CORESTATE
Capital Group

# INVESTORS PRESENTATION

AUG/SEPT 2022

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## Glossary

€ = Euro;

$ = (US)Dollar;

% = percentage;

a = actual;

acc. = according;

adj. = adjusted;

aggr. = aggregated;

approx. = approximately;

c(a) = circa;

e = expected;

(F)Y = (financial) year(s);

H = half year(s);

LTM = last twelve months;

M = month(s);

Q = quarter(s);

k = thousand(s);

m = million(s);

bn = billion(s)

Please not that there may be rounding differences in this presentation compared to the financial report regarding the mathematically exact amounts (currency units, percentages)

# A FULLY INTEGRATED AND SPECIALIZED REAL ESTATE INVESTMENT HOUSE

CORESTATE Capital Group

**c 500 FTEs | 40 Offices | 8 Countries**

**€ 16bn** Assets under Management [1)]

- RE Equity – wide range of products and services with c € 12bn AuM
- RE Debt – unique financing & structuring capabilities with > € 5bn track record
- RE Debt – market leading in mezzanine with > € 1bn fund volume

1) € 16bn core business AuM, total AuM incl. discontinued operations at € 19bn

# THE NEW INDEPENDENT MANAGEMENT TEAM FOSTERS THE REALIGNMENT AND ACCOMPANIES THE TRANSFORMATION OF THE GROUP

## Clear leadership with state-of-the-art functional setup and corporate governance structure[1]

### Supervisory Board

**Dr. Bertrand Malmendier**
**Chairman**
(independent[2])

**Dr. Roland M. Folz**
**Debuty Chairman**
(independent[2])

**Dr. h.c. Friedrich Oelrich**
**Member**
(independent[2])

### Management Board

**Stavros Efremidis**
**CEO** (since 7/3/22)

**Ralf Struckmeyer**
**CIO** (since 7/3/22)

**Izabela Danner**
**COO** (since 7/3/22)

**Udo Giegerich**
**CFO** (since 1/8/21)

- Highly experienced two-tier board with a decent track record and a strong network in the real estate industry
- 9.5% of company's shares owned by management

1) Further information and CVs on Corestate's webpage
2) Based on criteria of DCGK/proxy advisor

# MORE CHALLENGING MACRO ENVIRONMENT, REAL ESTATE MEGA TRENDS REMAIN IN PLACE

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## An integrated approach with comprehensive synergies on products, clients and investors is crucial in a demanding market environment

### Real Estate Equity

- Current dynamic **inflation and interest rate spiral** indicates **lower transaction volumes** and **valuation risks**
- Mega trends persist: **urbanization**, **demographic changes, digitalization and sustainability**
- **Scale matters** on regulatory and client needs

- **One-stop shop** with c € 16bn AuM in core business with integrated offering across all RE products and risk classes
- Long-standing track record as IM through the entire **RE life cycle** and over **all return profiles**
- Leading position in selected **niche markets** (student housing, city quarters, B-Cities)
- Commercialized **ESG approach**

### Real Estate Debt

- **Constraints in bank credits** on higher risk profiles (regulation even fostered by corona and inflation)
- Rising **interest rates** accelerate **broad demand** for specialized **(re-) financing solutions**
- High allocation of **institutional investors** to **private debt** funds based **on clear risk-return profiles**

- **Leading** RE financing **platform in DACH**
- By far **largest RE mezzanine fund** in DACH at HFS with a track record of >10Y
- Outstanding debt advisory and structuring capabilities with **focus on small/mid size tickets** at Corestate Bank

# BUSINESS SUMMARY H1-2022

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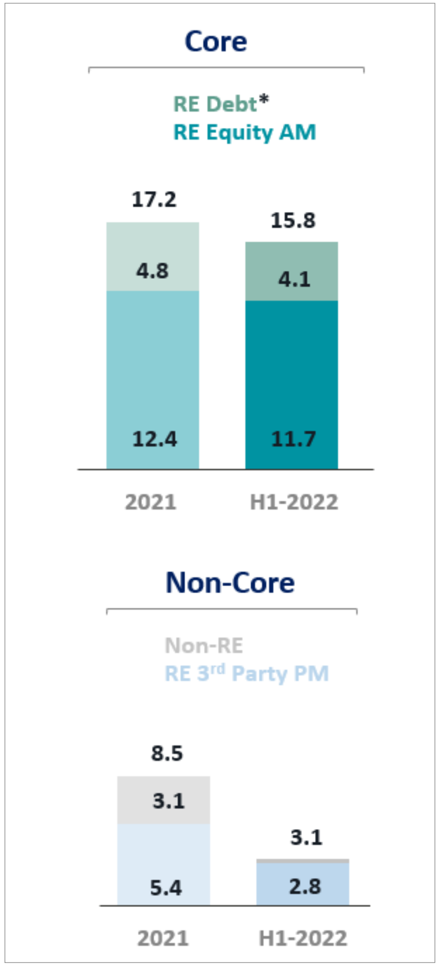
## The European RE industry is facing a challenging macro environment with rising interest rates, inflationary pressure and a strong degree of uncertainty among all market participants

### Corestate Development

| Operational | Financial |
| --- | --- |
| ▪ Management strengthens governance, streamlines org structure and simplifies processes<br>▪ Concentrating on core business – divestment of low-margin and personnel-intensive peripheral activities partially realized; led to reduction in non-core AuM<br>▪ Extended efficiency program with comprehensive cost savings already in progress<br>▪ Uncertainty due to pending financial restructuring is putting a strain on customer relationships with additionally negative business impact | ▪ AuM decrease driven by valuation adjustments in RE debt and regular outflows in RE equity segment<br>▪ H1 shows a subdued operational top-line development, impacted by last effects of pandemic and seasonality in Q1 and finally a fully changed investment environment in Q2<br>▪ Results severely impacted by one-time impairments and comprehensive risk provisioning<br>▪ **Top priority on securing liquidity and exploring possible restructuring solutions for the two expiring bonds** |



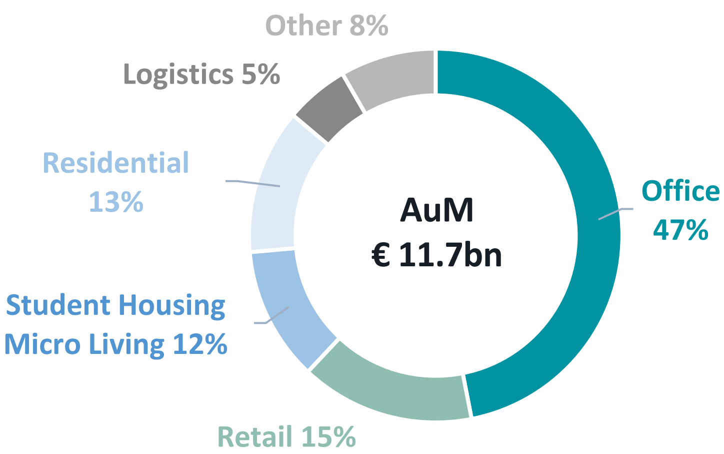

* Change in the valuation method as of 30.06.2022

# THE RE EQUITY SEGMENT

## AuMs declined – further outflows scheduled in H2

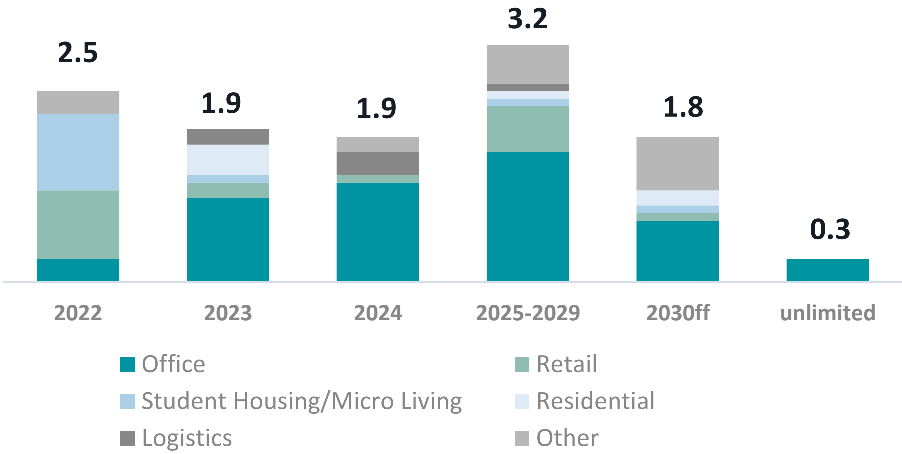
- RE Equity AuM at **€ 11.7bn** (2021: € 12.4bn) with regular outflows of some commercial assets
- Uncertainties on corporate side hamper operating business in terms of new commitments and existing portfolios
- Further AuM reduction in Q3-2022 due to the loss of a bigger mandate
- Strengthening leading position in selected niche markets like student housing and city quarters, as well as value add driven transactions in a more opportunistic market

## Asset Class Allocation in RE Equity Segment




## Average Weighted Maturity of >3 Years

(in bn€)



# THE RE DEBT SEGMENT

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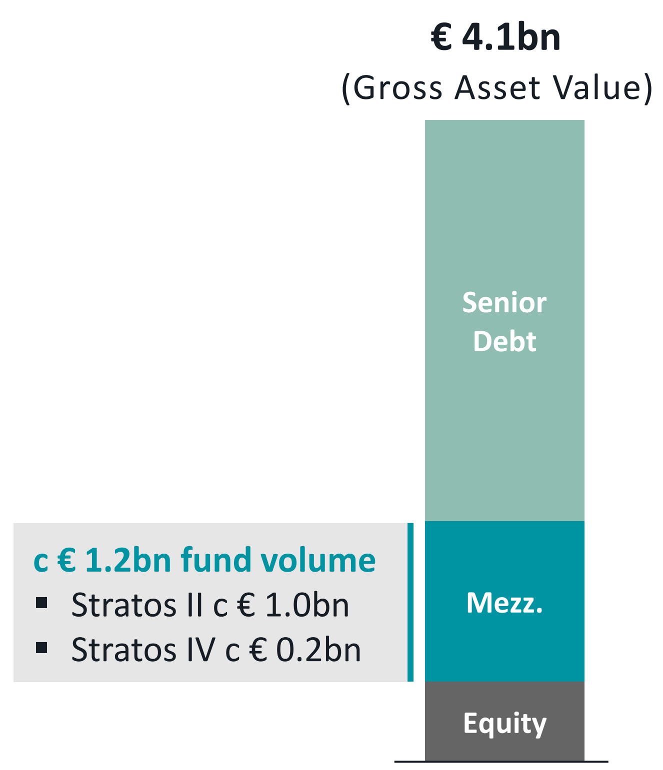
## The situation at the largest of the Stratos funds will have a significant negative impact on future top-line and profitability of HFS

- Total **debt AuM** dropped from € 4.8bn at the end of 2021 to **€ 4.1bn**[1)], mainly resulting from lower valuations due to deteriorated market environment such as interest rate changes and higher construction costs
- Weak transaction environment leads to project delays and significant fee decline from **debt financing and structuring business** ("wait-and-see sentiment")
- **Suspension** of dividends and payments of **Stratos II fund;** restucturing talks with the investors started; restricting access to coupon participation fees for HFS
  - **Impairments** on goodwill & intangible assets of HFS and C-Bank totalling **€ 378m**
  - **Risk provisioning** for receivables with critical maturities and CPF of ca. € **73m**
  - **Fair value measurement** in Stratos funds of **€ 14m**

**HFS - Debt Fund Structure**




1) Valuation methodology at Stratos funds changed in H1-2022 from the GDV approach to the residual value method for projects in pre-construction phase (before: € 6.6bn at FY-2021)

# INCOME LINES SHOW A SUBDUED COURSE IN 2022

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## Revenue Split [1)]

in m€ (previous year)

| | | H1-2022 | H1-2021 | |
|---|---|---|---|---|
| RE Equity | Acquisition & Sales Fees | 2.7 | 6.5 | Significant lower transaction volume |
| RE Equity | Asset and Property Mgt Fees | 21.4 | 20.2 | Stable, with fees on the prior year level |
| RE Debt | Underwriting & Structuring Fees | 1.6 | 27.9 | Weak debt finance business due to changed interest rate and market risk environment |
| RE Debt | RE Asset Mgt & Performance Fees | 7.6 | 30.6 | Suspension of payments from Stratos II |
| RE Debt | Income from Bridge Loans | 3.9 | 10.0 | Necessary risk provisions |
| | Income from Other Segments | -14.3 | 3.1 | Value adjustments in Stratos fund |
| | **Aggregate Revenues & Gains** | **22.9** | **98.3** | |

[1)] Continued Operations

# EARNINGS MARKEDLY IMPACTED BY NON-RECURRING ITEMS FOR RISK PROVISIONING AND IMPAIRMENTS

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## Key P&L Figures [1)]

in m€

| | H1-2022 | H1-2021 | |
|---|---|---|---|
| **Aggregate Revenues & Gains** | **22.9** | **98.3** | |
| Expenses from RE Equity | 47.3 | 30.8 | OpEx |
| Expenses from RE Debt | 90.0 | 7.1 | OpEx |
| Expenses from Other | 4.1 | 5.0 | OpEx |
| G&A Expenses | 24.1 | 23.9 | |
| Other Income | 17.2 | 4.2 | |
| **EBITDA** | **-125.4** | **35.7** | |
| D&A | -382.8 | -15.4 | |
| **EBIT** | **-508.2** | **20.3** | |
| Financial Result | -6.5 | -9.6 | |
| Income Tax | -7.1 | -7.5 | |
| **Net Profit** | **-521.8** | **3.2** | |
| **Adjusted Net Profit** | **-150.5** | **17.2** | |
| **EPS in €** | **-15.28** | **0.11** | |

- **OpEx** increased significantly to **€ 141.4m** (€ 42.9m), mainly due to € 106.7m one-off items from risk provisioning & value adjustments
- **G&A** expenses almost stable at prior-year level, saving effects will start in Q4-2022 at the earliest
- **D&A** essentially characterized by impairments of goodwill and other ppa-related intangibles at HFS and Corestate Bank
- **Adjustments** in **net results** of **€ 371.3m** (€ 14.0m)
  - € 377.9m impairments
  - € 2.0m from PPA (€ 13.1m),
  - € -8.7m from DTL (€ -3.3m)
  - No adjustment at EBITDA level for operationally related one-off effects such as risk provisioning and value adjustments

1) Continued Operations

# NON-CASH VALUATION ADJUSTMENTS TO REFLECT THE NEW REALITY

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## Mandatory accounting measures led to a significant balance sheet cut

- Major **goodwill** impairment on HFS and C-Bank, position dropped from € 487.2m (FY-2021 ) to € 162.1m and **intangible assets** decreased to € 29.6m from € 84.8m (FY-2021)
- Due to suspension of the Stratos-II-fund and started restructuring, the **contract assets** position decreased by € 32.1m to € 26.4m (FY-2021 € 58.5m)
- **Cash and cash equivalents*** with € 61.0m were relatively stable (FY-2021 € 62.8m)
- **Equity** significantly reduced from € 626.2m to € 102.9m – equity ratio now at 12% (FY-2021 44%)
- **Total financial liabilities** at € 632.5m (€ 622.0m) – **net financial debt** slightly up to € 553.1m from € 526.5m (FY-2021) mainly due to the transitory acquisition of an office building project in Augsburg
- **Cash conversion** program and **liquidity securing** continued with high priority, significant headwind from current challenging market environment (e.g., Gießen placement expected to restart in Q4)

* Without restricted cash

# OUTLOOK FY-2022

## CURRENT STATUS OF FINANCIAL RESTRUCTURING

- **Constructive and continuous dialogue with noteholders' representatives** of the 2022 and 2023 bonds with the aim to prepare a **proposal of resolutions** to be agreed at a **noteholders' meeting**

### A set of coherent structuring measures paves the way for a full re-start in a changing RE world

- **Stabilize the company:** strong management performance required to execute a reshaping of the Group against the backdrop of high uncertainties on market and corporate side with implications on business
- **Efficiency program:** consistent restructuring on all layers with **annual cost savings** in a **low to mid double digit million amount** latest from 2023 onwards
- **Forecast**: in May, management withdrew financial outlook for 2022; in the course of the year reassessment of the business forecast considering all market information; property valuation remain volatile in the face of rising capital costs and market uncertainty

# APPENDIX

# ESG REPORT FY 2021 PUBLISHED IN JUNE 2022 – WELL ABOVE PLAN ON KEY TARGETS

Corestate has adopted ambitious environmental, social, and corporate governance (ESG) targets to align their business goals with sustainability goals

- **Targets** 2021 clearly **exceeded**: **$CO_2$** emissions in managed property portfolio reduced by **-8%**, **energy** consumption by **-7%** and **water** consumption by **-14%**, proportion of **female managers** increased by **+9%**
- Investors benefit from new sustainable financial products
- Continuous expansion of digital, smart technology for measuring emissions from buildings
- ESG due diligence process introduced in line with EU plans for climate neutrality by 2050
- In August 2021 CORESTATE was ranked in Focus Money Deutschland Test with its **ESG Reporting/Transparency** as **No 1** as Real Estate Investment Manager

Reduce $CO_2$ Emissions[1] by
2% annually
20% by 2025

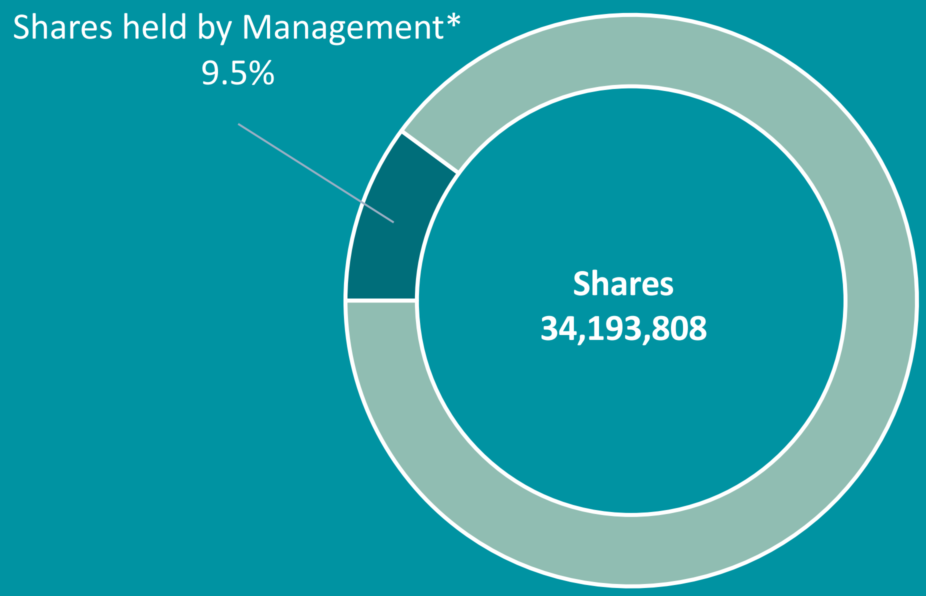
Increase Energy Efficiency[1] by
5% annually
30% by 2025

Reduce Water Consumption[1] by
2% annually
20% by 2025

Reduce non-recyclable Waste[1] by
2% annually
20% by 2025

# SHAREHOLDER STRUCTURE

(acc. to latest public filing)




| *** Shares held by Management** | |
|---|---|
| Stavros Efremidis: | 3,200,000 |
| Ralf Struckmeyer: | 32,601 |
| Udo Giegerich: | 16,000 |

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# INVESTOR CONTACT

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