RESULTS 9M-2022

PRESENTATION –
CONFERENCE CALL FOR
ANALYSTS & INVESTORS
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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)

REFINANCING & BOND RESTRUCTURING

CORESTATE Capital Group

Key steps and results to date

- After initiating the bond restructuring in May 2022, Corestate commenced an extensive due diligence process with advisors mandated by a **group of major noteholders** (**AHC**). Following the presentation of a company proposal at the beginning of July 2022, the AHC submitted several counterproposals
- Additionally, a group of certain potential investors (**Equity Investors**), some of which are shareholders of Corestate, provided Corestate with **binding equity commitment letters**, which also included a term sheet for an amendment of the bonds
- The aforementioned proposals are not compatible, with key differences between the proposals being the commercial terms of the new money, the allocation of equity upside and future governance
- An approval of both the AHC as well as existing shareholders of Corestate will be required in order to implement a restructuring
- Prerequisite for both restructuring concepts is an amendment to the articles of association and capital resolutions to be voted on at an **extraordinary general shareholders meeting on 22 November**
- Both submitted restructuring concepts, together with a short-term extension of the 2022 Convertible Bond to the maturity date of the 2023 Straight Bond as a fall-back solution, are put to vote for the **creditors' meetings** to be held on **28 November**

Corestate continues to **constructively support with all means** the **joint dialogue** between **AHC** and the **Equity Investors** with the aim of **securing the future of the company** as well as giving Corestate's **employees and customers a sustainable perspective.**

BUSINESS SUMMARY 9M-2022 – NAVIGATING IN AN UNCERTAIN ENVIRONMENT

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The European RE industry is facing a challenging macro environment with rising interest rates, inflationary pressure and declining transaction activities with significant impact on Corestate

CORESTATE DEVELOPMENT

Operational

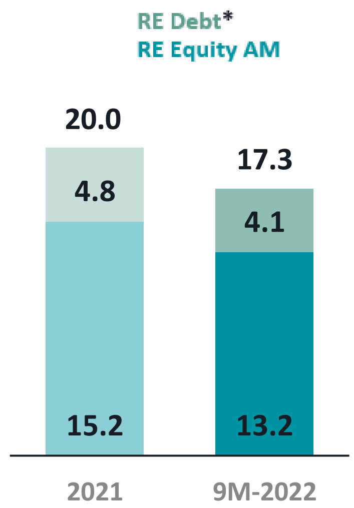
- Concentrating on core business – divestment of low-margin and personnel-intensive peripheral activities realized; subsequent reduction in non-core AuM
- Business impacted by drastically changed investment environment reg volumes, buyer universe and bid-ask-spreads
- Uncertainty due to pending financial restructuring is putting a strain on client relationships with additionally negative business impact

Financial

- AuM decrease driven by valuation adjustments in RE debt and tangible outflows in RE equity segment
- 9M shows a weak top-line mainly due to the absence of the transaction business
- Extended efficiency program with comprehensive cost savings already in progress
- Results heavily impacted by impairments and comprehensive risk provisioning

AuM

CORE BUSINESS [€ bn]



* Change in the valuation method as of 30.06.2022

Top priority: stabilization of business, securing liquidity and resilient bond restructuring solution

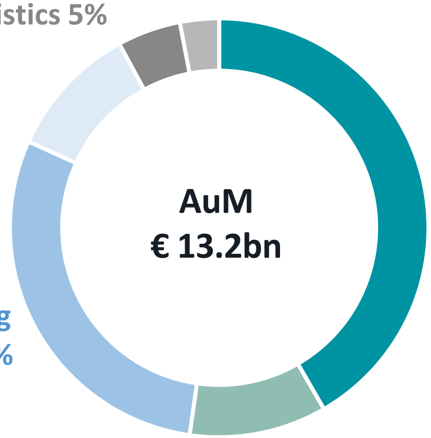
THE REAL ESTATE EQUITY SEGMENT

CORESTATE Capital Group

Expected outflows within the institutional client base

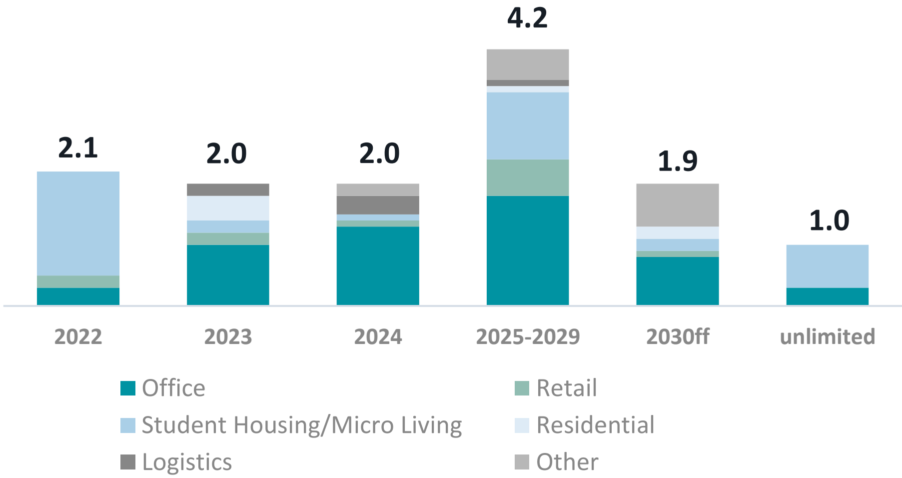
- RE Equity AuM decreased to **€ 13.2bn** (2021: € 15.2bn)
- Reduction due to the loss of a bigger mandate in Q3-2022 with outflow of commercial and residential portfolios
- Uncertainties on corporate side hamper operating business in terms of new commitments and existing relationship
- CRM previously held as discontinued operation, recognized as part of main business going forward

Asset Class Allocation in RE Equity Segment



Average Weighted Maturity of >4 Years

(in bn€)



Stabilization and 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

THE REAL ESTATE DEBT SEGMENT

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The termination of the Stratos funds advisory mandate has a severe negative impact on the segment's top-line and profitability

Update on HFS Business

- June 2022, Suspension of distributions and redemptions in Stratos II fund**;** restructuring talks with the investors started; restricting access to AM- and performance fees for HFS
- As part of the restructuring of the Stratos funds, it has been agreed that HFS will no longer continue advisory mandate
- Discontinuation of business and lack of earnings prospects in debt segment resulted in a complete impairment of the goodwill at HFS

- HFS: total **debt AuM** decreased to **€ 4.1bn** (from € 4.8bn[1)] FY-2021) mainly driven by lower valuations, interest rate changes and higher construction costs
- Corestate Bank: current transaction environment leads to project delays and significant fee decline from **debt financing and structuring business** ("wait-and-see sentiment")
  - **Impairments** on goodwill & intangible assets of HFS (€ 387m) and C-Bank (€ 52m) totaling **€ 438m**
  - Recovery of remaining outstanding bridge loans doubtful as reflected in **risk provisioning** for receivables with critical maturities and CPF of c **€ 75m**
  - **Fair value measurement** in Stratos funds of **€ 14m**

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)

TOPLINE AFFECTED BY THE MACRO ENVIRONMENT AND COMPANY-SPECIFIC CHALLENGES

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Revenue Split [1)]
in €m (previous year)

		9M-2022	9M-2021	
RE Equity	Acquisition & Sales Fees	2.9	18.9	Transactions almost came to a standstill
RE Equity	Asset and Property Mgt Fees	41.0	40.3	Higher occupancy rates and AuM in PM
RE Debt	Underwriting & Structuring Fees	3.6	30.9	Very weak debt finance business due to fully changed investment environment
RE Debt	RE Asset Mgt & Performance Fees	11.0	46.6	Significantly reduced income from Stratos funds
RE Debt	Income from Bridge Loans	5.4	14.2	Risk provisioning recognized
	Income from Other Segments	-14.3	5.8	Value adjustments in Stratos funds
	Aggregate Revenues & Gains	**49.7**	**156.7**	

[1)] Continued Operations

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

Key P&L Figures [1)]
in m€

	9M-2022	9M-2021
Aggregate Revenues & Gains	**49.7**	**156.7**
Expenses from RE Equity	52.9	57.0
Expenses from RE Debt	98.0	12.6
Expenses from Other	6.8	5.7
G&A Expenses	38.5	37.1
Other Income	38.3	9.1
EBITDA	**-108.3**	**53.4**
D&A	-458.9	-22.7
EBIT	**-567.1**	**30.6**
Financial Result	-8.7	-14.7
Income Tax	-6.0	-11.8
Net Profit	**-581.9**	**4.1**
Adjusted Net Profit	**-137.4**	**25.2**
EPS in €	**-17.02**	**0.14**

OpEx

- **OpEx** increased significantly to **€ 157.7m** (€ 75.4m), mainly due to € 99.5m one-off items from risk provisioning & value adjustments in Q2
- **G&A** expenses almost stable, first saving effects will start materializing in Q4-2022
- **D&A** essentially characterized by impairments and other ppa-related intangibles
- **Adjustments** in **net results** of **€ 444.5m** (€ 21.1m)
  - € 438.2m impairments
  - € 15.3m from PPA (€ 17.6m),
  - € -9.0m from DTL (€ -4.5m)
  - 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

- **Goodwill** position dropped from € 495.5m (FY-2021) to € 98.5m and **intangible assets** decreased to € 28.7m from € 85.9m (FY-2021)
- **Cash and cash equivalents*** declined to € 40.1m (FY-2021 € 65.1m)
- **Equity** significantly reduced from € 626.2m to € 42.6m – equity **ratio** now at some 6% (FY-2021 44%)
- **Total financial liabilities** at € 612.4m (€ 622.0m) – **net financial debt** slightly up to € 556.5m 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 - Disposal of warehousing assets still planned, but subject to more uncertainty in terms of value and timing

Fresh money is needed to **safeguard the operating business** and to enable real estate equity transactions as well as opportunistic deals in the near term

* Without restricted cash

OUTLOOK FY-2022

A bundle of coherent measures already initiated paves the way for a completely new start in a changing real estate world – a successful outcome of the bond restructuring is a prerequisite

- **Stabilization of 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 (AuM, mandates etc)
- **Efficiency program**
  Consistent restructuring on all layers with annual cost savings in a mid double digit million amount latest from 2023 onwards
- **De-risking**
  Closely reviewing and adjusting certain balance sheet items in recent months – due to the risk provisioning and the impairments a negative equity cannot be ruled out at the end of the year
- **New market positioning**
  At the beginning of 2023 the company plans to be in a position to make a fresh start based on an adapted strategy and a comprehensive re-branding
- **Economic outlook**
  Due to the deteriorating macroeconomic environment and the interest rate development implications on the fair market values of the real estate assets as well as in the co-investments are to be expected

FINANCIAL CALENDAR

22 November 2022	Extraordinary General Meeting 2022
28 November 2022	Noteholders' Meeting 2022

Documents are available at:

www.corestate-capital.com/en/general-meeting

www.corestate-capital.com/en/nhm

www.corestate-capital.com/share

CORESTATE
Capital Group

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