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REAL ESTATE

Consus Real Estate AG

Overview of H1 2019 Adjustments

October 15, 2019

Summary

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Adjusted Accounts - reflecting IFRS 15 reclassification

- ✓ Forward sales to institutional purchasers are now classified as two material separate performance obligations, i) land and ii) development services.
  - ✓ Previously classified as one performance obligation
- ✓ Reclassification reflects move to best practice for IFRS 15 Percentage of Completion accounting for Institutional Forward Sales following more precise interpretation of IASB guidance
- ✓ No impact on project margins over the life of project, and no impact on cashflow
- ✓ H1 2019 LTM Pro Forma EBITDA pre-PPA and one-offs now EUR 319m (EUR 16m increase) and FY 2018 LTM Pro Forma EBITDA pre-PPA and one-offs now EUR 246m (EUR 7m decrease)
- ✓ Leverage for H1 2019 now 7.8x versus 8.3x based on Net debt / LTM pro forma adjusted EBITDA
- ✓ Guidance unchanged

IFRS 15 Reclassification (1/2)

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- **Reclassification of Forward Sales to Institutional purchasers**
- **Forward Sales to Institutions will now be accounted for as two performance obligations, i) land sale obligation and ii) development work obligation, in line with IASB principles to separate out material performance obligations**

Separate material performance obligations

- Land sale now accounted for as a sale at the point in time when title passes, with income and profit for the land recognised at that time
- Development obligation continues to be accounted for on a percentage of completion basis from point of forward sale
- Previously, both accounted for as one combined transaction

Methodology of separation

- Revenues from forward sale split between land and development
  - Total revenue unchanged, allocated between performance obligations on a pro rata basis
  - Revenue value of land based on “Bodenrichtwert”, the German official estimated district land price derived from actual land sales
  - Revenue value of development work based off expected margin on costs
- Cost from forward sale split between land and development
  - Land acquisition costs, including financing pre forward sale, separated from total cost and allocated to the land

IFRS 15 Reclassification (2/2)

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Fair value step up ("PPA") allocation

- In line with performance obligation accounting, PPA expensed at point in time for land and over time for development services
- PPA step ups are allocated first to the project land value, with remaining amount of PPA in excess of land value allocated to the development work

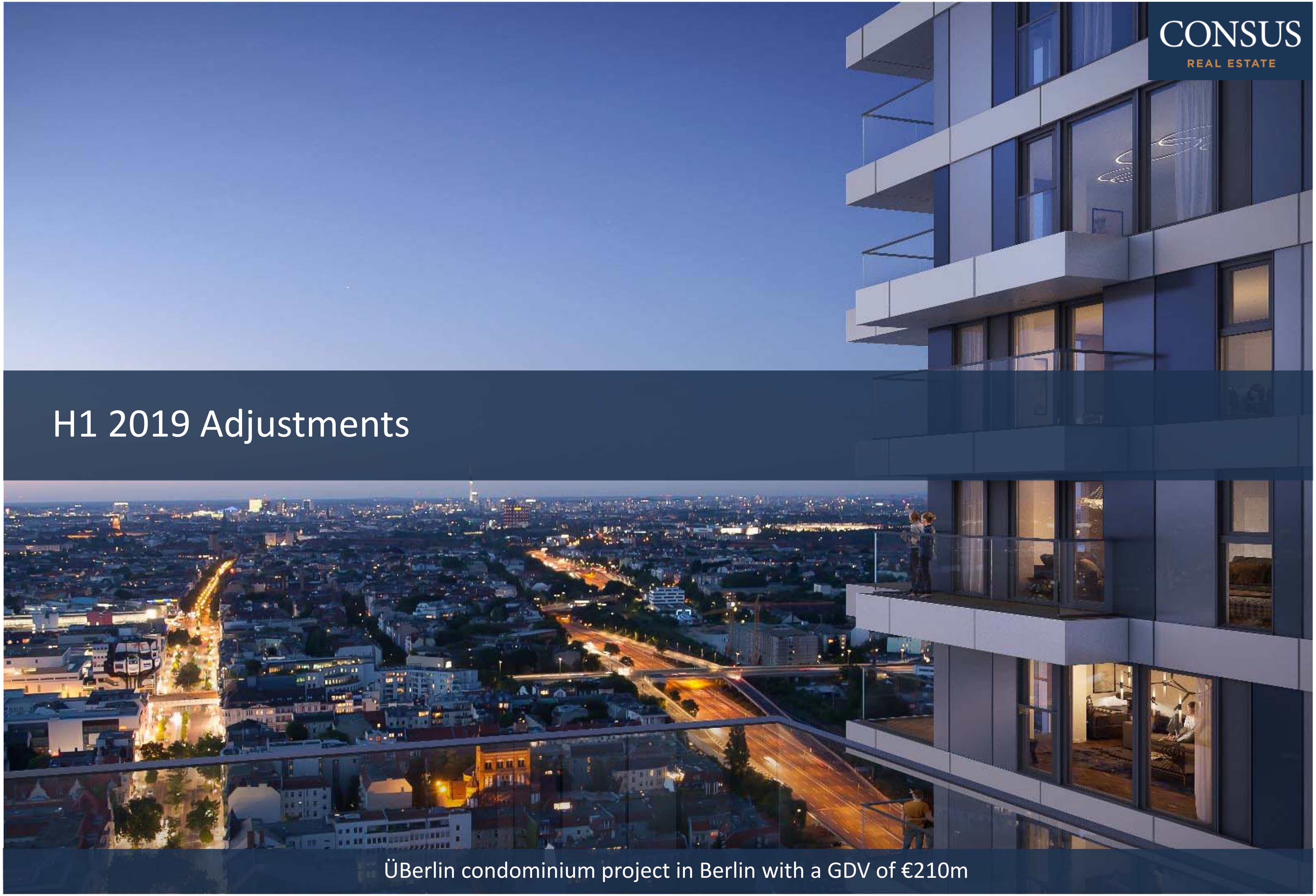
Forward sales of apartments to individuals

- Accounting treatment remains as a single performance obligation approach, as specifically required under IASB guidance
- PPA recognised over time

Net impact:

- Project margins unchanged and guidance is unchanged
- For institutional forward sales, a portion of Revenue and EBITDA will now be recognised later
    - no net impact at steady-state
- Limited impact to Consus EBITDA pro forma pre-PPA in FY 2018 and H1 2019
    - Revenues impacted due to deferred revenue from land sales with offsetting increase in change in project inventory
    - Deferred land profits in part offset by higher development work margins; total margins unchanged
    - LTM 2019 increase primarily due to timing effects in H2 2018
    - FY 2018 slight decrease to net impact of deferred recognition

H1 2019 Adjustments



ÜBerlin condominium project in Berlin with a GDV of €210m

LTM H1 2019 – Adjusted Key Group Metrics

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	Adjusted H1 2019 PF upfront sale + refinancings	Adjusted H1 2019	Adjusted FY 2018
Pro-forma LTM Adjusted EBITDA(1) (original)	**€424m** *(€408m)*	**€319m** *(€303m)*	**€246m** *(€253m)*
Net debt	**€2,341m**	**€2,503m**	**€2,209m** (2)
Net debt / PF LTM Adjusted EBITDA(1) (original)	**5.5x** *(5.7x)*	**7.8x** *(8.3x)*	**9.0x** (2) *(8.7x)* (2)
Average run-rate interest rate	**7.9%**	**8.5%**	**8.1%**

- Strong growth in EBITDA
- Upfront Leipzig sale combined with Q4 2018 upfront sale drive strong growth
- Deleveraging demonstrates strength of business and portfolio
- Significant progress made and more potential for interest rate reduction

(1) EBITDA adjusted for Purchase Price Allocation ("pre-PPA") and one-off expenses
(2) Pro-forma for the issuance of € 400m Senior Secured Notes

H1 2019 Adjusted Key Group Metrics

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Key Income Statement Figures

	Original H1 2019	Adjusted H1 2019
Total Income	€256.0m	€210.3m
Overall Performance	€330.0m	€333.6m
Adjusted EBITDA(1)	€138.3m	€121.6m
Financial Result	€(107.4)m	€(106.9)m
Consolidated Net Income	€3.7m	€4.4m

Key Balance Sheet & Cash Flow Figures

	as of 30/06/2019
Net Debt	€2,503m
Market Gross Asset Value	€3,280m(2)
Operating Cash Flow	€13.2m
Prepayments Received	€77.9m
Net Debt / PF Adjusted EBITDA(1)	8.3x → 7.8x
Net Debt / Market GAV	76%

(1) EBITDA adjusted for Purchase Price Allocation ("pre-PPA") and one-off expenses
(2) Management estimate

Consolidated H1 2019 Financials – Income Statement

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Income Statement

in k €	Original H1 2019		Adjust-ments	Adjusted H1 2019
Income from letting activities	8,724		0	8,724
Income from real estate inventory disposed of	2,400		0	2,400
Income from property development	237,796		(45,697)	192,099
Income from service, maintenance and management activities	7,123		0	7,123
Total income	**256,043**	1.	**(45,697)**	**210,346**
Change in project related inventory	76,998	2.	46,283	123,281
Overall performance	**333,041**		**586**	**333,627**
Expenses from letting activities	(4,840)		0	(4,840)
Cost of materials	(168,073)		0	(168,073)
Net income from the remeasurement of investment properties	8,403		0	8,403
Other operating income	8,482		0	8,482
Personnel expenses	(29,382)		0	(29,382)
Other operating expenses	(31,675)	3.	47	(31,628)
EBITDA	**115,956**		**633**	**116,589**
Depreciation and amortization	(3,319)		0	(3,319)
EBIT	**112,637**		**633**	**113,270**
Financial income	12,423		769	13,192
Financial expenses	(119,829)	4.	(294)	(120,124)
EBT	**5,231**		**1,108**	**6,338**
Income tax expenses	(1,576)	5.	(334)	(1,910)
Consolidated Net income	**3,655**		**774**	**4,429**

LTM Pro Forma Adjusted EBITDA

in k €	LTM FY 2018		LTM H1 2019	H1 2018	H1 2019
EBITDA	**148,884**		**216,644**	**48,829**	**115,589**
PPA Adjustments	81,936		84,511	(53)	2,522
One-off expenses	15,458		17,962	0	2,504
Adjusted EBITDA(1)	**246,278**	6.	**319,117**	**48,776**	**121,615**

(1) EBITDA adjusted for Purchase Price Allocation ("pre-PPA") and one-off expenses

Comments

1. Total income: reduction primarily reflects the deferral of revenue from the land performance obligation to the point in time when title passes from previous recognition at state of forward sale.

2. Change in project related inventory: increase reflects land remaining in inventory until point in time when title passes, and not being recognised as revenue at the start of the forward sale

3. Other operating expenses: small impact due to adjustments to land contract adjustments

4. Financial income and expenses: change reflects adjusted profits impacts in 'KGs' / partnerships', which is recognised through financial income and expense

5. Income tax expenses: change due to change in pre-tax profit

6. LTM adjustments primarily reflect significant profits in H2 2018 and timing differences between the periods

Consolidated H1 2019 Financials – Balance sheet: Assets

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Current & Non-current Assets

in k €	Original H1 2019		Adjust-ments	Adjusted H1 2019
Investment property	351,463		0	351,463
Property, plant and equipment	10,615		0	10,615
Right of use asset	13,363		0	13,363
Goodwill	1,093,381		0	1,093,381
Other intangible assets	5,994		0	5,994
Investments accounted for using the equity method	20,909		0	20,909
Financial assets	53,455		0	53,455
Contract assets	218.662	1.	(123,278)	95,384
Total non-current assets	**1,767,842**		**(123,278)**	**1,644,564**
Work-in-progress incl. acquired land and buildings	2,006,924	2.	338,338	2,345,262
Trade and other receivables	43,430		0	43,430
Receivables from related parties	47,457		0	47,457
Tax receivables	8,990		0	8,990
Financial assets	41,514		0	41,514
Other assets	15,947		0	15,947
Contract assets	121,663		80,022	201,684
Cash and cash equivalents	126,078		0	126,078
Assets held for sale	-		0	-
Total current assets	**2,412,004**		**418,360**	**2,830,364**
Total assets	**4,179,846**		**295,082**	**4,474,928**

Comments

1. Contract assets: reduction due to the land revenue now only recognised at the end of the contract, offset by the prepayments received in relation to land being separately disclosed in liabilities

2. Work-in-progress: Increase due to land assets remaining in inventory until revenue recognised at the end of the contract, and in addition PPA is now expensed over time for development work performed and not expensed at the start of the contract.

Consolidated H1 2019 Financials – Balance sheet: Equity & Liabilities

CONSUS REAL ESTATE

Equity and liabilities

in k €		Original H1 2019	Adjust-ments	Adjusted H1 2019
Subscribed capital		135,107	0	135,107
Capital reserves		861,417	0	861,417
Other reserves	1.	(29,451)	(4,609)	(34,060)
Non-controlling interest	2.	141,203	(3,187)	138,016
Total equity		**1,108,277**	**(7,796)**	**1,100,481**
Financing liabilities		1,786,537	0	1,786,537
Provisions		1,835	0	1,835
Other liabilities		39,137	0	39,137
Contract liabilities		43,543	(43,543)	-
Deferred tax liabilities		122,366	(2,571)	119,795
Total non-current liabilities		**1,993,419**	**(46,114)**	**1,947,135**
Financing liabilities		842,147	0	842,147
Provisions		3,768	0	3,768
Trade payables		80,571	0	80,571
Liabilities to related parties		24,054	0	24,054
Tax payables		41,915	0	41,915
Prepayments received	3.	-	329,434	329,434
Other liabilities		85,695	(3,599)	82,096
Contract liabilities	4.	0	23,156	23,156
Total current liabilities		**1,078,150**	**348,991**	**1,427,142**
Total liabilities		**3,071,569**	**302,887**	**3,374,447**
Total equity & liabilities		**4,179,846**	**295,082**	**4,474,928**

Comments

1. Other reserves: retained earnings are reduced, reflecting lower profit recognition due to deferred land sales. The negative impact in 2018 reflects the one-off historic adjustments required

2. Non-controlling interests: reduction is due to the reduced profit recognised

3. Prepayments received: prepayments related to land are now recognised directly on the balance sheet, as they are no longer offset against contract asset as the income has not been recognised

4. Contract liabilities: these relate to prepayments in excess of contract assets for specific projects

Consolidated H1 2019 Cash Flow Statement

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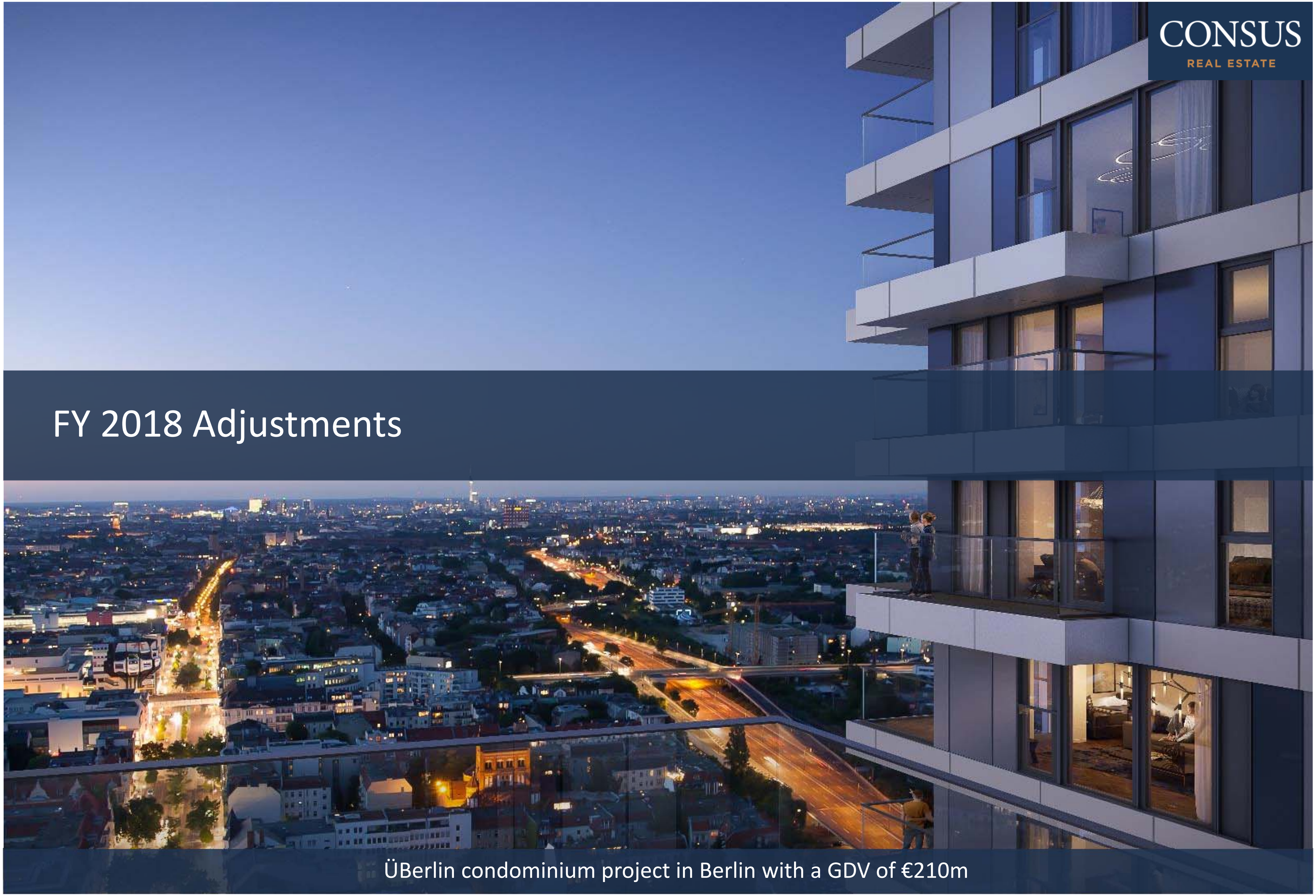
Cash flow

in k €	Original H1 2019	Adjustments	Adjusted H1 2019
Profit (loss) before tax	**5,231**	**1,107**	**6,338**
Depreciation and amortisation	**3,318**	**0**	**3,318**
Depreciation and impairment of property, plant and equipment	*1,572*	*0*	*1,572*
Amortisation and impairment of intangible assets	*60*	*0*	*60*
Depreciation on right-of-use asset	*1,686*	*0*	*1,686*
Valuation gains on investment property	**(8,403)**	**0**	**(8,403)**
Financial expenses (income)	**107,406**	**(474)**	**106,932**
Financial income	*(12,423)*	*(769)*	*(13,192)*
Financial expenses	*119,829*	*295*	*120,124*
Other non cash adjustments	**1,129**	**0**	**1,129**
Other working capital adjustments	**(96,412)**	**(634)**	**(97,046)**
Decrease / (increase) in rent and other receivables	*5,588*	*0*	*5,588*
Decrease / (increase) prepayments, accrued income and other assets	*1,638*	*0*	*1,638*
Decrease/ (increase) in inventories and contractual assets	*(208,300)*	*45,697*	*(208,934)*
(Decrease) / increase in prepayments	*77,891*	*0*	*77,891*
Decrease in inventory property	*(23,037)*	*0*	*(23,037)*
(Decrease) / increase in trade, other payables and accruals, contractual liabilities and other liabilities	*49,808*	*0*	*49,808*
Income tax paid	**795**	**0**	**795**
Net cash flow from operating activities	**13,063**	**0**	**13,063**
Net cash flow from investing activities	**(163,517)**	**0**	**(163,517)**
Net cash flow financing activities	**184,929**	**0**	**184,929**

FY 2018 Adjustments



ÜBerlin condominium project in Berlin with a GDV of €210m

Consolidated FY 2018 financials – Income statement

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Income Statement

in k €	FY 2018	Adjust-ments	Adjusted FY 2018
Income from letting activities	32,796	0	32,796
Income from real estate inventory disposed of	163,515	0	163,515
Income from property development	408,461	(129,469)	278,992
Income from service, maintenance and management activities	10,199		10,199
Total income	**614,971**	**(129,469)**	**485,502**
Change in project related inventory	(147,352)	128,348	(19,004)
Overall performance	**467,619**	**(1,121)**	**466,498**
Expenses from letting activities	(16,083)	0	(16,083)
Cost of materials	(285,600)	0	(285,600)
Net result from the disposal of investment properties	25,631	0	25,631
Other operating income	13,241	0	13,241
Personnel expenses	(36,911)	0	(36,911)
Other operating expenses	(59,997)	(5,341)	(65,338)
EBITDA	**107,901**	**(6,462)**	**101,439**
Depreciation and amortization	(2,175)		(2,175)
EBIT	**105,726**	**(6,462)**	**99,264**
Financial result	(117,214)	3,125	(114,089)
EBT	**(11,488)**	**(3,336)**	**(14,824)**
Income tax expenses	11,192	1,006	12,198
Net income (Earnings after taxes) from continued operations	**(296)**	**(2,330)**	**(2,626)**
Net income (Earnings after taxes) from discontinued operations	1,464	**0**	1,464
Consolidated Net income	**1,168**	**(2,330)**	**(1,162)**

LTM Pro Forma Adjusted EBITDA

in k €	FY 2018	Adjust-ments	Adjusted FY 2018
EBITDA	**155,470**	**(6,586)**	**148,884**
PPA Adjustments	82,262	(326)	81,936
One-off expenses	15,458	0	15,458
Adjusted EBITDA(1)	**253,190**	**(6,912)**	**246,278**

(1) EBITDA adjusted for Purchase Price Allocation ("pre-PPA") and one-off expenses

Consolidated FY 2018 financials – Balance sheet: Assets

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Current & Non-current Assets

in k €		FY 2018 Consus Reported	Adjust-ments	Adjusted FY 2018
Investment property		328,027	0	328,027
Property, plant and equipment		8,771	0	8,771
Goodwill		1,032,480	0	1,032,480
Other intangible assets		6,158	0	6,158
Investments accounted for using the equity method		21,590	0	21,590
Receivables from related parties		-	0	-
Financial assets		10,037	0	10,037
Other assets		-	0	-
Contract assets	1.	235,011	(211,915)	23,096
Deferred tax assets		-	0	0
Total non-current assets		**1,642,073**	**(211,915)**	**1,430,158**
Work-in-progress incl. acquired land and buildings	2.	1,830,487	309,274	2,139,761
Trade and other receivables		53,933	0	53,933
Receivables from related parties		62,853	0	62,853
Tax receivables		8,644	0	8,644
Financial assets		38,439	0	38,439
Other assets		15,499	0	15,499
Contract assets	1.	190	198,314	198,505
Cash and cash equivalents		91,603	0	91,603
Assets held for sale		1,329	0	1,329
Total current assets		**2,102,977**	**507,588**	**2,610,565**
Total assets		**3,745,050**	**295,573**	**4,040,723**

Comments

1. Contract assets: reduction due to the land revenue now only recognised at the end of the contract, offset by the prepayments received in relation to land being separately disclosed in liabilities

2. Work-in-progress: Increase due to land assets remaining in inventory until revenue recognised at the end of the contract, and in addition PPA is now expensed over time for development work performed and not expensed at the start of the contract.

Consolidated FY 2018 financials – Balance sheet: Equity and Liabilities

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Equity and liabilities

in k €	FY 2018 Consus Reported	Adjust-ments	Adjusted FY 2018
Subscribed capital	134,040	0	134,040
Capital reserves	904,233	0	904,233
Other reserves 1.	(27,363)	(5,645)	(33,008)
Non-controlling interest 2.	151,629	(2,924)	148,705
Total equity	**1,162,539**	**(7,455)**	**1,153,970**
Financing liabilities	1,049,150	0	1,049,150
Provisions	1,712	0	1,712
Other liabilities	15,017	0	15,017
Contract liabilities	-	0	0
Deferred tax liabilities	114,380	(2,905)	111,475
Total non-current liabilities	**1,180,259**	**(2,905)**	**1,177,355**
Financing liabilities	1,146,374	0	1,146,374
Provisions	4,735	0	4,735
Trade payables	41,913	0	41,913
Liabilities to related parties	43,196	0	43,196
Tax payables	44,389	0	44,389
Received prepayments 3.	-	323,986	323,986
Other liabilities	75,771	(3,125)	72,647
Contract liabilities 4.	45,872	(13,714)	32,158
Total current liabilities	**1,402,251**	**307,148**	**1,709,399**
Total liabilities	**2,582,510**	**304,244**	**2,886,754**
Total equity & liabilities	**3,745,050**	**297,269**	**4,040,723**

Comments

1. Other reserves: retained earnings are reduced, reflecting lower profit recognition due to deferred land sales. The negative impact in 2018 reflects the one-off historic adjustments required

2. Non-controlling interests: reduction is due to the reduced profit recognised

3. Prepayments received: prepayments related to land are now recognised directly on the balance sheet, as they are no longer offset against contract asset as the income has not been recognised

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