

Corporate News

ERWE Immobilien AG and the joint representative of the bondholders conclude agreement to implement the financial restructuring concept agreed in the indicative term sheet

Frankfurt/M., April 2, 2024 As reported, the Management Board of ERWE Immobilien AG (ISIN DE000A1X3WX6), Frankfurt/M., has developed a new restructuring concept in direct negotiations with key investors from the group of creditors of its 2019/2023 bond (ISIN DE000A255D05) and their elected joint representative, which was adopted on December 12, 2023 in the form of an indicative term sheet. With the agreement now signed between the parties, the concept is now to be implemented with some adjustments. It provides for the following key elements:

1. Acquisition of a company by the Joint Representative, the purpose of which is the fiduciary protection of the interests of the bondholders in relation to the real estate assets acquired by the company and the further development and sale of these properties within a reasonable period of time with the aim of achieving the highest possible repayment rate on the bonds issued by the company.
2. The trust company acquires 89% of the shares in four property companies from ERWE Properties on the basis of separate share purchase agreements, including the real estate financing encumbered on them.
3. The seller assigns its claims against the trust company for payment of the purchase price for the shares in the property companies and the existing shareholder loans to ERWE AG, and the trust company undertakes to ERWE AG to assume the bond liabilities including the accrued interest. The purchase price payment claim assigned by the seller to ERWE AG and ERWE AG's own loan claims against the four property companies are offset against the bond liabilities.
4. This takeover will be implemented by the trust company becoming the new issuer of the bond by way of an issuer swap and the terms and conditions of the bond being amended to the effect that, among other things, interest will be paid on maturity or in the event of early partial repayments in future . Payments on the bond will be made from the net proceeds from the sale of the four property companies, the distributable

net operating income of the trust company and any pro rata liquidation proceeds. ERWE will be released from all obligations arising from the bond when the amendment to the terms and conditions of the bond becomes effective.

5. At the same time, the trust company will soon issue a further bond with largely identical terms in return for fresh capital of up to EUR 8 million, which will bear interest at 15% p.a. and rank ahead of the existing bond in terms of payments (New Money bond). The fresh capital will be used to further finance the investments still required for some of the acquired properties. These investments will increase the value and thus the subsequent proceeds from the sale of the properties. Due to time constraints, the New Money bond will initially be offered to existing institutional bondholders by way of a private placement in order to cover the initial financing requirements of the real estate portfolio. In a second step, it can then be offered to all existing bondholders pro rata of their existing shares in the ERWE bond with the possibility of submitting multiple subscription offers. The payment of the proceeds from the private placement of the New Money bond is subject to the availability of the signed version of a draft going concern forecast of ERWE AG, which is expected in the near future.

"The concept stabilizes the company and creates the basis for the continued existence of in a slowly recovering industry environment," says ERWE CEO Rüdiger Weitzel. The bondholders will benefit from the value appreciation potential of the fully developed properties from the transferred property companies.

ERWE Immobilien AG concentrates on building up a profitable portfolio of mixed-use properties in the office, service, retail, hotel and residential sectors. Preferred locations are promising inner-city locations in major German cities and exclusively "A" locations in smaller cities and municipalities. Properties are acquired whose potential for value appreciation can be sustainably exploited through new utilization concepts, resulting in a high-yielding, valuable portfolio with significantly increasing income. The company is listed on the Basic Board of the Frankfurt Stock Exchange (ISIN: DE000A1X3WX6).

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