmbH & Co OG	Vienna (AUT)	100	FC
AOC Sieben Immobilien GmbH & Co OG	Vienna (AUT)	100	FC
AOC Acht Beteiligung GmbH	Vienna (AUT)	100	FC
AOC Acht Management GmbH	Vienna (AUT)	100	FC
AOC Neununddreißig Beteiligung GmbH	Vienna (AUT)	100	FC
AOC Neununddreißig Management GmbH	Vienna (AUT)	100	FC
AOC Neununddreißig Inter GmbH & Co OG	Vienna (AUT)	100	FC
AOC Neununddreißig Immobilien GmbH & Co OG	Vienna (AUT)	100	FC
SIGNA sechs 2017 Prime GmbH	Vienna (AUT)	100	FC
Szana GmbH & Co KG	Vienna (AUT)	100	FC
SACCHETTI GmbH & Co KG	Vienna (AUT)	100	FC
BER Rankestraße 8 Beteiligung GmbH	Vienna (AUT)	100	FC
Rankestraße 8 Verwaltungs GmbH	Berlin (GER)	94.9	FC
München, Bahnhofsplatz 7 Holding S.à r.l.	Senningerberg LUX)	100	FC
München, Bahnhofsplatz 7 Beteiligung S.à r.l.	Senningerberg LUX)	94.9	FC
München, Bahnhofplatz 7 Management GmbH	Munich (GER)	94.9	FC
München, Bahnhofplatz 7 Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC
SPS Primus Holding GmbH	Vienna (AUT)	100	FC
Upper West Beteiligungs Holding GmbH	Vienna (AUT)	100	FC
Upper West Verwaltungs S.à r.l.	Senningerberg LUX)	100	FC
Upper West Invest S.C.S.	Senningerberg LUX)	99	FC
Upper West Holding S.à r.l.	Senningerberg LUX)	99	FC
Upper West Beteiligung 1 S.à r.l.	Senningerberg LUX)	99	FC
Upper West Beteiligung 2 S.à r.l.	Senningerberg LUX)	99	FC

1) FC = Full consolidation; EQ = at-equity consolidated; NC = no consolidated companies
2) Indirect shares have been calculated from a Group perspective..

Company	Company domicile	Share (%) [2]	Consolidation type [1]
Affiliated companies:			
Upper West Beteiligung 3 S.à r.l.	Senningerberg (LUX)	99	FC
Upper West Beteiligung 4 S.à r.l.	Senningerberg (LUX)	99	FC
Upper West Beteiligung 5 S.à r.l.	Senningerberg (LUX)	99	FC
Upper West Management GmbH	Munich (GER)	99	FC
Upper West Immobilien GmbH & Co. KG	Cologne (GER)	93.1	FC
Hamburg, Alsterarkaden Immobilien GmbH & Co. KG	Munich (GER)	100	FC
Hamburg, Alsterarkaden Management GmbH	Munich (GER)	100	FC
Hamburg, Kaufmannshaus Immobilien GmbH & Co. KG	Munich (GER)	100	FC
Hamburg, Kaufmannshaus Management GmbH	Munich (GER)	100	FC
Upper Zeil Invest S.C.S.	Senningerberg (LUX)	99	FC
Hamburg, Alsterarkaden Beteiligung S.à.r.l.	Senningerberg (LUX)	100	FC
Upper Zeil Verwaltungs S.à r.l.	Senningerberg (LUX)	100	FC
RFR 6. Immobilien Verwaltungs GmbH	Frankfurt (GER)	99	FC
Upper Zeil Immobilien GmbH	Munich (GER)	94	FC
Hamburg, Kaufmannshaus Beteiligung S.à r.l.	Senningerberg (LUX)	100	FC
SIGNA Prime Luxemburg S.à r.l.	Senningerberg (LUX)	100	FC
Kaufhaus Immobilien Holding A S.à r.l.	Senningerberg (LUX)	100	FC
Premium Kaufhaus Immobilien Holding A S.à r.l.	Senningerberg (LUX)	100	FC
Kaufhaus Immobilien Holding Lux S.à r.l.	Senningerberg (LUX)	73.1	FC
Kaufhaus Holding Immobilienmanagement GmbH	Munich (GER)	100	FC
Berlin, Tauentzienstraße 21-24 Verwaltungs GmbH	Munich (GER)	100	FC
Berlin, Tauentzienstraße 21-24 Beteiligung A S.à r.l.	Senningerberg (LUX)	97.3	FC
Berlin, Tauentzienstraße 21-24 Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC
Berlin, Passauer Straße 1-3 Management GmbH	Munich (GER)	100	FC
Berlin, Passauer Straße 1-3 Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC
Hamburg, Jungfernstieg 16-20 Beteiligung A S.à r.l.	Senningerberg (LUX)	97.3	FC
Hamburg, Jungfernstieg 16-20 Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC
Hamburg, Große Bleichen 9 Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC
KHM OP Neuhauser Straße 18 Beteiligung S.à r.l.	Senningerberg (LUX)	94.9	FC
KHM OP Neuhauser Straße 18 Verwaltungs GmbH	Munich (GER)	94.9	FC
KHM OP Neuhauser Straße 18 GmbH & Co. KG	Munich (GER)	94.9	FC
Berlin, Hermannplatz 5-10 Beteiligung A S.à r.l.	Senningerberg (LUX)	100	FC
Berlin, Hermannplatz 5-10 Invest S.à r.l.	Senningerberg (LUX)	94.9	FC
Berlin, Hermannplatz 5-10 Immobilienmanagement GmbH	Munich (GER)	94.9	FC
Berlin, Hermannplatz 5-10 Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC
Berlin, Kurfürstendamm 231 Verwaltungs GmbH	Munich (GER)	100	FC
Berlin, Kurfürstendamm 231 Beteiligung A S.à r.l.	Senningerberg (LUX)	97.3	FC
Berlin, Kurfürstendamm 231 Immobilien GmbH & Co. KG	Munich (GER)	94.9	FC

1) FC = Full consolidation; EQ = at-equity consolidated; NC = no consolidated companies
2) Indirect shares have been calculated from a Group perspective..

Company	Company domicile	Share (%) 2)	Consolidation type 1)
Affiliated companies::			
KHS Baugesellschaft S.à r.l.	Senningerberg (LUX)	100	FC
KHS Königstraße 27 Beteiligung S.à r.l.	Senningerberg (LUX)	97.3	FC
KHS Königstraße 27 GmbH & Co. KG	Munich (GER)	94.9	FC
KHS Königstraße 27 Management GmbH	Munich (GER)	100	FC
HAM, Elbtower Holding GmbH	Vienna (AUT)	100	FC
SPS Achtzehn S.à r.l.	Senningerberg (LUX)	100	FC
Hamburg, Elbtower Immobilienmanagement GmbH	Munich (GER)	100	FC
Hamburg, Elbtower Immobilien GmbH & Co. KG	Munich (GER)	100	FC
SPS Einundzwanzig S.à r.l.	Senningerberg (LUX)	100	FC
Berlin, Tauentzien 20 Management GmbH	Munich (GER)	100	FC
Berlin, Tauentzien 20 Immobilien GmbH & Co. KG	Munich (GER)	100	FC
ICM Beteiligung GmbH	Innsbruck (AUT)	100	FC
ICM Invest GmbH	Innsbruck (AUT)	100	FC
ICM Invest DtB GmbH	Innsbruck (AUT)	100	FC
SIGNA DTB Eschborn GmbH	Düsseldorf (GER)	88.9	FC
SIGNA 13 Eschborn Objektfonds GmbH & Co. KG	Düsseldorf (GER)	44.4	FC
DtB Objekt Eschborn GmbH & Co. KG	Düsseldorf (GER)	100	FC
SIGNA Prime 2018 Sechs GmbH	Vienna (AUT)	100	FC
SPS Achtundzwanzig S.à r.l.	Senningerberg (LUX)	100	FC
SPS Achtundzwanzig Management GmbH	Munich (GER)	100	FC
SPS Achtundzwanzig Immobilien GmbH & Co. KG	Munich (GER)	100	FC
SIGNA Warenhaus Immobilien Holding GmbH	Vienna (AUT)	100	FC
SIGNA Warenhaus Premium Immobilien Beteiligung GmbH	Vienna (AUT)	100	FC
SIGNA Warenhaus D18 Immobilien Beteiligung GmbH	Vienna (AUT)	100	FC
SPS Neunzehn S.à r.l.	Senningerberg (LUX)	100	FC
SPS Fünfte Immobilienmanagement GmbH	Munich (GER)	100	FC
SPS Fünfte Immobilien GmbH & Co. KG	Munich (GER)	100	FC
SIGNA Prime 2018 Zwölf GmbH	Vienna (AUT)	100	FC
SIGNA Prime 2018 Fünf GmbH	Vienna (AUT)	100	FC
SPS Zweiundzwanzig S.à r.l.	Senningerberg (LUX)	100	FC
SPS Zweiundzwanzig Immobilienmanagement GmbH	Munich (GER)	100	FC
SPS Zweiundzwanzig Immobilien GmbH & Co. KG	Munich (GER)	100	FC

1) FC = Full consolidation; EQ = at-equity consolidated; NC = no consolidated companies
2) Indirect shares have been calculated from a Group perspective..

Equity accounted investees:

Company	Company domicile	Share (%) [2]	Consolidation type [1]
BER Rankestraße 8 Co-Invest GmbH	Vienna (AUT)	50.0	EQ
Berlin, Kurfürstendamm 231 Beteiligung B S.à r.l.	Senningerberg (LUX)	50.0	EQ
Berlin, Tauentzienstraße 21-24 Beteiligung B S.à r.l.	Senningerberg (LUX)	50.0	EQ
CENSI Holding A S.à r.l.	Senningerberg (LUX)	50.0	EQ
Hamburg, Jungfernstieg 16-20 Beteiligung B S.à r.l.	Senningerberg (LUX)	50.0	EQ
Laura Prime Co-Invest S.à r.l.	Senningerberg (LUX)	50.0	EQ
SPS Fünfundzwanzig S.à r.l.	Senningerberg (LUX)	50.0	EQ
KHS Königstraße 27 Verwaltungs GmbH	Munich (GER)	53.0	EQ
Dieter Mathoi Architekt ZT GmbH	Innsbruck (AUT)	49.0	EQ
DMA ITALIA S.R.L.	Bolzano (ITA)	49.0	EQ
HBS Global Properties Luxembourg S.à r.l.	Luxembourg (LUX)	50.0	EQ
HBS Global Properties Luxembourg II S.à r.l.	Luxembourg (LUX)	50.0	EQ
HBC Luxembourg Property Holding Company S.à r.l.	Luxembourg (LUX)	50.0	EQ
ASSET Grundbesitz GmbH	Cologne (GER)	50.0	EQ
ASSET Objekt Leipzig GmbH	Cologne (GER)	50.0	EQ
ASSET Objekte GmbH	Cologne (GER)	50.0	EQ
ASSET Verwaltungs-GmbH	Cologne (GER)	50.0	EQ
Elbrus GmbH	Cologne (GER)	50.0	EQ
GALERIA Holding GmbH	Cologne (GER)	50.0	EQ
GALERIA Immobilienservice GmbH & Co. KG	Cologne (GER)	50.0	EQ
GALERIA Real Estate Holding GmbH	Cologne (GER)	50.0	EQ
GALERIA Real Estate Management GmbH	Cologne (GER)	50.0	EQ
HBS German Invest GmbH	Cologne (GER)	50.0	EQ
HBS Global Properties Germany GmbH	Cologne (GER)	50.0	EQ
Horten GmbH	Cologne (GER)	50.0	EQ
Horten Verwaltungs GmbH	Cologne (GER)	50.0	EQ
Kaufhof Aachen GmbH	Cologne (GER)	50.0	EQ
Kaufhof Aachen II GmbH	Cologne (GER)	50.0	EQ
Kaufhof Baumanagement GmbH & Co. KG	Cologne (GER)	50.0	EQ
Kaufhof Bonn Münsterplatz GmbH	Cologne (GER)	50.0	EQ
Kaufhof Darmstadt GmbH	Cologne (GER)	50.0	EQ
Kaufhof Dortmund GmbH	Cologne (GER)	50.0	EQ
Kaufhof Duisburg GmbH	Cologne (GER)	50.0	EQ
Kaufhof Düsseldorf Königsallee GmbH	Cologne (GER)	50.0	EQ
Kaufhof Düsseldorf-Wehrhahn GmbH	Cologne (GER)	50.0	EQ
Kaufhof Erlangen GmbH	Cologne (GER)	50.0	EQ
Kaufhof Frankfurt-Zeil GmbH	Cologne (GER)	50.0	EQ
Kaufhof Gelsenkirchen GmbH	Cologne (GER)	50.0	EQ

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2) Indirect shares have been calculated from a Group perspective..

Equity accounted investees:

Company	Company domicile	Share (%) [2]	Consolidation type [1]
Kaufhof Halle GmbH	Cologne (GER)	50.0	EQ
Kaufhof Hanau GmbH	Cologne (GER)	50.0	EQ
Kaufhof Hannover GmbH	Cologne (GER)	50.0	EQ
Kaufhof Heidelberg GmbH	Cologne (GER)	50.0	EQ
Kaufhof Heilbronn GmbH	Cologne (GER)	50.0	EQ
Kaufhof Hildesheim GmbH	Cologne (GER)	50.0	EQ
Kaufhof Kempten GmbH	Cologne (GER)	50.0	EQ
Kaufhof Krefeld GmbH	Cologne (GER)	50.0	EQ
Kaufhof Krefeld II GmbH	Cologne (GER)	50.0	EQ
Kaufhof Leipzig GmbH	Cologne (GER)	50.0	EQ
Kaufhof Mainz GmbH	Cologne (GER)	50.0	EQ
Kaufhof Mainz Schusterstraße GmbH	Cologne (GER)	50.0	EQ
Kaufhof Mannheim GmbH	Cologne (GER)	50.0	EQ
Kaufhof Mönchengladbach GmbH	Cologne (GER)	50.0	EQ
Kaufhof München Rotkreuzplatz GmbH	Cologne (GER)	50.0	EQ
Kaufhof Nürnberg GmbH	Cologne (GER)	50.0	EQ
Kaufhof Offenbach GmbH	Cologne (GER)	50.0	EQ
Kaufhof Oldenburg GmbH	Cologne (GER)	50.0	EQ
Kaufhof Pforzheim GmbH	Cologne (GER)	50.0	EQ
Kaufhof Regensburg GmbH	Cologne (GER)	50.0	EQ
Kaufhof Reutlingen GmbH	Cologne (GER)	50.0	EQ
Kaufhof Schweinfurt GmbH	Cologne (GER)	50.0	EQ
Kaufhof Siegburg GmbH	Cologne (GER)	50.0	EQ
Kaufhof Stuttgart GmbH	Cologne (GER)	50.0	EQ
Kaufhof Ulm GmbH	Cologne (GER)	50.0	EQ
Kaufhof Warenhaus am Alex GmbH	Cologne (GER)	50.0	EQ
Kaufhof Warenhaus Rostock GmbH	Cologne (GER)	50.0	EQ
Kaufhof Wiesbaden GmbH	Cologne (GER)	50.0	EQ
Kaufhof Wuppertal GmbH	Cologne (GER)	50.0	EQ
Kaufhof Würzburg GmbH	Cologne (GER)	50.0	EQ
Sportarena Bonn GmbH	Cologne (GER)	50.0	EQ
Zentra Verwaltungs-GmbH	Cologne (GER)	50.0	EQ
Zentra-Grundstücksgesellschaft mbH	Cologne (GER)	50.0	EQ

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2) Indirect shares have been calculated from a Group perspective..

The following subsidiaries were not included in the consolidated financial statements of SIGNA Prime Selection AG:

Company	Company domicile	Share (%) 2)	Consolidation type 1)
Viktoria-Karree Invest GmbH	Munich (GER)	95.0	NC
Bonn, Viktoria-Karree Holding S.à r.l.	Senningerberg (LUX)	95.0	NC
Viktoria-Karree Verwaltungs GmbH	Munich (GER)	95.0	NC
Bonn, Viktoria-Karree Beteiligung B S.à r.l.	Senningerberg (LUX)	95.0	NC
Bonn, Viktoria-Karree Beteiligung A S.à r.l.	Senningerberg (LUX)	95.0	NC
Bonn, Viktoria-Karree Immobilien GmbH & Co. KG	Munich (GER)	95.0	NC
Erste Viktoria-Karree GmbH	Munich (GER)	95.0	NC
Zweite Viktoria-Karree GmbH	Munich (GER)	95.0	NC
Dritte Viktoria-Karree GmbH	Munich (GER)	95.0	NC
Mö Baugesellschaft mbH	Munich (GER)	100.0	NC
HH Mönckebergstraße 2-4 Vermögensverwaltung GmbH & Co. KG	Munich (GER)	5.0	NC
KK 231 Immobilien Verwaltung GmbH iL	Grünwald (GER)	62.0	NC
SIGNA KHM SP Beteiligung S.à r.l.	Senningerberg (LUX)	1000	NC
SPS Dreißig S.à r.l.	Senningerberg (LUX)	100.0	NC
SPS Dreißig Management GmbH	Munich (GER)	100.0	NC
SPS Dreißig Immobilien GmbH & Co. KG	Munich (GER)	100.0	NC
SPS Einunddreißig S.à r.l.	Senningerberg (LUX)	100.0	NC
SPS Einunddreißig Management GmbH	Munich (GER)	100.0	NC
SPS Einunddreißig Immobilien GmbH & Co. KG	Munich (GER)	100.0	NC
SIGNA Prime 2018 Sieben GmbH	Vienna (AUT)	100.0	NC
SPS Neunundzwanzig S.à r.l.	Senningerberg (LUX)	100.0	NC
SPS Neunundzwanzig Management GmbH	Munich (GER)	100.0	NC
SPS Neunundzwanzig Immobilien GmbH & Co. KG	Munich (GER)	100.0	NC
SIGNA Prime 2018 Acht GmbH	Vienna (AUT)	100.0	NC
SPS Sechsundzwanzig S.à r.l.	Senningerberg (LUX)	100.0	NC
SPS Sechsundzwanzig Management GmbH	Munich (GER)	100.0	NC
SPS Sechsundzwanzig Immobilien GmbH & Co. KG	Munich (GER)	100.0	NC
SIGNA Prime 2018 Neun GmbH	Vienna (AUT)	100.0	NC
SPS Siebenundzwanzig S.à r.l.	Senningerberg (LUX)	100.0	NC
SPS Siebenundzwanzig Management GmbH	Munich (GER)	100.0	NC
SPS Siebenundzwanzig Immobilien GmbH & Co. KG	Munich (GER)	100.0	NC
SIGNA Prime 2012 Vier GmbH	Vienna (AUT)	100.0	NC
SIGNA Prime 2017 drei Holding GmbH	Vienna (AUT)	100.0	NC
SIGNA Prime 2018 Vier GmbH	Vienna (AUT)	100.0	NC
SIGNA Prime 2018 Vierzehn GmbH	Vienna (AUT)	100.0	NC
SIGNA Prime 2018 Eins GmbH	Vienna (AUT)	100.0	NC
SIGNA Prime 2018 Zwei GmbH	Vienna (AUT)	100.0	NC
SIGNA Prime 2018 Beteiligung GmbH & Co KG	Vienna (AUT)	100.0	NC

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2) Indirect shares have been calculated from a Group perspective..

The following subsidiaries were not included in the consolidated financial statements of SIGNA Prime Selection AG:

Company	Company domicile	Share (%) [2]	Consolidation type [1]
SIGNA sieben 2017 Prime GmbH	Vienna (AUT)	100.0	NC
SIGNA Prime 2018 Drei GmbH	Vienna (AUT)	100.0	NC
SIGNA Prime 2018 Dreizehn GmbH & Co KG	Vienna (AUT)	100.0	NC
SIGNA sieben 2017 Prime Immobilien GmbH & Co KG	Vienna (AUT)	100.0	NC
SIGNA Prime Deutschland GmbH	Munich (GER)	100.0	NC
SIGNA DE 2018 Zwei GmbH	Munich (GER)	100.0	NC
SIGNA DE 2018 Drei GmbH	Munich (GER)	100.0	NC
SIGNA DE 2018 Vier GmbH	Munich (GER)	100.0	NC
SIGNA DE 2018 Fünf GmbH	Munich (GER)	100.0	NC
SIGNA DE 2018 Sechs GmbH	Munich (GER)	100.0	NC
SIGNA Prime 2018 Zehn GmbH	Vienna (AUT)	100.0	NC
SPS Sechzehn S.à r.l.	Senningerberg (LUX)	100.0	NC
SPS Sechzehn Management GmbH	Munich (GER)	100.0	NC
SPS Sechzehn Management GmbH	Munich (GER)	100.0	NC
SPS Sechzehn Immobilien GmbH & Co. KG	Munich (GER)	100.0	NC
SIGNA Prime 2018 Elf GmbH	Vienna (AUT)	100.0	NC
SPS Siebzehn S.à r.l.	Senningerberg (LUX)	100.0	NC
SPS Siebzehn Management GmbH	Munich (GER)	100.0	NC
SPS Siebzehn Immobilien GmbH & Co KG	Munich (GER)	100.0	NC

1) FC = Full consolidation; EQ = at-equity consolidated; NC = no consolidated companies
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MANAGEMENT REPORT

to the consolidated financial statement of SIGNA Prime Selection AG for the year ended 31 December 2018

1. BUSINESS PERFORMANCE, OPERATING RESULT AND CURRENT SITUATION

1.1. Operations and economic climate

SIGNA Prime Selection AG (SIGNA Prime) is the holding company of SIGNA Prime Selection Group. She was founded on 14 October 2010, when the articles of association were signed, and entered in the register of companies on 29 October 2010. The objects of the Company are:

- real estate project planning and development, and the performance of project-related services
- management of properties and investments
- financial consulting and financing-related monitoring and reporting
- consulting on and management of real-estate transactions, including support for the development of new business opportunities, as well as analysis and project studies, negotiations, valuation, structuring and investment decisions
- operation of properties such as shopping centers, parking garages and hotels, including services contracted to third parties
- direct and indirect purchases of properties and leasehold rights, in particular for property development purposes
- acquisition, management, use, disposal, and other forms of commercial utilization of investments and properties
- arranging financing (e.g. subsidies and loans) for companies and other legal entities in which SIGNA Prime or its shareholders have a direct or indirect interest, excluding insurance and banking transactions
- the provision of services for companies and other legal entities in which SIGNA Prime or its shareholders have a direct or indirect interest, excluding insurance and banking transactions.

SIGNA Prime may authorize its subsidiaries and associates, as well as third parties, to perform these activities or to assist SIGNA Prime in performing them.

SIGNA Prime Group has now become one of the largest European portfolio holders of commercial real estate – and certainly the company with a single-variety inner-city portfolio. In addition, the new, but also many existing real estate projects continue to offer attractive value creation opportunities.

Due to stable rental income and particularly low risk, properties of SIGNA Prime in the center of the largest cities of German-speaking countries are one of the most demanded investment objects more than ever. The portfolio is distinguished by central locations and popularity of the specific assets, as well as by the sustainable magnet-effect and the credit-worthiness of tenants. Considering possible volatilities of the property markets, especially objects in central locations in stable markets provide high guarantee with respect to both investment side and rental side.

Shops in city centers are still the most demanded locations for strong retail concepts. While high customer numbers and purchasing power ensure revenues, the pure presence and visibility is increasingly key for international brands. Due to the only limited available locations, top of the range rental rates are continuously increasing in big cities.

Due to rental income linked to inflation and long-term fixed interest rates, SIGNA Prime is well prepared for the currently slightly positive stimulus in the economy. As the economic position of our tenants continues to improve, with a slight increase in consumer prices, rental surpluses also increase. Furthermore, innovative experience concepts attract affluent consumers to the inner cities, where they ensure a stable demand and thus confirm the real estate values.

The transaction volume in the real estate sector has increased dramatically since 2009. Large, institutional investors value commercial real estate as an asset class precisely because of the relatively stable and predictable payouts and the continued attractive spread to government bonds. In particular, office and retail real estate is in demand. While the European Central Bank continues to keep interest rates at a historically low level, it has been reducing its bond purchases since the beginning of 2018, signaling a possible upturn for its part, leading to a slight increase in government bond yields.

The excess demand for stable, but better than government bonds interest-bearing investments will certainly continue for some time. Forward deals, sales before completion, have also gained in importance. Property returns, however, have not moved with the interest rate curve to the same extent in the past ten years, but have remained reasonably stable.

SIGNA Prime Selection AG is a group holding according to § 15 AktG and prepares a consolidated financial statement according to § 245a UGB using International Financial Reportings Standards (IFRS), as they are adopted by the EU. The previous year's figures are taken from the IFRS consolidated financial statements of the comparative reporting date 31 December 2017.

The location of the company is Innsbruck. Since 2012, a registered branch office is located in Vienna.

<u>Investments</u>

SIGNA Prime Group once again recorded significant value increases during the financial year. The reason is on the one hand by meaningful acquisitions, on the other hand by the extremely positive market environment and the pronounced demand for inner-city real estate.

In 2018 SIGNA Prime Group acquired a total of 41 department stores in German inner-cities in the Kaufhof portfolio. SIGNA Prime Group holds 50% of the shares at the end of the year. The portfolio of top locations was acquired at an attractive purchase price. In addition to the planned value-added measures in real estate management, we expect to see stabilizing effects on rental income through the parallel optimization of operations, an increase in investor demand and, consequently, a gradual increase in real estate values and net asset values.

Apart from this transaction, SIGNA Prime Group diversified its portfolio with acquisitions in Frankfurt, Cologne and Düsseldorf which are important inner-cities in Germany. In addition, SIGNA Prime Group acquired new projects in Hamburg and Vienna. Furthermore, high-quality, fully rented real estate in inner-cities are on the shopping list of many investors. SIGNA Prime Group succeeded in acquiring the new projects on attractive terms and thus securing a comprehensive project pipeline for future value creation.

In parallel, SIGNA Prime Group continued to develop the ongoing New Investments, including the Alte Akademie, where in the reporting year an agreement with the authorities was reached and the preferred development concept was confirmed. The project teams also achieved stage victories through the building permission granted in project P1 and the construction completion of Austria Campus.

In summer, SIGNA Prime Group successfully sold the Generali Tower, which has become less important due to the quality of the remaining inner-city portfolio achieved in the meantime. In addition, several components of the Austria Campus were sold, partly closed, leaving only one component left in the portfolio for the medium term. While the majority of ongoing projects due to their locations are not for sale, SIGNA Prime Group will continue to sell non-strategic assets and reinvest the profit. The goal is clear: to continuously maintain the high quality of the long term portfolio and minimize operational risks through long-term meaningful rental and financing contracts.

Financing & Fundraising

In August 2018, SIGNA Prime carried out a capital increase of EUR 500 million with the aim of providing liquidity for new purchases and project developments while keeping the existing equity ratio stable. Most of the shares were placed in the existing shareholder group. SIGNA Group will remain majority shareholder of SIGNA Prime Group.

SIGNA Prime CM 2017 GmbH (100% subsidiary of SIGNA Prime Selection AG) issued bonds with a nominal of EUR 130 million in the financial year 2018. These long-term private placements have been acquired by major Austrian and German insurance companies.

Munich, Alte Akademie I Immobilien GmbH & Co. KG, Munich, Alte Akademie II Immobilien GmbH & Co. KG and Munich, Alte Akademie III Immobilien GmbH & Co. KG granddaughter subsidiary of SIGNA Prime Selection AG) have issued together a bond with a nominal of EUR 71,000k in the financial year 2018.

In the summer, Creditreform Rating AG again confirmed SIGNA Prime's excellent credit rating by issuing an A+ Investment Grade rating. The rating is stable for the seventh time in succession, while the absolute size, portfolio diversification and key performance indicators have even significantly improved over the same period.

1.2. Operating result and earning (incl. key indicators)

Profit after tax was EUR 421,805k compared with EUR 805,089k a year earlier. This mainly comprised rental income, interest income, and other consulting fees as well as especially the fair value measurement of investment properties and subsidiaries acquired with a view to resell.

1.3. Financial situation (incl. Key indicators)

Equity ratio: the equity ratio including near-equity participation certificates and including non-controlling interests stood at 41.54% (previous year: 41.20%).

EURk	31.12.2018	31.12.2017
Shareholder´s Equity	3,472,090	2,682,481
Participation rights	1,057,174	932,281
Sum	4,529,263	3,614,762
Total assets	10,904,200	8,774,742
Equity ratio	**41.54%**	**41.20%**

Equity ratio based on market values in accordance with the terms and conditions of the bond of SIGNA Prime Capital Market GmbH comes up to 46.82 % (previous year: 50.23 %). This equity ratio is the complementary position to the LTV („Loan to Value“), as stipulated in the terms and conditions of the bond.

IFRS-specific positions are not considered in this specific equity ratio.

Effective long-term debt (provisions plus liabilities less cash and cash equivalents) was approximately EUR 5,947,507k (previous year: EUR 4,389,639k).

The LTV is defined as sum of all group´s loan liabilities divided by the sum of real estate according with the value appraisal plus the Group´s assets.

EURk	31.12.2018	31.12.2017
Sum of other non-current liabilities	5,283,657	3,563,864
Sum of current liabilities	852,461	1,050,469
Less cash and cash equivalents	-188,611	-224,695
Effective debt	**5,947,507**	**4,389,639**

1.4. Assets

The carrying amount of the company’s fixed assets totaled to EUR 9,937,908k (previous year: EUR 7,303,980k) and comprises in substance following properties:

- Berlin, Hermannplatz 5-10
- Berlin, Kurfürstendamm 231 („Karstadt Kurfürstendamm“)
- Berlin, Parkhaus KaDeWe
- Berlin, Rankestraße 8
- Berlin, Tauentzienstraße 21-24 („KaDeWe“)
- Berlin, Upper West
- Bonn, Viktoria-Karree
- Bozen, Waltherpark
- Frankfurt, Deutsche Börse
- Frankfurt, Upper Zeil
- Hamburg, Alsterarkaden
- Hamburg, Elbtower
- Hamburg, Jungfernstieg 16-20 („Alsterhaus“)
- Hamburg, Kaufmannshaus
- Innsbruck, Kaufhaus Tyrol
- München, Alte Akademie
- München, Bahnhofsplatz 7
- München, Neuhauser Straße 18 („Oberpollinger“)
- Wien, Austria Campus (Baufeld 7 und 39)
- Wien, Am Hof 2 („Park Hyatt“)
- Wien, Georg-Coch-Platz 2
- Wien, Graben 19 („Meinl am Graben“)
- Wien, Kärntner Straße 11
- Wien, Mariahilfer Straße 10-18
- Wien, Mariahilfer Straße 32
- Wien, Mariahilfer Straße 38-40
- Wien, Renngasse 2 („Kunstforum“)
- Wien Tuchlauben („Goldenes Quartier“)

Furthermore, a portfolio of Kaufhof real estate is indirectly held via SIGNA Warenhaus Immobilien Holding GmbH.

Current assets are composed primarily of other receivables and assets of EUR 436,710k (previous year: EUR 420,180k), and cash and cash equivalents of EUR 188,611k (previous year: EUR 224,695k).

Assets held for sale and disposal groups mainly comprise the project “Austria Campus”.

Following table shows the structure of the financial position of the group as at the reporting date:

EURk	**31.12.2018**	**in %**	**31.12.2017**	**in %**
Non-current assets	9,937,908	91%	7,303,980	83%
Current assets	646,913	6%	655,178	7%
Assets held for sale and disposal groups	319,378	3%	815,584	9%
Total assets	**10,904,200**	**100%**	**8,774,742**	**100%**
Shareholder´s equity	3,472,090	32%	2,682,481	31%
Participation rights	1,057,174	10%	932,281	11%
Other non-current liabilities	5,283,657	48%	3,563,864	41%
Current liabilities	852,461	8%	1,050,469	12%
Liabilities held for sale and disposal groups	238,819	2%	545,647	6%
Total equity and liabilities	**10,904,200**	**100%**	**8,774,742**	**100%**

2. Capital

The subscribed share capital of the holding company amounted to EUR 48,176k at the beginning of the financial year and increased to EUR 56,710k until 31 December 2018. The share capital is divided in 56,709,893 shares (previous year: 48,176,013 shares).

At the Extraordinary General Meeting on August 16, 2018, it was decided to increase the share capital of SIGNA Prime Selection AG by EUR 8,533,880 by issuing 8,533,800 new no-par-value registered shares.

3. Strategy

SIGNA Prime Selection AG’s business model is based on two core strategies:

- Investment in its long-term portfolio of properties with prime locations and prime tenants (“trophy assets”);
- Investments in real estate in excellent locations with outstanding value growth potential thanks to an active development and redevelopment strategy (“new investments”).

The essential part of the business plan over the next few years is the long-term portfolio of properties in prime city-center locations in Austria and Germany. With high occupancy rates and remaining rental terms above average, the portfolio will generate stable cash flows.

The focus is the acquisition of and investment in real estate projects on prime inner-city sites in Germany, Austria and northern Italy. The aim is to realize the identified potential increase in value within three to five years, by means of active property management.

The quality and location of such properties provide protection against unfavorable economic developments and offer an exceptionally attractive risk-return profile.

The capital of SIGNA Prime Selection AG was and is used in substance for the acquisition and for operating a defined portfolio of premium-properties. Regular internal reporting shows that these properties have a quite solid increase in value, which is confirmed by external and independent valuation experts on a yearly basis.

4. Outlook

The measures taken in the current year regarding assets and liabilities create a portfolio, with which SIGNA Prime is optimally prepared for the future. The property portfolio is fully rented out and takes advantage of weighted average rental terms of almost 20 years, with a similarly long maturity for interest rates. Long-term contracts are the foundation for stable, operating profits from the existing portfolio ("trophy assets") in the coming years. Through the combination of fixed interest rates with rental income that is connected to indices, a provision is also made for possible higher inflation in the future.

In 2019 the company will continue to concentrate on the areas of business described above.

The focus lies especially in investments regarding existing development projects (e.g., Vienna, Munich and Berlin) as well as in managing rental and selling activities. The disposal of particular New Investments will be evaluated constantly, if the phase of increasing value is completed and if they can be sold on the market with profit.

5. Risk report

The Group-wide internal control system (ICS), which is adapted to the requirements of all the Group's subsidiaries, defines significant processes and risks, and sets out corresponding decision-making matrices. Process-related risks are evaluated in accordance with the ICS; monitoring activities are carried out and duties of information and communication fulfilled by the teams or individuals responsible. All process documentation – including for risk management and compliance processes – is regularly updated.

Risk management and compliance processes are reviewed annually in the course of preparing the risk and compliance report. The results of the review are discussed in the regular meetings of the Supervisory Board.

<u>Project risk:</u>

Property development is conducted by individual project companies, meaning that SIGNA Prime Selection AG is only indirectly exposed to these project risks. In addition, spreading such risks is a key management priority, which is why investments are allocated in various properties in different European top locations.

<u>Strategic and planning risk:</u>

The business plan drawn up for all subsidiaries and associates is adapted as required. Market developments are monitored continuously by qualified personnel.

<u>Interest rate risk:</u>

The individual property companies are responsible for significant portions of project financing. In this respect, for new contracts almost exclusively fixed interest rates are chosen. For any existing variable interest rates, interest rate caps or swaps were used in order to limit their exposure to rising interest rates.

For the procurement and management of debt capital for the Group, the services of an external service provider are used.

Its quarterly reports include detailed, up-to-date analysis of possible financing risks and shortfalls, borrowing that is nearing maturity, and possible breaches of covenant in respect of all investments.

Currency risk:

As at 31 December 2018 the Group had immaterial liabilities denominated in foreign currency, which are fully hedged by means of suitable derivatives. The Group's general policy is to hedge all currency risk as soon as it arises.

Credit default risk:

Experience shows that a diversified range of tenants reduces exposure to rent default risk. Appropriate and targeted measures are used to recover any rental arrears that do occur.

Credit default risk in relation to new investments is minimized by carrying out a thorough assessment. Existing new investments in which SIGNA Prime Selection AG participates are for the most part fully let, and development begins following the termination of existing rental agreements.

Liquidity risk:

The Group works closely with property managers to minimize vacancy rates and arrears, and to take suitable measures in response to them. Liquidity planning for the SIGNA Prime Group is discussed on an ongoing basis in meetings of the Management Board, with liquidity plans for individual projects continuously updated and adjusted to facilitate effective overall planning.

Risk in connection with joint venture partners:

The Group enters into joint ventures for selected investments only. Clearly defined contractual terms and specific mechanisms ensure that every joint venture is entered into on an arm's length basis and that the Group is able to terminate the relationship in the case that problems arise.

Fraud:

All Group companies have implemented a strict corporate governance system that provides for sanctions and prosecution in cases of fraudulent conduct. Controls such as spot checks are in place to make sure that the subsidiaries adhere to the corporate governance system. Similarly, before entering into business relationships, the Group carries out checks of the creditworthiness and reputation of the potential business partner.

Legal disputes:

The Group works with leading European legal practices to ensure that the contracts it concludes conform to professional standards to the greatest possible extent. In spite of specialist contract formulation and high-quality legal advice, disputes can never be completely excluded; however, the aim is to avoid such disputes wherever possible.

At present the Group is not a defendant in any significant legal disputes and is a plaintiff in one significant dispute with a tenant.

6. Environmental responsibility

The real estate industry provides the infrastructure that facilitates basic human activities: work and home life, consumption and recreation.

The resources employed and consumed in these processes have become increasingly visible and, above all, quantifiable.

The SIGNA Group achieves a high degree of environmental and financial efficiency for both new investments and properties in the long-term portfolio, which in turn permits the eco-friendly creation of added value.

The Group is fully aware that a responsible approach to new building and renovation projects can make a significant contribution to protecting the environment, which also helps to keep service costs down in the long term. For this reason, the SIGNA Group unexceptionally strives for the highest environmental certifications for all project developments.

7. Social responsibility

As a property group, SIGNA is an integral part of social structures and processes. We provide spaces for people to work in, and our properties help to shape the urban environment in key economic centers. This means that we also have vital social responsibilities. We take these responsibilities seriously, and constantly strive to improve the quality of life of all members of the community, as well as supporting science, culture and the arts.

8. Governance

We believe that good governance, which comprises corporate governance and compliance, is vital to corporate success. Good governance helps to guarantee business continuity, safeguard shareholder value, and ensure the Group's continued growth and success. Effective corporate governance also fosters trust among investors, business partners and the public. Corporate governance covers the entire system of company management and supervision, basic strategy and guidelines, and internal and external control and supervision mechanisms. Effective, transparent corporate governance ensures responsible management and controlling that is geared towards creating value.

We comply with all of the applicable recommendations in the German Corporate Governance Code of the Real Estate Economy, as amended. In addition, within the SIGNA Group there is a corporate profile as well as a Code of Conduct (Compliance Guideline), which is largely based on the recommendations of the INREV (European Association for Investors in Non-Listed Real Estate Vehicles) for the implementation and adherence to the corporate governance guideline. The compliance directive regulates i.a. the principles of the SIGNA Group and the implementation, organization and objectives. The executives and, in particular, the compliance officer constantly monitor adherence to corporate principles and guidelines.

9. Research and development

The Group did not carry out any research and development activities in the 2018 financial year.

10. Acqusition of own shares

The company has not acquired any of its own shares.

11. Branch offices

The Group currently operates a registered branch office at Freyung 3, 1010 Vienna.

12. Significant events after the end of the reporting period

There were no significant events after the end of the reporting period.

Innsbruck, 8 March 2019

DI Christoph Stadlhuber
(Chairman)

Mag. Manuel Pirolt
(Member of the Management Board)

Timo Herzberg
(Member of the Management Board)

Tobias Sauerbier
(Member of the Management Board)

General Conditions of Contract for the Public Accounting Professions (AAB 2018)

Recommended for use by the Board of the Chamber of Tax Advisers and Auditors, last recommended in its decision of April 18, 2018

Preamble and General Items

(1) Contract within the meaning of these Conditions of Contract refers to each contract on services to be rendered by a person entitled to exercise profession in the field of public accounting exercising that profession (de facto activities as well as providing or performing legal transactions or acts, in each case pursuant to Sections 2 or 3 Austrian Public Accounting Professions Act (WTBG 2017). The parties to the contract shall hereinafter be referred to as the "contractor" on the one hand and the "client" on the other hand).

(2) The General Conditions of Contract for the professions in the field of public accounting are divided into two sections: The Conditions of Section I shall apply to contracts where the agreeing of contracts is part of the operations of the client's company (entrepreneur within the meaning of the Austrian Consumer Protection Act. They shall apply to consumer business under the Austrian Consumer Protection Act (Federal Act of March 8, 1979 / Federal Law Gazette No. 140 as amended) insofar as Section II does not provide otherwise for such business.

(3) In the event that an individual provision is void, the invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

SECTION I

1. Scope and Execution of Contract

(1) The scope of the contract is generally determined in a written agreement drawn up between the client and the contractor. In the absence of such a detailed written agreement, (2)-(4) shall apply in case of doubt:

(2) When contracted to perform tax consultation services, consultation shall consist of the following activities:
a) preparing annual tax returns for income tax and corporate tax as well as value-added tax (VAT) on the basis of the financial statements and other documents and papers required for taxation purposes and to be submitted by the client or (if so agreed) prepared by the contractor. Unless explicitly agreed otherwise, documents and papers required for taxation purposes shall be produced by the client.
b) examining the tax assessment notices for the tax returns mentioned under a).
c) negotiating with the fiscal authorities in connection with the tax returns and notices mentioned under a) and b).
d) participating in external tax audits and assessing the results of external tax audits with regard to the taxes mentioned under a).
e) participating in appeal procedures with regard to the taxes mentioned under a).
If the contractor receives a flat fee for regular tax consultation, in the absence of written agreements to the contrary, the activities mentioned under d) and e) shall be invoiced separately.

(3) Provided the preparation of one or more annual tax return(s) is part of the contract accepted, this shall not include the examination of any particular accounting conditions nor the examination of whether all relevant concessions, particularly those with regard to value added tax, have been utilized, unless the person entitled to exercise the profession can prove that he/she has been commissioned accordingly.

(4) In each case, the obligation to render other services pursuant to Sections 2 and 3 WTBG 2017 requires for the contractor to be separately and verifiably commissioned.

(5) The aforementioned paragraphs (2) to (4) shall not apply to services requiring particular expertise provided by an expert.

(6) The contractor is not obliged to render any services, issue any warnings or provide any information beyond the scope of the contract.

(7) The contractor shall have the right to engage suitable staff and other performing agents (subcontractors) for the execution of the contract as well as to have a person entitled to exercise the profession substitute for him/her in executing the contract. Staff within the meaning of these Conditions of Contract refers to all persons who support the contractor in his/her operating activities on a regular or permanent basis, irrespective of the type of underlying legal transaction.

(8) In rendering his/her services, the contractor shall exclusively take into account Austrian law; foreign law shall only be taken into account if this has been explicitly agreed upon in writing.

(9) Should the legal situation change subsequent to delivering a final professional statement passed on by the client orally or in writing, the contractor shall not be obliged to inform the client of changes or of the consequences thereof. This shall also apply to the completed parts of a contract.

(10) The client shall be obliged to make sure that the data made available by him/her may be handled by the contractor in the course of rendering the services. In this context, the client shall particularly but not exclusively comply with the applicable provisions under data protection law and labor law.

(11) Unless explicitly agreed otherwise, if the contractor electronically submits an application to an authority, he/she acts only as a messenger and this does not constitute a declaration of intent or knowledge attributable to him/her or a person authorized to submit the application.

(12) The client undertakes not to employ persons that are or were staff of the contractor during the contractual relationship, during and within one year after termination of the contractual relationship, either in his/her company or in an associated company, failing which he/she shall be obliged to pay the contractor the amount of the annual salary of the member of staff taken over.

2. Client's Obligation to Provide Information and Submit Complete Set of Documents

(1) The client shall make sure that all documents required for the execution of the contract be placed without special request at the disposal of the contractor at the agreed date, and in good time if no such date has been agreed, and that he/she be informed of all events and circumstances which may be of significance for the execution of the contract. This shall also apply to documents, events and circumstances which become known only after the contractor has commenced his/her work.

(2) The contractor shall be justified in regarding information and documents presented to him/her by the client, in particular figures, as correct and complete and to base the contract on them. The contractor shall not be obliged to identify any errors unless agreed separately in writing. This shall particularly apply to the correctness and completeness of bills. However, he/she is obliged to inform the client of any errors identified by him/her. In case of financial criminal proceedings he/she shall protect the rights of the client.

(3) The client shall confirm in writing that all documents submitted, all information provided and explanations given in the context of audits, expert opinions and expert services are complete.

(4) If the client fails to disclose considerable risks in connection with the preparation of financial statements and other statements, the contractor shall not be obliged to render any compensation insofar as these risks materialize.

(5) Dates and time schedules stated by the contractor for the completion of the contractor's products or parts thereof are best estimates and, unless otherwise agreed in writing, shall not be binding. The same applies to any estimates of fees: they are prepared to best of the contractor's knowledge; however, they shall always be non-binding.

(6) The client shall always provide the contractor with his/her current contact details (particularly the delivery address). The contractor may rely on the validity of the contact details most recently provided by the client, particularly have deliveries made to the most recently provided address, until such time as new contact details are provided.

3. Safeguarding of Independence

(1) The client shall be obliged to take all measures to prevent that the independence of the staff of the contractor be jeopardized and shall himself/herself refrain from jeopardizing their independence in any way. In particular, this shall apply to offers of employment and to offers to accept contracts on their own account.

(2) The client acknowledges that his/her personal details required in this respect, as well as the type and scope of the services, including the performance period agreed between the contractor and the client for the services (both audit and non-audit services), shall be handled within a network (if any) to which the contractor belongs, and for this purpose transferred to the other members of the network including abroad for the purpose of examination of the existence of grounds of bias or grounds for exclusion and conflicts of interest. For this purpose the client expressly releases the contractor in accordance with the Data Protection Act and in accordance with Section 80 (4) No. 2 WTBG 2017 from his/her obligation to maintain secrecy. The client can revoke the release from the obligation to maintain secrecy at any time.

4. Reporting Requirements

(1) (Reporting by the contractor) In the absence of an agreement to the contrary, a written report shall be drawn up in the case of audits and expert opinions.

(2) (Communication to the client) All contract-related information and opinions, including reports, (all declarations of knowledge) of the contractor, his/her staff, other performing agents or substitutes ("professional statements") shall only be binding provided they are set down in writing. Professional statements in electronic file formats which are made, transferred or confirmed by fax or e-mail or using similar types of electronic communication (that can be stored and reproduced but is not oral, i.e. e.g. text messages but not telephone) shall be deemed as set down in writing; this shall only apply to professional statements. The client bears the risk that professional statements may be issued by persons not entitled to do so as well as the transfer risk of such professional statements.

(3) (Communication to the client) The client hereby consents to the contractor communicating with the client (e.g. by e-mail) in an unencrypted manner. The client declares that he/she has been informed of the risks arising from the use of electronic communication (particularly access to, maintaining secrecy of, changing of messages in the course of transfer). The contractor, his/her staff, other performing agents or substitutes are not liable for any losses that arise as a result of the use of electronic means of communication.

(4) (Communication to the contractor) Receipt and forwarding of information to the contractor and his/her staff are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other types of electronic communication. As a result, instructions and important information shall only be deemed to have been received by the contractor provided they are also received physically (not by telephone, orally or electronically), unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not constitute such explicit confirmations of receipt. This shall apply in particular to the transmission of decisions and other information relating to deadlines. As a result, critical and important notifications must be sent to the contractor by mail or courier. Delivery of documents to staff outside the firm's offices shall not count as delivery.

(5) (General) In writing shall mean, insofar as not otherwise laid down in Item 4. (2), written form within the meaning of Section 886 Austrian Civil Code (ABGB) (confirmed by signature). An advanced electronic signature (Art. 26 eIDAS Regulation (EU) No. 910/2014) fulfills the requirement of written form within the meaning of Section 886 ABGB (confirmed by signature) insofar as this is at the discretion of the parties to the contract.

(6) (Promotional information) The contractor will send recurrent general tax law and general commercial law information to the client electronically (e.g. by e-mail). The client acknowledges that he/she has the right to object to receiving direct advertising at any time.

5. Protection of Intellectual Property of the Contractor

(1) The client shall be obliged to ensure that reports, expert opinions, organizational plans, drafts, drawings, calculations and the like, issued by the contractor, be used only for the purpose specified in the contract (e.g. pursuant to Section 44 (3) Austrian Income Tax Act 1988). Furthermore, professional statements made orally or in writing by the contractor may be passed on to a third party for use only with the written consent of the contractor.

(2) The use of professional statements made orally or in writing by the contractor for promotional purposes shall not be permitted; a violation of this provision shall give the contractor the right to terminate without notice to the client all contracts not yet executed.

(3) The contractor shall retain the copyright on his/her work. Permission to use the work shall be subject to the written consent by the contractor.

6. Correction of Errors

(1) The contractor shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement made orally or in writing which subsequently come to light and shall be obliged to inform the client thereof without delay. He/she shall also have the right to inform a third party acquainted with the original professional statement of the change.

(2) The client has the right to have all errors corrected free of charge if the contractor can be held responsible for them; this right will expire six months after completion of the services rendered by the contractor and/or – in cases where a written professional statement has not been delivered – six months after the contractor has completed the work that gives cause to complaint.

(3) If the contractor fails to correct errors which have come to light, the client shall have the right to demand a reduction in price. The extent to which additional claims for damages can be asserted is stipulated under Item 7.

7. Liability

(1) All liability provisions shall apply to all disputes in connection with the contractual relationship, irrespective of the legal grounds. The contractor is liable for losses arising in connection with the contractual relationship (including its termination) only in case of willful intent and gross negligence. The applicability of Section 1298 2nd Sentence ABGB is excluded.

(2) In cases of gross negligence, the maximum liability for damages due from the contractor is tenfold the minimum insurance sum of the professional liability insurance according to Section 11 WTBG 2017 as amended.

(3) The limitation of liability pursuant to Item 7. (2) refers to the individual case of damages. The individual case of damages includes all consequences of a breach of duty regardless of whether damages arose in one or more consecutive years. In this context, multiple acts or failures to act that are based on the same or similar source of error as one consistent breach of duty if the matters concerned are legally and economically connected. Single damages remain individual cases of damage even if they are based on several breaches of duty. Furthermore, the contractor's liability for loss of profit as well as collateral, consequential, incidental or similar losses is excluded in case of willful damage.

(4) Any action for damages may only be brought within six months after those entitled to assert a claim have gained knowledge of the damage, but no later than three years after the occurrence of the (primary) loss following the incident upon which the claim is based, unless other statutory limitation periods are laid down in other legal provisions.

(5) Should Section 275 Austrian Commercial Code (UGB) be applicable (due to a criminal offense), the liability provisions contained therein shall apply even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place and irrespective of whether other participants have acted with intent.

(6) In cases where a formal auditor's report is issued, the applicable limitation period shall commence no later than at the time the said auditor's report was issued.

(7) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, any warranty claims and claims for damages which arise against the third party according to law and contract shall be deemed as having been passed on to the client once the client has been informed of them. Item 4. (3) notwithstanding, in such a case the contractor shall only be liable for fault in choosing the third party.

(8) The contractor's liability to third parties is excluded in any case. If third parties come into contact with the contractor's work in any manner due to the client, the client shall expressly clarify this fact to them. Insofar as such exclusion of liability is not legally permissible or a liability to third parties has been assumed by the contractor in exceptional cases, these limitations of liability shall in any case also apply to third parties on a subsidiary basis. In any case, a third party cannot raise any claims that go beyond any claim raised by the client. The maximum sum of liability shall be valid only once for all parties injured, including the compensation claims of the client, even if several persons (the client and a third party or several third parties) have sustained losses; the claims of the parties injured shall be satisfied in the order in which the claims have been raised. The client will indemnify and hold harmless the contractor and his/her staff against any claims by third parties in connection with professional statements made orally or in writing by the contractor and passed on to these third parties.

(9) Item 7. shall also apply to any of the client's liability claims to third parties (performing agents and vicarious agents of the contractor) and to substitutes of the contractor relating to the contractual relationship.

8. Secrecy, Data Protection

(1) According to Section 80 WTBG 2017 the contractor shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his/her work for the client, unless the client releases him/her from this duty or he/she is bound by law to deliver a statement.

(2) Insofar as it is necessary to pursue the contractor's claims (particularly claims for fees) or to dispute claims against the contractor (particularly claims for damages raised by the client or third parties against the contractor), the contractor shall be released from his/her professional obligation to maintain secrecy.

(3) The contractor shall be permitted to hand on reports, expert opinions and other written statements pertaining to the results of his/her services to third parties only with the permission of the client, unless he/she is required to do so by law.

(4) The contractor is a data protection controller within the meaning of the General Data Protection Regulation ("GDPR") with regard to all personal data processed under the contract. The contractor is thus authorized to process personal data entrusted to him/her within the limits of the contract. The material made available to the contractor (paper and data carriers) shall generally be handed to the client or to third parties appointed by the client after the respective rendering of services has been completed, or be kept and destroyed by the contractor if so agreed. The contractor is authorized to keep copies thereof insofar as he/she needs them to appropriately document his/her services or insofar as it is required by law or customary in the profession.

(5) If the contractor supports the client in fulfilling his/her duties to the data subjects arising from the client's function as data protection controller, the contractor shall be entitled to charge the client for the actual efforts undertaken. The same shall apply to efforts undertaken for information with regard to the contractual relationship which is provided to third parties after having been released from the obligation to maintain secrecy to third parties by the client.

9. Withdrawal and Cancellation („Termination")

(1) The notice of termination of a contract shall be issued in writing (see also Item 4. (4) and (5)). The expiry of an existing power of attorney shall not result in a termination of the contract.

(2) Unless otherwise agreed in writing or stipulated by force of law, either contractual partner shall have the right to terminate the contract at any time with immediate effect. The fee shall be calculated according to Item 11.

(3) However, a continuing agreement (fixed-term or open-ended contract on – even if not exclusively – the rendering of repeated individual services, also with a flat fee) may, without good reason, only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.

(4) After notice of termination of a continuing agreement and unless otherwise stipulated in the following, only those individual tasks shall still be completed by the contractor (list of assignments to be completed) that can (generally) be completed fully within the period of notice insofar as the client is notified in writing within one month after commencement of the termination notice period within the meaning of Item 4. (2). The list of assignments to be completed shall be completed within the termination period if all documents required are provided without delay and if no good reason exists that impedes completion.

(5) Should it happen that in case of a continuing agreement more than two similar assignments which are usually completed only once a year (e.g. financial statements, annual tax returns, etc.) are to be completed, any such assignments exceeding this number shall be regarded as assignments to be completed only with the client's explicit consent. If applicable, the client shall be informed of this explicitly in the statement pursuant to Item 9. (4).

10. Termination in Case of Default in Acceptance and Failure to Cooperate on the Part of the Client and Legal Impediments to Execution

(1) If the client defaults on acceptance of the services rendered by the contractor or fails to carry out a task incumbent on him/her either according to Item 2. or imposed on him/her in another way, the contractor shall have the right to terminate the contract without prior notice. The same shall apply if the client requests a way to execute (also partially) the contract that the contractor reasonably believes is not in compliance with the legal situation or professional principles. His/her fees shall be calculated according to Item 11. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the contractor for the extra time and labor hereby expended as well as for the damage caused, if the contractor does not invoke his/her right to terminate the contract.

(2) For contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, a termination without prior notice by the contractor is permissible under Item 10. (1) if the client verifiably fails to cooperate twice as laid down in Item 2. (1).

11. Entitlement to Fee

(1) If the contract fails to be executed (e.g. due to withdrawal or cancellation), the contractor shall be entitled to the negotiated compensation (fee), provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client, whereby a merely contributory negligence by the contractor in this respect shall be excluded; in this case the contractor need not take into account the amount he/she obtained or failed to obtain through alternative use of his/her own professional services or those of his/her staff.

(2) If a continuing agreement is terminated, the negotiated compensation for the list of assignments to be completed shall be due upon completion or in case completion fails due to reasons attributable to the client (reference is made to Item 11. (1). Any flat fees negotiated shall be calculated according to the services rendered up to this point.

(3) If the client fails to cooperate and the assignment cannot be carried out as a result, the contractor shall also have the right to set a reasonable grace period on the understanding that, if this grace period expires without results, the contract shall be deemed ineffective and the consequences indicated in Item 11. (1) shall apply.

(4) If the termination notice period under Item 9. (3) is not observed by the client as well as if the contract is terminated by the contractor in accordance with Item 10. (2), the contractor shall retain his/her right to receive the full fee for three months.

12. Fee

(1) Unless the parties explicitly agreed that the services would be rendered free of charge, an appropriate remuneration in accordance with Sections 1004 and 1152 ABGB is due in any case. Amount and type of the entitlement to the fee are laid down in the agreement negotiated between the contractor and his/her client. Unless a different agreement has verifiably been reached, payments made by the client shall in all cases be credited against the oldest debt.

(2) The smallest service unit which may be charged is a quarter of an hour.

(3) Travel time to the extent required is also charged.

(4) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the contractor in his/her own office may also be charged as a special item.

(5) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or due to special requirements of the client, the contractor shall notify the client thereof and additional negotiations for the agreement of a more suitable remuneration shall take place (also in case of inadequate flat fees).

(6) The contractor includes charges for supplementary costs and VAT in addition to the above, including but not limited to the following (7) to (9):

(7) Chargeable supplementary costs also include documented or flat-rate cash expenses, traveling expenses (first class for train journeys), per diems, mileage allowance, copying costs and similar supplementary costs.

(8) Should particular third party liabilities be involved, the corresponding insurance premiums (including insurance tax) also count as supplementary costs.

(9) Personnel and material expenses for the preparation of reports, expert opinions and similar documents are also viewed as supplementary costs.

(10) For the execution of a contract wherein joint completion involves several contractors, each of them will charge his/her own compensation.

(11) In the absence of any other agreements, compensation and advance payments are due immediately after they have been requested in writing. Where payments of compensation are made later than 14 days after the due date, default interest may be charged. Where mutual business transactions are concerned, a default interest rate at the amount stipulated in Section 456 1st and 2nd Sentence UGB shall apply.

(12) Statutory limitation is in accordance with Section 1486 of ABGB, with the period beginning at the time the service has been completed or upon the issuing of the bill within an appropriate time limit at a later point.

(13) An objection may be raised in writing against bills presented by the contractor within 4 weeks after the date of the bill. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.

(14) Application of Section 934 ABGB within the meaning of Section 351 UGB, i.e. rescission for laesio enormis (lesion beyond moiety) among entrepreneurs, is hereby renounced.

(15) If a flat fee has been negotiated for contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, in the absence of written agreements to the contrary, representation in matters concerning all types of tax audits and audits of payroll-related taxes and social security contributions including settlements concerning tax assessments and the basis for contributions, preparation of reports, appeals and the like shall be invoiced separately. Unless otherwise agreed to in writing, the fee shall be considered agreed upon for one year at a time.

(16) Particular individual services in connection with the services mentioned in Item 12. (15), in particular ascertaining whether the requirements for statutory social security contributions are met, shall be dealt with only on the basis of a specific contract.

(17) The contractor shall have the right to ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. As regards continuing agreements, the rendering of further services may be denied until payment of previous services (as well as any advance payments under Sentence 1) has been effected. This shall analogously apply if services are rendered in installments and fee installments are outstanding.

(18) With the exception of obvious essential errors, a complaint concerning the work of the contractor shall not justify even only the partial retention of fees, other compensation, reimbursements and advance payments (remuneration) owed to him/her in accordance with Item 12.

(19) Offsetting the remuneration claims made by the contractor in accordance with Item 12. shall only be permitted if the demands are uncontested and legally valid.

13. Other Provisions

(1) With regard to Item 12. (17), reference shall be made to the legal right of retention (Section 471 ABGB, Section 369 UGB); if the right of retention is wrongfully exercised, the contractor shall generally be liable pursuant to Item 7. or otherwise only up to the outstanding amount of his/her fee.

(2) The client shall not be entitled to receive any working papiers and similar documents prepared by the contractor in the course of fulfilling the contract. In the case of contract fulfillment using electronic accounting systems the contractor shall be entitled to delete the data after handing over all data based thereon – which were prepared by the contractor in relation to the contract and which the client is obliged to keep – to the client and/or the succeeding public accountant in a structured, common and machine-readable format. The contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy) for handing over such data in a structured, common and machine-readable format. If handing over such data in a structured, common and machine-readable format is impossible or unfeasible for special reasons, they may be handed over in the form of a full print-out instead. In such a case, the contractor shall not be entitled to receive a fee.

(3) At the request and expense of the client, the contractor shall hand over all documents received from the client within the scope of his/her activities. However, this shall not apply to correspondence between the contractor and his/her client and to original documents in his/her possession and to documents which are required to be kept in accordance with the legal anti-money laundering provisions applicable to the contractor. The contractor may make copies or duplicates of the documents to be returned to the client. Once such documents have been transferred to the client, the contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy).

(4) The client shall fetch the documents handed over to the contractor within three months after the work has been completed. If the client fails to do so, the contractor shall have the right to return them to the client at the cost of the client or to charge an appropriate fee (Item 12. shall apply by analogy) if the contractor can prove that he/she has asked the client twice to pick up the documents handed over. The documents may also further be kept by third parties at the expense of the client. Furthermore, the contractor is not liable for any consequences arising from damage, loss or destruction of the documents.

(5) The contractor shall have the right to compensation of any fees that are due by use of any available deposited funds, clearing balances, trust funds or other liquid funds at his/her disposal, even if these funds are explicitly intended for safekeeping, if the client had to have anticipated the counterclaim of the contractor.

(6) To secure an existing or future fee payable, the contractor shall have the right to transfer a balance held by the client with the tax office or another balance held by the client in connection with charges and contributions, to a trust account. In this case the client shall be informed of the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability of the fee by execution has been declared.

14. Applicable Law, Place of Performance, Jurisdiction

(1) The contract, its execution and the claims resulting from it shall be exclusively governed by Austrian law, excluding national referral rules.

(2) The place of performance shall be the place of business of the contractor.

(3) In absence of a written agreement stipulating otherwise, the place of jurisdiction is the competent court of the place of performance.

SECTION II

15. Supplementary Provisions for Consumer Transactions

(1) Contracts between public accountants and consumers shall fall under the obligatory provisions of the Austrian Consumer Protection Act (KSchG).

(2) The contractor shall only be liable for the willful and grossly negligent violation of the obligations assumed.

(3) Contrary to the limitation laid down in Item 7. (2), the duty to compensate on the part of the contractor shall not be limited in case of gross negligence.

(4) Item 6. (2) (period for right to correction of errors) and Item 7. (4) (asserting claims for damages within a certain period) shall not apply.

(5) Right of Withdrawal pursuant to Section 3 KSchG:

If the consumer has not made his/her contract statement in the office usually used by the contractor, he/she may withdraw from the contract application or the contract proper. This withdrawal may be declared until the contract has been concluded or within one week after its conclusion; the period commences as soon as a document has been handed over to the consumer which contains at least the name and the address of the contractor as well as instructions on the right to withdraw from the contract, but no earlier than the conclusion of the contract. The consumer shall not have the right to withdraw from the contract

1. if the consumer himself/herself established the business relationship concerning the conclusion of this contract with the contractor or his/her representative,

2. if the conclusion of the contract has not been preceded by any talks between the parties involved or their representatives, or

3. in case of contracts where the mutual services have to be rendered immediately, if the contracts are usually concluded outside the offices of the contractors, and the fee agreed upon does not exceed €15.

In order to become legally effective, the withdrawal shall be declared in writing. It is sufficient if the consumer returns a document that contains his/her contract declaration or that of the contractor to the contractor with a note which indicates that the consumer rejects the conclusion or the maintenance of the contract. It is sufficient if this declaration is dispatched within one week.

If the consumer withdraws from the contract according to Section 3 KSchG,

1. the contractor shall return all benefits received, including all statutory interest, calculated from the day of receipt, and compensate the consumer for all necessary and useful expenses incurred in this matter,

2. the consumer shall pay for the value of the services rendered by the contractor as far as they are of a clear and predominant benefit to him/her.

According to Section 4 (3) KSchG, claims for damages shall remain unaffected.

(6) Cost Estimates according to Section 5 Austrian KSchG:

The consumer shall pay for the preparation of a cost estimate by the contractor in accordance with Section 1170a ABGB only if the consumer has been notified of this payment obligation beforehand.

If the contract is based on a cost estimate prepared by the contractor, its correctness shall be deemed warranted as long as the opposite has not been explicitly declared.

(7) Correction of Errors: Supplement to Item 6.:

If the contractor is obliged under Section 932 ABGB to improve or complement his/her services, he/she shall execute this duty at the place where the matter was transferred. If it is in the interest of the consumer to have the work and the documents transferred by the contractor, the consumer may carry out this transfer at his/her own risk and expense.

(8) Jurisdiction: Shall apply instead of Item 14. (3)

If the domicile or the usual residence of the consumer is within the country or if he/she is employed within the country, in case of an action against him/her according to Sections 88, 89, 93 (2) and 104 (1) Austrian Court Jurisdiction Act (JN), the only competent courts shall be the courts of the districts where the consumer has his/her domicile, usual residence or place of employment.

(9) Contracts on Recurring Services:

(a) Contracts which oblige the contractor to render services and the consumer to effect repeated payments and which have been concluded for an indefinite period or a period exceeding one year may be terminated by the consumer at the end of the first year, and after the first year at the end of every six months, by adhering to a two-month period of notice.

(b) If the total work is regarded as a service that cannot be divided on account of its character, the extent and price of which is determined already at the conclusion of the contract, the first date of termination may be postponed until the second year has expired. In case of such contracts the period of notice may be extended to a maximum of six months.

(c) If the execution of a certain contract indicated in lit. a) requires considerable expenses on the part of the contractor and if he/she informed the consumer about this no later than at the time the contract was concluded, reasonable dates of termination and periods of notice which deviate from lit. a) and b) and which fit the respective circumstances may be agreed.

(d) If the consumer terminates the contract without complying with the period of notice, the termination shall become effective at the next termination date which follows the expiry of the period of notice.