



AGPS BONDCO PLC

THIS LETTER REQUIRES YOUR IMMEDIATE AND URGENT ATTENTION AS IT RELATES TO A RESTRUCTURING PLAN UNDER PART 26A OF THE COMPANIES ACT 2006 PROPOSED BY AGPS BONDCO PLC WHICH WILL BE CONSIDERED BY THE HIGH COURT OF JUSTICE IN ENGLAND AND WALES AT THE CONVENING HEARING, WHICH IS EXPECTED TO TAKE PLACE ON 24 FEBRUARY 2023.

THE SPECIFIC DETAILS OF THE CONVENING HEARING (INCLUDING THE DATE AND TIME) WILL BE CONFIRMED TO ALL PLAN CREDITORS IN THE NOTICE OF CONVENING HEARING. THIS NOTICE WILL BE SENT TO ALL PLAN CREDITORS BEFORE THE CONVENING HEARING AND WILL BE MADE AVAILABLE TO PLAN CREDITORS AT THE FOLLOWING PORTAL: [HERE](https://glas-agency.appianpr/suite/sites/adler-group)¹.

YOU ARE BEING CONTACTED AS THE PLAN COMPANY BELIEVES YOU ARE A PLAN CREDITOR AND WILL THEREFORE BE AFFECTED BY THE PROPOSED RESTRUCTURING PLAN.

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PLAN CREDITORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE RESTRUCTURING PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. ALL PLAN CREDITORS SHOULD CONSULT THEIR OWN LEGAL, FINANCIAL AND TAX ADVISERS WITH RESPECT TO LEGAL, FINANCIAL AND TAX CONSEQUENCES OF THE RESTRUCTURING PLAN.

¹ <https://glas-agency.appianpr/suite/sites/adler-group>

PRACTICE STATEMENT LETTER

From: The Plan Company
To: The Plan Creditors
Cc: The Information Agent

26 January 2023

THIS LETTER CONCERNS MATTERS WHICH MAY AFFECT YOUR LEGAL RIGHTS AND ENTITLEMENTS AND YOU MAY THEREFORE WISH TO TAKE APPROPRIATE LEGAL ADVICE ON ITS CONTENTS.

Dear Ladies and Gentlemen,

Proposed restructuring plan under Part 26A of the Companies Act 2006 in relation to the Plan Company

1. Purpose of this letter

- 1.1 The Plan Company is proposing a restructuring plan with the Plan Creditors under Part 26A of the Companies Act 2006 in order to facilitate the implementation of a wider financial restructuring exercise in respect of itself and the Group of which it forms part. The Plan Company is sending you this Letter in accordance with the Practice Statement issued by the Court.
- 1.2 The Restructuring Plan will alter the rights of Plan Creditors, including in respect of certain claims that a Plan Creditor might have against the Plan Company. You are being contacted as the Plan Company believes that you are a Plan Creditor entitled to vote on the Restructuring Plan. For further information regarding what constitutes a Plan Creditor, please refer to paragraph 4.2 below.
- 1.3 In accordance with the Practice Statement, the purpose of this Letter is to inform you:
 - (a) that the Plan Company intends to formally propose the Restructuring Plan;
 - (b) of the proposed objectives and effects of the Restructuring Plan;
 - (c) that the Plan Company intends to apply, at a Convening Hearing to be held on or around 24 February 2023, for an order from the Court to convene the Plan Meetings for the purpose of considering and, if thought fit, approving the Restructuring Plan;
 - (d) of the proposed class composition of Plan Creditors for the Plan Meetings that the Plan Company proposes to convene for the purpose of voting on the Restructuring Plan;
 - (e) of certain jurisdictional points regarding the Restructuring Plan and why the Plan Company considers the Court has jurisdiction to sanction the Restructuring Plan;
 - (f) of your right to attend the Convening Hearing and the subsequent Sanction Hearing; and
 - (g) of how you may make further enquiries about the Restructuring Plan.
- 1.4 This Letter is being sent to the Information Agent under the Restructuring for the purpose of making it available to Plan Creditors by:
 - (a) distributing it to Plan Creditors via the Clearing Systems;

- (b) announcing it to Plan Creditors on a website that may be accessed [here](#)²; and
 - (c) making it available at the Plan Portal. If any Plan Creditors have difficulty accessing the Plan Portal, please contact the Information Agent using the contact details set out in paragraph 14.1 below.
- 1.5 The time, dates and locations of the Plan Meetings will be confirmed in the Explanatory Statement, which, provided that the Court gives its permission to convene the Plan Meetings, will be circulated to Plan Creditors shortly after the Convening Hearing. The Plan Documentation will further explain how the Plan Creditors may vote at the Plan Meetings and provide additional details of the terms of the Restructuring Plan.
- 1.6 Plan Creditors should seek professional advice if they have any concerns about the matters set out in this Letter. For any concerns which relate to the jurisdiction of the Court or constitution of the Plan Meetings, or any concerns that may affect the conduct of the Plan Meetings, Plan Creditors should contact the Information Agent as soon as possible using the contact details set out in paragraph 14.1 below.
- 1.7 The financial difficulties facing the Plan Company and its Group are described in detail in section 7 (*Background to the Restructuring*) of this Letter. It is anticipated that these financial difficulties will be eliminated, reduced and/or mitigated by the Restructuring Plan. The Restructuring Plan, if approved, will allow the Plan Company to implement the Proposed Amendments, which will, amongst other necessary changes, permit the incurrence of additional funding by members of the Group and the refinancing of certain of the Group's debt.
- 1.8 The Restructuring Plan forms part of a broader Restructuring of the capital structure of the Group, which will include the incurrence of the New Money Funding and the use of proceeds thereof to repay or refinance certain existing debt obligations of the Group. The Restructuring will enable the Plan Company and the wider Group to service their outstanding obligations, including the SUNs, as further set out below. If the Restructuring Plan is not sanctioned, the broader Restructuring will not occur.
- 1.9 Capitalised terms in this letter shall have the meanings given to them under, and general terms shall be construed in accordance with, Schedule 1 (*Definitions*) of this Letter unless, in either case, inconsistent with the subject or context.

If you have assigned, sold or otherwise transferred your interests in the SUNs or you intend to do so before the Record Time, you should forward a copy of this Letter to the person to whom you have, or will have assigned, sold or otherwise transferred such interests.

2. What is a Restructuring Plan?

- 2.1 A restructuring plan is a statutory procedure under English law pursuant to Part 26A of the Companies Act 2006 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).
- 2.2 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.
- 2.3 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

² https://glas.agency/investor_reporting/adler-group/

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.

2.4 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) the restructuring plan is subsequently sanctioned by the court 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.

2.5 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.

3. The Convening Hearing

3.1 The Plan Company will apply to the Court for permission to convene the Plan Meetings. The Plan Creditors will be informed of the precise date, time and location of the Convening Hearing via the Information Agent (and the details will also be made available via the Plan Portal) as soon as the details have been confirmed by the Court. The Convening Hearing is expected to be held on or around 24 February 2023.

3.2 Plan Creditors have the right to attend and make representations in person or through counsel at the Convening Hearing, although they are not obliged to do so. At the Convening Hearing, the Plan Company will also draw to the Court's attention any issue that may be raised by any Plan Creditors in response to this Letter.

3.3 The Plan Company considers that the time period from the publication of this Letter until the anticipated date of the Convening Hearing is adequate time for the Plan Creditors to consider the Letter. It is noted that:

- (a) the key terms of the Restructuring, including the Commitment Letter, the material terms of the New Money Funding and a summary of the Proposed Amendments, the implementation of which is the main purpose of the Restructuring Plan, were picked up by major financial news publications, and announced by the Group in two public press releases on the Group's website:

- (i) on 25 November 2022: “Adler reaches agreement with bondholder group on amendment of note terms and provision of secured debt financing”, available [here](#)³; and
- (ii) on 9 December 2022: “Adler Group S.A. receives sufficient support to implement bond amendments via alternative implementation route”, available [here](#)⁴;
- (b) the core terms of the Proposed Amendments, as also outlined in section 8 (*Overview and Objectives of the Restructuring Plan*), were also included:
 - (i) in the Lock-Up Agreement, made available to all Plan Creditors on 25 November 2022 (as further described in paragraph 9.7), which has been acceded to by over 67 per cent. by value of Plan Creditors as of the date of this Letter; and
 - (ii) in the Consent Solicitation documentation which was distributed to all Plan Creditors and made publicly available on the Group’s website [here](#)⁵ since 2 December 2022.
- (c) The Proposed Amendments have subsequently been adjusted to take into account the Issuer Substitution, further described in section 6 (*Debt Structure of the Group*). A detailed version of the Proposed Amendments will be included in the Explanatory Statement.

4. Who is Entitled to Vote and Whose Rights are Affected by the Restructuring Plan

- 4.1 The Restructuring Plan relates to the SUNs which constitute financial indebtedness of the Plan Company, comprising:
- (a) €400,000,000 1.500 per cent. notes due 2024 (ISIN: XS1652965085);
 - (b) €400,000,000 3.250 per cent. notes due 2025 (ISIN: XS2010029663);
 - (c) €700,000,000 1.875 per cent. notes due 2026 (ISIN: XS2283224231);
 - (d) €400,000,000 2.750 per cent. notes due 2026 (ISIN: XS2248826294);
 - (e) €500,000,000 2.250 per cent. notes due 2027 (ISIN: XS2336188029); and
 - (f) €800,000,000 2.250 per cent. notes due 2029 (ISIN: XS2283225477).
- 4.2 The Restructuring Plan will alter the rights of Plan Creditors. You will be a Plan Creditor for the purposes of this Letter and the Restructuring Plan if, at the Record Time, you are a SUN Holder – meaning any holder of a proportionate co-ownership or other beneficial interest or right in the SUNs held directly or through an account holder, broker or other intermediary such as a Clearing System.
- 4.3 Only Plan Creditors are entitled to vote at the Plan Meetings.

³ https://www.adler-group.com/en/investor-relations/translate-to-english-news-publications/news/detail-news?cHash=b9e2964f50c49c2be0358f2efc8d2fc2&tx_news_pi1%5Baction%5D=detail&tx_news_pi1%5Bcontroller%5D=News&tx_news_pi1%5Bnews%5D=979

⁴ https://www.adler-group.com/en/investor-relations/translate-to-english-news-publications/news/detail-news?tx_news_pi1%5Baction%5D=detail&tx_news_pi1%5Bcontroller%5D=News&tx_news_pi1%5Bnews%5D=990&cHash=b2a29a1cbf56d9246034a49509a41dc3

⁵ <https://www.adler-group.com/en/investors/share-bonds/bonds/consentsolicitation>

- 4.4 If the Restructuring Plan is sanctioned by the Court and the sanction order is duly delivered to the Registrar of Companies for England and Wales, all Plan Creditors (including those who do not vote in favour of the Restructuring Plan and those who do not vote at all) and the Plan Company will be bound by its terms.

5. Background to the Plan Company and the Group

The Plan Company

- 5.1 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.
- 5.2 The Plan Company was incorporated for the purpose of promoting the Restructuring Plan and, following the Issuer Substitution, it is liable as issuer in respect of the SUNs. Prior to the Issuer Substitution, the Parent Company was the issuer of the SUNs.

The Group

- 5.3 The Group was founded in 2006 and specialises in the purchase, management and development of income-producing, multi-family residential real estate. As of 31 December 2022, the Group had a portfolio of approximately 26,219 residential rental units throughout Germany and a development pipeline of approximately 32,000 units in Germany's top cities, including Berlin and the Rhine-Ruhr metropolitan region with Duisburg, Düsseldorf and other cities. In addition, as of 31 December 2022, the Group had approximately 690 operational employees based in several locations across Luxembourg and Germany.
- 5.4 As at the date of this Letter, the Plan Company's entire issued and outstanding share capital is held by the Parent Company. The Parent Company is the ultimate parent company of the Group, and is a public limited liability company, incorporated under the laws of the Grand Duchy of Luxembourg. The Parent Company is listed on the Frankfurt Stock Exchange. As of the date of this Letter, based on public information, 20.49 per cent. of the Parent Company is owned by Vonovia SE, 7.44 per cent. is owned by Gerda Caner and 6.10 per cent. is owned by Günther Walcher, in each case, directly or indirectly, with the remaining 65.97 per cent. in free float.
- 5.5 In addition to the Plan Company, Adler RE, Consus and certain other entities are also subsidiaries of the Parent Company. As of the date of this Letter, the Parent Company holds, directly or indirectly, a 96.72 per cent. interest in Adler RE and a 96.88 per cent. interest in Consus. Adler RE and Consus are stock corporations organised under the laws of the Federal Republic of Germany. Adler RE is listed on the Frankfurt Stock Exchange.

6. Debt Structure of the Group

- 6.1 As at 30 September 2022 the total interest-bearing external debt of the Group, excluding debt held by BCP in the amount of €680,000,000, amounted to around €6,100,000,000. The principal financing arrangements of the Group are summarised below. While the wider Restructuring will impact the capital structure of the Group, the Restructuring Plan relates solely to liabilities arising in respect of the Plan Company's SUNs and will not affect the rights of the creditors under the Group's other financing arrangements.

Issuer Substitution

- 6.2 The SUNs were originally issued by the Parent Company. Following the Parent Company's decision to proceed with the Restructuring Plan, and in accordance with the Terms and Conditions, the Plan Company was substituted in place of the Parent Company as the issuer of the SUNs. The Issuer Substitution was completed on 11 January 2023.
- 6.3 The SUN Holders were notified of the completion of the Issuer Substitution on the same day 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 (available [here](#)⁶).
- 6.4 In connection with the Issuer Substitution, the Plan Company and the Parent Company entered into the following agreements:
- (a) assumption agreements, under which the Plan Company became principal debtor for all obligations arising from or in connection with the SUNs;
 - (b) the Reimbursement Deed, pursuant to which the Plan Company agreed to reimburse certain payments made by the Parent Company in connection with the Parent Company Guarantees; and
 - (c) the Consideration Agreement, according to which the Parent Company gives certain payment undertakings to the Plan Company.
- 6.5 Additionally, in accordance with the Terms and Conditions of the SUNs, the Parent Company issued the Parent Company Guarantees, which are irrevocable and unconditional guarantees in relation to the obligations and liabilities under the SUNs, including (but not limited to) payment of the principal of, and interest on, the SUNs.
- 6.6 In connection with the Issuer Substitution and as envisaged by the Consideration Agreement, the Parent Company has issued Loan Notes to the Plan Company with equivalent 'back-to-back' payment provisions and obligations to the SUNs.

Debt Obligations of the Parent Company

- 6.7 For a description of the obligations of the Parent Company's subsidiaries, see paragraphs 6.11 to 6.18.
- 6.8 The principal external debt obligations of the Parent Company are comprised of €165,000,000 Convertible Notes, due 23 November 2023, and a secured loan from Commerzbank AG of approximately €97,000,000, due 31 March 2028.
- 6.9 In addition to its external debt obligations, the Parent Company has issued the Parent Company Guarantees and the Loan Notes in relation to the Issuer Substitution and the obligations under the SUNs.
- 6.10 The Parent Company, is a guarantor under the €24,500,000 of SSDs issued by ADO Lux, and has also issued a guarantee in favour of Consus subsidiaries in the aggregate amount of €10,000,000. The Parent Company is also the borrower under the €265,000,000 Intra-Group Loan granted by Adler RE, which matures on 15 April 2023.

Debt Obligations of the Plan Company

⁶ https://www.adler-group.com/en/investor-relations/translate-to-english-news-publications/news/detail-news?tx_news_pi1%5Baction%5D=detail&tx_news_pi1%5Bcontroller%5D=News&tx_news_pi1%5Bnews%5D=1000&cHash=d50db2a8d9ff47fe745831e09fc431d4

- 6.11 Following the Issuer Substitution, the Plan Company became the issuer under each series of the SUNs. The SUNs are each senior unsecured liabilities of the Plan Company ranking *pari passu* between themselves and all benefit from the Parent Company Guarantees.
- 6.12 Under the Reimbursement Deed that was entered into in connection with the Issuer Substitution described at paragraph 6.4(b) above, the Plan Company has agreed to reimburse certain payments made by the Parent Company under the Parent Company Guarantees.
- 6.13 The Terms and Conditions of the SUNs are each governed by the laws of Germany. The terms are substantially similar, save for certain differences in economic terms, as set out in the below table, and other mechanical differences. Notably, the Terms and Conditions of the 2024 Notes allow for the refinancing of the Group's debt, but the Terms and Conditions of the other SUNs do not, and there is currently no other available debt incurrence capacity that would allow the Group to incur indebtedness (refinancing or otherwise) under the other SUNs.

SUNs	ISIN	Issuer	Guarantor	Principal Amount	Coupon (per cent. p.a.)	Maturity	Required majority for material amendments	Governing law
2024 Notes	XS1652965085	Plan Company	Parent Company	€400,000,000	1.500	26 July 2024	75 per cent. of the voting rights participating in the vote	German Law
2025 Notes	XS2010029663			€400,000,000	3.250	5 August 2025		
January 2026 Notes	XS2283224231			€700,000,000	1.875	14 January 2026		
November 2026 Notes	XS2248826294			€400,000,000	2.750	13 November 2026		
2027 Notes	XS2336188029			€500,000,000	2.250	27 April 2027		
2029 Notes	XS2283225477			€800,000,000	2.250	14 January 2029		

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

- 6.14 The principal external debt obligations of Adler RE are the €1,100,000,000 Adler RE SUNs, comprising:
- (a) €500,000,000 of Adler RE 2023 SUNs;
 - (b) €300,000,000 of Adler RE 2024 SUNs; and
 - (c) €300,000,000 of Adler RE 2026 SUNs.
- 6.15 The Adler RE SUNs are senior unsecured liabilities of Adler RE, which rank *pari passu* between themselves and do not benefit from 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, whereas the Adler RE 2024 SUNs have been issued pursuant to an indenture governed by New York law.

- 6.16 The principal debt obligations of Consus and its subsidiaries comprise €261,000,000 of secured debt owed to third parties. In addition to the external debt obligations: (i) Consus is the borrower under certain intra-group loans granted by Consus Swiss Finance AG, a direct subsidiary of Consus; and (ii) Consus Swiss Finance AG is the borrower under various intra-group loans granted by the Parent Company and ADO Lux, a wholly-owned subsidiary of the Parent Company. Further, Consus Swiss Finance AG has on-lent certain portions of the above loan proceeds to certain of its property-owning subsidiaries and other entities within the Consus group of companies.
- 6.17 The Parent Company and Consus are currently considering certain restructuring measures to strengthen Consus' equity position, the implementation of which would affect the nominal amounts of the intra-group loans. These measures are not expected to affect existing liquidity or involve raising of new funds and are still subject to receipt of favourable binding tax rulings by the competent tax authorities and respective board approvals.
- 6.18 The Group also owes the following debts: (i) approximately €955,000,000 of secured debt 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 owed by property-owning subsidiaries of Adler RE, including BCP, and (iii) approximately €24,500,000 of unsecured SSDs with various maturities owed by ADO Lux, a wholly-owned subsidiary of the Parent Company.

7. Background to the Restructuring

- 7.1 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.
- 7.2 Further information with respect to the Group's financial position can be found at this link: [Adler Group: Financial Results.](#)⁷
- 7.3 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.

⁷ https://www.adler-group.com/en/investor-relations/translate-to-english-news-publications/news/detail-news?tx_news_pi1%5Baction%5D=detail&tx_news_pi1%5Bcontroller%5D=News&tx_news_pi1%5Bnews%5D=1000&cHash=d50db2a8d9ff47fe745831e09fc431d4

- 7.4 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.
- 7.5 The Group has made several asset sales over the course of 2022 in an attempt to alleviate its financial difficulties. In August 2022, the Group sold two of its Frankfurt-based development projects for a combined total of €166,000,000 cash at a discount of approximately 13.6 per cent. to their gross asset value as of 31 December 2021. Additionally, for the nine months ended 30 September 2022, on a year-on-year basis, the income from the Group's rental activities dropped approximately 18 per cent., while the EBITDA from rental activities decreased by 30 per cent. This decrease in rental income and EBITDA is primarily attributable to the Group's aforementioned asset disposals.
- 7.6 The factors referred to above have impaired the Group's ability to carry out asset sales at satisfactory prices and the Group has found it increasingly difficult to do so. In the first half of 2022, the Group attempted to sell its 63 per cent. stake in BCP to LEG Immobilien, a listed German real estate company, which would have led to the inflow of more than €750,000,000 on a gross basis. It was agreed, subject to certain conditions, that LEG Immobilien would participate in the public tender offer to purchase the shares of BCP held by the Group. However, in August 2022, LEG Immobilien announced that it would not make the offer and, as a result, would not proceed with the purchase of the Group's stake in BCP.
- 7.7 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). Furthermore, the respective boards must ensure that the proceeds from the asset disposals are at least sufficient (according to reasonable liquidity planning) to fully meet all payment obligations vis-à-vis all creditors of the relevant company when due. Forced sales at an undervalue would also likely result in a negative perception of the Group's business and will adversely impact the perception of the Group's remaining property portfolio.
- 7.8 The impact of the circumstances described above has required the Group to take certain immediate and proactive steps to address its worsening liquidity position and upcoming debt maturities. On 25 November 2022, the Parent Company and Adler RE agreed to an extension to the maturity date of the Intra-Group Loan from 29 December 2022 to 15 April 2023 and, in connection with this extension, certain assets of the Parent Company and its subsidiaries (other than Adler RE) were secured in favour of Adler RE. In addition, in order to further manage its debt obligations, the Group has implemented wider liquidity management measures, including extending the maturity of a secured loan amounting to almost €140,000,000 lent by a leading German real estate bank to a property-owning subsidiary of the Parent Company by two years until the end of 2024. However, these measures have not been sufficient to address all of the liquidity issues facing the Group.
- 7.9 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, in addition to the Intra-Group Loan and other interest payments and expenses due. Adler RE does not expect to be able to successfully negotiate and implement an extension to the maturity date of the Adler RE 2023 SUNs. 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. Such non-consensual and uncoordinated acceleration of outstanding debt would risk significant value destruction for all of the Group's stakeholders, including the Plan Creditors, as the Group would be unable to satisfy these material accelerated debt obligations given its current liquidity position and inability to sell assets at the necessary speed and price. As a result, in this scenario the directors of the debtor entities would have a statutory duty to file those relevant Group companies into bankruptcy or insolvency proceedings, which would likely result in value destruction through forced sales of assets in undesirable real estate market conditions.

- 7.10 In addition, the absence of an auditor, as detailed at paragraph 7.3 above, has meant that the Group has been unable to complete the audit of its financial statements, putting it at risk of breaching the reporting covenants under certain debt obligations, including the SUNs, which require audited financial statements to be produced for the fiscal year ending 31 December 2022 by the end of April 2023. Such breach will result in default and cross-default provisions being triggered in the SUNs and other financing arrangements of the Group, allowing creditors to terminate the various financing agreements and declare the outstanding debt due and payable. This would result in a similar liquidity shortfall to that described in paragraph 7.9.
- 7.11 As the Group (i) does not anticipate having sufficient liquidity to meet its upcoming payment obligations in April 2023 without further material asset sales conducted at a significant discount, which are not feasible for the reasons set out above, and (ii) remains without an auditor and is therefore unlikely to be able to deliver audited financial statements by the end of April 2023 as required, the Group will likely suffer a significant liquidity shortfall in the near term as a result of the defaults and cross-defaults described above if the Proposed Amendments are not implemented.
- 7.12 The Board has concluded that the Group's financial difficulties will, unless the Restructuring 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.
- 7.13 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 position of the Group and support its long-term future. The results of this exercise and the efforts of the Group and its advisers to identify a restructuring solution are described below. In summary, the Plan Company is seeking to implement the Restructuring 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.
- 7.14 The Restructuring Plan and the Restructuring seek to reduce the risk of termination and acceleration of the Adler RE 2023 SUNs, the Adler RE 2024 SUNs and the SUNs, to provide: (i) the Plan Company with the appropriate financial support to meet its obligations under the SUNs, and (ii) the Group with the appropriate financial support to meet the obligations under the Adler RE 2023 SUNs and Adler RE 2024 SUNs, and to avoid the commencement of bankruptcy or insolvency proceedings of the Plan Company or any other Group company.

8. Overview and Objectives of the Restructuring Plan

- 8.1 The primary objective of the Restructuring Plan is to deliver the consents required to effect the Proposed Amendments so that the Restructuring may be successfully implemented.

- 8.2 The Restructuring Plan aims to resolve the Plan Company's financial difficulties, which are intrinsically linked to the financial difficulties of the Group, by implementing the Proposed Amendments to the SUNs. The Proposed Amendments will, amongst other things, extend the maturity of the 2024 SUNs, amend certain covenants to avoid imminent defaults under the SUNs and permit the incurrence of the New Money Funding to allow the Group to address near-term maturities across its financing arrangements.
- 8.3 The implementation of the Proposed Amendments is a condition precedent to the provision of the New Money Funding and is therefore a key element of the Group's broader Restructuring.
- 8.4 As described above, successful implementation of the Restructuring will avoid a near-term liquidity shortfall and allow the Group to avoid having to file for uncoordinated formal insolvency or bankruptcy proceedings. Should the Restructuring Plan fail, the broader Restructuring (including the advance of New Money Funding to satisfy certain of the Group's upcoming financial obligations) will fail and the Plan Company, the Parent Company and other material Group companies will likely be required to enter into one or more insolvency or bankruptcy proceedings.
- 8.5 The primary aim of the Restructuring is to:
- (a) allow the Group to avoid having to file for formal insolvency or bankruptcy proceedings, which would materially impact recoveries for Plan Creditors;
 - (b) make available to the Group additional liquidity through the New Money Funding, which will allow the Group to stabilise its business operations, refinance certain of its debt obligations and avoid the need to sell the Group's assets at a deep discount within an insolvency proceeding;
 - (c) extend the maturity of the 2024 Notes to 31 July 2025;
 - (d) implement a more sustainable debt service and maturity profile for the debt of certain critical members of the Group, including facilitating the full repayment of the Adler RE 2023 SUNs and the Adler RE 2024 SUNs to avoid imminent defaults and cross-defaults within Adler RE and the Group that would otherwise be likely to occur given the immediate and upcoming maturities that, as described at paragraph 7.9, cannot be extended and, without the Restructuring, likely cannot be repaid;
 - (e) allow the Group time to focus on refinancing or extending its remaining upcoming maturities, such as the Convertible Notes or SSDs; and
 - (f) provide the Group with additional time to finalise the audit of its financial statements for the year ending 31 December 2022 and thereby avoid a breach of the reporting covenants in the SUNs and other debt instruments.

The Proposed Amendments

- 8.6 The Proposed Amendments include the following key amendments (unless otherwise stated, such amendments will apply to all series of the SUNs):
- (a) amendments aimed at reducing the liquidity risk presented by upcoming payment obligations on the SUNs; for example:
 - (i) the extension of the maturity of the 2024 Notes from 26 July 2024 to 31 July 2025 (being the only maturity extension to the SUNs under the Restructuring Plan); and
 - (ii) the suspension of interest payments for a period of approximately two years, with interest payable on the SUNs capitalised until 31 July 2025. In return, the

SUNs will benefit from a coupon uplift of 2.75 per cent. until 31 July 2025, after which time the coupons will revert to their relevant current level;

- (b) amendments permitting the incurrence of certain indebtedness by members of the Group, including:
 - (i) a carve-out to allow the Group to incur the New Money Funding and to permit refinancing of certain existing indebtedness; and
 - (ii) the modification of the negative pledge covenants to allow for the creation of security on specified indebtedness and the provision of guarantees by certain subsidiaries of the Group, so that the New Money Funding, the SUNs, and other debt obligations may be guaranteed and secured over certain of the Group's assets;
- (c) amendments to the reporting covenants 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 as of 31 December 2022 by the end of April 2023; and
- (d) amendments to certain other restrictive covenants aimed at supporting the new capital structure and liquidity position of the Group, 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 Parent Company to 33.3 per cent.

8.7 The Proposed Amendments also include the appointment of a Notes Representative. With respect to each applicable series of SUNs, the Notes Representative will be entitled to, amongst other things, exercise the rights of the SUN Holders under the Intercreditor Agreement, instruct the security trustee to release transaction collateral or guarantees and to take any action and make any declaration upon an event of default under the SUNs. The Notes Representative will be required to provide reports of its activities to the SUN Holders of each series.

8.8 The implementation of the Restructuring Plan and the broader Restructuring do not provide for any reduction in the quantum of the claims of the Plan Creditors under the SUNs. The Plan Company anticipates that if the Restructuring Plan is sanctioned and the broader Restructuring is implemented (as further described in section 10 (*Consequences if the Restructuring Plan is unsuccessful*)) the SUNs will be repaid in full when due.

9. Lock-Up Agreement, New Money Funding and Plan Creditors Engagement

9.1 In the second half of 2022, the Group (represented by PJT Partners (UK) Limited as financial advisers and White & Case LLP as legal advisers) entered into discussions with the SteerCo (represented by Houlihan Lokey EMEA LLP as financial advisers and Hengeler Mueller Partnerschaft von Rechtsanwälten mbB and Milbank LLP as legal advisers) regarding a restructuring proposal. The SteerCo together hold approximately 46 per cent. of the SUNs as of the date of this Letter.

- 9.2 The SteerCo and the Group agreed that the provision of up to €937,500,000 of new financing via the New Money Funding would provide the liquidity needed to manage the Group's upcoming debt maturities and operational needs, and alleviate the pressure to sell assets in the current challenging market conditions. It was determined that such New Money Funding would need to be secured, including by pledges over the shares of various newly incorporated Luxembourg entities that will hold most of the Group's assets following the Restructuring, as well as security over certain assets and property-owning subsidiaries of the Group. Participation in the New Money Funding will be offered to all holders of the SUNs and proceeds of the New Money Funding will be primarily used to repay the Intra-Group Loan and to refinance certain existing debt obligations of the Group.
- 9.3 The existing Terms and Conditions of the SUNs do not currently permit refinancing of existing indebtedness (other than the 2024 Notes) or incurrence of additional secured indebtedness, as contemplated by the terms of the New Money Funding. In addition, there is a real risk that in the absence of an auditor the Group will breach its reporting covenants under certain debt obligations, including the SUNs, which would in turn result in default and cross-default provisions being triggered, thereby creating a liquidity shortfall as described in paragraph 7.9. As a consequence, it is necessary to amend certain provisions of the SUNs to allow the incurrence of the New Money Funding, the refinancing of existing debt and the provision of security.
- 9.4 If the Proposed Amendments are successfully implemented, the Group will be able to incur the New Money Funding without breaching obligations under the SUNs. The New Money Funding is a key element of the Restructuring.
- 9.5 In addition to amendments to allow for the incurrence of the New Money Funding, it was determined that certain other amendments to the SUNs were necessary to further alleviate the financial pressures faced by the Plan Company and the Group. The Proposed Amendments are outlined at paragraph 8.6 above.

Lock-Up Agreement

- 9.6 On 25 November 2022, following extensive negotiations with the SteerCo and their legal and financial advisers, the Group entered into the Lock-Up Agreement with the SteerCo. It was the intention of the Parent Company that the Proposed Amendments would be implemented pursuant to the Consent Solicitation. However, under the Lock-Up Agreement, the parties agreed that if the Consent Solicitation was unsuccessful, an Alternative Implementation Method would be selected in order to implement the Proposed Amendments. The proposed Alternative Implementation Method included, amongst others, an English restructuring plan.
- 9.7 The Group announced entry into the Lock-Up Agreement in a press release on its website (available [here](#)⁸). An announcement of entry into the Lock-Up Agreement was also disseminated through the Clearing Systems and the Lock-Up Agreement was uploaded onto a dedicated website made accessible to all Plan Creditors. Plan Creditors can accede to the Lock-Up Agreement at any time prior to the termination of the Lock-Up Agreement (see paragraph 9.13 for relevant termination provisions). Plan Creditors have also been provided with the contact details for both the Group's and the SteerCo's financial advisers in case of any queries.
- 9.8 According to information provided to the Plan Company by the Calculation Agent, and as of the date of this Letter, over 67 per cent. by value of all SUNs have acceded to the Lock-Up Agreement. The Calculation Agent relies on the information provided to it by the Plan

⁸ https://www.adler-group.com/en/investor-relations/translate-to-english-news-publications/news/detail-news?tx_news_pi1%5Baction%5D=detail&tx_news_pi1%5Bcontroller%5D=News&tx_news_pi1%5Bnews%5D=1000&cHash=d50db2a8d9ff47fe745831e09fc431d4

Creditors. A breakdown of the Participating Noteholders per series of SUNs, set out in terms of the principal amount outstanding, is provided below:

- (a) 2024 Notes: approximately 78 per cent.;
 - (b) 2025 Notes: approximately 87 per cent.;
 - (c) January 2026 Notes: approximately 64 per cent.;
 - (d) November 2026 Notes: approximately 85 per cent.;
 - (e) 2027 Notes: approximately 58 per cent.; and
 - (f) 2029 Notes: approximately 53 per cent.
- 9.9 Following the failure of the Consent Solicitation and pursuant to the terms of the Lock-Up Agreement, the Group and the Majority Participating Noteholders agreed to proceed with the Restructuring Plan as a means to implement the Proposed Amendments. This was publicly announced by the Group on 12 January 2023.
- 9.10 If the Proposed Amendments are implemented through, amongst other things, a Restructuring Plan, a Lock-Up Fee to the value of 0.25 per cent. of each Participating Noteholder's Locked-up Notes will be payable to Participating Noteholders who acceded to the Lock-Up Agreement on or before the specified deadline (being 13 December 2022) and who have not breached the Lock-Up Agreement, which breaches include failing to vote in favour of the Proposed Amendments through the relevant Alternative Implementation Method.
- 9.11 The Plan Company will, subject only to obtaining the requisite consents, amend the Lock-Up Agreement shortly after the date of this Letter to extend the specified deadline to 12:00pm (London time) on the date of the Plan Meetings and issue an announcement on its website and through the Clearing Systems notifying Plan Creditors of the extension.
- 9.12 Under the Lock-Up Agreement, Participating Noteholders have undertaken, amongst other things:
- (a) to vote in favour of the Proposed Amendments to the SUNs;
 - (b) not to transfer, assign or sell any of their Locked-up Notes to a person who is not a Participating Noteholder, unless such person accedes to the Lock-Up Agreement;
 - (c) to waive certain events of default in connection with the SUNs;
 - (d) not to take certain actions that are or might be inconsistent with the Restructuring Plan; and
 - (e) not to take certain enforcement actions for the term of the Lock-Up Agreement.
- 9.13 The Lock-Up Agreement may be terminated in accordance with its terms and shall automatically terminate on the earlier of:
- (a) the longstop date of 15 April 2023, which can be extended to 15 May 2023 upon the approval of 66.67 per cent. of the Participating Noteholders, and the "Obligors" (as currently defined in the Lock-Up Agreement as the Parent Company, Consus and Adler RE); and
 - (b) the date on which the Restructuring Plan becomes unconditionally effective in accordance with its terms.

New Money Funding Commitment Letters

- 9.14 Concurrently with but independently of the conclusion of the Lock-Up Agreement on 25 November 2022, the Group also entered into Commitment Letters with the members of the SteerCo. Under the Commitment Letters, the Group received commitments from such members of the SteerCo to provide the full amount of the New Money Funding of up to €937,500,000. The initial commitments of the members of the SteerCo were and may further be subsequently reduced to the extent that other SUN Holders elect to participate in the New Money Funding (as described at paragraph 9.17 below). The provision of the New Money Funding is subject to the implementation of the Proposed Amendments (which is, in turn, dependent on the completion of the Restructuring Plan), the provision of the agreed collateral and other customary conditions.
- 9.15 There is no obligation for Plan Creditors to be a party to the Lock-Up Agreement in order to commit to provide the New Money Funding. Equally, there is no requirement for Plan Creditors to execute a Commitment Letter if they wish to accede to the Lock-Up Agreement.
- 9.16 Under the Commitment Letters, the Group agreed to pay the Backstop Fee to the members of the SteerCo, being a fee equal to 3.00 per cent. of the amount of the initial total New Money Commitment as of 25 November 2022. This Backstop Fee was agreed as a compensation for the members of the SteerCo's willingness to backstop the full amount of the New Money Funding, irrespective of whether or not other creditors elected to participate in the New Money Funding on the agreed terms.
- 9.17 During the period from 25 November 2022 to (and including) 14 December 2022, the other SUN Holders were invited to participate in the New Money Funding on the same basis as members of SteerCo (except for the Backstop Fee), namely a rateable basis up to their pro rata share in the New Money Funding, calculated on the basis of the aggregate nominal amount of SUNs held by the relevant SUN Holder compared to the aggregate nominal amount of all SUNs that are outstanding (i.e., €3,200,000,000).
- 9.18 The Plan Company will, subject only to obtaining the requisite consents, extend the specified deadline for other Plan Creditors to participate in the commitment to provide New Money Funding to a specified date falling after the Sanction Hearing and issue an announcement on its website and through the Clearing Systems notifying Plan Creditors of the extension. This announcement will invite Plan Creditors to participate in the New Money Funding on the same terms as previously offered to the SUN Holders during the initial offer period from 25 November 2022 and 14 December 2022 (excluding the Backstop Fee). The reason why other SUN Holders who elected or elect to participate in the New Money Funding after 25 November 2022 will not benefit from the Backstop Fee is that they are not committing to backstop a larger than pro rata portion of the New Money Funding, and they only provide their commitments at a time where the backstop is in place.
- 9.19 The Group has agreed to pay the following fees to all SUN Holders who commit to provide the New Money Funding, including the relevant members of the SteerCo, in each case calculated on the basis of the New Money Provider's New Money Commitments:
- (a) the Early Bird Fee, being a fee equal to 1.00 per cent. of the amount of each New Money Provider's New Money Commitments, available to each New Money Provider who executed a Commitment Letter on or prior to the Early Bird Fee Deadline (initially 2 December 2022). As described above, the Plan Company will, subject only to obtaining the requisite consents, extend the deadline for other Plan Creditors to participate in the commitment to provide New Money Funding to a specified date falling after the Sanction Hearing. The extension will allow all Plan Creditors to be eligible to receive the Early Bird Fee, if they provide (and are rateably allocated) New Money Commitments by the extended Early Bird Fee Deadline;
 - (b) the Ticking Fee, being a fee in euro for each New Money Provider, computed at the rate of 5.00 per cent. per annum on the undrawn, uncanceled amount of such party's

New Money Commitment, calculated on a daily basis during the period commencing on 9 January 2023 or, if later, the date on which the New Money Commitment is committed and ending on the date of first utilisation under the New Money Funding; and

- (c) the OID Fee, being an original issue discount at the rate of 1.00 per cent. calculated on the initial nominal amount of the New Money Notes issued to the relevant New Money Provider. Whilst this is described as a “fee”, it is in fact part of the pricing of the New Money Notes (comparable to the interest rate) and is necessarily available to anyone who participates in the New Money Funding.
- 9.20 The Backstop Fee, Ticking Fee and Early Bird Fee will be payable irrespective of whether or not the Restructuring Plan is implemented. In the event that the Restructuring Plan is not implemented, the aforementioned fees will rank as unsecured claims against the estate of the Parent Company in the insolvency proceedings of the Parent Company (being the relevant alternative to the Restructuring Plan). If the Restructuring Plan is implemented, the aforementioned fees will be financed via an increase in the nominal amount of New Money Notes issued to the New Money Providers. The OID Fee will accrue only if the New Money Notes are issued and will be financed via an increase in the nominal amount of New Money Notes issued to the New Money Providers.
- 9.21 The Plan Company will, subject only to obtaining the requisite consents, issue an announcement to all Plan Creditors on the Group’s website and through the Clearing Systems notifying Plan Creditors that:
- (a) participation in the New Money Funding by the Plan Creditors shall be allowed at any time prior to a specified date falling after the Sanction Hearing; and
 - (b) the Early Bird Fee Deadline shall be extended to that same specified deadline falling after the Sanction Hearing.

New Money Funding

- 9.22 Pursuant to the Commitment Letters, the New Money Funding will be raised via the New Money Notes. The New Money Notes will be issued by a newly incorporated SPV, which will use the proceeds thereunder to grant the Term Loans in an amount of up to €857,500,000 to the Parent Company and, in an amount of up to €80,000,000, to Consus and/or subsidiaries of Consus (together, the “Borrowers” as defined in the Commitment Letters). Repayment of the New Money Notes will occur upon repayment of the Term Loans on a pass-through basis.
- 9.23 The Term Loans comprise up to €937,500,000 senior secured loans maturing on 30 June 2025, consisting of:
- (a) an up to €322,500,000 term loan facility to be disbursed to the Parent Company, with the proceeds being used 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, the payment of fees incurred in relation to the New Money Funding, including the OID Fee;
 - (b) €235,000,000 term loan facility to be made available to the Parent Company, with the proceeds being used to fund a non-interest bearing shareholder loan 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, with the proceeds being used to fund certain capital expenditures; and
 - (d) €300,000,000 term loan facility to be made available to the Parent Company, with the proceeds being used to fund a non-interest bearing shareholder loan 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.
- 9.24 The New Money Funding 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 certain of the obligations under the New Money Funding and provide collateral on a senior secured basis. All lenders under the New Money Funding will be allocated a separable contingent value right instrument entitling holders to a share of 25 per cent. of the equity value of the Group pro rata to their holding of the New Money Notes. The Parent Company shall use commercially reasonable efforts to settle the contingent value right instrument by issuing new shares in the Parent Company during a period of six years after first utilisation. If the contingent value right is not settled in shares by the date falling six years after first utilisation of the Term Loans, the Parent Company shall be required to satisfy the contingent value right in cash.
- 9.25 The upcoming maturity of the Adler RE 2023 SUNs presents a considerable risk of default and cross-default to the Group. Certain financial covenants limit the ability of Adler RE to incur new debt and refinance upcoming maturities. As outlined above in section 7 (*Background to the Restructuring*), it is unlikely that Adler RE could sell sufficient assets in time to meet the upcoming maturity on 27 April 2023. Even if sales on such short notice were possible, forced sales would most likely result in substantial discounts to the fair value of the relevant properties and, therefore, further adversely impact the value of the remaining portfolio. Therefore, it was agreed that a significant portion of the proceeds from the New Money Funding will be used to refinance the Adler RE 2023 SUNs and the Adler RE 2024 SUNs to avoid a sale of assets at a deep discount and protect value for all stakeholders of the Group.
- 9.26 Due to certain covenant restrictions resulting from the Adler RE SUNs, Adler RE is not able to borrow the New Money Funding directly. Otherwise, the consolidated coverage financial covenant set forth in the Adler RE 2024 SUNs and the Adler RE 2026 SUNs would most likely be breached. Such breach would entitle the holders of the relevant notes to terminate such notes, which would, in turn, trigger a cross acceleration right under the SUNs. As a result, the New Money Funding will be borrowed by the Parent Company and the proceeds required to repay the Adler RE 2023 SUNs and Adler RE 2024 SUNs will then be channelled through repayment of the Intra-Group Loan and also on-lent by the Parent Company to Adler RE via a shareholder loan with zero interest, as further described in paragraphs 9.23(b) and (d).
- 9.27 A new Intercreditor Agreement will be entered into to govern the enforcement of collateral and the waterfall for the distribution of enforcement proceeds among the different classes of creditors of, inter alia, the Parent Company, the Plan Company and Consus. Under the Intercreditor Agreement, the New Money Funding will rank first, the 2024 Notes, the Convertible Notes and the SSDs will rank second (ranking equally amongst themselves), the remaining SUNs will rank third and the contingent value right instrument will rank fourth as regards enforcement and guarantee proceeds. Each of the Convertible Notes, the SSDs and the SUNs are currently unsecured obligations, which rank *pari passu* with other unsecured obligations of the relevant debtor company.
- 9.28 Additionally, in connection with the New Money Funding, the Parent Company has undertaken to reorganise the Group's corporate structure to allow the creditors to benefit from a more efficient security enforcement structure. In the first step, which has already been completed, the Parent Company has incorporated four wholly-owned Luxembourg subsidiaries. In the second step, the Parent Company is expected to transfer (a) all shares held by it in Adler RE (except

for 10.1% of the shares in Adler RE which will continue to be held by the Parent Company) into the first wholly-owned Luxembourg subsidiary, the Adler RE Collateral LuxCo, (b) all shares held by it in Consus (except for 10.1% of the shares in Consus which will continue to be held by the Parent Company) into the second wholly-owned Luxembourg subsidiary, the Consus Collateral LuxCo, and (c) all shares held by it in its other pre-existing directly held subsidiaries (except for 10.1% of the shares in such subsidiaries, which will continue to be held by the Parent Company) and all other relevant assets into the third wholly-owned Luxembourg subsidiary, Adler Group Collateral LuxCo, in each case, by way of a capital increase against contributions in-kind. In the third step, the Parent Company will contribute its shares in the three Collateral LuxCos to the fourth new Luxembourg subsidiary, the Intermediary Collateral LuxCo by way of a capital increase against contributions in-kind. The latter two steps are expected to take place on or around 24 March 2023.

- 9.29 If the Restructuring Plan is sanctioned and the New Money Funding is incurred, the Plan Creditors who participate in the New Money Funding and the SUN Holders will benefit from the above structural changes and enhanced security package, as all shares in the new Luxembourg subsidiaries will be pledged to secure the New Money Funding and the SUNs (with the relevant priorities set out above), which will satisfy a key condition to the availability of the New Money Funding.
- 9.30 If the Restructuring Plan is sanctioned, the Plan Company anticipates that the Group will be able to complete the Restructuring and draw down on the New Money Funding in the course of April 2023 in order to satisfy the debt obligations of the Group members that will fall due in April 2023, including the Adler RE 2023 SUNs.

Consent Solicitation to implement the Proposed Amendments

- 9.31 The Parent Company sought the consents required to make the Proposed Amendments through the Consent Solicitation, which was launched on 2 December 2022, with the voting period ending on 19 December 2022.
- 9.32 The SUNs are governed by German law. To implement any changes via a consent solicitation under German law, a quorum of the noteholders representing at least 50 per cent. of the outstanding principal amount of the notes and the approval by a majority of at least 75 per cent. of the voting noteholders with respect to each individual series of notes was needed.
- 9.33 The Consent Solicitation was necessarily inter-conditional: if one series of SUNs failed to reach the 75 per cent. threshold, the Proposed Amendments would not be effective for any of the series of SUNs, as the Group would not be able to implement the actions contemplated by the Proposed Amendments if even one series of SUNs with restrictive covenants remains unchanged.
- 9.34 On 8 December 2022, a group of SUN Holders with holdings concentrated in the 2029 Notes, advised by Akin Gump LLP, Gleiss Lutz Hootz Hirsch PartmbB Rechtsanwälte Steuerberater and FTI Consulting Inc., announced that it intended to vote against the Consent Solicitation.
- 9.35 Despite the minority dissenting group, there was overwhelming support in favour of the Consent Solicitation. The requisite majority was achieved in five out of the six series of SUNs, and in each series of SUN save for the 2029 Notes (see below), over 75 per cent. of SUN Holders consented. In total, SUN Holders representing more than 78 per cent. of the total nominal amount outstanding and more than 82 per cent. based on the total nominal amount represented by votes cast, in each case, voted in favour of the Consent Solicitation. However, only 54.9 per cent. of the total nominal amount of 2029 Notes outstanding voted in favour of the Consent Solicitation, and the requisite majority was not reached in respect of the 2029 Notes. The conditions for execution of the Consent Solicitation were therefore not met and the Proposed Amendments were not adopted.

10. Consequences if the Restructuring Plan is unsuccessful

- 10.1 As detailed in section 7 (*Background to the Restructuring*), the Group is at significant risk of failing to meet certain of its financial obligations as and when they become due and payable absent the proposed Restructuring. Given the impending maturities and covenant breaches, there would be insufficient time to seek, and significant uncertainty on the possibility of obtaining, the requisite level of creditor consent to implement any alternative transaction before the liquidity position becomes such that the Plan Company, and certain other key Group companies, would have to file for insolvency.
- 10.2 The Plan Company has instructed BCG to prepare the Comparator Report, to estimate Plan Creditors' recoveries in the following scenarios:
- (a) the scenario in which the Restructuring Plan and the Restructuring are implemented; and
 - (b) the "relevant alternative scenario" for the purposes of Part 26A of the Companies Act in which the Restructuring Plan and the Restructuring are not implemented, which will likely result in the Plan Company and other members of the Group (including the Parent Company, Adler RE and Consus) filing for formal insolvency or bankruptcy proceedings in spring 2023 in Germany or other relevant jurisdictions.
- 10.3 If the key Group companies, comprising Adler RE, the Parent Company, and Consus, entered into German formal insolvency proceedings, this would likely lead to a piecemeal liquidation of all of the Group's assets by the insolvency administrator causing significant asset value impairment and would likely return a materially lower recovery for the Group's creditors, including the Plan Creditors, for a number of reasons, including the following:
- (a) the implementation of the Restructuring Plan will allow the Plan Company to avoid near-term defaults, and will allow the Group, on which the Plan Company is financially dependent, to implement certain operational restructuring measures and manage its portfolio in the ordinary course while pursuing asset disposals on an orderly basis as envisaged by the Restructuring over time as the market recovers and higher prices become sustainable (which are very likely to be higher than in insolvency or bankruptcy proceedings);
 - (b) the appointment of insolvency administrators in various local insolvency or bankruptcy proceedings would probably lead to an insolvent liquidation, i.e., a sale of the assets of key members of the Group (likely on an "as is" and "where is" basis), with limited representations and warranties. This would be perceived as a distressed sale scenario and would result in even more significant discounts to values than the Group has recently experienced in the market;
 - (c) the commencement of bankruptcy or insolvency proceedings of key Group companies, and/or certain actions taken by insolvency administrators in such proceedings, are likely to trigger cross-defaults under certain project-specific loans that will have a material negative impact on the ability to advance the projects and recuperate full value for those investments;
 - (d) an insolvency or bankruptcy event would likely lead to the loss of key management and/or key operational staff;
 - (e) significant default interest will accrue on certain of the Group's outstanding liabilities in the event of insolvency or bankruptcy proceedings;
 - (f) certain preferential claims relating to employee liabilities arising out of redundancy, certain tax liabilities and certain contingent claims relating to potential legal actions

may crystallise and be pursued in the event of formal insolvency or bankruptcy proceedings;

- (g) there is a high risk of losing support from community authorities, necessary building permits, certificates and other prerequisites needed to manage residential operations and develop future projects even for members of the Group who might remain outside of formal insolvency and bankruptcy proceedings; and
- (h) the significant costs and expenses arising out of the insolvency or bankruptcy proceedings, which may take a number of years to reach a conclusion, and which will reduce recoveries for all creditors.

- 10.4 Following the implementation of the Restructuring Plan and the Restructuring, the Group is forecast to repay the SUNs in full as they fall due (as amended in accordance with the Proposed Amendments). As of the date of this Letter, BCG has performed an initial assessment and has reached the preliminary conclusion (which should be viewed as high-level and directional only, and remains subject to ongoing analysis) that, by way of comparison, the distribution that would be received by the holders of the SUNs in the relevant alternative scenario (being formal insolvency or bankruptcy proceedings) would be significantly less than the face value of the SUNs. The Comparator Report will be appended to the Explanatory Statement, which will be circulated to Plan Creditors promptly following the Convening Hearing.
- 10.5 Having consulted with its legal and financial advisers, the Plan Company accordingly considers that the Restructuring Plan is likely to result in a materially higher return for each class of Plan Creditors than in the relevant alternative scenario. By implementing the Restructuring Plan, the Board considers that the Group will be put on a stable footing, which will safeguard its business, operations and employees in the long term.

11. Proposed Class Constitution of Plan Creditors

Applicable principles

- 11.1 In accordance with the Practice Statement, it is the responsibility of the Plan Company to determine whether the Restructuring Plan requires more than one meeting of Plan Creditors and, if so, to ensure that those meetings are properly constituted.
- 11.2 A summary of the tests applied by the Court for class constitution for analogous schemes of arrangement under Part 26 of the Companies Act 2006 is set out below; it has been confirmed that the same considerations will apply in determining class constitution for a Restructuring Plan:
- (a) where creditors affected by a plan have rights that are so dissimilar, or would be affected so differently by the plan, as to make it impossible for them to consult together with a view to their common interest, they must be divided into separate classes, and a separate meeting must be held for each class of creditor; and
 - (b) it is the legal rights of creditors, and not their separate commercial or other interests, that determine whether they form a single class or separate classes. Conflicting interests are matters that may properly be taken into account at the sanction stage, but do not go to class composition.

Proposed creditor classes for the Restructuring Plan

- 11.3 The Plan Company has considered the present rights of each of its Plan Creditors and each Plan Creditor's rights in the relevant alternative scenario in which the Restructuring Plan and the Restructuring are not implemented. The Plan Company has further considered the way in which Plan Creditors' present rights are proposed to be compromised under the Restructuring Plan.

- 11.4 The Plan Company considers that Plan Creditors holding each series of the SUNs should form a separate class of creditors under the Restructuring Plan. As such, the Plan Company has concluded that it is appropriate that separate Plan Meetings are held for each class of Plan Creditor as set out below, in each case for the purposes of voting on and, if thought fit, approving the Restructuring Plan:
- (a) 2024 Plan Creditors;
 - (b) 2025 Plan Creditors;
 - (c) January 2026 Plan Creditors;
 - (d) November 2026 Plan Creditors;
 - (e) 2027 Plan Creditors; and
 - (f) 2029 Plan Creditors.
- 11.5 The Plan Company considers that the rights of each Plan Creditor of the same class are the same, or alternatively are not so dissimilar, as to make it impossible for them to consult together with a view to their common interest. The Plan Company has reached this conclusion on the basis that, pursuant to the Terms and Conditions of each series of the SUNs, each Plan Creditor presently holds its series of SUNs on identical terms with the other Plan Creditors that invested in that same series, and therefore has the same rights against the Plan Company. If the Restructuring Plan becomes effective, the Proposed Amendments would affect Plan Creditors within a series in an identical manner.
- 11.6 In light of the differences between the rights of Plan Creditors holding each series of SUNs, it is proposed that the Plan Creditors shall be divided into six separate classes for the purpose of voting on, and if thought fit, approving the Restructuring Plan.

IMPORTANT: If any Plan Creditor has comments as to the proposed constitution of the Convening Hearing, or any other issues which they consider should be raised with the Court, they should in the first instance contact the Information Agent using the contact details set out in paragraph 14.1 below.

Summary of fees payable in connection with the Restructuring Plan

- 11.7 As noted below, the Plan Company has considered whether any of the fees have an impact on the classification of the Plan Creditors for the purposes of voting on the Restructuring Plan, and has concluded that none (taken either individually or cumulatively) are sufficiently material to impact the proposed class constitution.

Impact of the Lock-Up Fee

- 11.8 If the Proposed Amendments are implemented through the Restructuring Plan, and once the proposed amendment to the Lock-Up Agreement as described at paragraph 9.11 above is implemented, any Plan Creditor that acceded to the Lock-Up Agreement on or before 12:00pm (London time) on the date of the Plan Meetings will be eligible for the Lock-Up Fee of 0.25 per cent. of their Locked-up Notes.
- 11.9 The Plan Company has considered whether the terms of the Lock-Up Agreement and the Lock-Up Fee have an impact on the classification of Plan Creditors for the purposes of voting on the Restructuring Plan. The Plan Company has concluded that it does not, because:
- (a) it is well-established that the entry into a Lock-Up Agreement does not, of itself, fracture a class;

- (b) each Plan Creditor will be entitled to accede to the Lock-Up Agreement on or before 12:00pm (London time) on the date of the Plan Meetings (as further described in paragraph 9.10) and thereby become entitled to receive the Lock-Up Fee, regardless of whether it elects to participate in the New Money Funding;
- (c) the Plan Company considers that the quantum of the Lock-Up Fee is immaterial in the context of the likely returns to the Plan Creditors in the comparator and under the Restructuring Plan, and in any event does not prevent the relevant creditors from consulting together in their common interest; and
- (d) the Plan Company considers payment of the Lock-Up Fee to be appropriate and beneficial to the Group in order to:
 - (i) secure support for the Restructuring Plan from the Group's diverse and numerous Plan Creditors; and
 - (ii) thereby provide the Group with a deliverable restructuring process and visibility over the levels of creditor support for the Restructuring Plan.

Impact of the Commitment Letter and associated fees

- 11.10 The Backstop Fee, Ticking Fee, Early Bird Fee or OID Fee were not offered in exchange for or otherwise in connection with entering into the Lock-Up Agreement or any other obligation to vote in favour of the Restructuring Plan.
- 11.11 The Plan Company has considered whether participation in the New Money Funding via the Commitment Letter, and benefits related thereto, have an impact on the classification of Plan Creditors for the purposes of voting on the Restructuring Plan. The Plan Company has concluded that it does not, for the following reasons:
 - (a) pursuant to the Commitment Letter, each Plan Creditor (directly or through its affiliated or related funds) was offered the opportunity to commit to provide the New Money Funding following a subscription period running from 25 November 2022 until 14 December 2022 (inclusive). As of 14 December 2022, Plan Creditors holding in aggregate 67.8 per cent. by value of the SUNs, with 22.4 per cent. by value representing SUN Holders (or their affiliated or related funds) that are not SteerCo members, elected to participate in the New Money Funding. As detailed in paragraph 9.21(a) above, each Plan Creditor will be invited to participate in the New Money Funding at any time prior to a specified date falling after the Sanction Hearing; and
 - (b) based on advice from its financial advisers, the Plan Company considers that the Backstop Fee, the Early Bird Fee, the Ticking Fee and the OID Fee, as referred to in paragraphs 9.16 and 9.19, are all typical of those in committed financings of this type and under these circumstances.

Impact of the Backstop Fee

- 11.12 The Backstop Fee is described at paragraph 9.16 above. The aggregate amount of the Backstop Fee is 3.00 per cent. of the amount of the initial total New Money Commitment as of 25 November 2022. The Backstop Fee will be payable to the SteerCo members that executed Commitment Letters on or about 25 November 2022 and committed to provide the full amount of the New Money Funding, to the extent other SUN Holders did not elect to participate in the New Money Funding, pro rata based on their New Money Commitments as of 25 November 2022.
- 11.13 The Plan Company has considered whether the Backstop Fee under the Commitment Letter gives rise to any issues with classification of Plan Creditors for the purposes of voting on the Restructuring Plan. The Plan Company has concluded that it does not, for the following reasons:

- (a) the amount of the Backstop Fee represents a fair market price and is being paid in return for the provision of a commercial debt backstopping service involving the assumption of risk by each New Money Provider. Based on advice from its financial advisers, the Plan Company considers that the Commitment Letter was entered into, and the terms of the Backstop Fee were agreed, on an arm's length basis for negotiated market terms without any element of bounty;
- (b) the Plan Company therefore considers that the Backstop Fee will be paid to the New Money Providers in consideration for the commercial service of backstopping the New Money Funding, which was necessary to allow the Group to address and alleviate its liquidity needs;
- (c) the Backstop Fee becomes payable upon certain events including, but not limited to, the completion of the Restructuring; and
- (d) having regard to (i) the size of the Backstop Fee when compared to the predicted returns to all Plan Creditors under the Restructuring Plan and the Restructuring, and (ii) the returns that Plan Creditors would make in an insolvency of the Plan Company, the Plan Company considers that the quantum of the Backstop Fee is not material as it is unlikely that a Plan Creditor who considered the substantive aspects of the Restructuring Plan to be against their interests would be persuaded by payment of the Backstop Fee to vote in favour of the Restructuring Plan.

Impact of the Early Bird Fee

- 11.14 The Early Bird Fee is described at paragraph 9.19(a) above. If the Restructuring Plan is implemented, an Early Bird Fee at the rate of 1.00 per cent. on the amount of the New Money Provider's New Money Commitment (as may be assumed or cancelled as a result of additional commitments provided), will be payable to each New Money Provider who provides a New Money Commitment prior to the extended Early Bird Fee Deadline.
- 11.15 The Plan Company has considered whether the Early Bird Fee gives rise to any issues with classification of Plan Creditors for the purposes of voting on the Restructuring Plan. The Plan Company has concluded that it does not, for the following reasons:
 - (a) each Plan Creditor will have been offered the opportunity to participate in the New Money Funding prior to the extended Early Bird Fee Deadline;
 - (b) the Plan Company considered it necessary to offer an Early Bird Fee to incentivise Plan Creditors to provide commitments for the New Money Funding; and
 - (c) the Plan Company considers that the quantum of the Early Bird Fee is not material in the context of the total amount of the claims of the likely returns to the Plan Creditors in the comparator and under the Restructuring Plan, such that it is unlikely that a Plan Creditor would be influenced in its decision to vote for or against the Restructuring Plan by the payment of the Early Bird Fee.

Impact of the Ticking Fee

- 11.16 The Ticking Fee is described at paragraph 9.19(b) above. The Ticking Fee will be available to each Plan Creditor who provides a New Money Commitment, and is computed at the rate of 5.00 per cent. per annum on the undrawn, uncanceled amount of the relevant New Money Funding commitment, calculated 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 Letter was executed at a later date, the date of the applicable New Money Commitment, and ending on the date of first utilisation of the New Money Funding. This rate corresponds to 40 per cent. of the 12.5 per cent. per annum interest rate agreed for the New Money Funding.

11.17 The Plan Company has considered whether the Ticking Fee gives rise to any issues with the classification of Plan Creditors for the purposes of voting on the Restructuring Plan. The Plan Company has concluded that it does not as:

- (a) the Ticking Fee will accrue from 9 January 2023 for any New Money Provider that executed the Commitment Letter by this date, and if such Commitment Letter was executed at a later date, from the date of the applicable New Money Commitment; and
- (b) further, the existence of such fee, as well as the start date from which such fee accrues and the percentage compared to the agreed interest rate, is customary in acquisition-related and other forms of committed financing. It is needed in the context of the Restructuring to compensate Plan Creditors who have agreed to participate in the New Money Funding and who have reserved and set aside capital in expectation of providing such funding.

Impact of the OID Fee

11.18 The OID Fee is described at paragraph 9.19(c) above. The OID Fee will be payable at the rate of 1.00 per cent. on the initial nominal amount of the New Money Notes to be subscribed by the lenders under the New Money Funding.

11.19 The Plan Company has considered whether the OID Fee gives rise to any issues with classification of Plan Creditors for the purposes of voting on the Restructuring Plan. The Plan Company has concluded that it does not. This is because the OID Fee is simply part of the pricing of the New Money Funding, in which all Plan Creditors have been offered the opportunity to participate on a pro rata basis.

Impact of Costs Coverage

11.20 Under the Lock-Up Agreement, the Plan Company has agreed to pay the fees, costs and expenses reasonably incurred by Participating Noteholders in connection with the implementation of the Restructuring Plan. It is well-established that the provision of such fees, costs and expenses does not present a class issue.

Impact of the New Money Funding

11.21 The key economic terms of the New Money Funding are described at paragraphs 9.22 to 9.30 above. The Plan Company has considered whether participation in the New Money Funding has an impact on the classification of Plan Creditors for the purposes of voting on the Restructuring Plan. The Plan Company has concluded that it does not, as the terms and conditions of the New Money Funding have been negotiated at arm's length on market terms and all Plan Creditors have been offered the opportunity to subscribe to the New Money Notes regardless of whether they acceded to the Lock-Up Agreement (or otherwise vote in favour of the Restructuring Plan).

Conclusions

11.22 Having considered the cumulative effect of the matters described above, it is considered that the appropriate class composition is six Plan Creditor classes, as follows:

- (a) 2024 Plan Creditors;
- (b) 2025 Plan Creditors;
- (c) January 2026 Plan Creditors;
- (d) November 2026 Plan Creditors;
- (e) 2027 Plan Creditors; and

- (f) 2029 Plan Creditors.

12. Jurisdiction

12.1 The Plan Company considers that the Court has jurisdiction in relation to the Plan Company for the following reasons:

- (a) the Plan Company is incorporated under the laws of England and Wales and is therefore a “company” within the meaning of Part 26A of the Companies Act;
- (b) the Restructuring Plan is a compromise or arrangement between the Plan Company and each class of the Plan Creditors;
- (c) as described at paragraphs 6.2 and 6.3 above, following the Issuer Substitution, the Plan Company became issuer in respect of the SUNs; and
- (d) the Plan Company has encountered, or is likely to encounter, financial difficulties that are affecting or will affect its ability to carry on business as a going concern (as to which, see section 7 (*Background to the Restructuring*) above) and, as explained in this Letter, the purpose of the Restructuring Plan is to eliminate, reduce or mitigate the effect of the Plan Company’s financial difficulties.

13. Recognition

The Plan Company will rely on opinions from independent legal experts that the Restructuring Plan is likely to be recognised, and given effect to, in Germany (owing to the SUNs and the Parent Company Guarantees being governed by German law and the Group having substantial assets and operations in Germany) and in Luxembourg (owing to the Parent Company being incorporated in Luxembourg).

14. Enquiries and Further Information

14.1 Contact details

If you have any questions in relation to this Letter, or the Restructuring Plan, please contact either the Information Agent, White & Case LLP or PJT Partners (UK) Limited using the contact details below:

GLAS Specialist Services Limited
Information Agent

Telephone: +44 20 3597 2940
Email: LM@glas.agency
Attention: Transaction Management Group/Adler
55 Ludgate Hill, Level 1, West
London EC4M 7JW

White & Case LLP

Contact: Gernot W. Wagner, Roger Kiem, Christian Pilkington, Ben Davies
Email: adler_dealteam@whitecase.com
5 Old Broad Street, London EC2N 1DW

PJT Partners (UK) Limited

Contact: Tom Campbell, Jamie Bolden, Jakob Schrandt
Email: projectsteel2022@pjtpartners.com
One Curzon St, London W1J 5HD

14.2 Plan Portal

- (a) The Information Agent has set up the Plan Portal ([here](#)⁹) to disseminate information and communications about the Restructuring Plan and to facilitate the implementation of the Restructuring Plan. Plan Creditors may download documents relating to the Restructuring Plan from the Plan Portal once they have registered online. Plan Creditors wishing to register online should contact the Information Agent using the details set out at paragraph 14.1 above.
- (b) If a Plan Creditor encounters any technical difficulties accessing any Plan Documentation via the Plan Portal, please contact the Information Agent using the details set out at paragraph 14.1 above.
- (c) If any amendments or modifications are made to the Plan Documentation, then such amended or modified documents will also be made available to Plan Creditors on the Plan Portal.

14.3 Physical copies available for inspection

Physical copies of the Plan Documentation will be available from the Information Agent at the address listed at paragraph 14.1 above.

14.4 Plan Documentation

- (a) The Plan Documentation will comprise the Explanatory Statement (which will include the form of account holder letter to be used for voting on the Restructuring Plan and the principal agreements that will govern the terms of the Restructuring), the Restructuring Plan document and the notices convening the Plan Meetings.
- (b) The Plan Documentation will be provided to the Court in advance of the Convening Hearing scheduled to take place on or around 24 February 2023. The Plan Documentation will be posted on the Plan Portal and it is anticipated that a notice in this regard will be circulated to Plan Creditors via the Information Agent shortly after the Convening Hearing. Any of the Plan Documentation provided to Plan Creditors on the Plan Portal can also be provided in hard copy free of charge if so requested by a Plan Creditor. Any such request should be made to the Information Agent at the contact details set out above.

14.5 Plan Meetings

The Plan Company currently expects that the Plan Meetings will be held on or around 22 March 2023.

14.6 Legal advice

White & Case LLP, as legal advisers to the Plan Company, will be unable to offer legal advice to Plan Creditors relating to the Restructuring Plan.

15. Concluding Remarks

The Board unanimously supports the proposals set out in this Letter, and believes that entry into the arrangements contemplated by the Restructuring Plan is in the best interests of the Plan Company, the wider Group and the Plan Creditors. Accordingly, the Board seeks support for the Restructuring Plan and recommends that you vote in favour of the Restructuring Plan at the relevant Plan Meetings.

⁹ <https://glas-agency.appiancloud.com/suite/sites/adler-group>

Schedule 1 Definitions

“Adler Group Collateral LuxCo” means the third wholly-owned Luxembourg subsidiary, as further described in paragraph 9.28 (together with the Adler RE Collateral LuxCo and the Consus Collateral LuxCo, the **“Collateral LuxCos”**).

“Adler RE” means Adler Real Estate AG, a stock corporation organised under the laws of the Federal Republic of Germany, registered on the Frankfurt Stock Exchange and XETRA German Electronic Exchange, and registered in the commercial register of the local court of Berlin-Charlottenburg under numbers HRB 180360 B.

“Adler RE SUNs” means the following series of notes:

- (a) €500,000,000, 1.875 per cent. senior unsecured notes due 27 April 2023 (the **“Adler RE 2023 SUNs”**);
- (b) €300,000,000, 2.125 per cent. senior unsecured notes due 6 February 2024 (the **“Adler RE 2024 SUNs”**); and
- (c) €300,000,000, 3.000 per cent. senior unsecured notes due 27 April 2026 (the **“Adler RE 2026 SUNs”**).

“Adler RE Collateral LuxCo” means the first wholly-owned Luxembourg subsidiary, as further described in paragraph 9.28 (together with the Adler Group Collateral LuxCo and the Consus Collateral LuxCo, the **“Collateral LuxCos”**).

“ADO Lux” means ADO Lux Finance S.à r.l, a société à responsabilité limitée organised under the laws of Grand-Duché de Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B219545.

“Alternative Implementation Method” means, under the Lock-Up Agreement, an alternative method of implementing the Proposed Amendments should the Consent Solicitation fail.

“Backstop Fee” means a fee equal to 3.00 per cent. of the New Money Commitment as of 25 November 2022, available to members of the SteerCo which executed a Commitment Letter on or around 25 November 2022.

“BCG” means Boston Consulting Group, Inc.

“BCP” means Brack Capital Properties N.V., a subsidiary of Adler Real Estate AG, incorporated in the Kingdom of Netherlands and registered on the Tel Aviv Stock Exchange under corporate number 35240659.

“Board” means the board of directors of the Plan Company.

“Calculation Agent” means Kroll Issuer Services Limited.

“Clearing System” means Clearstream Banking S.A. or Euroclear Bank SA/NV (as applicable), together, the Clearing Systems.

“Commitment Letter” means the backstop letter between, amongst others, the Parent Company and the New Money Providers related to the New Money Funding (each on substantially the same terms, together the **“Commitment Letters”**), as amended and/or amended and restated from time to time.

“Comparator Report” means the comparator report to be prepared by BCG to assist with the analysis of, and aid Plan Creditors in deciding whether to support, the Restructuring Plan. The Comparator Report will be appended to the Explanatory Statement.

“Consent Solicitation” means the consent solicitation launched on 2 December 2022 by the Parent Company to amend the Terms and Conditions.

“Consideration Agreement” means the consideration agreement between the Parent Company and the Plan Company which effects, amongst other things, the obligation of the Group to reimburse the Plan Company for its costs and fees in connection with the Issuer Substitution.

“Consus” means Consus Real Estate AG, a stock corporation organised under the laws of the Federal Republic of Germany and registered in the commercial register of the local court of Berlin-Charlottenburg under number HRB 191887 B.

“Consus Collateral LuxCo” means the second wholly-owned Luxembourg subsidiary, as further described in paragraph 9.28 (together with the Adler Group Collateral LuxCo and the Adler RE Collateral LuxCo, the **“Collateral LuxCos”**).

“Convening Hearing” means a hearing of the Court to be held on or around 24 February 2023, for an order granting certain directions in relation to the Restructuring Plan, including an order convening the Plan Meetings.

“Convertible Notes” means the €165,000,000, 2.000 per cent. senior unsecured convertible notes due 23 November 2023 issued by the Parent Company.

“Court” means the High Court of Justice of England and Wales.

“Early Bird Fee” means an early bird fee equal to 1.00 per cent. of the initial amount of each New Money Provider’s New Money Commitment, available to each New Money Provider who executed a Commitment Letter on or prior to the Early Bird Fee Deadline.

“Early Bird Fee Deadline” means 2 December 2022, subject to extension as detailed in paragraph 9.19 above.

“Explanatory Statement” means the explanatory statement to be provided in connection with the Restructuring Plan.

“Group” means the Parent Company and its subsidiaries (including Adler RE, Consus and the Plan Company).

“Information Agent” means GLAS Specialist Services Limited.

“Intercreditor Agreement” means an intercreditor agreement to be entered into by, amongst others, the Plan Company, the Parent Company and Adler RE, to govern the ranking of certain claims of the respective creditors of the Group.

“Intermediary Collateral LuxCo” means the fourth wholly-owned Luxembourg subsidiary, as further described in paragraph 9.28 (together with the Adler Group Collateral LuxCo and the Adler RE Collateral LuxCo, the **“Collateral LuxCos”**).

“Intra-Group Loan” means the €265,000,000 5.16 per cent. intra-group loan granted by Adler RE to the Parent Company, secured over certain assets of the Group.

“Issuer Substitution” means the process by which the Plan Company was substituted in place of the Parent Company as issuer of the SUNs on 11 January 2023.

“Letter” means this practice statement letter.

“Loan Notes” means the loan notes issued by the Parent Company to the Plan Company on 11 January 2023, in connection with the Issuer Substitution, with equivalent payment provisions and obligations to the SUNs.

“Lock-Up Agreement” means the lock-up agreement dated 25 November 2022 entered into by, amongst others, the Parent Company, Adler RE, Consus and the Participating Noteholders in connection with the Restructuring, as amended and/or amended and restated from time to time.

“Lock-Up Fee” means the transaction fee payable to any Plan Creditor who is party to or has acceded to the Lock-Up Agreement as a Participating Noteholder, in the event a Restructuring Plan is used to implement the Proposed Amendments as described in paragraph 9.10 of this Letter.

“Locked-up Notes” means, at the relevant time, in relation to a Participating Noteholder, the aggregate principal amount of all SUNs held by the Participating Noteholder, under the Lock-Up Agreement.

“Majority Participating Noteholders” means, at the relevant time, the Participating Noteholders whose Locked-up Notes amount to more than 50 per cent. in aggregate of the principal amount of the Locked-up Notes.

“New Money Commitment” means the amount of New Money Funding each New Money Provider has committed to provide under, and pursuant to the terms of, the Commitment Letter.

“New Money Funding” means the committed funding of up to €937,500,000 as provided under the Commitment Letters.

“New Money Notes” means up to €937,500,000 notes to be issued by a newly incorporated SPV under the New Money Funding.

“New Money Provider” means a SUN Holder that executed a Commitment Letter and committed to provide the New Money Funding.

“Notes Representative” means Dentons GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, having its seat in Berlin, registered in the commercial register of the Local Court of Charlottenburg under HRB 101036, represented by its managing director Andreas Ziegenhagen as common representative to exercise the SUN Holders’ rights on behalf of each SUN Holder.

“OID Fee” means, for each New Money Provider, an original issue discount fee at the rate of 1.00 per cent. calculated on the full initial nominal amount of the New Money Notes.

“Parent Company” means Adler Group S.A., a Luxembourg public limited liability company, incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B197554, whose shares are admitted to trading on the regulated market segment of the Frankfurt Stock Exchange.

“Parent Company Guarantees” means the guarantees issued by the Parent Company as part of the Issuer Substitution in relation to the obligations and liabilities of the Plan Company under each of the six series of SUNs.

“Participating Noteholder(s)” means any Plan Creditor who is a party to or has acceded to the Lock-Up Agreement as a “Participating Noteholder”.

“Plan Company” means AGPS BondCo PLC, a public limited company incorporated under the laws of England and Wales with company number 14556926 and its registered office at 16 Eastcheap, London, EC3M 1BD, United Kingdom.

“Plan Creditor(s)” means any SUN Holder at the Record Time, divided into the following classes:

- (a) **“2024 Plan Creditors”** means the SUN Holders of the 2024 Notes;
- (b) **“2025 Plan Creditors”** means the SUN Holders of the 2025 Notes;
- (c) **“January 2026 Plan Creditors”** means the SUN Holders of the January 2026 Notes;
- (d) **“November 2026 Plan Creditors”** means the SUN Holders of the November 2026 Notes;
- (e) **“2027 Plan Creditors”** means the SUN Holders of the 2027 Notes; and

(f) **“2029 Plan Creditors”** means the SUN Holders of the 2029 Notes;

“Plan Documentation” means the documents required for the Restructuring Plan, comprising the Explanatory Statement, the Restructuring Plan Documents and the notices convening the Plan Meetings.

“Plan Meeting(s)” means the meetings of the Plan Creditors to consider and, if thought fit, approve the Restructuring Plan (including any adjournment thereof).

“Plan Portal” means the portal set up for the purposes of the Restructuring Plan by the Information Agent at <https://glas-agency.appiancloud.com/suite/sites/adler-group>.

“Practice Statement” means the practice statement issued by the Court on 26 June 2020 in relation to restructuring plans under Part 26A of the Companies Act 2006.

“Proposed Amendments” means the amendments to the Terms and Conditions to be implemented by the Restructuring Plan.

“Record Time” means the date and time by which the Plan Creditors’ entitlements to vote in the Restructuring Plan shall be assessed, being a date shortly after the Convening Hearing and which will be set out in the Explanatory Statement.

“Registrar of Companies” means the registrar of companies for England and Wales as described in section 1060 of the Companies Act.

“Reimbursement Deed” means the reimbursement deed, pursuant to which the Plan Company agreed to reimburse certain payments made by the Parent Company in connection with the Parent Company Guarantees.

“Restructuring” means the financial restructuring of the Group, to be implemented and consummated in accordance with the terms of the Lock-Up Agreement and the Commitment Letter and as generally described in section 7 (*Background to the Restructuring*) of this Letter.

“Restructuring Plan” means the Restructuring Plan proposed by the Plan Company under Part 26A of the Companies Act as set out in this Letter.

“Restructuring Plan Documents” means the documents, orders, agreements and instruments related to or necessary or desirable to implement or consummate the Restructuring Plan.

“Sanction Hearing” means the hearing of the Court for the purposes of, if the Court thinks fit, sanctioning the Restructuring Plan pursuant to an order of the Court under section 901F of the Companies Act 2006.

“SSDs” means:

- (a) the unsecured promissory note loan agreement (*Schuldscheindarlehensvertrag*) in the amount of €2,000,000 issued by ADO Lux on 31 October 2018;
- (b) the unsecured promissory note loan agreement (*Schuldscheindarlehensvertrag*) in the amount of €11,000,000 issued by ADO Lux on 31 October 2018;
- (c) the further unsecured promissory note loan agreement (*Schuldscheindarlehensvertrag*) in the amount of €11,000,000 issued by ADO Lux on 31 October 2018; and
- (d) the unsecured promissory note loan agreement (*Schuldscheindarlehensvertrag*) in the amount of €500,000 issued by ADO Lux on 31 October 2018.

“SteerCo” means the members (from time to time) of a steering committee of the holders of SUNs (including certain funds or accounts managed or advised by each of them, as applicable).

“SUN Holder” means any holder of a proportionate co-ownership or other beneficial interest or right in the SUNs.

“SUNs” means the following series of notes issued by the Plan Company:

- (a) €400,000,000 1.500 per cent. unsecured notes due 2024 (ISIN: XS1652965085) (the **“2024 Notes”**);
- (b) €400,000,000 3.250 per cent. unsecured notes due 2025 (ISIN: XS2010029663) (the **“2025 Notes”**);
- (c) €700,000,000 1.875 per cent. unsecured notes due 2026 (ISIN: XS2283224231) (the **“January 2026 Notes”**);
- (d) €400,000,000 2.750 per cent. unsecured notes due 2026 (ISIN: XS2248826294) (the **“November 2026 Notes”**);
- (e) €500,000,000 2.250 per cent. unsecured notes due 2027 (ISIN: XS2336188029) (the **“2027 Notes”**); and
- (f) €800,000,000 2.250 per cent. unsecured notes due 2029 (ISIN: XS2283225477) (the **“2029 Notes”**).

“Term Loans” means the new series of term loans to be made available to the Parent Company and certain members of the Group using the proceeds from the New Money Notes, as described in paragraph 9.23 of this Letter.

“Terms and Conditions” means the terms and conditions governing each series of SUNs.

“Ticking Fee” means a fee in euro for each New Money Provider that acceded to the Commitment Letter, computed at the rate of 5.00 per cent. per annum on the undrawn, uncanceled amount of such party’s New Money Commitment computed on a daily basis during the period commencing on 9 January 2023 or, if later, the date of the applicable New Money Commitment and ending on the date of first utilisation under the New Money Funding.