

Convenience Translation

Report of the Management Board on item 6 of the agenda on the resolution of the authorization for the sale and transfer of assets owned by the Company

The Management Board has submitted a written report on agenda item 6 on the resolution of the authorization for the sale and transfer of assets of the Company up to the limit of section 179a para. 1 sentence 1 of the German Stock Corporation Act (*Aktiengesetz*, “**AktG**”). The report is announced as follows:

1. Initial position

ADLER Real Estate Aktiengesellschaft (“**Company**”) announced on October 4, 2021 that its majority shareholder, Adler Group S.A., has initiated a fundamental review of its strategic options for action after receiving offers from several interested institutional buyers in relation to parts of its rental income generating portfolio.

As described in section 2, this process has already resulted in the sale of part of the real estate portfolio held directly and/or indirectly by the Company. The proceeds were used, among other things, to reduce the Company's indebtedness ratio.

2. Previous transactions

As of June 30, 2021, - i.e., before the announcement of the review of the strategic options for action – the Company held a total of 51,990 units. The book value of the entire portfolio amounted to EUR 5,020.1 million.

On December 1, 2021, 100% subsidiaries of the Company, as a seller, signed a share purchase agreement with a subsidiary of LEG Immobilien SE on 15,362 residential units and 185 commercial units. This sale was based on a valuation of the sold real estate portfolio of approximately EUR 1.3 billion. The purchase price was collected on December 29, 2021.

In addition to the aforementioned transaction, the Company sold approximately 7% of the shares in Brack Capital Properties N.V. to a subsidiary of LEG Immobilien SE for a purchase price of EUR 75 million and undertook to tender the remaining shares into a public purchase offer by September 30, 2022, as soon as a possible deadline for acceptance for this runs. In addition to the purchase price, the Company received a premium of EUR 7.5 million.

Furthermore, on January 12, 2022, the Company, as a seller, entered into another share and asset purchase agreement with KKR/Velero on the sale of approximately 14,400 residential units and commercial units. This sale was based on a valuation of the sold real estate portfolio of approximately EUR 1.05 billion. The first part of this transaction was completed on March 31, 2022, another one on April 30, 2022 as well as May 31, 2022.

Additionally, on June 24, 2022, the Company acquired an existing portfolio of residential properties of approximately 1,400 residential units from Adler Group S.A., which had a market value of EUR 326 million according to the last valuation prepared by CBRE on March 31, 2022. Taking into account minority interests, financial liabilities and deferred taxes, the consideration to be paid to Adler Group S.A. amounted to around EUR 275 million.

3. Current status

As a result of the transactions to date, the Company and its affiliated enterprises within the meaning of section 15 AktG still own 23,475 residential and commercial units (23,088 residential units and 387 commercial units) at the present time. These units are held by the affiliated enterprises – so-called property companies - in most of which the Company holds at least 89.9% of the shares.

Since approximately 29,915 residential and commercial units and with that about 56 % of the total portfolio of the Company and its affiliated enterprises within the meaning of section 15 AktG have already been sold and approximately 1,400 residential units have been acquired and further sales cannot be ruled out, the Management Board has decided to obtain authorization at the Company's Annual General Meeting 2022 to sell (directly or indirectly) and transfer further units or property companies owned by the Company until the next Annual General Meeting.

It is intended that up to 22,301 out of the total 23,475 residential and commercial units owned by the Company and its affiliated enterprises within the meaning of section 15 AktG shall each be sold by entering into one or more share purchase agreements or asset purchase agreements (collectively, the “**Potential Transaction**”).

Obtaining a resolution of the authorization is a precautionary measure based on the legal assessment of the Federal Supreme Court (*Bundesgerichtshof*; “**BGH**”) in the case of measures of outstanding importance (see below under Section 4).

4. Legal classification

In 1982, the BGH ruled that the approval authority of the annual general meeting as stipulated by the AktG is not conclusive. Therefore, there may be cases in which the management board must obtain a resolution from the annual general meeting, even though the AktG does not expressly intend for the annual general meeting's competence in this regard, so-called non-regulate annual general meeting competence.

Holz Müller case

This consequence followed from the Holz Müller case. Subject of this ruling was the transfer of business operations to a second-tier subsidiary, specially established for this purpose. The business operations constituted the most valuable part of the company's assets, as the spun-off share of assets amounted to approx. 80 % of the company's assets. Following the transfer, the shareholders were no longer able to exercise direct influence over this share of assets. Due to this mediatization effect, it was to be feared that the shareholder's rights would in fact be curtailed.

Subsequently, the BGH assumed a reduction of discretion in such a way that the discretion of the management board, as postulated by section 119 para. 2 AktG, is transformed into a duty to submit a resolution in cases when the management board “cannot reasonably assume to take [the decision] exclusively autonomously without involving the annual general meeting” (BGHZ 83, 122, 131). Even though the BGH recognized the fundament of this unwritten competence of the annual general meeting, its requirements were debated upon.

Gelatine case

Finally, in 2004, the BGH clarified its ruling in its Gelatine case (BGHZ 159, 30). According to this, the non-regulated competence of the annual general meeting is only assumed in the case of significant structural changes, which are as important as it was for the company under the circumstances of the Holz Müller case, i.e. approximately when 80% of the company's assets are affected. In some cases, a

corresponding threshold could be assumed if only 75% of the company's assets are affected. However, these thresholds are only indicative, which is why in borderline cases an overall consideration of the individual case appears to be necessary.

Exceptional case: Sale of company assets

However, in the case of the sale of company assets by way of the sale of an investment, this leads to an exchange of company assets, so that no mediatization effect occurs, on which the non-regulated competence of the annual general meeting is based according to the BGH. It is therefore disputed in the literature whether this special case gives rise to a non-regulated competence of the annual general meeting. In particular, in addition to the non-occurrence of a mediatization effect, it is argued that otherwise the provision of section 179a AktG on the transfer of the entire corporate assets and the associated strict requirements would be undermined by the creation of a non-regulated annual general meeting competence. The case law of the lower courts on this special case is balanced, there is case law which assumes a non-regulated unwritten competence of the annual general meeting (LG Frankfurt am Main v. 12.12.2000 – 3/5 O 149/99; LG München I v. 24.08.2006 - 5 HK O 1558/06) and others which reject such a competence (BGH, Beschluss v. 20.11.2006 - II ZR 226/05; OLG Köln v. 15.01.2209 - 18 U 205/07).

Majority voting requirement

Even if there is no specific contract that is planned to be concluded, approval of a concept resolution adopted in advance is at least permissible. In this regard, the BGH has ruled by way of open further development of the law that in cases of resolution competence, a three-quarters majority of the capital stock represented is required in addition to a simple majority of votes.

Requirement of approval by the Annual General Meeting pursuant to section 179a para. 1 Sentence 1 AktG

Furthermore, the annual general meeting has decision-making authority if the requirements of section 179a para. 1 sentence 1 AktG are met. According to these requirements, a resolution of the annual general meeting is required if the entire corporate assets are to be transferred and the stock corporation, according to a qualitative standard, can no longer continue to pursue the previous corporate purpose defined in its articles of association with the retained assets.

The Management Board does not consider this limit to have been exceeded yet, as only assets of the Company representing 95% at the time of the announcement of the review of the strategic options for action are to be sold and not the entire assets of the Company. For this reason, no resolution is on the agenda with regard to section 179a para. 1 sentence 1 AktG.

No liquidation or dissolution of the Company

For the avoidance of doubt, the Management Board points out that the adoption of the resolution does not relate to any liquidation or dissolution of the Company.

5. Reasons for the Potential Transaction

The Potential Transaction is part of the review of the strategic options for action and serves to further reduce the indebtedness of the Company. Against the background of the legal classification of the Potential Transaction as a possible Holz Müller case, this authorizing resolution is to be adopted as a precautionary measure.

The Potential Transaction corresponds to transfers of residential and commercial units up to, but not exceeding, the threshold for the transfer of the entire assets of the Company (section 179a para. 1

sentence 1). In particular, it is not intended to sell all of the Company's assets and thus all of its residential and commercial units or property companies. The Management Board does not yet consider this limit to have been reached if at least up to 5% of the Company's assets that were in its portfolio at the time of the announcement of the review of strategic options for action remain in its ownership.

However, the Management Board does not yet have any specific plans for the Potential Transaction. In particular, no concrete contract negotiations have been undertaken on the basis of which draft contracts could be presented to the Annual General Meeting.

The authorization planned for the Annual General Meeting is merely the permission of the Management Board to carry out the Potential Transaction until the next Annual General Meeting, if the Management Board deems this to be reasonable. The resolution of the authorization entitles the Management Board to conclude all necessary agreements and legal actions in relation to the Potential Transaction. The portfolio includes units distributed throughout Germany.

In the opinion of the Management Board, the Potential Transaction does not relate to any significant parts of the Company within the meaning of the so-called Holz Müller case of the BGH, so that in principle no approval of the Annual General Meeting is required. In addition, the Management Board is of the opinion that the Potential Transaction is a sale of shareholdings, so that it is an exceptional case as mentioned above, according to which the approval of the Annual General Meeting is also not required. It is also not intended to complete the sale of all the entire assets of the Company, which is why a resolution of the Annual General Meeting is not required in accordance with § 179a para. 1 sentence 1 AktG. Finally, the adoption of the resolution does not relate to any liquidation or dissolution of the Company.

However, the Management Board is aware of the legal uncertainty, particularly with regard to the Holz Müller case. This is the reason why it would like to have the authorization for this granted by resolution of the Annual General Meeting in the event that the Potential Transaction is completed in the period between the Annual General Meeting in 2022 and the next Annual General Meeting.

Berlin, in July 2022

ADLER Real Estate Aktiengesellschaft
The Management Board

Thierry Beaudemoulin
CEO and COO

Sven-Christian Frank
CLO