



CORESTATE

Capital Group

**3-Month Financial Report
as of 31 March
2020**

Company Profile

Corestate Capital is a real estate investment manager and co-investor that acquires, develops and manages predominantly residential, micro-living, retail and office real estate in Germany and other parts of Europe. The Company offers real estate equity as well as debt products and had roughly € 28bn in assets under management at the end of March 2020.

The Company has undergone a deliberate transformation over the last few years, from a largely residential-focused investment management company to a diversified real estate group with a wide and committed client base of institutional, semi-institutional, Family Offices/UHNWI and retail investors. We are a one-stop shop offering property management services and related investment products for our clients, covering all major real estate asset classes and investment vehicles incl. real estate debt financing.

We respond to market trends where we see smart investment opportunities within the real estate sector and this has expanded both the type of investment properties we manage and the cities and countries where we operate. Alongside our portfolio diversification Corestate has made several corporate acquisitions that have brought additional depth and breadth also to our business model.

We operate from our principal offices in Germany, Switzerland, the UK, France and Spain employing 811 people (766 full-time equivalents) across 42 offices in 7 countries. Corestate is listed in the Prime Standard on the Frankfurt Stock Exchange (SDAX).

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Key Figures

	01.01.2020- 31.03.2020	01.01.2019- 31.03.2019
Aggregate Revenues & Gains (€ m) ¹	51,7	58,6
EBITDA (€ m)	20,9	38,7
Adjusted Net Profit (€ m) ²	14,3	26,4
EBITDA Margin	40,4%	66,0%
Net Profit (€ m) ³	8,8	21,0
Earnings per Share (undiluted) (€)	0,41	0,98

	31/3/2020	31/3/2019
Number of shares outstanding	21.479.643	21.354.417
Net Financial Debt Position (€ m) ⁴	493,9	606,9
Net Financial Debt / EBITDA ⁵	3.1x	3,3x
Assets under Management at End of Period (€ bn)	28	26
Number of Employees at End of Period (FTE)	766	683

¹ Aggregate revenues & gains include revenue from real estate investment management, share of profit and loss from associates and joint ventures, dividends from other alignment capital, gains/losses from fair value measurement of financial instruments related to real estate and total income from real estate operations/warehousing.

² Adjusted net profit is calculated based on the net profit for the period, net of (deferred) tax effects and depreciation mainly resulting from purchase price allocations (capitalized asset management contracts).

³ Net profit incl. minorities.

⁴ Financial liabilities of € 600.8m, adjustment of € 25.4m rental and lease liabilities acc. to IFRS 16 and cash of € 81.48m leading to net financial debt of € 493.9m.

⁵ EBITDA reflects last twelve months (= € 157.2m).

Letter to Our Shareholders

Dear Shareholders, Ladies and Gentlemen,

We look back on a very dynamic and eventful first quarter of 2020. In January and February, our operations were, as in the past years, supported by strong market drivers like urbanization, demographic changes and clients in need of investing. With the spreading of COVID-19 this environment has changed dramatically. In March 2020 we've experienced very dynamic changes in the markets and realized incrementally considerable impacts from the crisis on our business. So, at the end of Q1, COVID-19 started to strain our operations, especially when it comes to property management and transactions. Since the beginning of Q2, we saw that most of the transaction markets are severely disrupted and a normalization is unlikely to set in before Q4-2020. Accordingly, our deal driven line items "acquisition related fees", "promote" and "net gain from selling property holding companies" will suffer during this market dip the most. Regarding our mezzanine business, regular analyses of all projects and borrowers have not shown any negative results or approaches to critical risk levels so far. In terms of fund performance we will see temporary fluctuation in occupancy and rent losses in our retail, hotel and partly micro living properties.



What does this mean for Corestate's financial performance and stability? Currently, no-one can reliably predict how long and how severe this crisis will be, so at the moment we cannot give a guidance for 2020; of course, we will publish a new financial outlook as soon as the effects of COVID-19 can be reliably assessed and a resilient planning is possible, most likely during Q3-2020.

Another difficult topic was our cancellation of the proposed dividend for 2019, but please allow us some personal words here: This decision was far from being an easy one for us, and we are well aware of some disappointments for investors, but as good merchants, we have to focus on our liquidity and further enhance our financial stability. That's also why we elaborated a catalogue of cost-saving measures that we have started to implement in the past weeks. The scope of these actions will depend upon the duration and depth of the crisis.

We have prepared our company for this very special temporary situation and are making Corestate weatherproof for the future. All plan analyses assume operating profits for 2020 despite high earnings bandwidths and current income covers all expenses. Our next refinancing need will be at the end of 2022 and we had an equity ratio of 47.5% as of 31 March 2020.

Of course, we continued our interactions with all our important clients and many potential new investors also in these times, and the feedback was nearly always the same: The demand for profitable, sustainable real estate investments remain unchanged, is even growing in these uncertain times, but as long as the duration of the crisis cannot resiliently be judged, most partners are standing on the side lines with new engagements.

Q1 operational results

As of 31 March 2020, our assets under management stood at € 28.0bn. With this, our aggregated revenues and gains were at € 51.7m in the first three months of 2020, our EBITDA stood at € 20.9m and our adjusted net profit came out at € 14.3m. Our core business, real estate asset management, stood at around € 24.8bn AuM, showing an organic growth of nearly 2.2%. We saw a very decent start into 2020 especially in our real estate debt business from HFS, but also our revenues from asset and property management demonstrated the stability of the business. To prepare for COVID-19 times, we have reduced our balance sheet usage for clients, and this can be seen in the reduced income from real estate operations/warehousing. For us, liquidity is of the highest importance, and we've started already in Q1 with de-risking the company and its operations.



On 15 January, we've closed the acquisition of STAM Europe, a Paris-based asset manager focusing on French real estate with a number of international institutional clients. Literally right after the closing of the transaction, we've started the integration of the people, operations and clients from STAM.

AGM & Governance

Our AGM was originally scheduled for 29 April but had to be postponed due to travel bans and will now, as an online event, take place on 5 June 2020. During this AGM, our Supervisory Board will be enlarged from four to five members, and we are very proud that we have managed to find five highly reputable candidates with distinguished backgrounds in real estate, investment management and capital market compliance. The applicants were chosen after a structured search process according to good corporate governance criteria including diversity, independence, experience and competence.

So, as we and our clients see the relevant market drivers like urbanization and demographic changes remain in place for the mid- and long-term, we stay very optimistically that we will not only weather this storm, but emerge even stronger from it.

We want to take the opportunity to thank all our employees who are mostly working remote from office, which is always not easy, but our entire team does a tremendous job in securing operations and the quality our clients are used to receive from us.

So, dear Shareholders, you see that Corestate is even in these times moving in the right direction, so please continue joining us on this path, and – above all – stay healthy!

Lars Schnidrig
Chief Executive Officer

Nils Hübener
Chief Investment Officer

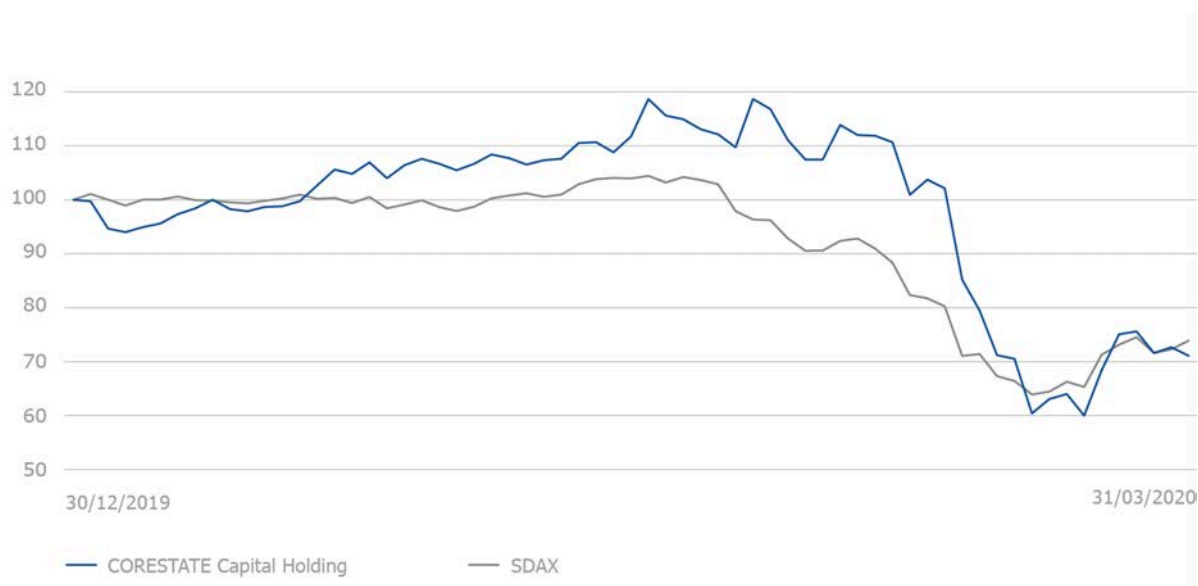
The Corestate Share

Share price development

The Corestate shares started the year 2020 at a price of € 37.15 and reached its period high of € 45.80 on 25 February 2020. On 19 March 2020, the share traded at its period low of € 21.20. However, it was able to correct upwards again and closed at € 26.65 at the end of the quarter. Thus, the shares went down around 28.3% during the first quarter. On average, more than 146.000 Corestate shares were traded on Xetra during this period; which is more than double the figure from last year's quarter.

The SDAX, of which Corestate has been a member since March 2018, showed a decline of around minus 27.3% between January and March 2020.

Share price development till March 2020 in %



Revocation of financial outlook and cancellation of proposed dividend

On 22 April, Corestate revoke its financial outlook and cancelled the proposed dividend due to Covid-19. Following this announcement, the shares fell to a record low of € 16.67, but recovered slightly to around € 19.50 in the upcoming trading days.

Basic Share Data

WKN / ISIN	A141J3 / LU1296758029
Ticker symbol / Reuters code	CCAP
Trading segment	Prime Standard
Stock exchange	Frankfurt
Type of stock	No-par value bearer shares
First day of trading	4 Oct 2016
Number of shares as of 31 March 2020	21,479,643
Free float as of 31 March 2020	81.4%
Share price as of 30 December 2019	€ 37.50
Share price as of 31 March 2020	€ 26.650
Change in percentage	-28.3%
Period high	€ 45.80
Period low	€ 21.20

Financial Calendar 2020

Preliminary results for FY 2019	25 February 2020
Annual financial report 2019	24 March 2020
Q1 2020 financial Report	12 May 2020
Annual General Meeting	05 June 2020
H1 2020 financial report	11 August 2020
Capital Markets Day	10 September 2020
Q3 2020 financial report	11 November 2020

Interim Group Management Report

Corestate Capital Holding S.A., Luxembourg

Preliminary Remarks

The interim management report and consolidated financial statements of Corestate Capital Holding S.A. (hereinafter "Corestate" or "the Company") cover the reporting period from 1 January 2020 until 31 March 2020, unless otherwise indicated. Information on market and product offering developments pertains to 3M 2020 as well, unless otherwise indicated.

The interim financial statements have not been subject to external review or audits. Certain statements contained herein may be statements of future expectations and/or other forward-looking statements that are based on our current views and assumptions. These involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those expressed or implied in such statements. Corestate does not intend and does not undertake any obligation to revise these forward-looking statements.

Market Development

The market environment for Corestate business was positive in the first three months of 2020 despite the beginning of the COVID 19 pandemic; yet, in March we experience very dynamic changes in the markets. The German real estate investment market recorded the strongest first quarter ever. Transaction volumes increased to 26.7 billion euros. The continuing low level of interest rates and limited investment alternatives, especially for pension funds and insurance companies with a high demand for stable and high-yield investments, contributed to these good figures. The German real estate market is considered a "safe haven". While numerous transactions were carried out in the first quarter of 2020 that were already planned, the outlook for the coming months is worse due to the COVID-19 situation. Despite demand from some investors, practical hurdles such as contact restrictions are hampering the transactions. Other investors are using the current uncertainty for orientation and are initially waiting with investments. The decline in transactions will affect all asset classes. At the same time, yields in all asset classes will rise from the currently still very low level.

Business and Product Offering Development

In Q1, Corestate continued to work successfully on its business and product offering and broadened its footprint in the market. At the end of March 2020, Corestate had total assets under management of roughly € 28.0bn. The core business, real estate assets under management was kept stable at € 24.8bn. At the end of last year, this figure was € 22.8bn.

Respective activities include:

- Corestate expands to Scandinavia: First acquisition of a Serviced Apartment complex in Copenhagen/Denmark
- Corestate continues to grow in Europe: First Micro Living properties acquired in Poland for Bain Capital
- Corestate continues to follow its "green line" and is reacting to the housing shortage in the Rhine-Main region as the company started to create modern living spaces in Hanau
- In March, Corestate announced yet another fully invested residential property fund, the open-ended Special-AIF Corestate Residential Germany Fund II ("CRG II") comprising nine construction projects in metropolitan areas.

As part of its comprehensive ESG strategy, Corestate has set up its first charitable foundation. The purpose of the Corestate Foundation is to promote local environmental and social programs in the Frankfurt area. One special feature is that the foundation's projects will be financed not only by the Company, but also by donations from Corestate employees.

Corestate's real estate debt finance branch HFS showed once again strong contributions to our results as their underlying business is running very well with stable interest rates, fully-committed funds of more than € 1.3bn and tangible pipeline of financing projects for the upcoming quarters.

Results of Operations

In general, the main market drivers remained in place in the first three months of 2020, and Corestate prepared itself for benefiting from this even more, also by initiating a comprehensive cost cutting program and by a prudent risk-taking approach incl. reduced warehousing activities. So, the bulk of company's earnings in Q1 2020 stems from real estate investment management.

Consolidated total revenues of the group (including total revenues from real estate investment management, net rental income, revenue from service charges from real estate operations and warehousing and income from other warehousing activities) was at € 47.57m (previous year: € 47.03m).

Aggregate Revenues and Gains by Income Lines

Including the share of profit and loss from associates and joint ventures, dividends from other alignment capital and net gain from selling property holding companies, the Group's aggregate revenues and gains were at € 51.7m (€ 58.6m).

€ thousand	Q1-2020	Q1-2019
Revenue from Acquisition Related Fees	7,688	4,176
Revenue from Asset and Property Management*	36,178	33,464
Income from Mezzanine Loans	1,648	5,746
Revenue from Promote Fees realised	-116	0
Net Rental Income	1,376	2,723
Revenue from Service Charges	797	923
Consolidated Total Revenues of the Group	47,570	47,033
Share of Profit and Loss from Associates and Joint Ventures	1,260	5,395
Dividends from other Alignment Capital	2,294	5,976
Gains/losses from fair value measurement of financial instruments related to real estate	900	-
Net Gain from Selling Property Holding Companies	-316	182
Aggregate Revenues and Gains	51,708	58,586

* Incl. coupon participation fee of € 10.9m (€ 13.3m).

Real Estate Investment Management

The real estate investment management segment generated once again the biggest earnings, which stood at € 23.50m in Q1-2020 (€ 27.92m).

Revenues from asset and property management increased to € 36.18m in Q1-2020 from € 33.46m in Q1-2019. With its recurring fee pattern, this revenue portion underlines the stability of our core business, also in uncertain times.

Real Estate Operation and Warehousing

The total earnings from real estate operations and warehousing was € 0.19m (€ 0.46m). The decreased revenues reflecting the company's operational de-risking strategy with less balance sheet exposure for clients.

Alignment Capital Management

Precautionary measures to protect liquidity and to reduce direct-market exposures are also having impacts on revenues from alignment capital management. Thus, the share of profit from associates and joint ventures was € 1.26m in Q1-2020 compared to € 5.40m in Q1-2019, the dividends from other alignment capital amounted to € 2.29m in Q1-2020 (€ 5.98m).

Total earnings from alignment capital amounted to € 1.90m (€ 9.82m).

Earnings and Adjusted Earnings

The growth of the group resulted in higher total expenses (excluding financial expenses, as well as depreciation and amortization) at € 33.25m in Q1-2020 (€ 23.96m). G&A expenses were € 3.57m in the first three months of 2019 and at € 7.12m for Q1-2020 showing the impact of rising regulatory-driven back- and middle office costs.

The group EBITDA came out at € 20.9m in Q1-2020 (€ 38.7m).

Depreciation and amortization were characterized by the depreciation of around € 8.41m in Q1-2020 (€ 7.62m) mainly resulting from purchase price allocations of HFS, HL, CRM and STAM (capitalized asset management contracts).

The financial result came out at € -2.47m for Q1-2020 (€ -7.43m) and income tax expenses were € 1.23m.

The group's net profit stands at € 8.80m, which translates into Q1-2020 earnings per share of € 0.41 (€ 0.98).

Adjustments only occur on net profit level, comprising € 6.32m from management contracts and € -0.83m from deferred tax assets. Q1-2020 adjusted net profit was at € 14.3m (26.4m).

€ thousand	Q1-2020	Q1-2019
Reported Net Profit	8.804	21.017
Depreciation of Asset Management Contracts	6.319	6.215
Deferred Tax Assets	-832	-831
Adjusted Net Profit	14.291	26.401

Balance Sheet

As of 31 March 2020, total assets amounted to € 1,441.0, a slight increase compared to the figure as of 31 December 2019 (€ 1,418.4m).

Total non-current assets amounted to € 1,086.3m (end of 2019: € 1,069.9m), the largest component of which is the goodwill created mainly in association with the acquisition of HFS, HL, ATOS, STAM and CRM with € 607.4m (€ 567.1m).

Total current assets were at € 354.7m as of 31 March 2020 versus € 348.5m as of 31 December 2019. Inventories are kept stable at € 62.3m since the end of last year.

Total equity amounted to € 684.9m at 31 March 2020 (€ 676.3m). The equity ratio of Corestate was 47.5% at the end of the reporting period, compared with 47.7% at the end of 2019.

The increase in current and non-current liabilities from € 742.1m to € 756.1m is mainly due to a rise in trade payables from € 14.3 at the end of December 2019 to € 30.2 at the end of the reporting period.

As of 31 March 2020, the total financial liabilities stood at € 600.8m (€ 596.0), including € 25.4m of rental and lease liabilities according to IFRS 16, which have to be adjusted for calculating the leverage figure. Net financial debt (also comprising cash of € 81.48) was at € 493.9m and EBITDA of last twelve months at € 157.2m. Thus, the leverage ratio (ratio of Net Debt to EBITDA LTM) stood at 3.1x.

Material Events after the Reporting Date

Corestate Capital Holding S.A. has withdrawn its outlook for financial year 2020 due to the COVID-19 pandemic. In view of the significant shift in investment decisions, transactions and valuation approaches in core markets and products that can be expected, the Company no longer considers it likely that it will achieve its originally planned targets for this financial year. Revenues are likely to fall short of expectations, particularly in the areas of acquisition and performance-based fees as well as warehousing and alignment capital.

Given the uncertainty surrounding the course of the COVID-19 pandemic, further strengthening of the liquidity position is currently a priority. The Company will therefore propose to the Annual General Meeting that no dividend be distributed for financial year 2019.

Outlook

Corestate will publish a new financial outlook for the financial year 2020 as soon as the effects of the COVID-19 pandemic can be reliably assessed and resilient planning is possible, most likely during Q3-2020.

Luxembourg, 11 May 2020

*Unaudited Interim Condensed
Consolidated Financial Statements
for the period from
1 January to 31 March 2020*

*Corestate Capital Holding S.A.,
Luxembourg*

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**ASSETS**

€ thousand	31/03/2020	31/12/2019
Non-Current Assets		
Property, Plant and Equipment	25,072	24,197
Other Intangible Assets	111,026	109,553
Goodwill	607,380	567,120
Investment in Associates and Joint Ventures	117,185	126,470
Other Financial Instruments	173,939	172,229
Long-term Receivables	35,589	35,502
Long-term Loans to Associates	4,234	23,004
Deferred Tax Assets	11,843	11,843
Total Non-Current Assets	1,086,268	1,069,917
Current Assets		
Advance Payments	7,449	6,308
Other short-term Financial Instruments	15,380	3,175
Inventories	62,295	62,295
Receivables from Associates	17,849	31,729
Trade Receivables	48,060	48,479
Other short-term Receivables	14,974	12,950
Contract Assets	25,420	22,986
Current Income Tax Assets	2,221	1,990
Other Short-term Assets	79,586	52,776
Restricted Cash	2,528	2,596
Cash and Cash Equivalents	78,960	103,218
Total Current Assets	354,722	348,502
TOTAL ASSETS	1,440,991	1,418,419

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES

€ thousand	31/03/2020	31/12/2019
Equity		
Share Capital	1,588	1,588
Other Reserves	671,598	563,327
Net Profit/(Loss) for the Period	8,716	108,530
Equity attributable to shareholders of parent company	681,903	673,445
Non-controlling Interests	3,035	2,902
Total Equity	684,938	676,347
Non-Current Liabilities		
Other long-term Provisions	1,696	1,276
Long-term Financial Liabilities to Banks	6,802	7,042
Other Long-term Financial Liabilities	544,314	538,118
Deferred Tax Liabilities	10,530	9,723
Other non-current Liabilities	6,386	6,365
Total Non-Current Liabilities	569,727	562,525
Current Liabilities		
Other Short-term Provisions	12,108	13,908
Short-term Financial Liabilities to Banks	47,236	47,657
Other Short-term Financial Liabilities	2,480	3,198
Short-term Liabilities to Shareholders	-	11
Short-term Liabilities to Associates	8,848	8,473
Trade Payables	30,227	14,283
Current Income Tax Liabilities	45,136	46,785
Other Current Liabilities	40,291	45,233
Total Current Liabilities	186,326	179,547
SUBTOTAL LIABILITIES	756,053	742,072
TOTAL EQUITY AND LIABILITIES	1,440,991	1,418,419

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

€ thousand	Q1-2020	Q1-2019
Revenue from Acquisition Related Fees	7,688	4,176
Revenue from Asset and Property Management	36,178	33,464
Income from Mezzanine Loans	1,648	5,746
Revenue from Promote Fees realised	(116)	-
<i>Total Revenue from Real Estate Investment Management</i>	<i>45,398</i>	<i>43,386</i>
<i>Total Expenses from Real Estate Investment Management</i>	<i>(21,903)</i>	<i>(15,470)</i>
Total Earnings from Real Estate Investment Management	23,496	27,917
Share of Profit or Loss from Associates and Joint Ventures	1,260	5,395
Dividends from other Alignment Capital	2,294	5,976
Gains/losses from fair value measurement of financial instruments related to real estate	900	-
Expenses from Management of Associates and Joint Ventures	(2,556)	(1,547)
Total Earnings from Alignment Capital Management	1,897	9,824
Net Rental Income	1,376	2,723
Revenue from Service Charges	797	923
Net Gain from Selling Property Holding Companies/Inventories	(316)	182
<i>Total Income from Real Estate Operations/Warehousing</i>	<i>1,856</i>	<i>3,829</i>
<i>Expenses from Real Estate Operations/Warehousing</i>	<i>(1,668)</i>	<i>(3,366)</i>
Total Earnings from Real Estate Operations/Warehousing	188	463
General and Administrative Expenses	(7,123)	(3,574)
Other Income	2,446	4,076
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	20,904	38,705
Depreciation and Amortisation	(8,405)	(7,619)
Earnings before Interest and Taxes (EBIT)	12,499	31,086
Financial Income	2,682	780
Financial Expenses	(5,148)	(8,206)
Earnings before Taxes (EBT)	10,032	23,661
Income Tax Expense	(1,228)	(2,644)
Net Profit/(Loss) for the Period	8,804	21,017
of which attributable to equity holders of parent company	8,716	20,959
of which attributable to non-controlling interests	88	58
Total Revenues ¹	47,570	47,033
Total Expenses ²	(33,250)	(23,956)

¹ Not including Share of Profit or Loss from Associates, Net Gain from Selling Property Holding Companies and not Dividends from other Alignment Capital.

² Excluding Financial Expenses and Depreciation and Amortization.

€ thousand	Q1-2020	Q1-2019
Earnings per Share (in €):		
Basic, Profit for the Year attributable to Ordinary Equity Holders of the Parent	0.41	0.98
Diluted, Profit for the Year attributable to Ordinary Equity Holders of the Parent	0.41	0.99
Net Profit/(Loss) for the Period	8,804	21,017
Other Comprehensive Income (in k€)		
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):		
Exchange differences on translation of foreign operations	(187)	820
Income tax effect	-	
Net (loss)/gain on cash flow hedges	-	
Income tax effect	-	
Net Other Comprehensive Loss to be Reclassified to Profit or Loss in Subsequent Periods	(187)	820
Other Comprehensive Income/(Loss) for the Period, Net of Tax	(187)	820
Total Comprehensive Income for the Period, Net of Tax	8,617	21,837
of which attributable to equity holders of parent company	8,529	21,779
of which attributable to non-controlling interests	88	58

Imprint

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