ADLER Group S.A.
Société anonyme
55, Allée Scheffer, L-2520 Luxembourg,
Grand Duchy of Luxembourg
RCS Luxembourg: B197554
(the "Company")

Special Report

Special Report of the Board of Directors for the Extraordinary General Meeting of shareholders of Adler Group S.A.

As per Article 480-2 of the Law

This report is prepared by the Board of Directors of the Company (the **Board**) and given in accordance with article 480-2 of the law of 10 August 1915 on commercial companies, as amended (the **Law**).

The report is referenced in the agenda of the extraordinary general meeting (the **EGM**) of the shareholders of the Company scheduled to take place on 21 June 2023 and the purpose of the report is to provide the information required by the Law to the shareholders of the Company with respect to the losses suffered by the Company for the financial year from 1 January 2022 to 31 December 2022 (the **Financial Year**) so that the shareholders may, at such meeting, resolve in an informed manner, upon whether the Company shall, despite the losses suffered, continue its operations.

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1. Current situation and explanation of losses

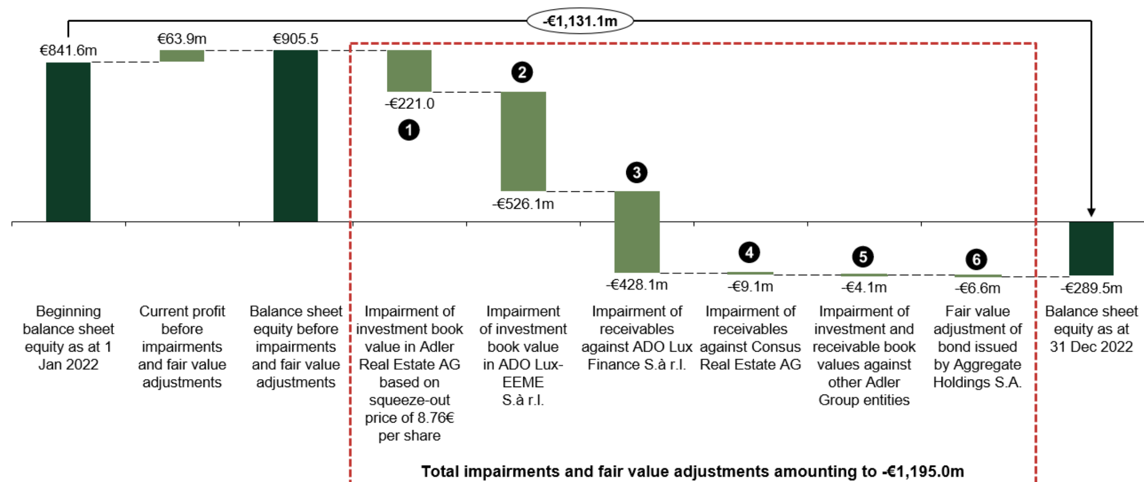
1.1. Current situation of the Company

The opening balance of equity of the Company according to Lux GAAP as of 1 January 2022 amounts to EUR 841.6m. During the Financial Year, the Company incurred a loss in the amount of EUR 1,131.1m on a standalone basis under Lux GAAP, which was mainly due to impairments of investments as well as intercompany receivables. The loss for the Financial Year results in a negative balance sheet equity of the Company of EUR 289.5m under Lux GAAP as of 31 December 2022. The resulting balance sheet equity of the Company as of 31 December 2022 is lower than one quarter of the share capital.

The composition of total equity including share capital and reserve capital remain unchanged as of 31 December 2022.

On 17 May 2022, the Company announced that the Board concluded that it is not advisable for the Company to pay a dividend considering the existing disclaimer of opinion by the auditor for the 2021 financial statements. Accordingly, the Board recommended to the Annual General Meeting to not pay a dividend for the financial year from 1 January 2021 to 31 December 2021. Following the implementation of the proposed amendments pursuant to the restructuring plan of AGPS BondCo PLC, a 100% subsidiary of the Company, which was sanctioned on 12 April 2023 by the High Court of Justice of England and Wales (the **Restructuring Plan**), the Company is not permitted to declare or pay any dividends to shareholders for the Financial Year and thereafter.

Exhibit 1: Impairment effects and fair value adjustments on Company's balance sheet equity as of 31 December 2022



1.2. Explanation of losses as of 31 December 2022

Prior to and during the Financial Year market conditions for the Company and its subsidiaries (the **Group**) changed significantly. Increased inflation resulted in substantial interest hikes in the Euro area and in consequence, increased uncertainty among real estate market participants. Hence, selling prices for real estate assets declined and total investment costs for development assets increased significantly.

Considering the macroeconomic headwinds and their impact on the real estate market and to alleviate short-term liquidity pressure, the Group sought to implement a financial restructuring through amending and extending the Company's six existing series of senior unsecured notes (the **SUNs**) via a restructuring, in parallel to, an operational restructuring (the **Restructuring**) to provide a stable platform from which the Group can sell assets in a controlled manner, as market conditions are expected to improve in 2024 and beyond, in order to repay its financial indebtedness.

Although the majority of bondholders were supportive during the consent solicitation on 17-19 December 2022, the Group failed to reach approval by majority of at least 75% in each series of notes required for the implementation of the proposed changes. Consequently, the Board decided to enter the Restructuring Plan according to UK law for which an issuer substitution was implemented in January 2023 and the sanction court hearing took place at the High Court of Justice of England and Wales on 3-5 April 2023. By order of the High Court of Justice of England and Wales as per 12 April 2023, the Restructuring Plan has been sanctioned and the proposed amendments to the SUNs have become effective on 17 April 2023.

The business plan (the **Business Plan**), which has been developed by the Board and forms the basis of the Group's Restructuring, pursues an orderly disposal of development and yielding portfolios as well as an organisational scale-down, to repay all financial debt by year-end 2026 (the **De-Leveraging Case**). Under consideration of the assumptions as outlined in the De-Leveraging Case, a Group-wide indicative equity and recoverability of intercompany loans assessment was performed as of 31 December 2022, which resulted in a negative balance sheet equity of the Company of EUR 289.5m under Lux GAAP as of 31 December 2022.

1.2.1. Current profit before impairments and fair value adjustments

The Company's profit before impairments for the Financial Year amounts to EUR 63.9m, which was mainly driven by the result from the operating activities as well as interest income and expenses.

1.2.2. Impairments and fair value adjustments

The Board decided to impair investments as well as intercompany loans amounting to EUR 1,195.0m, this includes a fair value adjustment of a bond issued by Aggregate Holdings S.A. of EUR 6.6m.

Exhibit 2: Simplified organisational chart and impairment effects resulting from Group entities

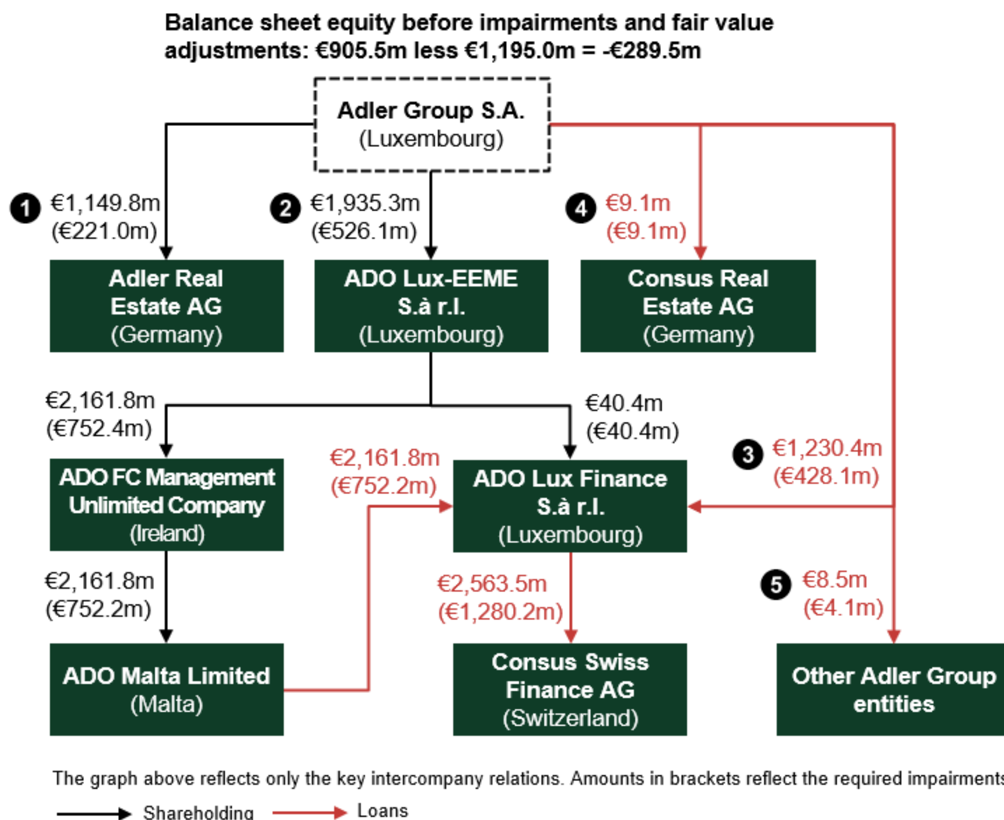


Exhibit 2 shows the simplified organizational chart of the Group and its key intercompany relations. Amounts reflect investment and receivable book values and amounts in brackets reflect the required impairments as of 31 December. 2022. Note: !-% refer to the required impairments related to the Group entities in the Financial Year. Fair value adjustment of EUR 6.6m of bond issued by Aggregate Holdings S.A. is not shown in Exhibit 2, as Aggregate Holdings S.A. is not a Group entity.

Background and explanation of impairments:

! The impairment of the investment in Adler Real Estate AG is based on the offered squeeze-out share price of EUR 8.76. Based on the respective valuation opinion, the Board impaired the Adler Real Estate AG investment book value as of 31 December 2021 of EUR 1,149.8m by EUR 221.0m to EUR 928.8m as of 31 December 2022.

@ Consus Swiss Finance AG serves as the major financing entity within the Consus Real Estate AG subgroup (the **Consus Group**) and provides intercompany loans to other intermediate holding companies and project entities of the Consus Group. Considering current market conditions as well as the planned disposal proceeds, a significant portion of intercompany receivables from Consus Swiss Finance AG are impaired, thereby significantly reducing the indicative equity value of Consus Swiss Finance AG as of 31 December 2022. Consequently, intercompany receivables from ADO Lux Finance S.à r.l. against Consus Swiss Finance AG of EUR 1,280.2m (out of total EUR 2,563.5m) are expected not to be recoverable.

The impairment of receivables against Consus Swiss Finance AG of EUR 1,280.2m leads to a negative indicative equity value of ADO Lux Finance S.à r.l., thereby triggering an impairment of the ADO Lux Finance S.à r.l. investment book value at the level of ADO Lux-EEME S.à r.l. by EUR 40.4m as well as an impairment of intercompany receivables from

ADO Malta Limited against ADO Lux Finance S.à r.l. by EUR 752.2m. Based on the step-by-step valuation of subsequent holding entities, the Company partly impaired the ADO Lux-EEME investment book value of EUR 1,935.5m by EUR 526.1m.

- # Furthermore, due to the negative indicative equity value of ADO Lux Finance S.à r.l., the Company partially impaired receivables against ADO Lux Finance S.à r.l. of EUR 1,230.4m by EUR 428.1m.

- $ Due to a negative indicative equity value of Consus Real Estate AG as of 31 December 2022, the Company fully impaired receivables against Consus Real Estate AG of EUR 9.1m. As a result of the negative indicative equity value of Consus Real Estate AG as of 31 December 2021, the equity investment in Consus Real Estate AG of EUR 1,083.9m was already fully impaired by the Company during the financial year 2021.

- % Further entities from the Company’s subgroup have a negative indicative equity value, triggering impairments of investment and intercompany receivable book values related to these entities by the Company of EUR 4.1m. For further details on the respective impairments please refer to the unaudited annual accounts of the Company as of 31 December 2022.

- ^ The Company holds a bond issued by Aggregate Holdings S.A. in an amount of EUR 8.2m. Based on the decreased market rates, the Board recorded a fair value adjustment of the bond investment by EUR 6.6m as of 31 December 2022.

2. Causes of the situation

2.1. Macroeconomic factors

Throughout 2022, rising inflation rates, supply chain disruptions, rising energy and raw material (including building material) prices caused by the war in the Ukraine and the ongoing impacts of the COVID-19 pandemic had a significant negative impact on the German economy. The resulting domestic and global economic downturns, increasing interest rates and decreased business confidence reduced demand for residential and commercial real estate in Germany in 2022, impacting the core businesses of the Company.

The development of the real gross domestic product (the **GDP**) is a significant macroeconomic indicator for the future development of the economy in Germany. The macroeconomic environment in the run-up to the COVID-19 pandemic was characterised by almost steady but moderate GDP growth. In 2020, a significant slump in economic performance was discernible, which was triggered by the consequences of the COVID-19 pandemic. Subsequently, a dynamic recovery took place, whereby economic performance almost returned to the pre-crisis level. From spring 2022 onwards, however, the war by the Russian Federation in Ukraine and global supply chain problems had a negative impact on economic development in Germany. Compared to financial year 2021, the gross domestic product increased by 1.9% during the Financial Year, adjusted for price and calendar effects.

In addition to real GDP growth, annual **inflation rates** represent another macroeconomic indicator for the economic development of the markets relevant to the Company. The European Central Bank's (the **ECB**) goal is to maintain price stability and an average inflation rate of approximately 2.0% per annum. At the beginning of the COVID-19 pandemic, inflation fell significantly. Due to material shortages for various raw materials and supply bottlenecks, inflation rose again from the beginning of 2021. Factors such as increasing demand encountering temporary supply shortages, increased commodity prices, fiscal support and accommodative monetary policy are relevant with regards to the future development of inflation rates. One driver of inflation in the recent past has been the war in Ukraine, which manifested itself in higher energy prices. In 2022, the inflation rate in Germany reached 7.9 percent on average. To counteract inflation, the ECB has raised key interest rates.

The average **interest rate** for housing loans has fallen since 2012 from around 3.5% to an interim low of around 1.1% in 2020/2021. After years of a zero-interest rate policy by the ECB, the key interest rate was raised to 0.5% in July 2022 due to the high inflation rates. Subsequently, the main refinancing rate was raised by 0.75% in September 2022, by a further 0.75% in November 2022 and by 0.50% in December 2022. As of 31 December 2022, the ECB's deposit rate amounted to 2.5% and was thus at its highest level since 2008.

2.2. Real estate market

The dynamic macroeconomic environment has far-reaching consequences for the real estate market in Germany. The ongoing war in the Ukraine caused rising energy costs and led to bottlenecks with regards to the procurement of building materials. At the same time, private households had to cope with falling real incomes caused by inflation, despite massive government measures to cushion price increases. This has weighed on private consumption and negatively impacted both companies' and households' propensity to invest. The construction sector suffered a slump in investment over the course of 2022.

Furthermore, rents only increased on average by 1.8% in 2022 according to the cost-of-living index. As real estate is a capital-intensive asset, the availability of financing and the associated conditions are particularly relevant for the development of the real estate market. The level of lending rates depends to a large extent on the development of key interest rates. The key reference point is the interest rate for the ECB's main refinancing facility. The multiple increases in the refinancing rate by the ECB over the course of 2022 resulted in a sharp decline of demand for real estate investments.

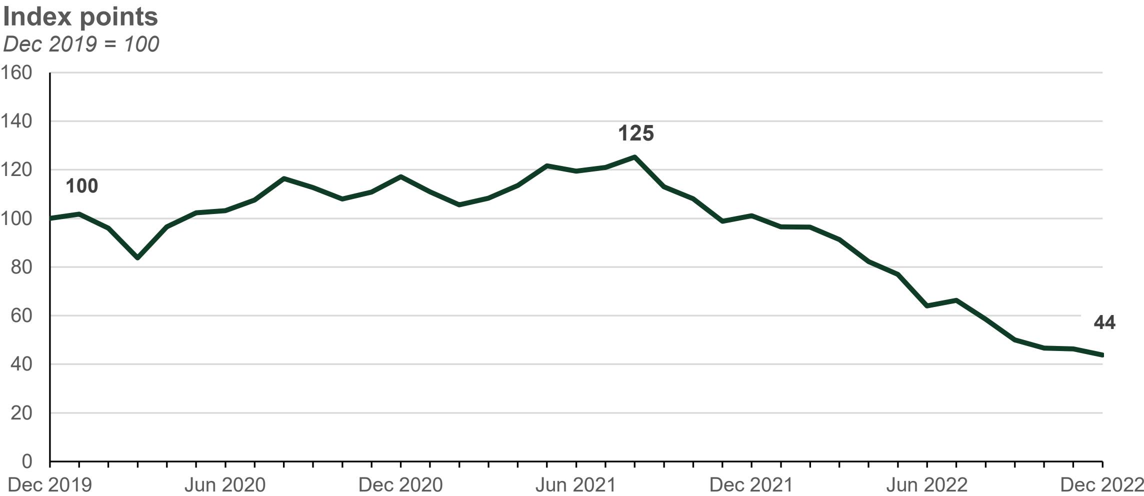
A further major factor for the development of the real estate market in Germany is the fact that price expectations among potential buyers and sellers of real estate have not yet returned to a common level. Many buyers expect significantly lower multiples while at the same time many property owners have so far been prepared to offer only moderate or no price reductions at all.

In the past, excess demand has led to steadily rising property prices and, with low interest rates, created attractive conditions for sellers. The current increase in financing costs combined with the limited purchasing power of potential buyers threaten the demand for properties, which is accompanied by falling prices. Although residential property prices further increased in the first half of 2022, they declined in the second half of the year. The development in 2022 shows that the current conditions have a significant negative impact on the demand for residential property, despite the existing housing shortage.

2.3. Share price and EPRA NTA development

Changes in the conditions with regards to the German real estate market induced by the macroeconomic, financial, competitive, and regulatory environment, significantly impacted the share price development of the largest public listed real estate companies.

Exhibit 3: Broad Residential Real Estate Index – Germany from January 2019 to December 2022

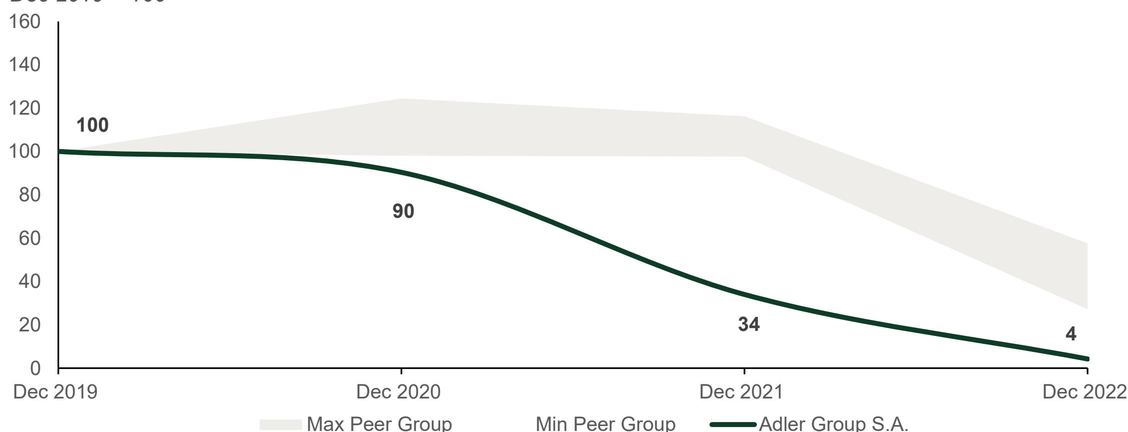


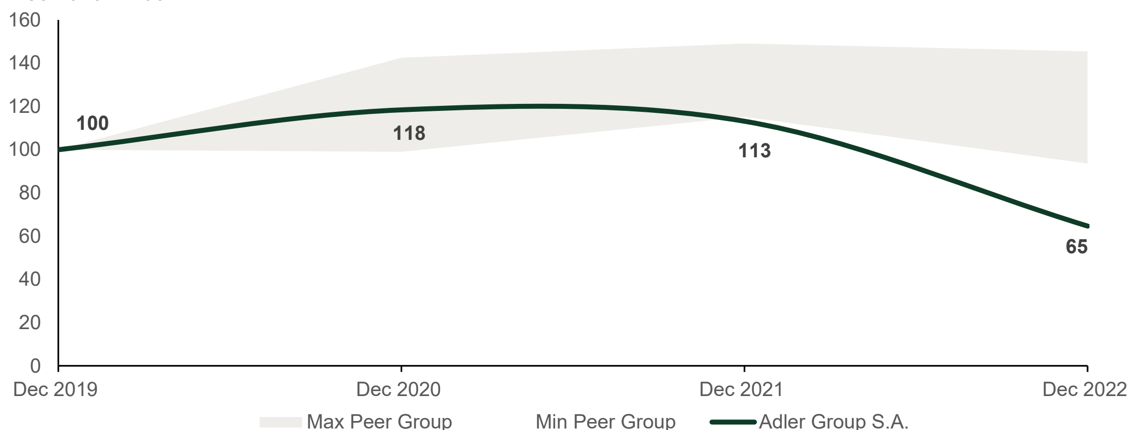
Source: Capital IQ As a reference, the development of the broad Residential Real Estate Index - Germany is shown in Exhibit 3. As of 31 August 2021 the index stood at 125 points and declined significantly by 81 points to 44 points until 31 December 2022, which corresponds to a decrease of 65%.

Exhibit 4 depicts the share price and EPRA NTA per share development of the Company compared to its peer group as listed in Exhibit 5 (the **Peer Group**). For the comparison, share prices and EPRA NTA per share were indexed to 100 as of 31 December 2019. The area marked in grey represents the range of maximum and minimum values of the Peer Group.

Starting in December 2019, the indexed share price of the Company decreased significantly compared to that of its Peer Group. As of 31 December 2022, the indexed share price amounts to 4 points, which corresponds to a total decrease of 96% since December 2019.

Exhibit 4: Share price and EPRA NTA per share development of the Company compared to the Peer Group from December 2019 to December 2022





Source: Capital IQ, Consolidated Financial Statements as of 31 December 2019 to 31 December 2022 of the Peer Group as listed in Exhibit 5. Please note that the broad Residential Real Estate Index depicted in Exhibit 3 comprises further peer entities than included in the analysis under Exhibit 4 and Exhibit 5.

In comparison, the indexed EPRA NTA per share increased from 100 to 118 points until 31 December 2020 and was within the peer group range. As of 31 December 2021, the ratio decreased slightly to 113 points and was marginally below the peer group range. As of 31 December 2022, the ratio further declined to 65 points, corresponding to a decrease of 35% since 31 December 2019. A significant portion of the reduction of the indexed EPRA NTA per share of the Company since 31 December 2021 resulted from impairments of development projects at Consus Group.

While the share price of the Company declined by 96% since 31 December 2019, the market value of its properties, reflected by the EPRA NTA per share, decreased notably less (by 35%). This observation shows the sensitivity of real estate stock prices during the time of a changing macroeconomic environment and simultaneously stresses the importance of considering the underlying property values as measured by EPRA NTA per share.

Exhibit 5: Share prices and EPRA NTA per share for the Company and Peer Group from December 2019 to December 2022

	Share price (in €)				EPRA NTA / Share (in €)			
KPI as of	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2019	31.12.2020	31.12.2021	31.12.2022
Adler Group SA	32.1	29.0	10.9	1.3	69.5	38.0	36.3	20.8
Deutsche Wohnen SE	36.4	43.7	37.0	19.9	46.5	51.9	54.3	51.3
Grand City Properties SA	21.4	21.0	20.9	9.2	25.9	26.5	30.4	29.6
LEG Immobilien AG	105.6	127.1	122.7	60.9	105.1	122.4	147.6	153.5
TAG Immobilien AG	22.2	25.9	24.6	6.0	20.2	22.0	25.5	20.7
Vonovia SE	48.0	59.8	48.5	22.0	51.4	58.8	62.6	57.5

YoY change in %	31.12.2020	31.12.2021	31.12.2022	31.12.2020	31.12.2021	31.12.2022
Adler Group SA	-10%	-62%	-88%	-45%	-4%	-43%
Deutsche Wohnen SE	20%	-15%	-46%	12%	5%	-6%
Grand City Properties SA	-2%	0%	-56%	2%	15%	-3%
LEG Immobilien AG	20%	-3%	-50%	16%	21%	4%
TAG Immobilien AG	17%	-5%	-75%	9%	16%	-19%
Vonovia SE	25%	-19%	-55%	14%	7%	-8%

Source: Capital IQ, Consolidated Financial Statements as of 31 December 2019 to 31 December 2022 of the Peer Group as listed in Exhibit 5. Please note that the Broad Residential Real Estate Index depicted in Exhibit 3 comprises further peer entities than included in the analysis under Exhibit 4 and Exhibit 5.

2.4. Economic situation of the Group

The Company's operational earnings power is generally sufficient to cover ongoing expenses, including interest incurred. However, it is not sufficient to repay outstanding bonds or other debt financing. In the past, the Company has relied on the capital market to refinance its existing indebtedness or turned to asset sales in order to repay outstanding liabilities at their respective maturity date. Throughout the Financial Year, certain financial covenants limited the Company and its subsidiaries' ability to incur new debt and refinance upcoming maturities.

During the Financial Year the Group was faced with a critical liquidity position and debt maturities in the forthcoming financial years, for example with regards to Adler Real Estate AG's senior unsecured notes. If Adler Real Estate AG (e.g.) had failed to meet the upcoming maturities in April 2023, creditors under several financing arrangements would have been 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 have risked significant value destruction, as the Group would have been unable to satisfy these material accelerated debt obligations given its 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 had a statutory duty to file those relevant Group companies into bankruptcy or insolvency proceedings.

Consus Group is characterised by the development of real estate projects for its own portfolio as well as the sale to third parties. Development projects of the Group are mostly held by Consus Group. The ability of the Consus Group to successfully complete its development projects depends on the availability of sufficient financing and the development of construction costs.

Therefore, development projects in particular are affected by the changed market conditions. The volume of new construction tends to decline in view of high construction costs and the changed financing conditions.

Consus Group sells real estate development projects to institutional and private clients, some of which are already sold by way of forward sale before completion. Such forward sales can, in general, be delayed due to economic uncertainty, and the willingness of purchasers to invest may decline in a changing economic environment. If Consus Group is unable to fulfil its obligations under the forward sale agreements by completing the respective project development as planned, it may negatively

influence Consus Group's ability to refinance the acquisition and development costs of the respective project, leading to delays or failure to launch new real estate development projects. Further, forward sale agreements may not materialise under the agreed terms because of amendments, withdrawals, failure to make payments or terminations by purchasers. If the purchaser withdraws from or terminates the forward sale agreement, Consus Group must bear the costs in connection with the sale of the property.

Due to the increasing short-term liquidity pressure on Consus Group during the Financial Year and in connection with the increased construction and financing costs, the Board was forced to suspend most of its project developments. Consus Group has lately been unable to attract sufficient interest for marketed portfolios or only received opportunistic offers at significant discounts.

3. Measures which the Board has taken to remedy the financial situation of the Company

3.1. Restructuring measures

Considering the macroeconomic headwinds and their impact on the real estate market and to alleviate short-term liquidity pressure of the Group, the Board developed a restructuring plan, which aimed to facilitate the successful implementation of amendments to terms and conditions of the six existing series of senior unsecured notes and aid the Company's current wider financial restructuring efforts in order to resolve the financial difficulties faced by the Group.

Subsequently, the Board, on behalf of the Company, entered into a lock-up agreement with a core group of Company bondholders to amend the terms and conditions of the SUNs and to provide the Group with secured debt financing in November 2022 (the **Transaction**).

The Transaction and related amendments were supposed to provide the liquidity needed to manage the Group's upcoming debt maturities, stabilise its business operations, and avoid the need for material Group entities to file for insolvency and sell assets at significant discounts due to the currently challenging market conditions.

Although the majority of the Company's bondholders agreed with the Transaction, a minority blocked the implementation of the Transaction by way of a consent solicitation. As a result, the Company had to take an alternative legal route in the form of a Restructuring Plan in the United Kingdom. On 12 April 2023, the High Court of Justice of England and Wales sanctioned the Restructuring Plan, thereby enabling the Company to carry out the Transaction and to service maturing bonds. With the sanctioning and implementation of the Restructuring Plan, the deadlines for the submission of audited financial statements for year-end 2022 and 2023 under the SUNs also were extended by the bondholders until 30 September 2024. In addition to the bondholders, some bank lenders also agreed to waive reporting requirements.

3.1.1. Amendments to the SUNs

Pursuant to the Restructuring Plan, on 17 April 2023 the SUNs were amended in accordance with the amended terms and conditions governing each series of SUNs, which included, among others, the following changes:

- no cash interest payments for over two years. All payment-in-kind interest (incl. accrued but unpaid) to be paid out in cash on 31 July 2025. In return, all SUNs receive a 2.75% coupon increase until 31 July 2025;
- extension of the maturity date of the 2024 Notes from 26 July 2024 to 31 July 2025;
- amendments restricting the incurrence of certain indebtedness by the Group, subject to certain carve-outs such as allowing the Group to incur the New Money Funding (as defined below) and refinance certain existing indebtedness;
- amendments to the reporting covenants that temporarily alleviate the reporting obligations placed on the Group; and
- amendments to certain other restrictive covenants to support the new capital structure and liquidity position of the Group.

3.1.2. New Money Funding

In accordance with the Restructuring Plan, a special purpose vehicle was established for the sole purpose of the wider financial restructuring which has issued 12.500% notes of in total EUR 937.5m which are due on 30 June 2025 (the **New Money Notes**). Subsequently, the special purpose vehicle lend the New Money Notes proceeds to the Group via loan facilities (the **New Money Facilities**) under a facilities agreement dated 22 April 2023 (the **New Money Facilities Agreement**):

- EUR 322.5m term loan facility (the **Facility SA**) for the Group, with proceeds to fund (i) in an amount of EUR 265.0m, the repayment of an existing upstream loan from Adler Real Estate AG, which in turn were used by Adler Real Estate AG to partially repay its outstanding EUR 500.0m 1.875% senior unsecured notes due 27 April 2023 (the **Adler RE 2023 SUNs**), and (ii) in an amount of EUR 57.5m, the payment of fees incurred in relation to the New Money Funding.
- EUR 235.0m term loan facility (the **Facility ARE**) for the Group, with proceeds to fund a non-interest-bearing shareholder loan to Adler Real Estate AG to partially fund the repayment of the Adler RE 2023 SUNs of EUR 500.0m in full on its maturity date (27 April 2023).
- Up to EUR 80.0m term loan facility (the **Facility C**) with subsidiaries of Consus Real Estate AG, with proceeds to fund certain capital expenditures; and
- EUR 300.0m term loan facility (**Facility 2024**) for the Group held in escrow account and to be released to provide a non-interest-bearing shareholder loan to Adler Real Estate AG to fund the repurchase and/or repayment of the Adler Real Estate AG's 2.125% EUR 300.0m notes due in 2024 (the **Adler RE 2024 SUNs**).
- The New Money Facilities Agreement contains several covenants and undertakings restricting the actions of the Group and certain entities of the Group. For further details on the respective covenants, please refer to the unaudited annual accounts of the Company as of 31 December 2022.
- The New Money Facilities Agreement is governed by German law and contain certain events of default, including (subject to certain exceptions) cross default in relation to the outstanding SUNs, the Adler Real Estate AG 2024 SUNs and/or the Adler Real Estate AG's EUR 300.0m 3.000% senior unsecured notes due 27 April 2026 (the **Adler RE 2026 SUNs**), as well as cross acceleration with regards to any other debt of the Group above a threshold of EUR 50.0m.

In addition, the Company issued and delivered shares in an amount equal to 22.5% of the Company's share capital following such issuance (i.e. equal to approximately 29.0% of the current outstanding share capital of the Company) to the New Money Notes investors.

3.2. Business plan measures

With completion of the amendments to the SUNs as well as the New Money Funding, sufficient liquidity and headroom is provided to the Group, to postpone asset sales until an expected market recovery can be capitalised upon, leading to a higher value preservation. The Business Plan foresees a de-leveraging of the Group and a repayment of all outstanding debt at par, when sufficient liquidity is available.

The Board is committed to fulfil the Company's obligations and will continue to work in right-sizing its balance sheet and remedy the financial situation of the Company, including the negative balance sheet equity of the Company.

To secure the continuation of the Company's business under the best possible conditions, the Board has taken, and intends to continue pursuing, the following various measures to further remedy the financial situation of the Company.

3.2.1. Disposal of yielding and development portfolios

To de-leverage the Group and service debt obligations, the Business Plan envisages a disposal of yielding and development assets, to the extent necessary to generate liquidity and repay all financial debt by year-end 2026, considering different exit strategies. The expected sales proceeds are based

on a market-based model that considers commonly accepted macroeconomic factors driving asset valuations. Yielding assets were analysed to develop a value-maximizing disposal strategy and bundled into portfolios, based on different criteria (e.g., social housing assets, high debt volume reduction potential and specific portfolios). The overall disposal strategy of the yielding portfolio is driven by the debt repayment schedule.

Development assets of the Group are planned to be disposed by year-end 2025. Sales prices were derived considering among others signed letters of intent and offer letters for disposals in advanced negotiations or the finalisation stage as well as previously obtained but withdrawn or declined offers.

3.2.2. Organisational scale-down

The Business Plan foresees an organisational scale-down of the Group, including a significant headcount reduction in line with the planned asset disposals. In addition, it is planned to significantly lower non-personnel costs through a reduction of advisory fees, rent, travelling expenses as well as office, communication, and IT costs until year-end 2026.

3.3. Market value of equity of the Company

After the successful implementation of the measures outlined in the Business Plan, as argued in front of the High Court of Justice of England and Wales and supported by the majority of the Company's bondholders, the estimated market value of equity of the Company is significantly positive and in the middle three-digit million EUR range.

In the stand-alone financial statements of the Company according to Lux GAAP investments are accounted for using the historical cost principle less accumulated depreciation based on the prudence concept with the goal of the protection of creditors. In this context unrealised gains on investments are not accounted for until they are realised through the disposal of those assets. Based on the equity assessment for the Company's subgroup as of 31 December 2022, significant unrealised gains exist for these entities.

In contrast to the stand-alone financial statements according to Lux GAAP, the consolidated financial statements of the Company according to IFRS are based on the fair value principle. In line with the fair value principle, all assets and liabilities are accounted based on market values. Therefore, the balance sheet equity attributable to owners of the Company according to IFRS as of 31 December 2022 is significantly positive amounting to EUR 1,417.1m.

To achieve any unrealised gains and increase the Company's balance sheet equity in the stand-alone financial statements from negative EUR 289.5m as of 31 December 2022 to a significant positive value, asset disposals in line with the Business Plan are required. Along with the asset disposals further costs, e.g. costs and fees related to the restructuring, must be taken into account.

4. Proposal to continue Adler Group S.A.'s business and justification of the proposal

As outlined in the previous section, a comprehensive refinancing of the Group by its bondholders was successfully implemented. The SUNs were amended, and the Group received the New Money to facilitate the successful implementation of the measures outlined in the Business Plan.

Based on the Business Plan developed by the Board, debt holders are expected to recover 100% of face value plus contractually agreed interest and fee payments. Outstanding debt will be repaid when sufficient funds are available. A repayment of all outstanding debt at par until year-end 2026 is planned. Therefore, no equity measures are necessary. Additionally, the estimated market value of equity of the Company is significantly positive and in the middle three-digit million EUR range.

The dissolution of the Company would trigger an event of default and/or termination right under the existing financings and outstanding notes and will likely result in an insolvency of the Company and the Group.

In light of the facts mentioned above and the already successful implementation of the wider financial restructuring, the Board recommends to the shareholders of the Company to support the continuation of the Company's operations pursuant to the Business Plan and as a result, recommends that shareholders vote in favour of the continuation of the Company's operations at the upcoming shareholders' meeting for the purposes of article 480-2 of the Law.

Luxembourg,

On behalf of the **Board of Directors of Adler Group S.A.**

Prof. Dr. A. Stefan Kirsten

(The Chairman)