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ERWE Immobilien AG resolves comprehensive financial restructuring

- ***Immediate convening of a bondholder vote to pass a resolution on, among other things, the deferral of the interest payment due on 10 June 2023 and a conversion of the bond into equity***
- ***Convocation of a general meeting of shareholders to pass a resolution on a capital reduction in a ratio of 20 : 1 by consolidation of shares as well as a subsequent cash capital increase***
- ***Accompanying operational restructuring measures and negotiations with further lenders***

Frankfurt/M., 11 June 2023. Today, the Board of Management of ERWE Immobilien AG (ISIN: DE000A1X3WX6), with the approval of the Supervisory Board, decided on a comprehensive financial restructuring of the company. The background to this is the substantial amount of existing debt liabilities, in particular the bond 2019/2023 maturing in December 2023 (the "**Bond 2023**"), and the strained liquidity situation of the Company due to the sharp rise in interest rates and the difficult market environment, which is characterised by a weak operating cash flow and the continued need for high investments in real estate project developments. Refinancing these financial liabilities in the current market environment is not possible, particularly due to the lack of debt service capability. A liquidity shortfall is therefore expected to occur at the latest when the 2023 bond matures in December 2023. In order to continue and maintain the company, new capital is therefore required and a reorganisation of the liabilities side appears indispensable.

The Company's restructuring concept provides for a restructuring of the liabilities side of the Issuer's balance sheet, an adjustment of the financing structure to improve the equity base, and the securing of sufficient liquidity to enable the Issuer to take operational and strategic courses of action, such as financing construction activities to complete individual loan-financed properties. In detail, the following measures are planned.

(i) Bond restructuring

A key element of the planned measures is the restructuring of the 2023 Bond. For this purpose, the Company will call on the bondholders at short notice for a vote without a meeting, in the course of which the following resolutions are to be passed:

- Deferral of the interest payment due on 10 June 2023 until the redemption date
- Waiver with respect to the exercise of termination rights under the Notes, inter alia, with respect to the non-payment of interest as at the June interest date 2023 and the late publication of the consolidated financial statements as at 31 December 2022 and the interim reports, as well as any termination right pursuant to section 490 of the German Civil Code (BGB)
- Exchange of the bonds into equity - this is done by granting acquisition rights to new shares of the company from a capital increase against contribution in kind. For the entire EUR 40 million 2023 bond plus the interest accrued until the exchange, bondholders will be offered 6 million new shares from a capital increase against contributions in kind, with which they can benefit

from future increases in the value of the company. If bondholders do not exercise their purchase rights or do not exercise them in due time, they will receive a cash settlement corresponding to the share of the total amount attributable to their bonds from the realisation of those new shares for which the purchase rights have not been exercised, less the realisation costs.

- Appointment of a joint representative of the bondholders and authorisations in favour of the joint representative

(ii) Equity measures

On the equity side, a reduction of the share capital in accordance with §§ 229 et seq. of the German Stock Corporation Act (AktG) by around 95% to EUR 1,228,146.00 is initially planned. The full amount of the capital reduction is to be used to compensate for impairments and to cover other losses and is to be effected by consolidating shares (at a ratio of 20 : 1). The Issuer will convene a general meeting for this purpose in due course.

After the implementation of the capital increase against contribution in kind, the bondholders (provided they all exchange) will hold approximately 83% of the shares/share capital of the Company and in this way will participate appropriately in the restructured Issuer in order to be able to participate in a future economic recovery of the Company. The current shareholders would still hold approximately 17 % of the Issuer's shares/share capital.

The company's share capital of EUR 7,228,146.00 after the capital increase through contributions in kind is then to be increased in a further step through a capital increase, also to be resolved by the Annual General Meeting, by issuing a still to be determined number of new shares against cash contributions with subscription rights for the shareholders existing at the time of the resolution, which is to cover the company's liquidity needs for the then coming 12 months. The company expects to raise an amount of up to EUR 12 million.

(iii) Operational restructuring measures

In addition to the debt and equity restructuring, the company is examining whether and which properties or projects can be sold. The focus is particularly on projects that involve high financing costs that will place a heavy burden on the company in the coming months and years without the investments generating added value for the company. However, this is extremely difficult in the current market environment. A sale of individual properties or project companies may fail due to secured bank loans and would probably only be possible, if at all, at values below the senior financing encumbering them.

As part of the improvement of the financial position and to improve the current liquidity situation, the company is also currently in negotiations with individual lenders regarding the deferral or restructuring of loans.

The company has also commissioned a renowned management consultancy to conduct a so-called Independent Business Review, i.e. an independent analysis to assess the past and future situation of the ERWE Group, which should enable stakeholders to assess the entrepreneurial performance of the ERWE Group taking into account the restructuring measures.

The Company plans to hold an investor call for bondholders in the coming days, after publication of the convening notice, with regard to the resolutions to be voted on without a meeting.

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