Corestate Capital Holding S.A.
Société anonyme
Registered office: 4, rue Jean Monnet, L-2180 Luxembourg,
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B199780

(the **Company**)

REPORT OF THE MANAGEMENT BOARD OF THE COMPANY PURSUANT TO ARTICLE 480-2 OF THE LUXEMBOURG ACT OF 10 AUGUST 1915 ON COMMERCIAL COMPANIES (AS AMENDED)

Dear Shareholders,

This report is prepared in accordance with article 480-2 of the Luxembourg act of 10 August 1915 on commercial companies, as amended (the **Companies Act**) by the management board of the Company (the **Management Board**).

1. FINANCIAL SITUATION

Based on the latest available financial information in relation to the Company, the members of the Management Board acknowledged that, due to losses suffered by the Company, the Company's net asset value has fallen to a negative amount of around EUR -132million as of 31 December 2022, which is below a quarter (1/4) of its current share capital (the **Financial Situation**).

2. STATUTORY OBLIGATIONS

In accordance with article 480-2 of the Luxembourg act of 10 August 1915 on commercial companies, as amended (the **Companies Act**), when, due to losses suffered, the Company's net asset value falls below a quarter (1/4) of its share capital, a general meeting of shareholders (the **General Meeting**) must be convened by the Board within two (2) months after the loss is acknowledged, unless the articles of association of the Company contain more stringent rules.

This report is addressed by the Management Board to the shareholders of the Company to explain the causes of this situation and its proposals as required under paragraphs 2 and 4 of article 480-2 of the Companies Act.

As a consequence, the Management Board must therefore propose to the General Meeting to either dissolve the Company, as required by article 480-2 of the Companies Act, or continue its activity despite its loss making situation.

3. CAUSES

The causes for the Financial Situation are, among others, as follows:

- The noticeable macro-economic uncertainty in conjunction with the interest rate and inflation dynamics led to a slump in investment volumes in the real estate sector in the course of 2022. As a result, the Real Estate Debt segment of the group of companies to which the Company belongs (the **Group**) recorded a sharp decline in revenue from structuring and financing advisory services. In parallel, the Group's Real Estate Equity segment also recorded significant decreases in revenues and earnings due to lower transaction fees

- The restructuring process of the Stratos II fund of the Group, which is economically significant for the Company's subsidiary Helvetic Financial Services (**HFS**), resulted in the ceasing of income from performance fees.

- The Group's result are impacted due to non-recurring expenses for risk provisions and value adjustments on bridge loans, performance fees and real estate projects.

- The Group made significant impairments on the goodwill and brand value as well as intangible assets of HFS and Corestate Bank, leading to a strategic reassessment and adjustment of the Company's corresponding balance sheet items. At the end of September 2022, the Company has written off the entire goodwill of HFS as an expense on account of the perspective business development and the associated earnings expectations going forward.

4. PROPOSAL

Notwithstanding the fact that the Company's net asset value has fallen below a quarter (1/4) of its current share capital, the Management Board proposes to the General Meeting not to dissolve the Company and to vote in favour of the continuation of its activities.

Such proposal is justified by the fact that the Company is currently undergoing the implementation of a restructuring concept, which will considerably improve the Financial Situation.

The measures that the Management Board proposed to improve the Financial Situation are in particular as follows:

- The Company initiated multiple cost-cutting measures, with the aim of achieving a structural transformation of the Group into an efficient and effective investment house with the existing focus on real estate equity and debt business. To this end, the Company aims to bundle operating units, to systematically reduce duplicate functions and overheads, to close individual locations and to fundamentally review all non-personnel costs and other expenses.

- beyond the operational and market challenges, the Company aims to secure the Group's liquidity and to reduce its debt. In this respect, the Company has agreed on 3 May 2023, together with a group of large bondholders, additional investors and major shareholders, the implementation of a financial restructuring concept for the Company, as further set out in the relevant publications on the Company's website (the **Restructuring Concept**).

- The Restructuring Concept includes, among others, a bridge financing totalling EUR 25 million, which shall ensure the complete financing of the Company until the Restructuring Concept is completed, and an adjustment to the conditions of the EUR 200,000,000 1.375% convertible notes originally due 2022 with ISIN DE000A19SPK4 and EUR 300,000,000 3.50% senior notes originally due 2023 with ISIN DE000A19YDA9 (together, the **Notes**) issued by the Company, in particular an extension of the term until 2026 and a reduction of the total nominal amount of EUR 500 million (EUR 488.3 million – post buybacks by the Company) to a total of around EUR 100,000,000 plus 50% of incurred interest under the Notes (the **Notes Haircut**). Furthermore, as part of the Restructuring Concept, a so-called "capital cut" (*coup d'accordéon*) is contemplated to take place, according to which the Company's share capital will (i) first be reduced by an amount of EUR 2,558,497.50 in order to bring it from its current amount of EUR 2,564,671.50 to EUR 6,174 without the cancellation of shares and thereby reducing the accounting par value per share to EUR 0.00018055 (the **Capital Reduction**), and (ii) then immediately be increased by an amount of EUR 23,826 in order to bring it to an amount of EUR 30,000 by the issue of a total amount of 131,963,836 shares (the **Capital Increase**, together with the Capital Reduction, the **Capital Measures**).

- The Capital Measures, in combination with the Notes Haircut, will enable the Company to achieve a positive equity base in the low to mid three-digit million-euro range in the future. As a result, this consistent recapitalization of the Company will put the Company's balance sheet structure and its leverage back on a stable basis.

- In connection with the Restructuring Concept, the business strategy of the Group will be adjusted. This deviates in part significantly from the previous business strategy and planning. These deviations relate, on the one hand, to changes regarding revenues and earnings items. On the other hand, the new strategic restructuring approach envisages that going forward Corestate will focus on the operating business activities of Hannover Leasing, CRM Students, STAM and Corestate Bank as well as selected asset management mandates of Corestate boutique. In contrast, co-investments, warehousing assets and other balance sheet assets as well as individual operating units that are not necessary for the core business are to be sold or wound down in a value-maximizing manner. On the basis of the new business strategy, the Management Board expects revenues of around EUR 90 million and EBITDA of around EUR 25 million in the medium term following the successful turnaround of the Group and in the course of a recovery of the real estate market. In addition, the Management Board plans to repay the debt instruments adjusted and newly issued in the course of the bond restructuring by the end of 2026 through disposal proceeds.

Luxembourg, 27 June 2023.

Corestate Capital Holding S.A.
The Management Board