

On behalf of AGPS BondCo PLC
Rüdiger Wolf
Expert Report
24 March 2023

IN THE HIGH COURT OF JUSTICE

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

INSOLVENCY AND COMPANIES LIST (ChD)

IN THE MATTER OF AGPS BONDCO PLC

– AND –

IN THE MATTER OF THE COMPANIES ACT 2006

EXPERT REPORT OF RÜDIGER WOLF

I. INTRODUCTION

1. I, Rüdiger Wolf, am a Managing Director & Partner at Boston Consulting Group GmbH (BCG), in its Restructuring and Turnaround Management division, based in Hamburg, Germany.
2. I have been instructed to provide my opinions in this report by White & Case LLP, solicitors for the AGPS BondCo PLC (the “**Plan Company**”). My instructions are at **Appendix 1**.
3. BCG was engaged by the Plan Company to produce a comparator report (the “**Comparator Report**”) analysing the projected recoveries by Plan Creditors both pursuant to the proposed restructuring plan between the Plan Company and its creditors under Part 26A of the UK Companies Act 2006 (the “**Restructuring Plan**”) and in a scenario in which the Adler group of companies goes into insolvent liquidation (the “**Relevant Alternative**”) to the Restructuring Plan.
4. I am aware that an Ad Hoc Group of creditors opposes sanction of the Restructuring Plan and that, on 18 March 2023, the Ad Hoc Group served a report prepared by Ms Lisa Rickelton of FTI Financial Services Limited (the “**Rickelton Report**”) which questions the recoveries projected in the Comparator Report, in particular from the perspective of the 2027 and 2029 SUNs.
5. I have over 20 years’ experience advising on restructuring and turnaround management issues. Before joining BCG I worked as a CRO and CFO and I also worked as an insolvency administrator. My professional profile is set out at page 3 of **Appendix 2**.
6. BCG has been working with the Adler Group since late October 2022 in preparing a restructuring opinion and undertaking contingency analysis in anticipation of a potential restructuring and/or insolvency of the Group.
7. In addition to the mandate by Adler Group S.A., BCG was engaged by the Plan Company to produce the Comparator Report for the purpose of modelling projected

recoveries by holders of the SUNs in the event the Restructuring Plan is adopted, and in the Relevant Alternative.

8. In my position as leading Managing Director for the BCG engagement on behalf of Adler Group and the Plan Company, I led BCG's work on the Comparator Report, assisted by a team of colleagues including Dr. Ralf Moldenhauer (Managing Director and Senior Partner), Olaf Rehse (Managing Director and Senior Partner), Jan Lindenberg (Partner), Julia Kriegsmann (Associate Director), Kai Kroeber (Consultant), Clemens Jungmair (Consultant), Anna Loss (Associate), Lukas Diederich (Associate), Felix Pritzer (Associate) and Jan Duken (external contractor to BCG acting as Senior Advisor).
9. Together with the team named above, with regards to developing the Comparator Report my primary focus was the analysis of the projected recoveries under the Restructuring Plan and the Relevant Alternative, with the Market Model forming an essential input factor to both analyses.

II. DEVELOPMENT AND OPERATION OF THE MARKET MODEL

A. The Market Model

10. To forecast the proceeds of future asset disposals by the Group, BCG developed a market model to forecast the gross asset value of the Group's yielding assets through to 2030. As detailed at pages 38 and 39 of the Comparator Report, the model is based upon a range of commonly accepted macroeconomic factors which drive asset prices generally, and in the German real estate market in particular.
11. It was necessary to build a bespoke market model because, although short-term analyses are available publicly (*e.g.*, from brokers / bankers) there is no reliable data forecasting price developments on the German real estate market in the medium to long-term (*i.e.* beyond 2024 when the Group expects to make asset disposals if the Restructuring Plan is implemented, or a liquidator would do so in the Relevant Alternative). In my experience, market models of the type developed by BCG are often used for the purpose of forecasting future prices. Ms. Rickelton acknowledges that such models are often necessary, but she questions the reliability of BCG's model, principally on the basis

that interest rates and interest rate forecasts have increased since the model was finalized (as to which see further, paragraph 25 below).

12. The market model focuses on residential real estate only and has been prepared from scratch and solely for the use of forecasting the Group's yielding assets. The market model builds on macroeconomic fundamentals, as also detailed further below.
13. BCG's market model forecasts growth rates of property prices in Germany at the level of the individual federal states in Germany and for four key cities, which are of relevance to the Adler portfolio (Düsseldorf, Dresden, Leipzig, and Duisburg). The expected development of GAVs for Adler Group's yielding portfolio is derived from the projected growth rates. For development assets, an evaluation on a project-by-project basis is required (dependent on factors including demand, comparable projects/buildings in proximity, building permit, quality/feasibility of development plan, the current condition of the construction site, *etc.*).
14. The chart at page 8 of Appendix 2 illustrates the factors which go into deriving property values. We adopted the market standard approach for the calculation of property prices, based on net cold rent (rent income before any incidental rental costs) and valuation multiplier figures (with the value of yielding assets commonly expressed as a multiple of annual net cold rental income), which drivers I look at more closely below.
15. The first step was for us to forecast net cold rent and valuation multiplier figures based on inputs for relevant variables, derived from verifiable and reputable third-party sources.¹ Next, we used these figures to derive the year-on-year ("YOY") growth of property prices. We tested the accuracy of the market model rigorously via backward calculations (*i.e.* testing the forecasted values against actual historical figures) and plausibility checked it through expert knowledge (including Adler Group's Management) and by reviewing market information.
16. We started work on the market model in late November 2022. We only finished our work on it in early February 2023. The model was the product of intensive work over this period from six individuals (*i.e.*, Ms. Loss, Mr. Duken, Mr. Moldenhauer, Mr. Rehse, Mr. Lindenberg, and me). The process is an iterative one which by which the

¹ Detailed sources are outlined in the Comparator Report page 88-90.

modeller(s) must take into account a wide set of variables (many of which only emerge as relevant during the process of the case analysis).

17. The amount of time and work that has gone into development of the market model translates, in my view, into a sophisticated output. Ms. Rickelton has adopted Mr Gerlinger's estimate of the proceeds from future disposals. Mr Gerlinger did not use a market model to forecast outcomes for Plan Creditors but based them on professional judgement. Ms. Rickelton relies entirely on Mr. Gerlinger's valuations.

B. The operation of the market model

18. The Comparator Report includes detailed commentary on how the market model operates. I am instructed by White & Case that it may assist the Court if I expand on certain aspects of this topic.
19. On page 38 of the Comparator Report, we set out how net cold rent and valuation multipliers were modelled. We have provided more information on the approach we took in the Comparator Report, at pages 6 to 9 of Appendix 2.
20. As to net cold rent, we derived YOY growth in net cold rent from an econometric model. We conducted intensive market research prior to and during the construction of the market model and analysed over fifteen different market drivers. We identified vacancy rates, household disposable income, and maintenance costs as the key drivers based on previous research, as well as consultation with subject-matter experts, and by testing the relationship these factors had with net cold rent. We aggregated the historic and projected YOY development of input variables through the following official sources and studies:
 - a. *Net cold rent*: we calculated historic YOY changes of net cold rent for each of the sixteen German federal states based on the indexed net cold rent for 2011-2021 provided by the Federal Statistical Office of Germany (DESTATIS). We then forecasted projected YOY changes as described above.
 - b. *Household disposable income*: we derived YOY growth rates for household disposable income in nominal terms (on current prices) for the relevant German

states and key cities from Oxford Economics, whose forecast is based on data from DESTATIS and their own modelled projections.

- c. *Vacancy rate*: we derived historic vacancy rates for each of the sixteen states, Leipzig, and Dresden (between 2011 and 2021), save for Düsseldorf, in respect of which data was only available up to 2020 from Empirica and CBRE Group data, collected via Statista, and the Dresden city website. We also took data on the city, Duisburg for 2011 to 2020 from the city website. Forecasts for the vacancy rates are based on the study “*Künftige Wohnungsleerstände in Deutschland*” of the Federal Institute for Research on Building, Urban Affairs and Spatial Development. This study predicts change in vacancy rates in percentage points between 2025 and 2030 for different regions and property types.
 - d. *Maintenance costs*: DESTATIS gives historic maintenance costs as a price index for 2011-2021, which we used to calculate the historic costs YOY. In order to forecast the maintenance costs, we assumed growth in line with weighted inflation. The YOY inflation growth rate (given as a consumer price index) forecast is from the German Federal Bank and Haver Analytics, which we sourced via Oxford Economics.
21. To project YOY growth of net cold rent, we applied linear regression coefficients² between independent variables and the dependent variable above. By this approach, we calculated future and past growth rates, which we tested against actual observed data. In case of deviations from historical data, the model rent curve is shifted in parallel until deviation from historical data is minimised.
22. To project YOY growth of valuation multipliers, we first took past data of the YOY growth rate of the multiplier for the 16 states and key cities. Second, we applied linear regression analysis, to calculate past coefficients between the development of interest rates and changes in the valuation multiplier. The derived coefficients have been applied to predict future YOY growth of the valuation multiplier. In addition, we used these coefficients to calculate YOY growth for individual periods in the past compared with known historic actual data (*i.e.*, backward calculation). Backward calculations

² Regression coefficients or regression slope is the expected change in the outcome per unit change of the independent variable.

showed an increased fit between actual figures observed and what the model would have forecast them to be with a one-year lag between interest rate movements and impact on valuation multiplier.

23. The following additional aspects of our approach are worth explaining:
- a. *Historical value multiplier*: given the lack of a complete timeline (i.e., 2010 to 2022) of valuation multipliers for all states and key cities, we derived the implicit valuation multiplier from the correlation between historically observable net cold rent developments and property price developments. We calculated YOY growth of the valuation multiplier by subtracting YOY growth of property prices from YOY growth of net cold rent³.
 - b. *ECB main refinancing interest rate*: we sourced the historical ECB main refinancing interest rate from the ECB via Statista. To predict the refinancing interest rate, we considered forecasts from Bloomberg and IHS Markit as of January 2023. The Bloomberg forecast as of January 2023 covered 2023 to Q1 2025 (reaching 2.15%) and is adopted in the market model for the relevant years. The IHS Markit outlook as of January 2023 provided an outlook from 2023 to 2028 assuming a steady interest rate of 2% from 2024 to 2028.³ We incorporated the IHS prognose in the market model for the years 2026 to 2028. We assumed consistent interest rates of 2% also for 2029 and 2030. We calculated the YOY development in value multipliers based on these sources.
24. To forecast property price developments until 2030, we incorporated both net cold rent and valuation multiplier prognoses. Then, as above, we tested these through consultation with subject-matter experts, the Group's management, and by reference to further market information. Based on the valuation reports for December 2022 that we received from CBRE prior to finalising the Comparator Report, the GAVs produced by our market model corresponded with the actual valuations (i.e., there were no material differences in GAV for yielding assets between the CBRE valuation and those predicted by our market model). This is illustrated in the table below:

³

The IHS forecast as of March 2023 assumes now 2% from 2025 to 2028

Table 1.: Comparison of the market model with CBRE valuation as of December 2022

€ Mio.	CBRE valuation 31.12.2022	Market Model 31.12.2022
ADO	3,489	3,477
Adler	1,417	1,420
Westgrund	274	274
Total Yielding	5,180	5,171
<i>Discount vs 30.06.</i>	<i>-4.7%</i>	<i>-4.9%</i>

C. Inputs to the market model

25. At paragraph 4.32 of Rickelton 1, Ms. Rickelton refers to the interest rate assumptions we adopted. In response to this, I refer to my detailed explanation above for the prognosis we assumed for the ECB main refinancing interest rate. In addition, interest rate forecasts are volatile and may be revised again in the future. The updated IHS Markit interest rate forecast as of March 2023 converges to the level of 2.0% by 2025, as did the IHS Markit forecast from January 2023 we used by 2024. Since real estate is typically a long-term investment, a temporarily increased interest rate should not affect long-term valuation.
26. Ms. Rickelton discusses at paragraph 4.40 her views as to our market model valuation approach. We constructed the market model independently adopting the rigorous exercise I described above, resulting in the prognoses set out in the Comparator Report. We compared final results to publicly available reports and also the Kempen forecast (shown on page 41 of the Comparator Report). These comparisons confirmed that the model produced results in line with the overall expectations (at the date of the Comparator Report).
27. Ms. Rickelton employs the valuations of the Group's yielding and development assets performed by Christoph Gerlinger (in his expert report in these proceedings ("Gerlinger 1")) in her illustrative sensitivities 1 and 2 that estimate outcomes under the Plan and in the Relevant Alternative, rather than the figures set out in the valuations performed by CBRE and NAI Apollo as of June 2022 for the purposes of Adler's Q2 2022 financials.

28. I am not an expert in valuing real estate. However, through the lens of my experience as a restructuring advisor, if we were to commence the project again, with both Mr Gerlinger's valuations and the Q2 2022 valuations produced by CBRE and NAI Apollo, I would (again) use the CBRE and NAI Apollo valuations as primary inputs for the market model. This simply flows from the benefit to our modelling of using the best data available as inputs. My understanding is that both CBRE and NAI Apollo conduct periodic physical inspections of all of the properties which they value, and consider a wide range of other factors, so as to produce bi-annual valuations in accordance with the RICS Red Book. It is reasonable to conclude that both valuers are therefore very familiar with the Adler group's assets.
29. As an observation on market practice generally, for projects of this scale, where the future of the corporate group turns on the quality and reliability of the data output, it is far more common that we (*i.e.*, BCG) would use those valuations with the highest level of detail available. This appears to be the case in the CBRE and NAI Apollo valuations, because they are likely to provide a high quality of data in the first place (not least by virtue of the significant amount of work that has gone into them, including the specific assessments made of individual properties as well as the prior experience of both CBRE and NAI Apollo in valuing Adler Group's assets). The Gerlinger 1 valuations do not benefit from the same level of detail.
30. Since we completed the Comparator Report on 20 February 2023, I have been made aware by the Group's Management of certain facts that do impact the expected Cash proceeds, as follows:
- a. Increased cash demand within the Consus box over the planning period amounting to €39 million; affecting proceeds under the Restructuring Plan and at least partially also those under the Relevant Alternative (to the extent an administrator would also exercise these expenses in an insolvency scenario);
 - b. Increased advisor costs in relation to the restructuring in the amount of €35 million⁴; affecting proceeds under the Restructuring Plan and at least partially also those

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I am instructed that the costs estimate we received from management for the purposes of the Comparator Report was premised on the success of the consent solicitation process, whereas this increased estimate predominantly reflects the migration to a fully contested restructuring plan in the English courts.

under the Relevant Alternative (to the extent an administrator would also exercise these expenses in an insolvency scenario); and

- c. Information about a backlog in required capital expenditures for Portfolio 1 amounting to €20 million (potentially reducing the purchase price upon sale); affecting proceeds under the Restructuring Plan and potentially affecting the proceeds under the Relevant Alternative (to the extent a potential buyer would require this amount as an additional discount considering the already realized insolvency discount)
31. These effects have a sustainable impact on the expected excess cash position by the end of the planning period in 2026, reducing the available headroom by €94 million (from €403 million to €309 million).
 32. Importantly, unlike the possible introduction of updated interest rates (discussed below), I believe that each of the above factors (which essentially reflect increased costs or decreased valuations) can be updated in our model in isolation, without having a potential knock-on effect upon other assumptions.
 33. Besides the effects stated above the Group's Management has also informed us that the following disposals of development projects are expected to be postponed as compared to the Restructuring Plan:
 - Development 1 (GAV 30th June 2022 as per NAI Apollo valuation: €145 million; expected gross sales proceeds: €110 million) expected from May 2023 to October 2023);
 - Development 2 (GAV 30th June 2022 as per NAI Apollo valuation: €99 million; expected gross sales proceeds: €74 million gross sales proceeds) expected from April 2023 to June 2023); and
 - Development 22 (GAV 30th June 2022 as per NAI Apollo valuation: €51 million; expected sales proceeds: €37 million) expected from July 2023 to December 2023

34. However, since these projects are expected to be delayed only and no impact on sales proceeds is expected, there is also no expected sustainable impact on excess cash planned as at the end of the planning period.
35. The Group's Management informed us that Van Lanshot Kempen revised its valuation of Brack Capital Properties N.V. arriving at a current value reduction of €42.5 million as compared to the value included in the Comparator Report.

III. CHANGING THE UNDERLYING INPUT VARIABLES TO THE MARKET MODEL

36. Ms. Rickelton gives her opinion as to the impact of updated interest rate forecasts on our analysis at para 2.36 of Rickleton 1. I do not agree that the impact of factoring in the particular set of interest rates Ms. Rickelton suggests (the Bloomberg ECB Main Refinancing Rate Forecast as at 6 March 2023) has as substantial an impact as Ms. Rickelton anticipates. The results of our own analysis show a deviation of c.€50m (illustrated on page 12 of Appendix 2) to the values shown in the Comparator Report, and are thus far more modest than Ms. Rickelton has forecasted.
37. I note that Ms. Rickelton recalls in her report that we did not agree to undertake illustrative sensitivity analyses on Ms. Rickelton and her team's request. The reasons for this were explained previously to Ms Rickelton, and are summarised at paragraph 4.38 of her report. As I explained above, it took us over two months to develop the model from scratch. Changing macro-economic assumptions or inputs (such as the ECB interest rate forecasts) in the market model meaningfully is not simply a case of putting in a new set of numbers and re-running the model. To get a meaningful result following the input of updated variables (such as more recent interest rate figures), one needs to take a comprehensive approach, considering all other variables that might possibly change in light of the updated data and potentially impact the outcome (I identify this in the specific context of interest rate figures, below). The process of updating the market model in this project so as to take into account all appropriate variables would, in my view, take between two to three weeks' intensive work.
38. Therefore, my main observation on the output in Rickleton 1 is that it is constrained by the fact that Ms. Rickelton and her team simply have not had the benefit of their own

model developed over months by a team of analysts, so as to perform their analysis, which has been available to BCG.

39. Modifying one series of input data without also considering the need to update other inputs does not provide a comprehensive update of the model's results. Solely raising the interest rate level will decrease the YOY projection of the multiplier. As a general proposition, interest rates and inflation tend to be intrinsically linked: when the inflation rate is high, interest rates generally rise too. Therefore, as interest rates are rising due to high inflation, disposable income, and maintenance costs tend to be impacted too, which might reasonably be expected to drive the net cold rent prognosis. A holistic large-scale update will be necessary in order to achieve a meaningful result. Given the last raise of the ECB main refinancing interest rate of +0.5% applicable as of 22 March 2023 (the second attempt by the ECB to steer inflation towards 2% in 2023), not all sources of the model inputs will already have included impacts of the interest raise.
40. The market model was calculated as of February 2023 based on interest assumptions as per January 2023. For illustrative purposes, and despite the limitations that adopting such a simplistic approach has (which I have described above), we tested the model with higher interest rate assumptions as outlined in the table below. Due to the lag effect on interest rates of one year, the effect of the increased interest rate is observable in 2024. Rent growth partially absorbs the effect on property value, resulting in devaluation of -1% of Adler portfolio in Berlin in '24. The incorporation of isolated interest rate assumption results in around a -€50M total portfolio value difference in 2024 and 2025.

Table 2.: *Comparison of the interest rate assumption in the market model and simplified sensitivity*

%	H2/22	2023	2024	2025	2026	2027	2028	2029	2030
Market model	2.5%	2.7%	2.5%	2.2%	2.0%	2.0%	2.0%	2.0%	2.0%
Simp. Sensi.	2.5%	3.7%	3.3%	2.7%	2.0%	2.0%	2.0%	2.0%	2.0%

41. This is within the headroom afforded by the Plan of approx. €309m (*i.e.*, taking into account the adjustments described at paragraph 28 above).
42. Although, in illustrating the impact above, we could not, due to constraints on time and resources, adopt the comprehensive approach that it is necessary to follow to obtain the

high quality data that we were able to yield from the market model for the purposes of the Comparator Report, I consider that the data we have produced here is the most accurate and reliable way the data can be produced in the time available, in my opinion. This is because it is derived from the elaborated market model developed from scratch specifically for this case.

IV. FACTORS RESULTING IN INCREASED RECOVERIES UNDER THE PLAN COMPARED TO THE RELEVANT ALTERNATIVE

43. On page 32 of the Comparator Report, we illustrated the factors which produce 52% higher returns for Plan Creditors under the Plan than in the Relevant Alternative, considering returns of 115% under the RP (100% nominal amount and 15% interest, compare page 31 of the Comparator Report) and 63% under the Relevant Alternative.
44. In the Relevant Alternative, the factor which has the greatest single impact upon projected recoveries in relation to the Restructuring Plan is the “insolvency effect” on asset prices. The effect accounts for 54% of the difference between both scenarios (of which 34% are related to effects on yielding assets, 17% are related to effects on development assets and 3% are related to effects on BCP shares)⁵, with the additional net effect of other impacts partially offsetting the insolvency effect by providing +2% of recovery, overall resulting in 52% difference in recoveries.

V. MODELLING ALTERNATIVE SCENARIOS

45. Building on our business plan model that illustrates management’s restructuring plan we tested the outcomes for Plan Creditors in specific scenarios, which assume the correctness of Mr. Gerlinger’s valuations. I understand from White & Case that our illustration of outcomes in these hypothetical scenarios may assist the Court in assessing the merits of the Plan.

A. Scenario 1: Gerlinger asset values and Comparator Report disposal timeline

46. In this scenario, we assumed that Mr. Gerlinger’s opinion as to the asset values as at June 2022 and as to projected sales prices are correct. As to Mr. Gerlinger’s opinion

⁵ Numbers are rounded

on projected values, we note that he did not provide data on the development of value on a monthly or annual basis, hence we have assumed linear value development over time. We illustrate our sale price assumptions on page 14 of Appendix 2 for yielding assets and on page 15 for development assets in this scenario versus those assumed under the Restructuring Plan in the Comparator Report.

47. On slide 16 of Appendix 2, we illustrate how asset valuations and sales prices under the Plan assumed in the Comparator Report interact with the Group's obligations under the "LTV Covenant" (which provision is described in detail in Mr. Trozzi's third witness statement ("**Trozzi 3**"). This slide is extracted from the Comparator Report.
48. On slide 17, we rework the previous slide to contemplate Scenario 1. The red dotted line on the chart shows that, by Q4 2024, the asset values and sales prices (assuming annulment of the Release Price Mechanism on all sales) forecasted by Mr. Gerlinger on the disposal timetable he assumes will result in infringement of the LTV Covenant. Moreover, as this slide notes, asset sale proceeds will not be sufficient to cover the Group's cash requirements in Q1 2026, an earlier disposal of Portfolio 5 would be required to mitigate this (potentially incurring lower sale proceeds).

B. Scenario 2: Gerlinger asset values and Release Price Mechanism impact on timeline

49. On slide 18, we show the same template slide again but in the scenario that takes into account the "Release Price Mechanism" that Mr. Trozzi describes in Trozzi 3. The red dotted line on the chart shows that, by Q4 2024, the asset values forecasted by Mr. Gerlinger on the disposal timetable he assumes will result in infringement of the LTV Covenant. Moreover, as this slide notes, the Group's cash requirements will not be covered anymore in Q3 2025.

VI. CONCLUSION

In summary, based on my professional experience, I am of the view that the assessment of future prices through a market model such as that developed by BCG for the purposes of forecasting prices in the Restructuring Plan and Relevant Alternative scenarios is a sophisticated and robust method. There is no methodology which would enable one to predict the future with certainty. Nevertheless, a market model enables one to forecast

outcomes objectively and based on observable macroeconomic principles and interconnections.

VII. DECLARATION

- C. I understand that my duty in providing written reports and giving evidence is to help the Court, and that this duty overrides any obligation to the party who has engaged me. I confirm that I have complied with this duty and will continue to comply with this duty.
- D. This report has been prepared in accordance with Part 35 of the Civil Procedure Rules and its Practice Direction, the Guidance for the Instruction of Experts in Civil Claims 2014 and the Commercial Court
- E. I have not, without forming an independent view, included or excluded anything which has been suggested to me by others (in particular my instructing lawyers).
- F. I will notify those instructing me immediately and confirm in writing if for any reason my report requires any correction or qualification.
- G. I understand that:
 - a. my report, subject to any corrections before swearing as to its correctness, will form the evidence to be given under oath or affirmation;
 - b. I may be cross-examined on my report by a cross-examiner assisted by an expert; and
 - c. I am likely to be the subject of public adverse criticism by the judge if the Court concludes that I have not taken reasonable care in trying to meet the standards set out above.
- H. I confirm that I have not entered into any arrangement where the amount or payment of my fees is in any way dependent on the outcome of the case.
- I. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

STATEMENT OF TRUTH

I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

SIGNED



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Rüdiger Wolf

DATED

24 March 2023

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APPENDIX 1: INSTRUCTIONS

24 March 2023

Mr. Rüdiger Wolf of Boston Consulting Group (the “Expert”)

Dear Mr. Wolf,

In the matter of: AGPS BondCo PLC

White & Case LLP
5 Old Broad Street
London EC2N 1DW
T +44 20 7532 1000

whitecase.com

1. INTRODUCTION

- 1.1 White & Case acts for Adler Group S.A. (the “**Parent Company**”) and its direct and indirect subsidiaries (collectively the “**Group**”) in connection with *inter alia* a proposed restructuring plan under Part 26A of the Companies Act 2006 (the “**Plan**”). The Plan will be proposed by AGPS BondCo PLC (the “**Plan Company**”), a newly incorporated English subsidiary of the Parent Company.
- 1.2 The purpose of the Plan is to obtain the consents required to effect certain amendments to the terms and conditions of the SUN Notes (as defined and detailed in **Appendix 1**) to enable the Group to incur additional financial indebtedness and, among other things, extend the maturity of certain of the SUN Notes by 12 months (the “**Proposed Amendments**”). The Plan Company, as well as the Group, considers the Proposed Amendments are necessary in order for it to continue to service its debt obligations and install a stable platform for the Group, which will safeguard its business, operations and employees.
- 1.3 The purpose of this letter is to set out your instructions in respect of the independent expert report that you have agreed to submit in connection with the Plan Company’s application to the English High Court to sanction the Plan.

2. BACKGROUND

- 2.1 The background and details concerning the Plan, the Plan Company and the Group are set out in **Appendix 1** to this letter.
- 2.2 A non-consenting minority of Plan Creditors or “Ad Hoc Group” (the “**AHG**”) have challenged the Plan. The evidence filed on behalf of the AHG in the English Court proceedings includes, among other documents, the expert report of Ms Lisa Rickelton of FTI Consulting LLP dated 18 March 2023 (the “**Rickelton Report**”) and the expert report of Mr Christoph Gerlinger of Knight Frank Valuation and Advisory GmbH & Co KG (the “**Gerlinger Report**”) dated 18 March 2023 (the “**Gerlinger Report**”).

3. INSTRUCTIONS FOR THE EXPERT

- 3.1 You are requested to provide an independent expert opinion by way of reply to the Rickelton Report and Gerlinger Report, including but not limited to, the following matters:
- (a) whether Ms Rickelton’s analysis and conclusions with respect to the methodology used by BCG in the Comparator Report to project recoveries in the Restructuring Plan and Relevant Alternative are valid, and whether they justify any changes to BCG’s methodology; and
 - (b) whether the Market Valuations undertaken by Mr Gerlinger of Adler Group’s Yielding Portfolios, Development Portfolio and BCP Portfolio as at Q2 2022 and 15 March 2023 represent the best available valuations for use in the Comparator Report.

Your report (including any exhibits and supporting materials) must be finalised and filed by 6pm on 24 March 2023. The Plan Company’s application to sanction the Plan will be heard by

the English High Court at the Plan Sanction Hearing. This is scheduled to take place in London from 3 to 5 April 2023. You are requested to attend the Plan Sanction Hearing to answer any questions from Counsel for the Plan Company and AHG on your report.

4. DOCUMENTS

4.1 You are provided with:

- (a) the documents lodged with the English Court by the Plan Company on 20 February 2023;
- (b) the Rickelton Report;
- (c) the Gerlinger Report;
- (d) materials provided by Akin Gump LLP to White & Case LLP on 22 and 23 March 2023 in response to queries regarding the Rickelton Report.

5. CONTENTS OF THE EXPERT'S REPORT

5.1 In preparing your report, please review the enclosed Part 35 of the English Civil Procedural Rules (the "CPR"), Practice Direction 35 (particularly paragraphs 2.1 to 2.5 and paragraphs 3.1 to 3.3) and the enclosed "Guidance for the instruction of experts in civil claims". These documents set out the requirements that must be followed in order to ensure that the report is compliant with the English Civil Procedure Rules.

5.2 In particular, we would draw your attention to the overriding duty to the Court (CPR Rule 35.3 and paragraph 3.2(9)(a) of the Practice Direction to CPR Part 35). Where an expert is appointed by a party to litigation, the expert has an overriding duty to assist the Court on matters within his or her expertise. This duty overrides any obligation to the person who instructed the expert or by whom the expert is being paid.

5.3 You will see from CPR 35.10 and paragraph 3.2 of Practice Direction 35 that your report should:

- (a) give details of your qualifications;
- (b) give details of any literature and other material on which you have relied in preparing the report;
- (c) state the substance of all the material instructions, whether written or oral, received from this firm;
- (d) state the substance of all facts which are material to the opinions expressed in the report, and make clear which of the facts in your report are within your own knowledge;
- (e) state who carried out any examination, measurement, test or experiment which you have used for the report, give the qualifications of that person, and say whether or not the test or experiment has been carried out under your supervision;
- (f) where there is a range of opinion on the matters with which the you deal in your report, summarise the range of opinion and give reasons for your own opinion;
- (g) contain a summary of the conclusions which you have reached;
- (h) if you are not able to give an opinion without qualification, state the qualification; and

- (i) contain a statement that you understand your duty to the Court and that you have complied with that duty, and are aware of the requirements of CPR 35, Practice Direction 35 and the Guidance for the Instruction of Experts in Civil Claims 2014.

5.4 In addition to the requirements for the contents of the report in (a) to (i) above, your report should end with a statement of truth which reads as follows:

“I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.”

5.5 You should let us know immediately if, at any time after producing your report, you change your opinion on the matters contained therein. It is also important for you to let us know promptly if you need to update the report after it has been filed at Court, for example because new evidence has come to light, so that we can consider whether an amended version of the report or a supplementary report should be served.

5.6 You may be aware, in certain circumstances, experts may be held liable for costs and do not enjoy immunity from civil proceedings. Proceedings for contempt may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth. Please do let us know if it would be helpful to discuss these points further.

6. QUESTIONS

6.1 We look forward to receiving your report.

6.2 Should you have any questions arising out of these Instructions, please do not hesitate to contact Charles Balmain, Christian Pilkington, Ben Davies and/or (cbalmain@whitecase.com (020 7532 1807), cpilkington@whitecase.com (020 7532 1208) or bdavies@whitecase.com (0207 532 1216)) of this office.



White & Case LLP

Encl.

- Part 35 of the English Civil Procedural Rules
- Practice Direction 35 of the English Civil Procedural Rules
- Guidance for the instruction of experts in civil claims, Civil Justice Council 2014

Appendix 1

1. BACKGROUND TO THE PLAN COMPANY AND GROUP

The Plan Company

- 1.1 The Plan Company is a public limited company incorporated under the laws of England and Wales. The Plan Company was registered with Companies House on 23 December 2022 under company number 14556926. The Plan Company is resident in the United Kingdom for tax purposes and its centre of main interests is located in England. Its registered office is at 16 Eastcheap, London, EC3M 1BD, United Kingdom. The Plan Company is a direct, wholly-owned subsidiary of the Parent Company.
- 1.2 The Plan Company was incorporated for the purpose of promoting the Plan and, following the Issuer Substitution (as defined and detailed below), it is liable as issuer in respect of the SUN Notes. Prior to the Issuer Substitution, the Parent Company was the issuer of the SUN Notes.

The Group

- 1.3 The Group is specialised and focused on the purchase, management and development of income producing multi-family residential real estate, with a portfolio of approximately 26,219 residential rental units throughout Germany and a development pipeline of approximately 32,000 residential units in Germany's top cities.
- 1.4 The Group is pursuing the Plan as part of a broader restructuring of its financial obligations to address its tightening liquidity position and upcoming debt maturities. There are certain covenants in the Group's debt documents restricting the ability of the Group to raise additional debt financing, which has limited the Group's refinancing options and has increased reliance on asset disposals to generate the necessary funds to service the Group's financial liabilities as they fall due. However, increasingly challenging conditions in the German residential real estate market mean that the Group was and is struggling to realise sale proceeds on a tight timetable and at optimal levels.
- 1.5 The Parent Company, a Luxembourg-based company, with its shares admitted to trading on the regulated market segment of the Frankfurt Stock Exchange, is the parent company of the Group and is the issuer of certain debt securities detailed below. The Parent Company holds a direct 96.72 per cent. interest in Adler Real Estate AG ("**Adler RE**") and a direct or indirect interest of in total 96.88 per cent. in Consus Real Estate AG ("**Consus**"), both German-incorporated companies currently listed on the Frankfurt Stock Exchange and, with respect to Adler RE, the issuer of certain other debt securities. White & Case understand that the Parent Company also holds an interest in various Dutch, German and Luxembourg 'PropCos'.
- 1.6 A simplified structure chart in relation to the Group is annexed to these Instructions.

2. CAPITAL STRUCTURE

Issuer Substitution

- 2.1 The SUN Notes were originally issued by the Parent Company. Following the decision to proceed with the Plan, in accordance with the terms and conditions of each series of SUN Notes, the Plan Company was substituted in place of the Parent Company as issuer of the SUN Notes (the "**Issuer Substitution**"). The Issuer Substitution was completed on 11 January 2023 and notified via the paying agent under each series of the SUN Notes (BNP Paribas Luxembourg) to the common depository who has amended the global deeds representing the SUN Notes accordingly and to the SUN Noteholders on the same date via a notice published on the Luxembourg Stock Exchange. On 12 January 2023, such announcement was also posted on the Clearing Systems and on the Group's website.

- 2.2 In accordance with the terms and conditions of the SUN Notes, the Parent Company issued irrevocable and unconditional guarantees in relation to the obligations and liabilities under the SUN Notes, including (but not limited to) payment of the principal of, and interest on, the SUN Notes (the “**Parent Company Guarantees**”).

Debt Obligations of the Plan Company

- 2.3 Following the Issuer Substitution, the Plan Company became the issuer of each of the following series of senior unsecured notes (together, the “**SUN Notes**” and the holders of a proportionate co-ownership or other beneficial interest or right in the SUN Notes, the “**SUN Noteholders**”):
- (a) €400,000,000, 1.500% senior unsecured notes due 26 July 2024 (the “**2024 SUNs**”);
 - (b) €400,000,000, 3.250% senior unsecured notes due 5 August 2025;
 - (c) €700,000,000, 1.875% senior unsecured notes due 14 January 2026;
 - (d) €400,000,000, 2.750% senior unsecured notes due 13 November 2026;
 - (e) €500,000,000, 2.250% senior unsecured notes due 27 April 2027; and
 - (f) €800,000,000, 2.250% senior unsecured notes due 14 January 2029 (the “**2029 SUNs**”).
- 2.4 The SUN Notes are each senior unsecured liabilities of the Plan Company ranking *pari passu* between themselves and benefit from the Parent Company Guarantees (but are not guaranteed by any other member of the Group). The terms and conditions of the SUN Notes are each governed by the laws of Germany and are substantially identical, save for certain differences in economic terms as set out below and other minor differences (principally between the 2024 SUNs and the remaining SUN Notes).
- 2.5 For the purposes of these Instructions and the advice sought from you, certain key terms of the SUN Notes and the rights of the SUN Noteholders which are most relevant are summarised below:

Indebtedness	Issuer	Principal Amount	Coupon	Maturity	Required majority for material amendments	Governing law
2024 SUNs	AGPS BondCo PLC	€400,000,000	1.500% p.a.	26 July 2024	75% of the voting rights participating in the vote	German law
2025 SUNs		€400,000,000	3.250% p.a.	5 August 2025		
January 2026 SUNs		€700,000,000	1.875% p.a.	14 January 2026		
November 2026 SUNs		€400,000,000	2.750% p.a.	13 November 2026		
2027 SUNs		€500,000,000	2.250% p.a.	27 April 2027		
2029 SUNs		€800,000,000	2.250% p.a.	14 January 2029		

Debt Obligations of the Parent Company

- 2.6 The principal external debt obligations of the Parent Company are comprised of €165,000,000 convertible notes issued by the Parent Company, due 23 November 2023, and a secured loan from Commerzbank AG of approximately €97,000,000, due 31 March 2028.

- 2.7 In addition to its external debt obligations, the Parent Company has issued the Parent Company Guarantee and the Loan Notes to the Plan Company, both in connection with the Issuer Substitution, with equivalent payment provisions and obligations to the SUN Notes.
- 2.8 The Parent Company is also a guarantor under €24,500,000 of unsecured promissory note loan agreements (*Schuldscheindarlehensvertrag*) (“SSDs”) issued by ADO Lux Finance S.à r.l., has issued a guarantee to Consus in the aggregate amount of €10,000,000 and is the borrower under the €265,000,000 3.5 per cent. Intra-Group Loan granted by Adler RE, the maturity of which has been extended to 15 April 2023. In connection with the previous extension of the maturity date of the Intra-Group Loan, the Parent Company also provided security in favour of Adler RE and the interest rate was increased to 5.16 per cent. per annum.

Debt Obligations of Adler RE, Consus and property-owning subsidiaries

- 2.9 The principal external debt obligations of Adler RE comprise the following series of senior unsecured notes (together, the “Adler RE SUNs”):
- (a) €500,000,000, 1.875% senior unsecured notes due 27 April 2023 (the “Adler RE 2023 SUNs”);
 - (b) €300,000,000, 2.125% senior unsecured notes due 6 February 2024 (the “Adler RE 2024 SUNs”); and
 - (c) €300,000,000, 3.000% senior unsecured notes due 27 April 2026 (the “Adler RE 2026 SUNs”).
- 2.10 The Adler RE SUNs are senior unsecured liabilities of Adler RE ranking *pari passu* between themselves and do not have the benefit of any guarantees from the Parent Company or any other member of the Group. The terms and conditions of the Adler RE 2023 SUNs and the Adler RE 2026 SUNs are governed by German law, and the Adler RE 2024 SUNs have been issued pursuant to a New York law-governed indenture.
- 2.11 The principal external debt obligations of Consus and its subsidiaries comprise €261,000,000 of secured debt owed to third parties, and certain intra-Group debt obligations.
- 2.12 In addition, (i) approximately €955,000,000 of secured debt is owed by property-owning subsidiaries of the Parent Company (other than Adler RE, Consus and their respective subsidiaries), (ii) approximately €1,093,000,000 of secured debt is owed by property-owning subsidiaries of Adler RE and (iii) approximately €24,500,000 of SSDs with a variable maturity, are owed by ADO Lux Finance S.à r.l., a wholly owned subsidiary of the Parent Company.

3. THE FINANCIAL ISSUES FACING THE GROUP

- 3.1 The residential and commercial real estate market in Germany has been and continues to be impacted by various economic, political and financial factors. Throughout 2022, the inflation rate in Germany spiked, reaching 10 per cent. in the fourth quarter. In addition, supply chain disruptions, rising energy and raw material (including building material) prices caused by the war in Ukraine and the ongoing impacts of the COVID-19 pandemic had a significant negative impact on the German economy. The current domestic and global economic downturns, high interest rates and decreased business confidence have resulted in reduced demand for residential and commercial real estate in Germany, the core businesses of the Group, which has significantly and adversely affected the Group’s business.
- 3.2 For the nine months ended 30 September 2022, the Group’s loan-to-value (indicating the degree to which the net financial liabilities are covered by the fair market value of the real estate portfolio across the Group) increased to 59.9 per cent., reaching its highest level since 2018,

mainly due to the asset value decline resulting from the effects of the above mentioned market downturn.

- 3.3 In October 2021, as part of a short seller attack on the Group, a report was published making various allegations against the Group. Subsequently, during the first quarter of 2022, the Group's auditor, KPMG Luxembourg S.A., resigned its position as auditor, claiming that the preconditions for performing a statutory audit of the 2022 financial statements were not met. In June 2022, the Group launched an audit tender but was unable to identify any candidates to replace the Group's previous auditor. Due to the difficulties that it faced when attempting to appoint a new auditor, the Group asked the District Court of Berlin to appoint an auditor for Adler RE by court order, hoping that such auditor would also agree to become the auditor of the Group. On 9 January 2023, the District Court of Berlin appointed KPMG AG Wirtschaftsprüfungsgesellschaft as Adler RE's auditor. This judicial appointment required the acceptance of the audit mandate by the auditor, which KPMG AG Wirtschaftsprüfungsgesellschaft rejected on 11 January 2023. As of the date of this Letter, the Group does not have an auditor and is continuing to assess its options and work towards engaging an auditor.
- 3.4 To address the negative impact from the economic downturn on the Group's business performance and the related worsening liquidity position, the Group has been evaluating its sources of liquidity. Certain covenants in the Group's debt documents restrict the ability of the Group to raise additional debt financing and to refinance its existing obligations. Such restrictions have increased reliance on asset disposals to meet the Group's liquidity needs and enable the Group to continue to service its financial liabilities as they fall due. The Group has made several asset sales over the course of 2021 and 2022 in an attempt to alleviate its financial difficulties, but has found it increasingly difficult to carry out asset sales at satisfactory prices.
- 3.5 The Group does not consider it to be in the best interests of the Group companies, creditors and shareholders to sell assets at deep discounts in order to meet near-term maturities. In addition, under Luxembourg law and German law (as applicable), the members of the management board of the Parent Company or Adler RE may be held personally liable if the respective boards approve a sale of assets at deep discounts (particularly if a transaction deviates significantly from normal market conditions to the detriment of the company and there are no significant long-term benefits that could be reasonably expected to arise out of the sale).
- 3.6 Amongst other challenges, the Group is faced with a critical liquidity position in spring 2023, with the Adler RE 2023 SUNs due to be repaid in April 2023. If Adler RE fails to meet the upcoming maturity of the Adler RE 2023 SUNs, creditors under certain other financing arrangements, including the SUNs, will be entitled by cross-default provisions to terminate those financing arrangements and declare the relevant debts immediately due and payable.
- 3.7 The Board has concluded that the Group's financial difficulties will, unless the Plan is implemented, affect the Plan Company's ability to carry on business as a going concern. The Parent Company provides the sole source of funding to the Plan Company. In turn, the Parent Company is heavily reliant on dividends and intra-group payments from other Group companies to be able to meet its payment obligations. Accordingly, a liquidity shortfall within the Group would affect the ability of the Parent Company to meet its obligations to the Plan Company under the Loan Notes, which in turn would jeopardise the ability of the Plan Company to meet its obligations under the SUNs.
- 3.8 The Group engaged legal and financial advisers to evaluate the Group's options regarding the implementation of a financial restructuring transaction to stabilise the financial performance of the Group and support its long-term future. In summary, the Plan Company is seeking to implement the Plan as a key element of the broader restructuring solution for the Group that

will provide means to raise finance, extend debt maturities and stabilise other aspects of the Group's capital structure.

Lock-Up Agreement

- 3.9 In the second half of 2022, the Group and its advisers commenced discussions with the steering committee of an ad-hoc group of SUN Noteholders and its advisers, which steering committee represents approximately 46 per cent. of the SUN Notes (the “**SteerCo**”), regarding a proposed restructuring of the Group (the “**Restructuring**”).
- 3.10 On 25 November 2022, certain parties including the Parent Company, Adler RE, Consus and members of the SteerCo executed a lock-up agreement (the “**Lock-up Agreement**”) to document their agreement as to the terms of the Restructuring. As part of the Restructuring, the SteerCo and the Group agreed that the provision of up to €937,500,000 of new funding (the “**New Money Funding**”) by SUN Noteholders (and backstopped by the SteerCo) would provide the Group with the liquidity it needed to manage its upcoming debt maturities and pay any fees in connection therewith. To allow for the incurrence of the New Money Funding, it is necessary to amend the terms and conditions of the SUN Notes through the Proposed Amendments.
- 3.11 The Lock-Up Agreement contains various other terms and obligations and undertakings, and provides that the terms and conditions of various SUN Notes may be amended by way of Consent Solicitation (as defined and detailed below) or by an alternative means, including through the Plan, should the Consent Solicitation fail.
- 3.12 The Lock-Up Agreement also includes, among other things, the following undertakings of Participating Noteholders (as defined therein):
- (a) to vote in favour of the Proposed Amendments;
 - (b) to vote in favour of certain changes to the Adler RE 2024 SUNs and the Adler RE 2026 SUNs;
 - (c) not to transfer, assign or sell any of their locked-up SUN Notes to a person who is not a Participating Noteholder, unless such person accedes to the Lock-Up Agreement;
 - (d) to waive certain events of default arising in connection with the SUN Notes; and
 - (e) not to take certain enforcement actions for the term of the Lock-Up Agreement.
- 3.13 As of 26 January 2023 more than 67 per cent. of SUN Noteholders in aggregate have acceded to the Lock-Up Agreement.

Consent Solicitation

- 3.14 The SUN Notes are governed by German law. In accordance with the Lock-Up Agreement, the Group sought the consents required to make the Proposed Amendments consensually through a consent solicitation process under German law (the “**Consent Solicitation**”). The Consent Solicitation was launched on 2 December 2022 and the voting period ended on 19 December 2022.
- 3.15 Under German law, a quorum of the noteholders representing at least 50 per cent. of the outstanding principal amount of each series of SUN Notes and the approval by a majority of at least 75 per cent. of the voting SUN Noteholders with respect to each series of SUN Notes is required for the implementation of the Proposed Amendments through a Consent Solicitation process. The Consent Solicitation for each series of SUN Notes was cross-conditional, whereby

if one series of SUN Notes failed to reach the 75 per cent. threshold, the Proposed Amendments would not be effective for any other series.

- 3.16 On 8 December 2022, a group of SUN Noteholders with holdings concentrated in the 2029 SUN Notes, advised by Akin Gump LLP, Gleiss Lutz Hootz Hirsch PartmbB Rechtsanwälte Steuerberater and FTI Consulting Inc., announced that it intended to oppose the Consent Solicitation.
- 3.17 Despite the minority dissenting group, there was overwhelming support in favour of the Consent Solicitation and resolutions were passed with the required majority in five out of the six series of SUN Notes. In total, SUN Noteholders representing more than 78 per cent. of the nominal amount outstanding and more than 82 per cent. based on the total number of votes cast voted in favour of the Consent Solicitation. However, one series of SUN Notes, namely the 2029 Notes, did not reach the requisite majority vote in favour of the Consent Solicitation.
- 3.18 The following table summarises the results of the Consent Solicitation:

ISIN	Description of Notes	Outstanding Notes	% of Outstanding Notes Voted	% of Outstanding Notes Voting in Favour	% of Votes Cast in Favour ⁽¹⁾
XS1652965085	€ 400,000,000 1.500% Notes due 2024	€ 400,000,000	95.2%	93.3%	98.2%
XS2010029663	€ 400,000,000 3.250% Notes due 2025	€ 400,000,000	94.0%	86.7%	92.4%
XS2283224231	€ 700,000,000 1.875% Notes due 2026	€ 700,000,000	94.2%	88.9%	94.8%
XS2248826294	€ 400,000,000 2.750% Notes due 2026	€ 400,000,000	94.8%	84.2%	89.0%
XS2336188029	€ 500,000,000 2.250% Notes due 2027	€ 500,000,000	96.0%	77.0%	82.1%
XS2283225477	€ 800,000,000 2.250% Notes due 2029	€ 800,000,000	95.3%	54.9%	57.7%
Total		€ 3,200,000,000	94.9%	78.2%	82.9%

- 3.19 As the requisite number of holders of the 2029 Notes voted against the amendments, the conditions for execution described in the Consent Solicitation were not met and the Proposed Amendments were not validly adopted through the Consent Solicitation.

4. PART 26A OF THE COMPANIES ACT 2006

- 4.1 A restructuring plan is a statutory procedure under English law pursuant to Part 26A of the Companies Act 2006 (“**Part 26A**”) (a copy of which is appended to these Instructions) which allows a company to agree a compromise or arrangement with its creditors (or classes of creditors), and for the terms of that compromise or arrangement to bind any non-consenting or opposing minority creditors (or, if applicable, classes of creditors) who are affected by the restructuring plan.
- 4.2 In June 2019, the EU published a directive on preventative restructuring frameworks (the “**Directive**”). The Directive sought to introduce a minimum standard among EU Member States for preventive restructuring frameworks available to debtors in financial difficulty and to provide measures to increase the efficiency of restructuring procedures. It was envisaged that these new standards, once implemented, would signal a move for Member States further in the direction of debtor-in-possession-type insolvency regimes such as Chapter 11 bankruptcy in the United States – a procedure which has historically been perceived as a benchmark for European restructuring regimes. European governments took inspiration from the Chapter 11 bankruptcy process and adapted it to suit their own domestic markets and existing legislative frameworks. For example, the German government enacted a new restructuring regime; the “Stabilization and Restructuring Framework of Companies Act” (“**StaRUG**”).

- 4.3 As a consequence of the UK's withdrawal from the EU, the UK was not obliged to implement any of the measures set out in the Directive. However, the new restructuring tools introduced by Part 26A go a long way towards satisfying the objectives and aspirations of the Directive. As such, a restructuring plan under Part 26A shares common features with other European preventative restructuring proceedings, which are listed in Annex A of the EU Insolvency Regulation, including (for example) the German StaRUG proceedings.
- 4.4 A restructuring plan may be proposed by a company that has encountered, or is likely to encounter, financial difficulties that are affecting, or may affect, its ability to carry on business as a going concern. A restructuring plan should have the purpose of eliminating, reducing, preventing or mitigating the effect of any of the financial difficulties faced by the proposing company.
- 4.5 If the Court is satisfied at the convening hearing that the proposed restructuring plan has a prospect of being approved by plan creditors, and that the proposed class or classes of plan creditors for voting purposes have been correctly constituted, the Court will order the plan meeting or meetings for the relevant class or classes of creditors to be convened.
- 4.6 A restructuring plan will take effect between a company and its creditors (or the relevant class or classes of them) and become binding on all the creditors to whom it applies if:
- (a) the restructuring plan is approved by at least 75 per cent. in value of the creditors in each class of creditors present in person or by proxy and voting at the relevant plan meeting convened to consider the restructuring plan; or
 - (b) if the restructuring plan is not approved by at least 75 per cent. in value of the creditors in any class of creditors present in person or by proxy and voting at the relevant plan meeting convened to consider the restructuring plan:
 - (i) the Court is satisfied that, if it were to sanction the restructuring plan, none of the members of any dissenting class would be any worse off than they would be under the relevant alternative to the restructuring plan; and
 - (ii) the restructuring plan has been approved by a number representing at least 75% in value of a class of creditors present and voting (either in person or by proxy) at a plan meeting who would receive payment or have a genuine economic interest in the plan company in the event of the relevant alternative to the restructuring plan;
 - (c) and in each case, the court exercises its discretion to sanction the restructuring plan at the sanction hearing; and
 - (d) an official copy of the order sanctioning the restructuring plan is delivered to the Registrar of Companies for England and Wales for registration.
- 4.7 If a restructuring plan becomes effective, it will bind the plan company and all classes of plan creditors according to its terms, including those plan creditors who did not vote on the restructuring plan or who voted against it as a matter of English law. This is the case even where the contracts under which the debts are owed are not governed by English law. In the present case (as detailed below), the Plan Company proposes to implement the Proposed Amendments to the SUN Notes, which are governed by German law, and as a matter of English law the Proposed Amendments can be effected through a restructuring plan.
- 4.8 The principal differences between a restructuring plan under Part 26A and a scheme of arrangement under Part 26 are: (i) the voting thresholds under Part 26A do not require a majority in number of creditors within a class to vote in favour of the plan; (ii) the possibility

for cross class cram-down, which is not available in respect of schemes of arrangement; (iii) the ‘financial difficulties’ requirement for proposing a restructuring plan; (iv) the requirement that the purpose of a restructuring plan must be to eliminate, reduce or prevent, or mitigate the effect of such financial difficulties; and (iv), consequently, the similarities of a restructuring plan under Part 26A to other European preventative restructuring proceedings which are listed in Annex A of the EU Insolvency Regulation.

5. THE PLAN

- 5.1 Following the unsuccessful Consent Solicitation, the Group now seeks to implement the Proposed Amendments through the Plan.
- 5.2 The primary objective of the Plan is to deliver the consents required to effect the Proposed Amendments so that the Restructuring may be successfully implemented. As noted above, the SUN Notes do not currently allow for the raising of additional debt financing. The SUN Notes must therefore be amended in certain respects before the incurrence of the New Money Funding in connection with the Restructuring.
- 5.3 If the Plan becomes effective, it will bind the Plan Company and all classes of Plan Creditors according to the Plan’s terms, including those Plan Creditors who did not vote on the Plan or who voted against it.¹

The Proposed Amendments

- 5.4 The Proposed Amendments include the following key amendments (unless otherwise stated, such amendments will apply to all series of the SUN Notes):
- (a) amendments aimed at reducing the liquidity risk presented by upcoming payment obligations, for example:
 - (i) the extension of the maturity of the 2024 Notes from 26 July 2024 to 31 July 2025;² and
 - (ii) the suspension of interest payments for a period of two years, with interest payable on the SUN Notes to be capitalised until 31 July 2025; in return, the SUN Notes will benefit from a coupon uplift of 2.75 per cent. until 31 July 2025, after which time the coupon will revert to its current level;
 - (b) amendments permitting the incurrence of additional indebtedness, including:
 - (i) a carve-out to allow the Group to incur the New Money Funding, which will be used to repay certain of its existing obligations; and
 - (ii) the modification of the negative pledge covenant to allow for the creation of security on specified other indebtedness, and the provision of guarantees by certain subsidiaries of the Group, so that the New Money Funding and other debt obligations may be guaranteed and secured over certain of the Group’s assets;
 - (c) amendments to the reporting covenant, to temporarily alleviate the reporting obligations placed on the Group in order to address the risk of the Group failing to obtain an audit of its financial statements by the end of April 2023; and

¹ The Plan Company does not have any other creditors apart from the Plan Creditors.

² The 2024 Notes are the only series of SUN Notes in respect of which a maturity extension will occur.

- (d) amendments to certain other restrictive covenants aimed at supporting the new capital structure, including:
 - (i) the inclusion of a financial maintenance covenant tested quarterly from 31 December 2024, pursuant to which a maintenance loan-to-value ratio of 87.5 per cent. until the end of 2025 and 85 per cent. thereafter must be complied with;
 - (ii) certain additional restrictions on debt incurrence;
 - (iii) an obligation not to declare or pay any dividend or make any other payment or distribution to any of the Group's shareholders; and
 - (iv) an amendment of the change of control threshold from 50 per cent. of the share capital or voting rights of the Plan Company to 33.3 per cent.

5.5 The Proposed Amendments do not provide for any reduction in the quantum of the claims of the Plan Creditors under the SUN Notes. Under the Plan and following the Restructuring, the Plan Company anticipates that the SUN Notes will be repaid in full when due.

Implementation of the Proposed Amendments

5.6 The Plan, upon becoming effective in accordance with its terms (including sanctioning by the Court), will deem the Proposed Amendments to become immediately effective.

5.7 In addition (as a matter of precaution), the Plan authorises the Plan Company to take each step and enter into each document, in each case on behalf of each Plan Creditor pursuant to an English law power of attorney which will also be granted under the Plan as sanctioned by the Court (the “**Power of Attorney**”), that may be necessary to implement the Proposed Amendments, including the following documents:

- (a) amendment agreements pursuant to which the Plan Creditors and the Plan Company unanimously confirm their respective consent to the Proposed Amendments (as obtained through the Plan previously sanctioned by the Court) in respect of each series of the SUN Notes, signed by the Plan Company on its own behalf and on behalf of each Plan Creditor (by virtue of the Power of Attorney) (each an “**Amendment Agreement**” and together, the “**Amendment Agreements**”);
- (b) a deed of release, a customary English law deed used to release (among others) the Plan Company, the Parent Company, advisers, directors and officeholders from liabilities owing to the Plan Creditors in connection with the Plan, signed by the Plan Company on its own behalf and on behalf of each Plan Creditor (by virtue of the Power of Attorney) (the “**Deed of Release**”);
- (c) any other document that may be required to give effect to the Proposed Amendments; and the subsequent step
- (d) to deliver copies of (i) the Amendment Agreements, (ii) the Plan, (iii) the Court order sanctioning the Plan as registered with the Registrar of Companies for England and Wales, and (iv) such other documents as may be necessary to effect the Proposed Amendments, to the clearing systems *via* the paying agent under each series of the SUN Notes (BNP Paribas Luxembourg), following which the clearing systems will update their records to reflect the Proposed Amendments by attaching these copies, which include the revised terms and conditions of the SUN Notes in full form, to the global notes in respect of the SUN Notes.

- 5.8 Under the Power of Attorney referred to above, each Plan Creditor will authorise the Plan Company and appoint the Plan Company as its agent and attorney from the date on which the restructuring plan is lodged and takes effect to enter into (on behalf of that Plan Creditor) the specified amendment documents (including the Amendment Agreements and the Deed of Release, and any further documents that may be required to give effect to the Proposed Amendments). The provision of such a power of attorney is customary in restructuring plans, to help facilitate the implementation of complex restructurings.

New Money Funding

- 5.9 Concurrently with the execution of the Lock-Up Agreement, on 25 November 2022 the Group also entered into commitment letters (each, a “**Commitment Letter**”) with the SteerCo (in such capacity, collectively, the “**Backstop Providers**”), pursuant to which the Backstop Providers committed to provide up to the full amount of the New Money Funding, subject to certain terms and conditions, including the completion of the Plan and the implementation of the Proposed Amendments.
- 5.10 Pursuant to the Commitment Letters, the New Money Funding will be raised in the form of notes to be issued by a newly incorporated SPV and subscribed for by SUN Noteholders that execute a Commitment Letter to provide the New Money Funding (the “**New Money Providers**”) with the relevant proceeds being on-lent by the SPV to the “Borrowers” (as defined in the Commitment Letters, consisting of the Parent Company and certain of its subsidiaries) by way of term loans.
- 5.11 The term loans comprise up to €937,500,000 senior secured loans maturing on 30 June 2025, consisting of:
- (a) Up to €322,500,000 term loan facility to be disbursed to the Parent Company to fund (i) in an amount of €265,000,000, the repayment of an existing upstream loan from Adler RE, provided that the proceeds are directly applied to fund the repayment of the Adler RE 2023 SUNs and (ii) in an amount of up to €57,500,000, to fund fees incurred under the New Money Funding;
 - (b) €235,000,000 term loan facility to be made available to the Parent Company to fund a shareholder loan with 0 per cent. interest to Adler RE to fund the repayment of the Adler RE 2023 SUNs;
 - (c) €80,000,000 term loan facility to be made available to Consus or certain property-owning subsidiaries of Consus to fund certain capital expenditures; and
 - (d) €300,000,000 term loan facility to be made available to the Parent Company to fund a shareholder loan with 0 per cent. interest to Adler RE to fund the repurchase and/or redemption of the Adler RE 2024 SUNs and to be funded into an escrow account on the date of first utilisation under the New Money Funding.
- 5.12 The New Money Funding will be issued at a discount of 1 per cent. and will accrue payment-in-kind interest at a rate of 12.5 per cent. per annum. The Parent Company and certain of its subsidiaries will guarantee the New Money Funding and provide collateral which will also serve as collateral for the SUN Notes on a junior basis. Lenders under the New Money Funding will also be allocated a separable contingent value right instrument entitling holders to 25 per cent. of the equity value of the Group.
- 5.13 The provision of the New Money Funding is subject to the completion of the Plan, the implementation of the Proposed Amendments, the provision of the agreed collateral and other customary conditions. All SUN Noteholders were invited to participate in the New Money Funding during the period from 25 November 2022 to 14 December 2022. Subject to obtaining

the requisite consents, the Plan Company will extend the deadline for Plan Creditors to participate in the New Money Funding.

- 5.14 The Group has agreed to pay the following fees in connection with the New Money Funding:
- (a) for each member of the SteerCo, a backstop fee equal to 3.00 per cent. of the initial nominal amount of such SteerCo member's initial total backstop commitment as of 25 November 2022;
 - (b) for each lender under the New Money Funding, an early bird fee equal to 1.00 per cent. of such lender's new money commitment;³
 - (c) for each lender under the New Money Funding, a fee in euro computed at the rate of 5.00 per cent. per annum on the undrawn, uncanceled amount of each party's New Money Funding commitment computed on a daily basis during the period commencing on 9 January 2023 for each New Money Provider that executed a Commitment Letter by that date or, if such commitment is made at a later date, the date of the applicable New Money Funding commitment⁴, and ending on the date of first utilisation under the New Money Funding (the "**Ticking Fee**"); and
 - (d) for each lender under the New Money Funding, an original issue discount fee at the rate of 1.00 per cent. calculated on the initial nominal amount of the new money notes.

Ancillary Release

- 5.15 In addition to its effects *vis-à-vis* the Plan Company, the Plan also seeks to compromise certain liabilities of the Parent Company in relation to the SUN Notes by way of ancillary release. As detailed above, pursuant to the Parent Company Guarantees, the Parent Company guaranteed to the SUN Noteholders the due payment of all amounts to be paid by the Plan Company under the SUN Notes.
- 5.16 In the absence of such an ancillary release for the benefit of the Parent Company, following completion of the Plan, the SUN Noteholders could potentially claim against the Parent Company for any non-payment of the principal of, and interest on, the SUN Notes pursuant to the original, unamended terms and conditions of the SUN Notes. In turn, the Parent Company would then be entitled to claim for such amounts against the Plan Company under the Reimbursement Deed.
- 5.17 This resulting "ricochet claim" that would arise in favour of the Parent Company as against the Plan Company under the Reimbursement Deed would defeat the purpose of the Plan, since the Plan Company would ultimately remain (indirectly) liable for the very liabilities under the SUN Notes that were purportedly compromised by the Plan. As such, the Plan Company cannot effectively compromise the Plan Company's debts to the SUN Noteholders without also seeking to compromise their claims as against the Parent Company.

6. THE JURISDICTION OF THE ENGLISH COURT

- 6.1 Section 895(2) of the UK Companies Act 2006 provides that 'company' means "any company liable to be wound up under the Insolvency Act 1986". The Plan Company is a private limited company incorporated in England and, as such, falls under the jurisdiction of the English Court.

³ The early bird fee is currently only eligible to be paid to SUN Noteholders who entered into a Commitment Letter to provide New Money Funding on or before 2 December 2022. However, the Group is currently in the process of seeking requisite consents to extend the eligibility for such fee to all Plan Creditors who participate in the New Money Funding.

⁴ The Ticking Fee is currently subject to negotiation between the Group and the SteerCo.

Discretion

- 6.2 The convening hearing with respect to the Plan took place on 24 February 2023. By its judgment dated 27 February 2023, the English Court accepted jurisdiction and granted leave for plan meetings to be convened for the purpose of Plan Creditors voting upon the Plan.
- 6.3 The Plan Meetings took place on 21 March 2023, with the majority of the six classes of Plan Creditor voting in favour of the Plan, as follows:

Series	% in favour (of voting Plan Creditors)	% against (of voting Plan Creditors)
2024 SUNs	98.50	1.50
2025 SUNs	92.93	7.07
Jan 2026 SUNs	95.00	5.00
Nov 2026 SUNs	91.97	8.03
2027 SUNs	80.68	19.32
2029 SUNs	62.28	37.72

- 6.4 At the forthcoming ‘sanction hearing’ (scheduled to take place between Monday 3 and Wednesday 5 April), the Court will consider whether or not to exercise its discretion to approve the Plan.

APPENDIX 2: ACCOMPANYING SLIDES



Complementary Material to the First Expert Statement of Rüdiger Wolf

AGPS BondCo PLC

MARCH 24, 2023



Letter to the Board

Contacts

Ralf Moldenhauer

Managing Director and Senior Partner
+49 170 334 2423
moldenhauer.ralf@bcg.com

Rüdiger Wolf

Managing Director and Partner
+49 170 334 6180
wolf.ruediger@bcg.com

Jan Lindenberg

Partner
+49 170 334 3420
lindenberg.jan@bcg.com

Julia Kriegsmann

Associate Director
kriegsmann.julia@bcg.com
+49 170 334 2400

AGPS BondCo PLC
16 Eastcheap
London, EC3M 1BD
United Kingdom

Dear Directors,

We enclose our complementary material (the “complementary material”) to the First Expert Report of Rüdiger Wolf which has been prepared in relation to the Restructuring Plan under Part 26A of the Companies Act 2006 of Adler Group S.A. and its subsidiary undertakings. As such the complementary material is only to be seen in connection with and supplemental to the First Expert Report and the Report (the “Report”) submitted to AGPS BondCo PLC on February 20, 2023 each of which has been prepared for the sole purpose of assisting and advising AGPS BondCo PLC in accordance with our engagement letter dated February 10, 2023.

This complementary material is confidential to the addressees and prepared solely for the purpose(s) of supporting the First Expert Report of Rüdiger Wolf which in turn has been prepared to participate in the court hearing as set out in our engagement letter as aforementioned. You should not refer to or use our name or the complementary material for any other purpose than the Restructuring Plan, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party except as part to the explanatory statement of the Restructuring Plan.

No other party is entitled to rely on our complementary material for any purpose whatsoever and we accept no duty of care or liability to any other party who is shown or gains access to this complementary material with or without our prior consent.

We draw your attention to the scope and basis of our work set out on pp.2 of the Report submitted February 20, 2023. Any party having sight of our complementary material with or without consent shall do so exclusively on this basis.

Yours faithfully

Boston Consulting Group GmbH

The Boston Consulting Group GmbH
Ludwigstraße 21
80539 Munich



Rüdiger Wolf

Managing Director and Partner
Restructuring Taskforce
Hamburg

Profile summary

Rüdiger Wolf supports mid to large size companies with restructuring and transformation programs in various roles since more than 19 years:

- 10 years at BCG where he focuses on transformation, restructuring and M&A (since 2012)
- 3 years as Chief Financial Officer and Chief Restructuring Officer for a distressed German shipbuilding and machinery group in the financial crisis (2009-2012)
- 3 years as senior project manager at Roland Berger (2006-2009)
- 5 years as restructuring lawyer and insolvency administrator (2001-2006)

Author of our BCGs annual Activist Investor Report

Author of BCGs yearly study on German restructuring law ESUG

Co-author of a handbook on the Preventive Restructuring Framework StaRUG

Rüdiger is experienced in multiple industries and has broad methodological competencies.

Prior experience and education

- Master's degree in business administration at Anglia Ruskin University, Cambridge, UK
- Master's degree in law at the University of Göttingen, Germany
- Certified specialist for insolvency law, Court of Hamburg, Germany

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II. DEVELOPMENT AND OPERATION OF THE MARKET MODEL

III. CHANGING THE UNDERLYING INPUT VARIABLES TO THE MARKET MODEL

V. MODELLING ALTERNATIVE SCENARIOS

Since submission of the comparator report on Feb 20, 2023 Management of Adler Group made BCG aware of several economic changes

Effects with impact on excess cash EoP 2026 (€m)

Situation	Impact	Comment
Correction of CapEx and operational cashflow expectation for several Consus development projects	-39	Driven by revised CapEx projections (~€18m or 10% of previous CapEx), reduced condo sales expectations & warranty holdbacks for forward sales (~€17m or 10% of previous revenues), and a risk buffer for potential rise in CapEx (~€9M or 5% of previous CapEx). Partially offset by ~€5m higher net proceeds from upfront sales caused by updated tax calculations and transaction-related costs
Additional advisor costs in relation to the restructuring	-35	€14m higher fees for legal advisors (previously only planned until April '23). Tax (€8m) and AHG fees (€3m) previously not included in Management's forecast. Accounting support & Kings Counsel fees each €3m higher than in previous plan
Information about a backlog in required capital expenditures for Portfolio 1	-20	Portfolio 1 exhibits a €20 million CapEx backlog that will either need to be closed until sale or is otherwise expected to negatively affect sales price
Cumulative impact on excess Cash EoP 2026 from material insights	-94	

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II. DEVELOPMENT AND OPERATION OF THE MARKET MODEL

> III. CHANGING THE UNDERLYING INPUT VARIABLES TO THE MARKET MODEL

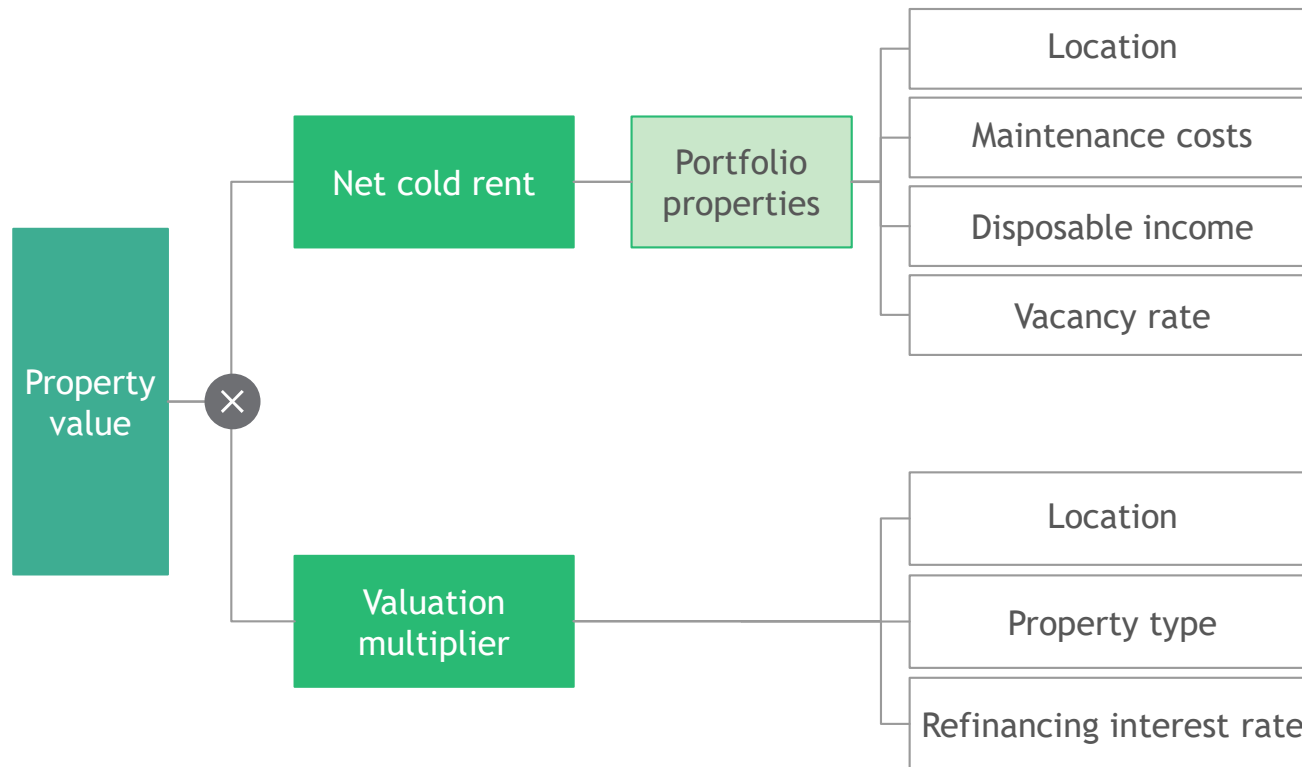
V. MODELLING ALTERNATIVE SCENARIOS

BCG market model forecasts property price development until 2030

- Given a lack of reliable medium to long-term forecasts beyond 2024 for the German Real Estate market, BCG developed a market model to forecast the gross asset value of the Group's yielding assets and development sites through to 2030
- Market model forecasts growth rates of property prices in Germany on federal state level in Germany and for four key cities, which are of relevance to the Adler portfolio (Düsseldorf, Dresden, Leipzig, and Duisburg). It is set-up to forecast long-term changes for multipliers and property values
- Market standard approach for calculation of property prices adopted, driven by net cold rent and the valuation multiplier. Both drivers are first separately prognosed and then incorporated to derive the year-over-year (YOY) growth of property prices
- Derivation of implicit historic valuation multiplier given limited availability of complete timeline (2010-2022) for all states and key cities required, historically observable net cold rent developments and property price developments
- Holistic structure of the market model driven by several underlying factors (e.g., maintenance costs or disposable income) with interest rate as key effect. Meaningful results require comprehensive variable update, which need to mirror all current market effects
- For indicative purposes, single adjustment of interest assumption revealing a deviation of c. -€50M total portfolio value in '24 and '25 to the values shown in the Comparator Report

Real estate values mainly driven by two factors: net cold rent and valuation multiplier (market standard approach)

Value driver of property values



Current developments

- Continuing urbanization trend increasing demand
- Increasing maintenance costs (not apportionable) result in higher rents as landlords try to improve valuation multiplier
- Increasing cost of living lower abilities to afford high rents
- Accounting for demand pressure on real estate market
- Different development by location, e.g., stronger growth of multiplier in A-cities
- Different development of property prices by type (e.g., lower demand for offices due to C19/ working from home)
- Interest level as key driver - increasing interest rates lower the multiplier

Net cold rent and valuation multiplier first separately prognosed, and incorporated to derive the year-over-year (YOY) growth of property prices

Modelling approach for net cold rent

- Yoy-growth of net cold rent for the sixteen states and key cities¹ is derived by an econometric model based on several independent variables e.g., vacancy rates or household disposable income
- Key drivers are identified by previous research, consultation with subject-matter experts, and by testing the relationship these factors had with net cold rent
- Historic and projected YOY development of input variables are aggregated through official sources and studies
- Projection of the net cold rent is derived by application of regression coefficients on the YOY-growth of independent variables

Modelling approach for valuation multiplier

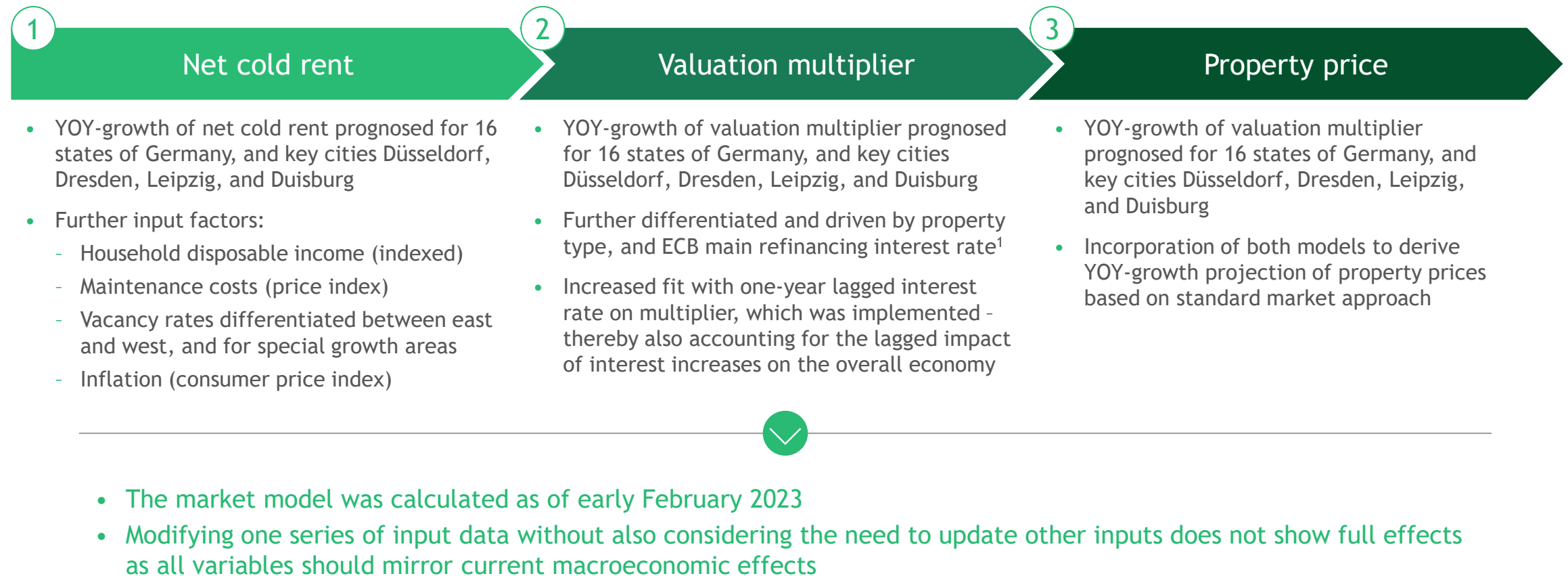
- YOY-growth of the multiplier is forecasted mainly using its correlation with the interest rate
- Implicit historic YOY-growth of valuation multiplier derived from historically indexed net cold rent and property prices due to limited availability of complete timeline
- Valuation multiplier forecasted by application of regression coefficients between historic interest rate development and changes in multiplier including lag effect
- Model accounts for long-term interest rate trends. Inelasticity of interest rate changes included as 1-year lag - increased strength of model tested and observed through back-testing



Incorporation of both models to derive YOY-growth of property prices

1. Düsseldorf, Dresden, Leipzig, and Duisburg
Source: BCG analysis

Holistic structure of the market model driven by several underlying factors



1. ECB main refinancing interest rate plus assumed additional 125 bps banking margin
Source: BCG analysis

For indicative purposes, solely interest assumption adjusted revealing partial effect - fully meaningful results require comprehensive variable update

- For indicative purposes, solely interest assumption adjusted and tested ('simplified sensitivity') revealing deviation to the values shown in the Comparator Report - average interest rate in simplified sensitivity assumed to be 100 bps higher compared to market model in '23
- Market forecast constructed based on several drivers and with one year lag, therefore limited effect observable only from adjustment of interest rate. One year lag included as model fit increases. Thus, model assumes interest changes not immediately passed to end-customers (especially for interest cuts)
- Expected inflation indirectly drives interest assumptions as well as e.g., prognoses of disposable income or construction costs - thus, full effect requires large scale update of all independent variables of the market model
- Simplified sensitivity
 - Effect of interest increase of 250 bps in '22 fully observable in '23
 - Increase of 100 bps for interest rate in '23 takes effect in '24. Rent increases, which are unchanged, partially absorb the effect of interest rate increases resulting in devaluation of -1% of Adler portfolio in Berlin in '24



Interest rate assumption

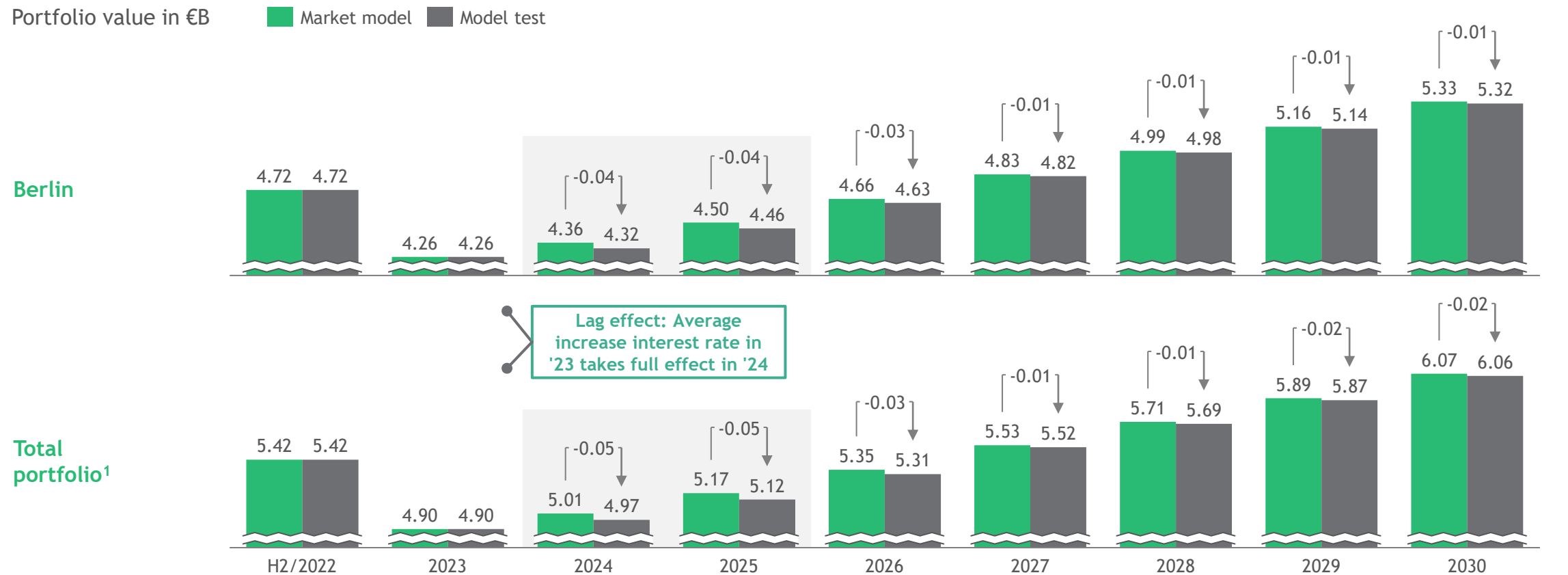
	H2/22	2023	2024	2025	2026	2027	2028	2029	2030
Market model	2.5%	2.7%	2.5%	2.2%	2.0%	2.0%	2.0%	2.0%	2.0%
Simplified sensitivity	2.5%	3.7%	3.3%	2.7%	2.0%	2.0%	2.0%	2.0%	2.0%

1. Updated interest rate prognosis from Bloomberg until Q2/2025
Source: Bloomberg, BCG analysis

Incorporation of isolated interest rate assumption results in largest effect of around -€50M total portfolio value difference in '24 and '25

For full effect comprehensive update of all factors necessary

Indicative comparison property price development



1. Excluding KKR and BCP portfolio
Source: BCG analysis

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II. DEVELOPMENT AND OPERATION OF THE MARKET MODEL

III. CHANGING THE UNDERLYING INPUT VARIABLES TO THE MARKET MODEL

 V. MODELLING ALTERNATIVE SCENARIOS

We have looked at
2 LTV scenarios
building on Knight
Frank's asset value
projection

1

Scenario 1 assumes re-evaluation of asset values as of 30.06.2022 and future sales prices based on Knight Frank's projections

Asset sales assumed with same point in time as in Comparator Report (annulment of RPM)

2

Scenario 2 reflects equal assumptions regarding asset value development as in scenario 1

However, scenario assumes RPM to hinder asset sales at Knight Frank's discounts

Note: RPM = Release Price Mechanism according to New Money Agreement
Source: Company information; BCG analysis

Yielding Portfolio: Adjusted market development with ~€1.3B lower proceeds

Reconciliation Scenario GAV Development (€M)

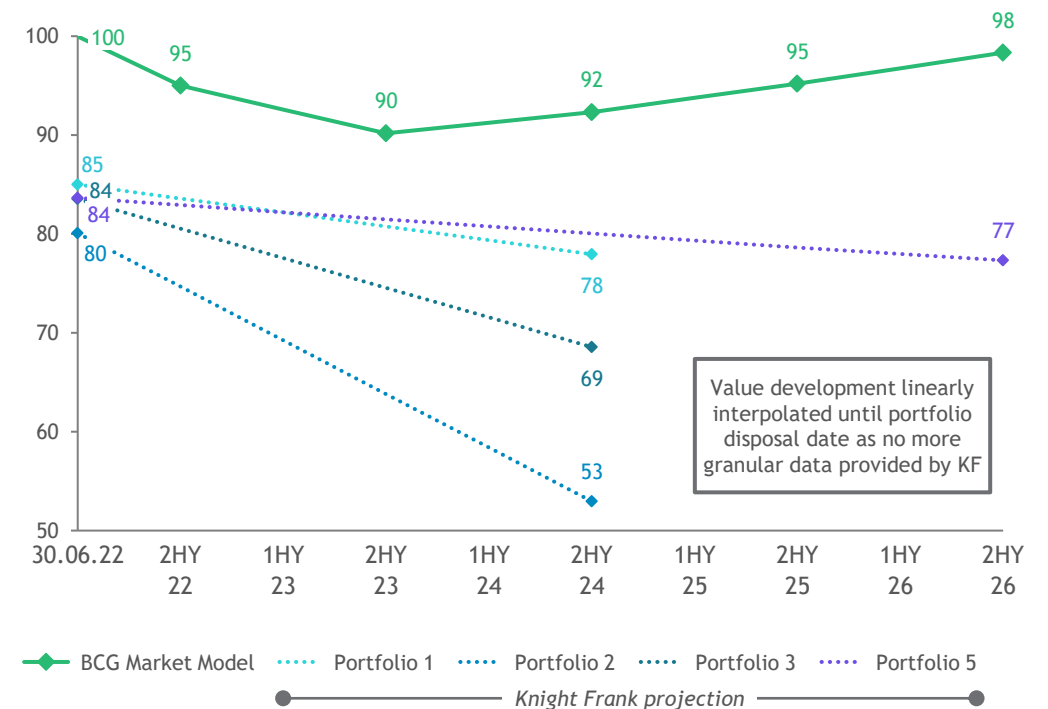
Portfolio	1	2	3	4	5	Total
BCG GAV as at 30.06.22	669	999	1,107	38	2,630	5,443
KF GAV as at 30.06.22	568	800	925	35	2,200	4,528
Diff. %	-15%	-20%	-16%	-8%	-16%	-17%
BCG Sales Proceeds ¹	610	926	1,026	32	2,591	5,184
KF Sales Proceeds ¹	521	529	759	32	2,034	3,875
Diff. %	-15%	-43%	-26%	-%	-21%	-25%

-1,309

- Scenarios 1-2 assume correction of CBRE / Apollo valuation as of June 2022 according to Knight Frank
- Moreover, LTV scenarios include KF's assumptions on projected sales price
- Since KF did not provide detailed value development on monthly/annual basis, calculations simply assume linear development



GAV development (indexed to 100)



1. Referring to projected Gross Proceeds w/o further capitalized Capex

Note: KF = Knight Frank | Source: Company information, BCG analysis, Knight Frank Expert Witness Report as of 18.03.2023

Scenario applies flat-rate discount for development and each yielding portfolio

Development projects | Scenario price assumptions (€M)

Project name	GAV 30.06.22	Discount	Sales price RP ¹	Add. discount	Sales price adj. ¹
Development 1	145	-24%	110	-21%	87
Development 3	54	-36%	35	-6%	33
Development 4	69	-20%	55	-25%	41
Development 5	60	-24%	45	-20%	36
Development 27	155	-29%	110	-15%	93
Development 6	82	-27%	60	-18%	49
Development 7	73	-24%	55	-20%	44
Development 8	22	14%	25	-48%	13
Development 9	119	-16%	100	-33%	67
Development 10	92	-52%	50	10%	55
Development 11	194	-24%	148	-22%	116
Development 12	97	14%	110	-47%	58
Development 13	65	-23%	50	-22%	39
Development 14	27	-7%	25	-36%	16
Development 15	308	-20%	245	-24%	185
Development 16	265	-2%	259	-39%	159
Development 22	51	-28%	37	-16%	31
Development 23	6	-50%	3	33%	4
Development 24	128	-14%	110	-30%	77
Development 25	25	-20%	20	-25%	15
Development 26	27	-20%	22	-27%	16
Total developments	2,064	-19%	1,674	-26%	1,234
Development 2 ²	99	-25%	74	2%	76

● — BCG RP — ● — Knight Frank Scenario — ●

Yielding assets | Scenario price assumptions (€B)



1. Referring to projected Gross Proceeds w/o further capitalized Capex; 2. No effect on LTV as sale assumed in Q2/2023

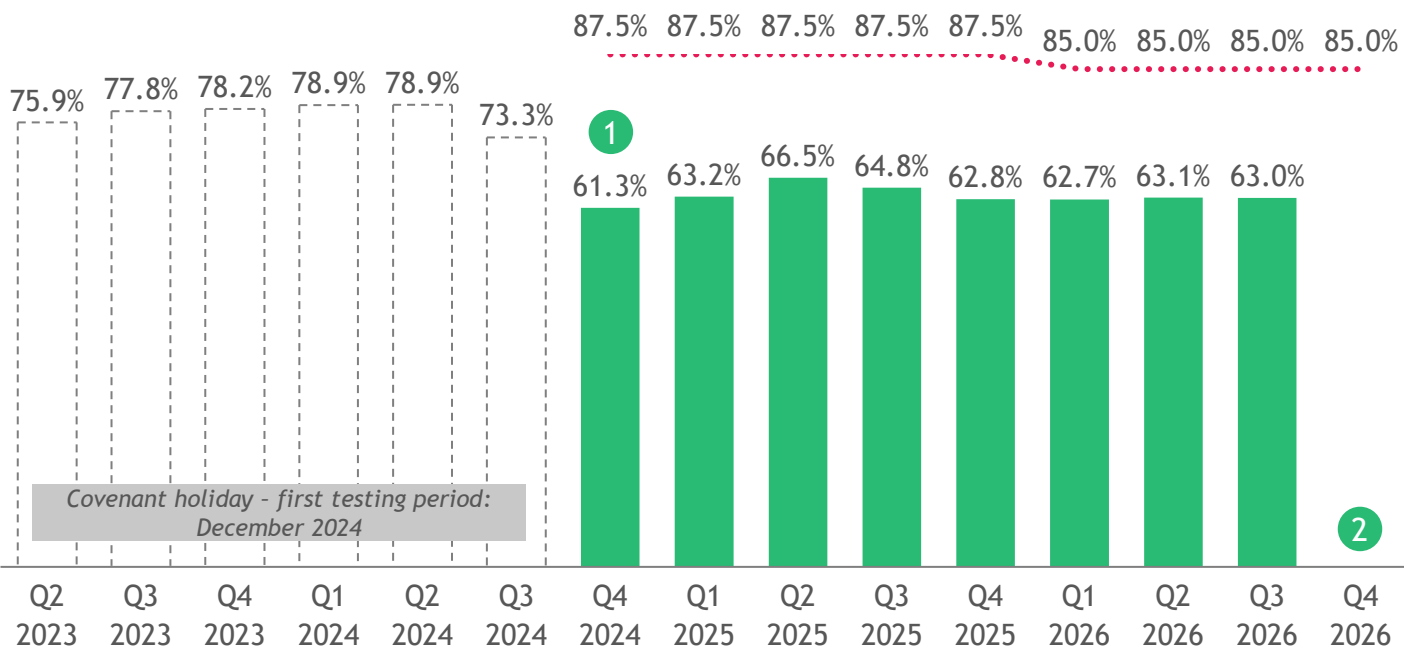
Note: RP = Restructuring Plan; numbers are rounded; forward sales not listed | Source: Company information, BCG analysis, Knight Frank Expert Witness Report as of 18.03.2023

Compliance with LTV Covenant over planning period – New Money repaid by Q3/'24

Excl. BCP

Extract comparator report, p.51

Group | Development of LTV covenant according to New Money Facility¹ (as per MC)



Note:

- Calculation of depicted LTV KPI according to New Money Facility
- BCP is expected to be sold ahead of first testing date and therefore not included in the covenant calculation²

- 1 Decrease of LTV is driven by portfolio sales in Dec '24 as portfolio sales show a greater relative impact on net debt than on net assets. Net debt is affected by repayment of associated debt and increase in cash, while net assets are impacted by the derecognition of assets sold and increase in cash
- 2 LTV covenant not applicable anymore from Q4/'26 as planning assumes full asset disposal with respective repayment of SUNs

•• Covenant threshold

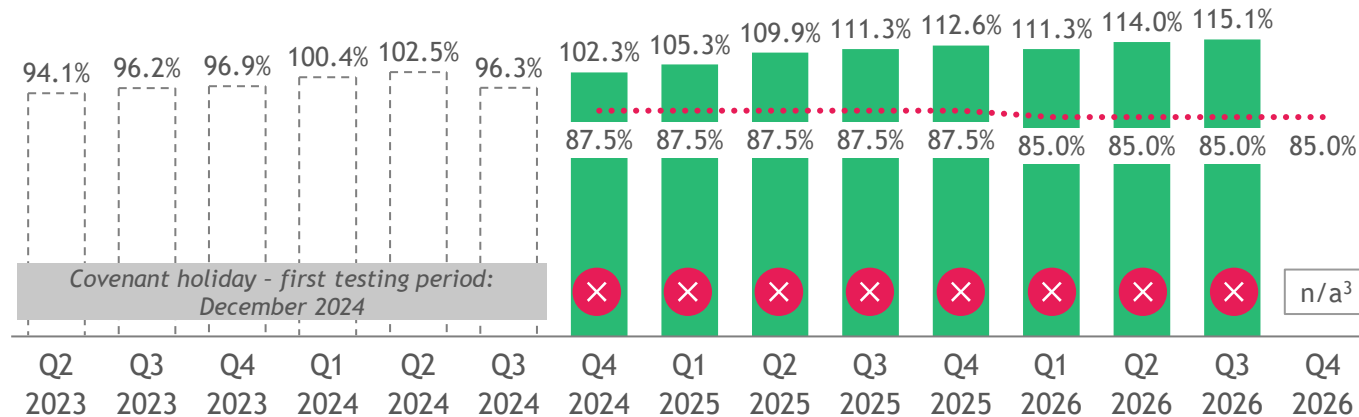
1. Net debt / (Total Assets-Cash); calculation without adjustments for Trade receivables & Other receivables as planning does not assume appreciation/depreciation; Planning figures without period specific adjustments and without BCP as not in scope of planning; share of BCP booked as asset/(liability) held for sale in consolidated balance sheet
Source: Company information; BCG analysis

Scenario 1: LTV Covenant at >90% from Q2/2023 and infringed at Q4/2023

Group | Development of LTV covenant according to New Money Agreement (Scenario 1)

- Covenant threshold
- ⊗ Covenant breach

Excl. BCP²



Avail. liquidity (€B)	0.2	0.2	0.3	0.3	0.3	0.5	1.5	1.5	1.5	0.4	0.5	-0.2	-0.6	-0.6	n/a
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Reconciliation to Comparator Report (€B):

Delta Net Assets ¹	-1.4	-1.3	-1.3	-1.3	-1.2	-1.1	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5	n/a
Delta Net Fin. Debt	0.1	0.1	0.1	0.2	0.3	0.3	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	n/a
Delta from BCP ²	-	-	-	-	-	-	-	-	-	-	-	-	-	-	n/a
Delta LTV [%-points]	18.2	18.4	18.7	21.6	23.6	23.0	41.0	42.1	43.5	46.6	49.9	48.6	51.0	52.1	n/a

Assumptions for Scenario 1:

- KF GAV as at 30.06.2022 €4.528M for Yielding Portfolio and €1.234M for Development Portfolio
- KF Sales Proceeds under RP at €3.875M for Yielding Portfolio and €1.234M for Development Portfolio
- Asset sales at same point in times as in Comparator Report

Conclusion:

- Applying KF asset values from 30.06.2022 to point of sales increases LTV from >90% from Q2/2023
- Re-evaluation affects Net Assets as well as Net Indebtedness due to lower debt repayment from asset sales
- Consequently, LTV covenants infringed at first point of testing in Q4/2024
- Moreover, asset sales proceeds are not sufficient to cover cash need with underfunding from Q1/2026 - earlier disposal of Portfolio 5 necessary

1. Net Assets = Total Assets - Cash; 2. LTV calculation without BCP as not in scope of planning; share of BCP booked as asset/(liability) held for sale in consolidated balance sheet

3. LTV covenant not applicable anymore from Q4/'26 as planning assumes full asset disposal with respective repayment of financial liabilities

Note: "KF" refers to Knight Frank Expert Witness Report as of 18.03.2023 | Source: Company information; BCG analysis

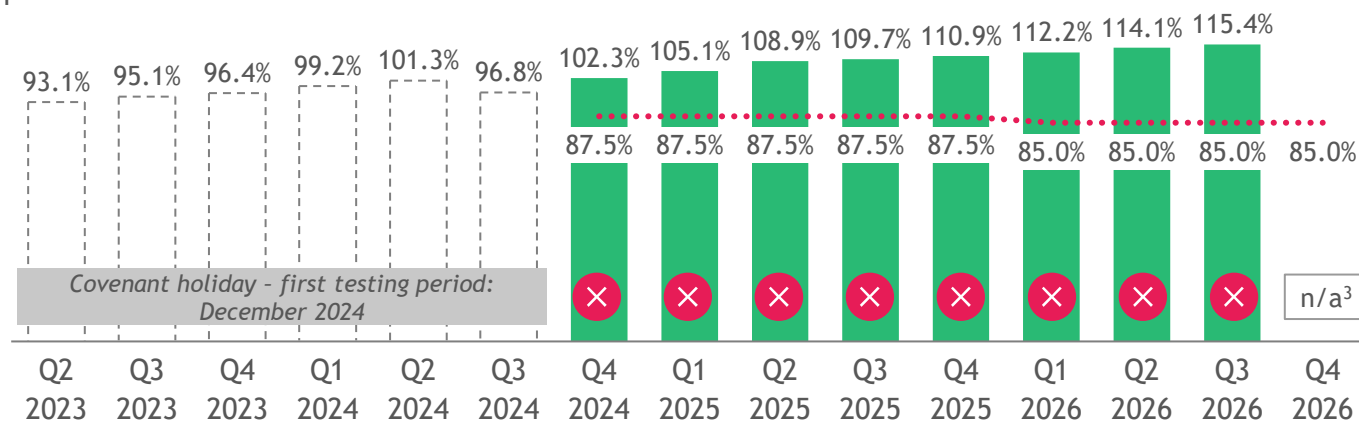
Scenario 2: LTV Covenant at >90% from Q2/2023 and infringed at Q4/2023

Group | Development of LTV covenant according to New Money Agreement (Scenario 2)

•• Covenant threshold

⊗ Covenant breach

Excl. BCP²



Avail. liquidity (€B)	0.0	0.0	0.1	0.1	0.1	0.2	0.4	0.4	0.4	-0.9	-0.9	-1.7	-2.0	-2.1	n/a
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Reconciliation to Comparator Report (€B):

Delta Net Assets ¹	-0.9	-0.7	-0.7	-0.5	-0.3	-0.1	0.7	0.7	0.7	0.8	0.9	0.9	0.9	0.8	n/a
Delta Net Fin. Debt	0.5	0.6	0.7	0.9	1.1	1.4	2.1	2.1	2.2	2.3	2.6	2.6	2.6	2.7	n/a
Delta from BCP ²	-	-	-	-	-	-	-	-	-	-	-	-	-	-	n/a
Delta LTV [%-points]	17.2	17.3	18.3	20.4	22.4	23.5	41.0	41.8	42.5	44.9	48.1	49.5	51.0	52.4	n/a

1. Net Assets = Total Assets - Cash; 2. LTV calculation without BCP as not in scope of planning; share of BCP booked as asset/(liability) held for sale in consolidated balance sheet

3. LTV covenant not applicable anymore from Q4/'26 as planning assumes full asset disposal with respective repayment of financial liabilities

Note: "KF" refers to Knight Frank Expert Witness Report as of 18.03.2023 | Source: Company information; BCG analysis

Assumptions for Scenario 2:

- KF GAV as at 30.06.2022 €4.528M for Yielding Portfolio and €1.234M for Development Portfolio
- KF Sales Proceeds under RP at €3.875M for Yielding Portfolio and €1.234M for Development Portfolio
- No asset sales assumed in this scenario as Release Price Mechanism in New Money terms hinders asset sales at KF discounts

Conclusion:

- Applying KF asset values from 30.06.2022 to point of sales increases LTV from >90% from Q2/2023
- Re-evaluation affects Net Assets as well as Net Indebtedness due to lower debt repayment from asset sales
- Consequently, LTV covenants infringed at first point of testing in Q4/2024
- Moreover, assumption of no asset sale and no liquidity effects from BCP leads to underfunding from Q3/2025

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