Adler Group – Bond Villains

Adler Group is a stitched together and overly indebted dumpster fire, operated for the sole benefit of a secretive, kleptocratic cabal.

OCTOBER 6, 2021 – Viceroy Research is short **Adler Group SA** (**ETR : ADJ**) and its listed subsidiaries. The Adler Group is a hotbed of fraud, deception and financial misrepresentation designed to hide its true financial position, which is bleak. The Adler Group exists as a conduit for its shadow directors and associates to systematically enrich themselves to the detriment of bondholders, shareholders, and minority holders of various listed investments.

Earlier this week, **Adler announced that it had begun a "review" of a strategic sale of its yielding portfolio**.

Properly accounted for: Adler has already triggered a default-event, and it does not appear its mismarked assets can support its crippling debt. Substantial sales of Adler's yielding portfolio will have a moot effect on Adler's LTV - which we calculate to be in excess of 85% - and eliminate thin operating cash-flows.

Any such "strategic" divestment will be a purely optical attempt to pay down debt, or worse, as a last chance for undisclosed related parties to strip any remaining value in the structure.

Adler's Modus Operandi

Adler Group's modus operandi is to acquire or force mergers with better capitalized companies to then saddle them with debt. Management then channels cash and assets to enrich its friends and associates via undisclosed and blatantly uncommercial related-party transactions, many of which are never intended to be settled in full. The related-party nature of these transactions is always hidden. This is not a matter of one or two small transactions. This behavior is endemic and continues today.

Viceroy struggled to find any truly arm's-length transactions Adler has undertaken in its corporate history.

Adler engages in **three broad types of transactions**:

"Looting Transactions" are where:

- An asset is bought from an Adler Group company by a related party at a deflated price; or
- An asset is sold to an Adler Group company by a related party at an inflated price.

Either way: value is transferred out at shareholders' expenses.

"Marking Transactions" are where an asset is bought by an undisclosed related party at an inflated price, but the consideration is never settled in full. Adler's book is then artificially marked up by unrecovered receivables.

- Despite little cash consideration being paid, the underlying asset (e.g. development plot) changes hands. When Adler loses control of this asset, related parties can (and do) borrow against these assets. When the transaction is inevitably reversed, Adler receives its asset back, but with a large mortgage.
- These "Marking Transactions" are also laced with looting, as related parties never seems to miss an opportunity to steal. When these deals are inevitably reversed, Adler will pay tens of millions in "JV fees" or a penalty to the related-party buyer. Money is thus transferred out on a deal that was never intended to be completed.

"Coup D'état Transactions" are where:

- Adler, often with leverage and in concert with undisclosed related parties, buys a controlling stake in an asset-rich company. The latter is a major breach of regulatory disclosure obligations.
- Once Adler control the board of the target entity, they flip the board and attempt to force a merger with the parent and proceed to loot the asset-rich target via "**looting transactions**" and "**marking transactions**".

What's Left? - An Artificially Inflated Balance Sheet Disguising a Bond Default

A historically liberal bond market has **allowed Adler to fraudulently raise billions of euros against horribly mismarked assets**. Values are transferred to undisclosed related parties.

- Adler's residential portfolio is valued on a DCF model backed by delusional assumptions. Adler's derived cap rates are ~100bps less than comps, despite an inferior portfolio.
  - Viceroy's base-case valuation derives a **€2.36b impairment of Adler's yielding Residential Portfolio**.
- Adler's development pipeline is booked on residual value method, which assumes project completion despite Adler's inability to finance and complete these projects.
  - Viceroy's base-case valuation derives a **€1.77b impairment of Adler's Development Pipeline**.
- "Good" assets have mostly left the company via "Looting Transactions" to undisclosed related parties. What is left is a mishmash of over-levered and mismarked assets, and unrecoverable receivables.

If properly accounted, the company is in breach of their bond covenants and would be in immediate default. The usual assumption held by investors in property bonds is that even where cash flow or solvency issues may arise, the company's assets are real; even in a worst-case scenario, recoveries from liquidating the real estate portfolio will largely cover any losses. That assumption will be sorely misplaced in this case. Bondholder money has been looted.

Adler LTV Adjustement Estimates	As Presented	Viceroy Bull	Viceroy Base
Net Financial Liabilities			
Corporate bonds, loans & other financial liabilities	(7,869,901)	(7,869,901)	(7,869,901)
Convertible bonds	(309,313)	(309,313)	(309,313)
Cash & other discretionary financial assets	1,255,116	1,255,116	1,255,116
Reported Net Financial Liabilities	**(6,924,098)**	**(6,924,098)**	**(6,924,098)**
Gross asset value			
Fair value of properties	12,570,345	12,570,345	12,570,345
Investment in real estate companies	84,716	84,716	84,716
Reported GAV	**12,655,061**	**12,655,061**	**12,655,061**
Viceroy Adjustments			
Investment Property			
less: Residential Portfolio adjustment (p. 24)		(1,572,405)	(2,363,017)
less: Development & Inventory Portfolio adjustment (p. 27)		(1,064,466)	(1,774,110)
Total Portfolio adjustment		**(2,636,871)**	**(4,137,127)**
Other Adjustments		**(449,100)**	**(528,100)**
Total adjustments		**(3,085,971)**	**(4,665,227)**
Viceroy Adjusted GAV	**N/A**	**9,569,090**	**7,989,834**
LTV inc Convertibles	**54.71%**	**72.36%**	**86.66%**
LTV exc Convertibles	52.27%	69.13%	82.79%

Figure 1 – Viceroy LTV Adjustments

Viceroy's analysis is based on publicly available information.

We believe our adjustments only scratch the surface of the impropriety at Adler.

The Kleptocrats – Shadow Directors

Adler is controlled by an undisclosed cabal of kleptocrats which we believe have systematically asset-stripped Adler and its subsidiaries for over a decade.

- This cabal is headed by **secretive financier Cevdet Caner**, who was previously responsible for the second largest REIT collapse in German history: Level One.
- Caner now operates Adler from a yacht in Monaco. Despite holding no official position at the company and claiming to be no more than a consultant, Caner's control is an open secret and has drawn the attention of Israeli and German authorities.
- Caner's wife, brother-in-law, and other associates from Caner's failed Level One venture own or hold senior positions at various related-party entities. These related-party entities act covertly and in concert with Adler in the commission of its schemes.

The Looting – Unjust Enrichment of Friends and Fraud

Adler systematically uses underhanded tactics to acquire better-capitalized companies only to strip them of resources and assets in uncommercial transactions with related parties, or to leverage them to the hilt to enable more looting.

Gerresheim – "Marking Transaction"

- A 75% stake in a project owned by Brack (an Adler subsidiary) was sold to an entity ultimately controlled by Caner's brother-in-law at an inflated price, of which only a third has been paid.
- This created fake paper profits on Brack's (and hence Adler's) balance sheet**,** which allowed Adler to borrow more money.
- The Gerresheim transaction has subsequently been reversed, and Adler has disclosed no major works have been completed due to ongoing disputes with permitting entities and the German national railway company.
- A mortgage was taken out against the underlying Gerresheim property by the new "owners" to the sum of €145m. A loan from Adler was also granted to the holding SPV for the sum of €75m to date. On reversal, there is insufficient cash to repay these loans. **Where has this cash gone?**

ADO Properties – "Coup d'état Transaction"

- **Adler Real Estate** entered into an aggressive business combination with ADO Properties. Adler effectively took control of ADO with a relatively small stake financed by a bridging loan. **ADO was ripe for looting**.
- **ADO Properties** (now controlled by "old Adler") acquired Adler Real Estate and renamed itself "**Adler Group**". Now in full control of a better capitalized entity: the kleptocrats continued looting.

Consus – "**Looting Transaction**"

- Consus is Adler's biggest looting transaction, and largely responsible for Adler's negative debt ratings. Prior to acquisition, Consus was a thinly capitalized developer owned by undisclosed related parties and with considerable debt: demanding interest in excess of 20%.
- Consus was formed when a shell company acquired a 59% stake in **CG Gruppe** from related party and major shareholder, Aggregate Holdings, for €800m. Aggregate acquired this same asset for €49m less than a year prior.
- Prior to Adler purchasing its full stake in Consus, the company was looted for everything of value (which already was not much) by insiders and associates. It was then foisted onto Adler shareholders.

The Aftermath – Stakeholders on Notice

- **Bond Default:** Any entity subjected to the "business practices" referred to above will inevitably be hollowed out. By our calculations, and using reasonable assumptions, Adler would be substantially in breach of its bond covenants. A loan-to-value (**LTV**) covenant breach constitutes a default-event under Adler's bond terms, which in turn means its bonds become immediately due and payable.
  - Adler has insufficient liquidity to repay its bonds in a default scenario and does not have good assets to pledge or sell to raise money in an emergency.
  - Adler conceals its **true leverage** by changing the way certain figures (e.g. LTV) are calculated and recording semi-sham transactions that allow it to realize paper gains and fabricate deductions against its debt.
- Adler will face significant issues obtaining further finance when lenders realize they have been fooled. This would immediately result in a liquidity crisis and technical insolvency.

We believe Adler's balance sheet has been artificially inflated to mask a default event, with questionable chances of full recovery if Adler loses access to funding and its ability to refinance its ever-increasing debt.

- **An Auditor under investigation:** Adler Real Estate AG's auditors, **Ebner Stolz**, is now under investigation for serious audit failures surrounding "imaginary invoices that are unlikely to be collected" at Greensill. Adler is Ebner Stolz's largest client after Greensill.
  - Adler's receivable balance exceeds €1b, much of which is unlikely to be collectable, some of which is from Caner associates and undisclosed related parties. In absence of generous payment terms provided by Adler, some of these receivables are overdue by up to 4 years.
- **Authorities already intervening:** Regulators have their sights set on Adler.
  - The Israel Securities Authority has already intervened in Adler's handling of the Gerresheim Transaction, forcing the disclosure of Caner's brother-in-law as the purchasing counterparty.
  - Questions have been raised by German MP's regarding BaFin's actions, or lack thereof, around Adler.
  - ADO shareholders also unsuccessfully appealed to BaFin to put a stop to the ADO Properties acquisition of Adler.

The Grim Conclusion

Adler's business is built on systemic dishonesty and fraud to enrich friends and associates. Its balance sheet has been artificially inflated to a significant degree, its shares are not investible, and its bonds are almost certain to default with very large impairments.

The business practices at Adler and amongst its kleptocratic network are not simply sharp dealing, they amount to gross dishonesty and fraud, and the roll-up nature of the company makes any financial analysis time-consuming and difficult. There are significant regulatory issues at play, and we expect authorities may soon act.

For these reasons we refuse to assign a target price to Adler's shares and believe they are un-investable.

Note: to avoid confusion Viceroy refer to Adler Real Estate AG as "Adler Real Estate" and Adler Group SA (formerly ADO Properties) as "Adler Group" for events following its renaming.

Postscript – Letters to the Editors

On 5 October 2021, at 11:06am (Berlin Local Time), Adler's General Counsel, Dr Florian Sitta, emailed Viceroy Research to address "certain rumors" that Viceroy intended to publish a report on Adler.

Following this email, Viceroy Research received a further email at 12:52pm from the lawyers of Aggregate Holdings: the largest shareholder of Adler.

Aggregate's lawyers suggested that our report will be somehow defamatory to their client. We had not made our report available to neither Adler nor Aggregate.

We leave it to the readers to determine if this is a faux-pas demonstrating the intertwined nature of Adler's kleptocratic cabal.

Aggregate's lawyers subsequently requested an advanced copy of our report (which we did not send) and requested to make "pre-publication steps" and respond to our reported opinions. We believe there has been sufficient time for Adler to make these disclosures on their own initiative.

Viceroy have been researching Adler since last year, alongside more than a dozen other listed companies. We do not make the determination to publish a report unless we think the story is compelling, and not until we have sufficiently referenced our claims.

We had previously abandoned Adler for other projects, and only returned to it after incessant rumors that we must have been involved in the company's spectacular decline over the past 12 months. It piqued our interest enough that we revisited our notes and kept on digging.

That everyone already believed Adler was a fraud meant that there was likely more to be found.

You can find a copy of both the email from Dr Sitta and the letter from Aggregate's lawyers in **Annexure 10 – Letters from Adler and Aggregate's Lawyers** on **page 59**

Contents

Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Adler Group, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

About Viceroy

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

Important Disclaimer – Please read before continuing

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Thank you to several journalists

Parts of this international mystery have been uncovered by several exceptional pieces of investigative journalism. We will reference these, as well as expand on them and tie them together.

1. The Inner Circle – Cevdet Caner and his Cronies

Who is Cevdet Caner?

Cevdet Caner is the real controller of the Adler Group of companies. Caner has already spearheaded two listed bankruptcies: real estate developer Level One (the second largest real estate bankruptcy in German history) and telecom company CLC AG.

Caner was charged with "conspiracy, aggravated commercial fraud, fraudulent insolvency, and money laundering" over Level One but was ultimately acquitted. There appears to have been considerable evidence that Level One was looted but the evidence to point to an individual was thin[1].

On paper Caner claims to be a consultant for Adler but numerous regulatory documents and investigative journalism pieces make it very clear that ***Caner calls the shots.***

You can find case studies on Caner's failed ventures attached to this report in **Annexure 7 – CLC AG** and **Annexure 8 – Level One** on **page 52** and **page 53,** respectively.

How Do We Know?

That Adler Real Estate operates under the express influence of Cevdet Caner is already a matter of public record. Caner, while controlling Adler, has already been involved in serious regulatory breaches by acting in concert with undisclosed related entities.

The Austrian Takeover Commission determined the following in Adler's failed "**Coup D'état**" attempt at Conwert:

> denen es vor allem darum gegangen sei, wie man Synergien zwischen conwert und Adler heben könne und ob gegebenenfalls ein *reverse takeover* möglich sei. Dieses und weitere Gespräche hätten meist im Beisein von **Cevdet Caner** stattgefunden, der nach Wahrnehmung des Managements der conwert als „verdeckter Chef" von Adler auftrete. Der Plan sei gewesen, einen Großteil des Immobilienvermögens der

"This and other discussions mostly took place in the presence of ***Cevdet Caner****, who, according to the management of Conwert, appears as* ***the 'undercover boss' of Adler****."*

> Welche Rolle Großaktionär Caner bei Adler spielt, ist strittig. Ein offizielles Amt bekleidet er nicht. Adler sagt: „Er berät verschiedene Investoren der Adler und begleitet im Einzelfall die ein oder andere Transaktion." Mehrere Geschäftspartner aber bezeichnen Caner als „Strippenzieher" und den „Mann hinter Adler". Bei Verhandlungen sitze er mit am Tisch, heißt es im Umfeld des Unternehmens. Adler sagt, die Geschäfte würden vom Vorstand in Abstimmung mit dem Aufsichtsrat geführt. Was die Branchenkenner erzählen, klingt aber eher nach heimlichem Chef als nach einem Begleiter, der dann und wann mal einen Deal anschleppt.

"The role of major shareholder ***Caner*** *at* ***Adler*** *is disputed. He does not hold an official position. Adler says: "****He advises various Adler investors and advises Adler on certain transactions in individual cases.****" However,* ***several business partners refer to Caner as "pulling the string" and the "man behind Adler"****. People around the company say* ***he sits at the table during negotiations****. Adler says business is conducted by the board of directors in coordination with the supervisory board. What the industry insiders say sounds more like a secret boss than a companion who occasionally pulls in a deal."*

Figures 2 & 3 Quoting the Austrian Takeover Commission report & Adler aus der Asche[2]

[1] www.dpa-international.com/topic/victory-acquittal-cevdet-caner-urn%3Anewsml%3Anewsaktuell.de%3A20200917%3A41519752
[2] https://www.wiwo.de/finanzen/immobilien/adler-real-estate-kein-offizielles-amt/12609590-2.html

On this occasion, the undisclosed related-party nature of the transaction was picked up by the authorities. This was a "**Coup D'état**" transaction, but it failed after the authorities intervened. The European Court of Justice later found that the Austrian Takeover Commission overreached in its decision but did not dispute its findings[3].

*On a more comprehensive review, Viceroy struggle to find transactions in Adler's corporate history that were conducted at arm's length. Adler's dealings substantially benefit of **Cevdet's cronies**.*

You can find a more comprehensive account of the events at Conwert attached to this report in **Annexure 6 – Conwert: Denied** on **page 49**.

Show me the Cronies

Caner appears at the center of a circle of insiders who benefit from complex, uncommercial transactions at the expense of shareholders and bondholders of Adler. These schemes often operate in parallel and involve the inflation of asset values through related-party dealings and asset-stripping.

You can find a list of Caner's inner circle attached to this report in **Annexure 1 – The Inner Circle** on **page 39.**

Show me the Related Parties

Two entities come up again and again in Adler's dealings: **Aggregate Holdings SA** and **Mezzanine IX Investors SA**[4].

Mezzanine IX Investors SA is a Luxembourg entity controlled by Caner through his associates: the company is 66% owned by Caner's wife Gerda Caner and Josef Schrattbauer. The Austrian Takeover Commission confirmed in its review of the Conwert transaction that Schrattbauer is Canner's brother-in-law.

Aggregate Holdings is the wholly owned investment vehicle of Gunther Walcher[5], the founder of Skidata AG. Viceroy have been reliably informed that Walcher was a major investor in Caner's Level One company. Despite the eventual collapse of Level One, Walcher and Caner have remained close with Aggregate allegedly carrying out Caner's instructions to the letter.

Caner and his associates are often on both sides of Adler transactions. The goal of these transactions is to extract wealth from investors and bondholders and siphon it to Caner's circle, as well as to optically shore up Adler's balance sheet.

You can find a more on Aggregate and Mezzanine Investors IX attached to this report in **Annexure 2 – Mezzanine and Aggregate** on **page 40.**

[3] https://www.dgap.de/dgap/News/corporate/adler-welcomes-finding-the-european-court-justice-austrian-takeover-commission-does-not-comply-with-european-law-notices-against-adler-irrelevant/?companyID=385462&newsID=1474844
[4] Visit https://www.lbr.lu/mjrcs/jsp/IndexActionNotSecured.action?time=1615816035870 and search for "Mezzanine Investors IX" and "Aggregate Holdings"
[5] https://www.aggregateholdings.com/media/pages/investors/exchange-offer/2346078420-1610726594/aggregate-offering-memorandum-final.pdf

2. Adler's Modus Operandi

Adler systematically engage in uncommercial transactions with undisclosed related parties. Viceroy have uncovered many of these and flagged many more for follow-up. It is likely that we have barely scratched the surface.

In an attempt at brevity, we have included only three of these transactions in our main report, which we believe are most demonstrative of Adler's Modus Operandi:

1. "Marking Transaction": Gerresheim sale and reversal
2. "Coup D'état Transaction": The Adler-ADO-Consus three-way combination
3. "Looting Transaction": Asset stripping at Consus

For completeness, we have Annexed further detailed transactions to the back of the report:

Brack Capital Properties: Watch this hand… – Annexure 3

- An Israel-listed developer taken over by Adler only to have its prime asset sold to Caner's brother-in-law for next to nothing and acquire an undisclosed stake in Consus, to Aggregate's benefit.

Natig Ganiyev: Overdue – Annexures 4 & 5

- A series of yet-to-be-paid transactions with Natig Ganiyev, an individual with ties to corruption in Azerbaijan's ruling family. Ganiyev appears to be a serial non-payer with some receivables sitting on Adler's balance sheet for almost 4 years and counting.

Consus: Thoroughly Pillaged – Annexure 5

- A heavily indebted real estate developer sold by Aggregate to the unwilling buyer, ADO Properties. Consus was the victim of extensive looting by Aggregate, CEO Christoph Gröner, and Natig Ganiyev.

Conwert: Denied – Annexure 6

- An Austrian residential real estate developer with most of its portfolio in Germany. This is the first apparent example of Caner's tricks at Adler and an introduction to Caner's inner circle.

The sheer number of related-party transactions and how blatantly uncommercial they appear are alarming. Viceroy have never encountered what we believe to be such brazen theft.

Viceroy vehemently refute any assertion that Adler resorted to fraud for survival. We believe Adler's shadow directors undertook a conscious and concerted effort to defraud stakeholders at every level.

Gerresheim fraud: A "Marking Transaction"

The Gerresheim transaction displays Adler's methods for mismarking its book. As we recently found out, this transaction will be reversed. The mismarking of Adler's book and the significant looting however, will not be reversed.

The Gerresheim property is the site of a defunct glass factory in Dusseldorf. This factory was decommissioned around 2005. The project changed hands to property developers who had expected completion in 2015. The site remains substantially untouched to this day.

Gerresheim Overview

- Brack Capital Properties, at the time not owned by Adler, purchased the Gerresheim property with development plans from Patrizia AG in 2017 for €142m. 18 months later after becoming a subsidiary of Adler, Brack sold 75% of the Special Purpose Vehicle (SPV), Glasmacherviertel GmbH & Co. KG, holding the property to an undisclosed related party at a valuation of €375m. **This resulted in a net ~€233m fair value gain on Adler's balance sheet**.
- The Israeli regulator forced the disclosure of the undisclosed purchaser: Joseph Schrattbauer, Cevdet Caner's brother-in-law.
- Consistent with "Marking Transactions", the €214m purchase price for the majority stake in the **SPV** was not paid in full. To date, only €79m partial consideration has been "paid".
- Despite consideration not being paid in full, the SPV was transferred to Schrattbauer without adequate collateral being taken. While under Schrattbauer's control the mortgage on the underlying Gerresheim property was increased from €90m to €145m.
- To date, the SPV has racked up €75m of further loans *from Adler* which also remain unpaid. Viceroy believe this loan largely financed Schrattbauer's €79m partial payment.
- The project's development proposal is on hold. Adler will receive its asset back with more debt attached: an unjustified markup. The cash loaned to the SPV has also largely disappeared.

Viceroy asserts that this consideration was never meant to be paid in full. Schrattbauer appears to have had very little capital at risk at any stage – and was effectively granted a free option on the Gerresheim development. However, this created a mark-up on Adler's balance sheet which has not been reversed.

Gerresheim Marking Analysis		
Brack Purchase Gerresheim		
Purchase Price	*€m*	142
Brack Sell 75% of Gerresheim to Schrattbauer		
Sale price	*€m*	375
Fake Marking on "Sale"	***€m***	**233**

Figure 4 – Viceroy Analysis of Gerresheim "Marking Transaction"

You can find more on Adler's acquisition of Brack and the Gerresheim development in **Annexure 3 – The Brack Deception** on **page 42.**

The remainder of this section details the chronology of events surrounding this transaction.

Brack's sale of the Gerresheim development

Adler's stock jumped in September 2019 on news of the "sale" of 75% of Brack's Gerresheim project at an implied valuation of €375m to "a third-party buyer and real estate investor focusing on real estate projects in Germany"[6].

> **8.4 Entering into transaction for selling a parcel of land in Gerresheim** - On September 22, 2019, the Company entered into an agreement with a third-party buyer and real estate investor focusing on real estate projects in Germany for selling 75% of its holdings in Glasmacherviertel GmbH & Co KG, a wholly owned subsidiary of the Company, which owns the Gerresheim development project, for a consideration reflecting a property value of € 375 million. The completion of the transaction is expected

Figures 5 Brack Annual Report FY 2017[7]

This unnamed third-party buyer was Caner's brother-in-law Josef Schrattbauer. We know because he was forced to self-disclose after complaints to the Israeli regulators. Brack (under Adler control) claimed that it wasn't aware of Schrattbauer's related-party status and subsequently created a memorandum stating that these relationships were negligible and immaterial.

> .2 מידע נוסף
>
> 2.1. הרוכש תחת הסכם רכישת המניות ב- Gerresheim הוא תאגיד גרמני בבעלות פרטית ("**הרוכש**"). בעל השליטה הסופי ברוכש ("**UB**") הוא מר ג'וזף שרטבאואר (Josef Schrattbauer) המחזיק מניות מיעוט בשיעור של כ- 33% ב- Mezzanine IX Investors S.A. ("**Mezzanine**"), אשר בזמן ההתקשרות בעסקה

The purchaser under the Gerresheim Share Purchase Agreement is a privately owned German corporation (the "Purchaser"). The ultimate controlling shareholder in the purchaser ("UB") is Mr. Josef Schrattbauer

Figure 6 Brack Capital Properties TASE announcement dated June 27, 2020 and translation

To be clear: Viceroy believe that Schrattbauer is acting on behalf of – and for the benefit of – Cevdet Caner in the Gerresheim transaction.

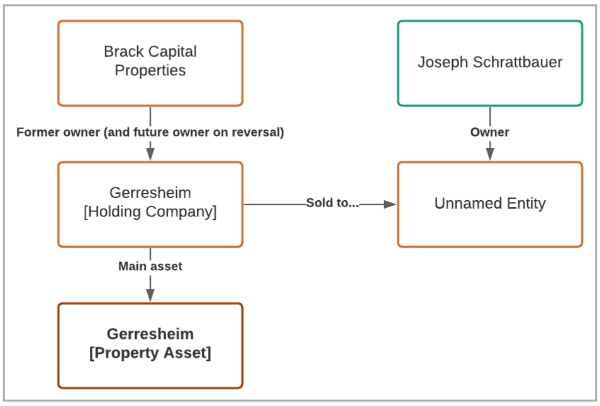


Figure 7 Diagram of the Gerresheim transaction

Brack had purchased the property **a little over a year** earlier in December 2017 for **€142m** from listed developer Patrizia AG[8]. We suspect Patrizia probably sold the site in frustration, as they had expected a completed project by 2015[9].

The rapid "resale" of this asset allowed a generous mark-up of Adler book. We believe this was fictitious as Adler did not receive cash and the transaction is now being reversed. We examine how much cash Adler should have received, and what it actually received.

[6] https://bcp-nv.com/wp-content/uploads/2019/05/BCP-Dirl think ectors-report-Q3-EN-2019_12.11.19.ODF.pdf
[7] https://bcp-nv.com/wp-content/uploads/2018/06/BCP_YR17_final_07062018_isa.pdf
[8] https://www.patrizia.ag/en/news-detail/patrizia-sells-glasmacherviertel-development-in-duesseldorf/
[9] Patrizia Annual Report 2012

Brack supposedly “sold” 75% of the Gerresheim SPV for an implied valuation of €375m. If this transaction were consummated, they would have been due €214 million as per the following calculation. Note the Gerresheim asset had an existing €90 million mortgage.

Gerresheim Marking Analysis		
Gerresheim Property Value	€m	375
Less: Project Debt	€m	90
Net Project Value on Sale	€m	**285**
75% Sale Cash Consideration	€m	**214**
25% FV Stake Retained	€m	71
Original Purchase Price	€m	142
Fake Marking on "Sale"	**€m**	**233**

Figure 8 Sale to Schrattbauer – Viceroy Analysis

The conditions for tranche payments of consideration were far from “customary”, involving the publishing of a development plan and obtaining building permits.

As we will demonstrate below the total consideration received to date is only €79 million and Viceroy believes that most or all of that sum was financed by Adler. This afforded Schrattbauer an “option” in a massive development parcel where, if permitting was unsuccessful, he could cancel the deal and leave Adler with an undeveloped lot.

The Secured Loan - €145m

On December 26, 2019, 3 months before the transaction was approved by German Antitrust Authority, Brack signed an amendment to the Gerresheim deal whereby the Gerresheim SPV, Glasmacherviertel GmbH & Co., took out a €132m loan against the property. As of today, this has accrued to €145m, as analysts confirmed with Adler’s investor relations.

This loan was guaranteed by Adler even though the property was substantially owned by Schrattbauer.

> On December 26, 2019, an amended agreement was signed, whereby the consideration payment mechanism was adjusted as follows: upon the signing date of the amended agreement, the sub-partnership was paid EUR 132 million, originating from a new bank loan the sub-partnership has taken (it is indicated that the Company guaranteed this loan) of which EUR 90 million was used to repay the existing bank loan taken in connection with the development of the project and the balance of the transaction less transaction costs was paid to the Company in cash as the first payment of the sale proceeds as defined in the amended agreement and was held in a restricted account until the approval of the German competition authorities is received.

Figure 9 Brack Capital Properties TASE announcement dated December 29, 2019, translated[10]

This new loan would be partially used to refinance the €90m existing mortgage. The remaining money was paid to Adler as part of the **first installment** of the sale proceeds – it was used to pay the down-payment.

In case Schrattbauer could not pay the remaining consideration, Adler would receive its property back but now with an additional mortgage. **This is exactly what happened.**

On reversal, Adler will receive the Gerresheim SPV back with a mortgage €55m larger (now €145m). There is insufficient cash at the SPV to cover this excess.

[10] https://maya.tase.co.il/reports/details/1270900/2/0

The Adler "Friends and Family" Loan

On March 31, 2020, Brack announced that it had had transferred the 75% ownership of the Gerresheim **SPV** to an undisclosed third-party buyer (now known to be Caner's brother-in-law). They had received only €36m in initial consideration at the time[11]. We have calculated the consideration paid to date as ~€79m.

Gerresheim Theft Analysis		
Project Value - Sale to Schrattbauer		
Gerresheim Property Value	€m	375
Less: Project Debt	€m	90
Net Project Value	€m	**285**
75% Sale Cash Consideration	€m	**214**
25% FV Stake Retained	€m	71
Outstanding Consideration	€m	135
Payment Made to Q2 2021	**€m**	**79**

Figure 10 Gerresheim Theft Analysis – Viceroy Analysis

The purchase price due on the transaction was €214m, and a €134.5m balance remains booked as a "receivable" as of Q2 2021 per the following disclosure. Adler also disclosed that it lent €75m to the SPV since the sale:

The remaining purchase price receivables of ADLER from the sale of the 75% stake in Glasmacherviertel GmbH & Co. KG against the buyer were deferred, subject to customary interest and collateral. For payment of the purchase price receivables, it was agreed that each instalment payment would be due when certain project development milestones, which are determined but not yet fixed regarding the timing, are met. Accounting for default risks and interest, a receivable of EUR 134.5 million (as at 31 December 2020: EUR 133.2 million) from the buyer was recognised as at the balance sheet date.

In the course of the acquisition of ADLER, the Group acquired an interest-bearing loan against the investee Glasmacherviertel GmbH & Co, KG, Düsseldorf. On the balance sheet date, the loan including accrued interests amounts to EUR 74.6 million (as at 31 December 2020: EUR 66.9 million) net of impairment allowances. Interest income in the reporting period amounts to EUR 1.6 million.

Figures 11 & 12 Adler Group Q2 2021 Report extracts

Funds in the SPV were being used to pay installments on the purchase price of the SPV; it is likely that Adler received no net money on the "sale" of the Gerresheim property.

Here is the balance sheet of the Gerresheim SPV as disclosed in Adler's 2020 annual report:

[11] https://maya.tase.co.il/reports/details/1287842/2/0

Assets (in EUR thousand)	2020	2019
Non-current assets	390,963	-
Current assets	43,945	-
Equity and liabilities (in EUR thousand)	**2020**	**2019**
Equity	185,642	-
Non-current liabilities	245,370	-
Current liabilities	3,896	-
Profit or loss (in EUR thousand)	**2020**	**2019**
Earnings from property lettings	1	-
Earnings from the sale of properties	-	-
EBIT (Earnings before interest and tax)	1	-
Net profit	(1,108)	-

Figure 13 Adler Group 2020 Annual Report

Note that there are €249m in liabilities, comprised of

1. The €145m mortgage from an unnamed lender.
2. The €75m loan to the SPV from Adler.
3. ~€29m of other undisclosed liabilities.

Given the SPV's operating loss in 2020 was only €1.1m and the idle asset could accumulate no capex: it is very hard to see how (or why) the SPV accumulated the additional liabilities and retained such little cash.

The €75m in cash lent to the SPV by Adler has whittled its way down to €44m at most. When an analyst spoke to Adler investor relations, they indicated that there was substantially no cash left at the SPV.

There is no clear explanation as to where this cash went. Shareholders should request a more detail financial report of Glasmacherviertel to find out where this money went.

We believe the primary purpose of this transaction was not looting; it was to mark-up Adler's book at an inflated value and take advantage of loose credit markets. Unsurprisingly, Schrattbauer appear to have also taken the opportunity to loot Gerresheim via project leverage.

Suckers All Along – Revaluation on Reversal

In their Q2 2021 report Adler said it was reversing the sale of the Gerresheim project due to continued planning delays and objections by Deutsche Bahn AG, the state-owned railway company. We believe that Caner and Schrattbauer were tiring of the whole charade and wanted to offload Gerresheim back to Adler.

> **S.** The Group learned that there are delays of the zoning plan approvals in connection with the already sold Gerresheim project in Düsseldorf (Glasmacherviertel GmbH & Co. KG) due to objections of the Deutsche Bahn AG. In

> Following the above the Group has decided to prepare for the cancellation of the transaction. The Group informed the buyer that it desires to operate for the cancellation of the transaction and the buyer clarified that in light of the delays in the zoning plan approvals out of the authorities, it does not intend to object. The legal execution and completion of the cancellation of the transaction is subject among others, to the receipt of different approvals, including regulatory approvals, approval of the financing entities, tax authorities, etc. and is expected to take place in the third or fourth quarter of 2021.

Figures 14 & 15 Adler Group Q2 2021 Report extracts

Adler Co-CEO Beaudemoulin confirmed that Schrattbauer would be getting out of the deal effectively for free and that Adler would indeed be taking back the debt attached to the Gerresheim property.

Viceroy suspect that upon reversal Adler will attempt to reimburse Schrattbauer for the €79m partial consideration paid to date, which we have shown appears to have been funded by Adler. Stakeholders should be on the lookout for statements surrounding this reversal.

Gerresheim – KEY TAKEAWAYS

- **The purpose of Gerresheim transaction was to create a fraudulent mark-up on Adler's books**. They booked a huge mark-up and the stock responded accordingly.
- The core transaction was conducted with Josef Schrattbauer, Cevdet Caner's brother-in-law – an undisclosed related party.
- The majority of the proceeds of the sale were never received in cash and we doubt there was any intention to receive full consideration: only small sums were paid down.
- Adler is now getting its asset back with a mortgage €55m larger (now €145m) which is guaranteed by Adler.
- As of Q2 2021 Adler has loaned €75m to the Gerresheim SPV, which is likely non-recoverable on consolidation as there is limited cash in the SPV.
- Whilst the transaction is clearly a "marking transaction", at Adler any opportunity for looting is a good opportunity. Despite their substantial cash loans and low expenses, there appears be little cash left at the SPV and no explanation as to where it went.
- Development at the site has been stalled for years, with major permitting issues and opposition from state-owned enterprises.
- Adler bought a development lot for €142m and they hold it on their books at, or above, €375m, marking the book up by at least €233m. Gerresheim is likely not worth even the original €142m and yet there is €145m mortgage against this asset guaranteed by Adler.
- Incidentally this higher valuation for the property and "gains" concocted from this sham transaction allowed Adler to leverage against this marking transaction.

To be clear we do not believe Schrattbauer came up with this scheme himself. As in the events at Conwert, we believe Schrattbauer is operating on Caner's behalf. This project will likely never be completed (especially by Adler), yet management continue to value ALL their development projects, including Gerresheim, at residual value.

More on this to come in Part 4. – Development Portfolio Valuation.

ADO Properties – A "Coup D'état Transaction"

The ADO Properties consolidation is a major "**Coup D'état Transaction"** which took place in 2019, and led to the **combination of Adler Real Estate, ADO Properties and Consus to form Adler Group**.

Overview of ADO Properties transaction

ADO Properties was an **unrelated, much larger, and much better capitalized** (~20-25% LTV) real estate investment company.

- On September 23, 2019, Adler acquired a 33% shareholding in ADO Properties via a private transaction. This was financed by a bridging loan. **Adler subsequently replaced much of ADO's board**.
  - Despite not having a majority shareholding of ADO, it was able to leverage a board reshuffle as several minority interests did not vote.
  - In its previous Coup D'état attempt of Conwert, Adler failed to disclose that "related parties" had taken various minority positions in Conwert stock in anticipation of the transaction: Adler effectively already controlled Conwert. We believe it is not unreasonable to suspect this also occurred with the ADO "Coup D'état".
- Following the board reshuffle, ADO purchased Adler Real Estate at a substantial premium through a reverse merger transaction to severe shareholder backlash.

Consistent with Adler's "Coup D'état" transactions this ADO transaction was engineered to give Adler some LTV breathing room and allow it to continue looting assets for the benefit of undisclosed related parties.

Without missing a beat, ADO announced it would acquire a majority stake in Consus, a thinly-capitalized property developer, from Caner-associated Aggregate Holdings: the credit rating of ADO debt dropped substantially on these transactions.

There was considerable angst about this transaction:

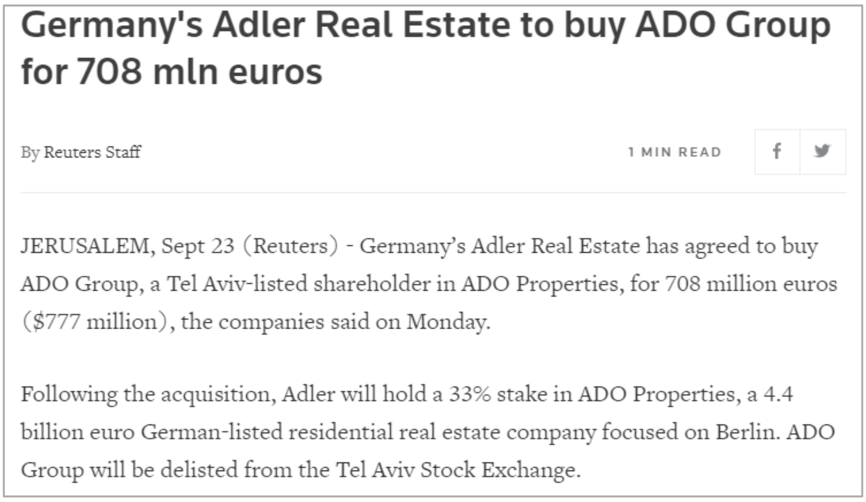
- ADO shareholders had been taken over by a poorly capitalized Adler and foisted a terribly capitalized Consus.
- Change of control triggered a contract term that would force ADO to buy Consus – **no one wanted Consus**. ADO had ensured with this poison-pill that nobody other than Adler could merge with them.
- Bundestag members penned a letter to the BaFin, specifically querying the due diligence conducted by the BaFin in approving this transaction.

S&P and Moody's both downgraded ADO Properties to BBB-/Baa3 under review due to the acquisition of Adler and the 22.18% Consus stake[12, 13]. Moody's further downgraded ADO Properties in May 2020 to Ba1 (i.e. junk) and further again to Ba2 after the exercise of the option to acquire full control of Consus[14]. Both agencies noted that ADO's balance sheet would significantly deteriorate following the acquisitions and that the resulting entity would face several operational issues in integration.

[12] https://www.moodys.com/research/Moodys-places-the-ratings-of-ADO-Properties-SA-on-review--PR_415093
[13] https://www.spglobal.com/marketintelligence/en/news-insights/trending/SkIEaBVj9Wz_UJxDdSEi6w2
[14] https://www.moodys.com/research/Moodys-downgrades-ADO-Properties-to-Ba2-outlook-stable--PR_427584

Control ADO, Stack the Board, Buy Out Cronies for a Premium

On September 23, 2019, Adler acquired ADO Group, an Israeli company invested in German real estate and a shareholder in ADO Properties, for €708m, an 83% premium to its previous closing price. This acquisition made Adler the largest shareholder in ADO Properties with a 33.25% stake. This acquisition was funded by a "bridging loan".



Germany's Adler Real Estate to buy ADO Group for 708 mln euros

By Reuters Staff

1 MIN READ

JERUSALEM, Sept 23 (Reuters) - Germany's Adler Real Estate has agreed to buy ADO Group, a Tel Aviv-listed shareholder in ADO Properties, for 708 million euros ($777 million), the companies said on Monday.

Following the acquisition, Adler will hold a 33% stake in ADO Properties, a 4.4 billion euro German-listed residential real estate company focused on Berlin. ADO Group will be delisted from the Tel Aviv Stock Exchange.

Figure 16 Germany's Adler Real Estate to buy ADO Group for 708 mln euros - Reuters[15]

On December 10, 2019, there was a major reshuffle of the ADO Properties' Board of Directors.

Amongst its incoming directors were Florian Sitta, Adler's Head of Legal, and **Dr Ben Irle, Cevdet Caner's lawyer**[16].

Although Adler's indirect 33.25% stake in ADO Properties did not give it an absolute majority, it was enough to give Adler control in AGM/EGM votes because not all shares were represented in such votes. The 33% was effectively a controlling stake.

Five days after the Board reshuffle, ADO Properties announced the acquisition of Adler for stock at an implied 17.3% premium.

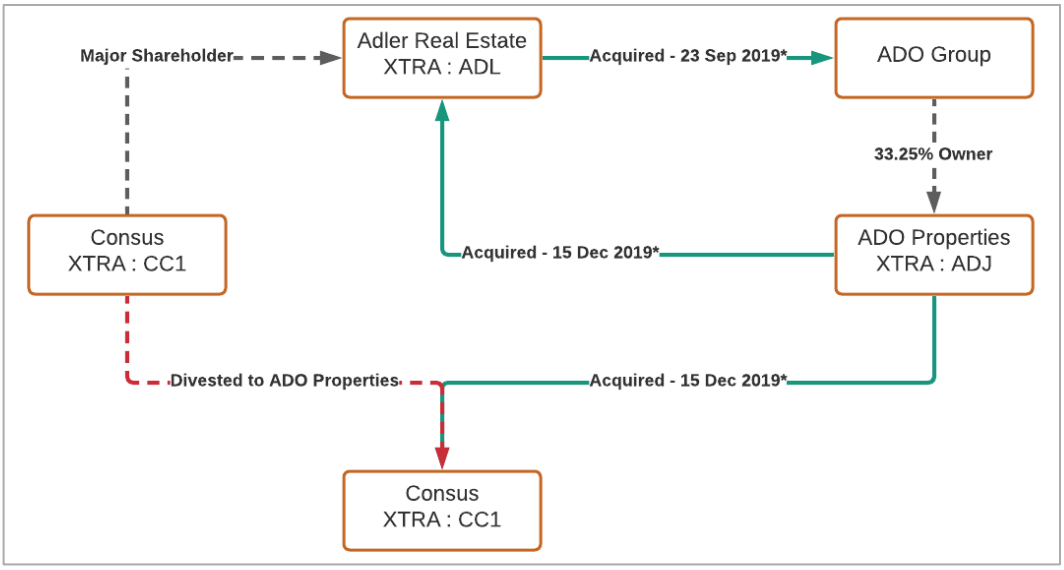


Figure 17 Diagram of the Adler/ADO Group/ADO Properties transaction
** Dates represent announcement of acquisitions*

[15] https://www.reuters.com/article/adler-ma-ado-group/germanys-adler-real-estate-to-buy-ado-group-for-708-mln-euros-idINL5N26E1YX
[16] https://www.vienna.at/cevdet-cander-im-betrugsprozess-nach-milliarden-pleite-freigesprochen/6740836

Establish poison pill, save Cronies from bad investments

Once Adler got control of the well-capitalized ADO it immediately set about looting it. The main looting was through the purchase of a controlling stake in Consus by ADO from Aggregate Holdings a related party and Adler's major shareholder.

- ADO initially purchased a 22% stake in Consus in cash for €294m – via share purchase agreements – from "certain minority shareholders" at a ~50% premium.
  - These undisclosed "certain minority shareholders" were the **only** people who received cash for Consus shares – we presume these were associated with Aggregate, as Aggregate simultaneously entered the poison pill deal. It is not unreasonable to expect this was an undisclosed related-party transaction.

> The management board of Consus Real Estate AG ("**CONSUS**") has been informed by ADO Properties S.A. ("**Ado Properties**") that Ado Properties has resolved on acquiring a stake of 22.18% of the existing share capital of CONSUS from certain minority shareholders at an average price of EUR 9.72 per CONSUS share via share purchase agreements.

Figure 18 Extract from Consus Press Release – December 15, 2019[17]

- Aggregate Holdings agreed to sell its controlling stake of Consus (~51%) for ADO shares at a rate of 0.2390 ADO shares per Consus share via a call option issued to ADO.
  - Aggregate was granted a put option whereby ADO Properties would have to acquire Aggregate's Consus shares "upon the occurrent of a change of control" at ADO for a consideration of €8.35 in cash or 0.239 newly issued ADO shares. This option prevented anyone **other than the kleptocratic clique getting control of ADO** as any prospective buyers would also have to take the thinly capitalized Consus: **an asset no-one wanted.**

> CONSUS has also been informed by Ado Properties that Ado Properties intends to enter into an option agreement with CONSUS' largest shareholder Aggregate Holdings S.A. ("**Aggregate**") pursuant to which Ado Properties shall have a call option to acquire shares in CONSUS currently equaling 50.97% of the share capital of CONSUS against the granting of shares in Ado Properties. Further, Ado Properties shall undertake to conduct a voluntary tender offer in the form of an exchange offer to acquire the remaining CONSUS shares (save for any applicable RETT blocker) if it exercised its call option. The consideration for one share in CONSUS shall, in each case, be 0.2390 newly issued shares in Ado Properties, provided that this ratio will be adjusted to any dividends and equity raise done by Ado Properties or CONSUS, as relevant. Under the same agreement, Aggregate has an option to put its CONSUS shares to Ado Properties upon the occurrence of a change of control on the level of Ado Properties. Upon the exercise of the put option, Ado Properties would have to acquire Aggregate's CONSUS shares for a consideration per CONSUS share of, at the option of Ado Properties, EUR 8.35 in cash or 0.2390 newly issued shares in Ado Properties, provided that this ratio will be adjusted to any dividends and equity raise done by Ado Properties or CONSUS, as relevant.

Figure 19 Extract from Consus Press Release – December 15, 2019

This upset a lot of people, not the least ADO's shareholders, who complained en masse to BaFin, and bondholders who demanded early repayment[18,19]. Member's of the Bundestag led by Fabio De Masi, recently penned a letter to the BaFin demanding to know whether any due diligence was conducted by the regulator in the approval of this merger.

You can find the full letter from the Bundestag members to the BaFin (and translation) regarding Adler Group in **Annexure 9 – Deutsche Bundestag Member Letter to BaFin** on **page 54.**

[17] https://www.consus.ag/consus-real-estate-agpurchase-of-22-18-of-share-capital-by-ado-properties-option-for-further-50-97-consus-shares-potential-later-offer-for-all-minority-outstanding-shares-strategic-cooperation-ag?lang=en
[18] https://www.bloomberg.com/news/articles/2020-02-18/german-landlord-merger-draws-fire-from-even-more-fund-managers
[19] https://www.bloombergquint.com/business/german-mega-landlord-deal-faces-investor-push-back

Consus – the largest of the "looting transactions"

Consus is the largest of many looting transactions conducted by the kleptocratic clique. Not only did the forced acquisition of Consus from Caner associates constitute looting of ADO properties, but Consus itself had been thoroughly pillaged prior to its acquisition by Adler. However, the looting continued between the announcement of the acquisition and the acquisition closing date.

You can find detailed case studies of Consus Looting Transactions in **Annexure 5 – Consus: Thoroughly Pillaged** on **page 46.**

Looting Pre-Adler

Substantial portions of Consus' assets are intangible and work-in-progress. This is a product of absurd related-party Looting Transactions.

- Consus was largely comprised of the combined entities of CG Gruppe and SSN Group. **Consus had no material assets prior to these acquisitions.**
- In 2017 **Consus acquired a 59% stake in CG Gruppe AG for €872m**: €12.5m in cash and the remainder in Consus shares. The sellers were Caner-associated Aggregate Holdings and CG Gruppe founder Christoph Gröner.
  - Aggregate Holdings had acquired their 50% stake in CG Gruppe just one year prior for €49m, representing a ~17x profit[20].

Geniales Geschäft

Die Aggregate jedenfalls verdiente mit Gröners CG Gruppe Millionen. Das lief so:

In einem ersten Schritt kaufte 2016 eine spätere Tochter der Aggregate die Hälfte der von Gröner gegründeten CG Gruppe. Den Anschaffungspreis bezifferte die Tochter mit weniger als 49 Millionen Euro. Im Jahr darauf dann brachte die Aggregate diese Tochter in die Consus ein – gegen den atemberaubenden Preis von fast 800 Millionen Euro, zahlbar zu einem bedeutenden Teil in Consus-Aktien. Nachvollziehbar ist diese gigantische Wertsteigerung von außen nicht. Consus erklärt sie un-

*"**Great business***

In any case, Aggregate earned millions with Gröner's CG Group. It went like this:

As a first step, in 2016 a future subsidiary of Aggregate bought half of the CG Group founded by Gröner. The subsidiary put the purchase price at less than 49 million euros. In the following year, Aggregate brought this subsidiary to Consus - for the breathtaking price of almost 800 million euros, a significant portion of which was paid in Consus shares. This gigantic increase in value is not understandable from the outside"

Figure 20 Man nennt ihn den Bundestrainer – Wirtschaftswoche and translation[21]

  - This created a false balance sheet and false equity from which all other Consus looting derives. Assets that were acquired for €49m became Consus. This can be seen in the transition of Consus's balance sheet between 2016 and 2017.
- This is not even well hidden. CG Gruppe was acquired for €872m (as disclosed below) and a goodwill balance was recorded on the balance sheet of ~€700m.

[20] https://www.wiwo.de/my/finanzen/immobilien/ado-properties-man-nennt-ihn-den-bundestrainer/25683326.html?ticket=ST-5424299-7yCXaecSqp0dgb6sizcK-ap3

[21] https://www.wiwo.de/my/finanzen/immobilien/ado-properties-man-nennt-ihn-den-bundestrainer/25683326.html

in TEUR	Fair value after acquisition
Intangible assets, property, plant and equipment	7,552
Investment property, including prepayments	213,680
Other financial assets	3,954
Work-in-progress	1,211,827
Trade and other receivables	81,715
Other assets	4,255
Cash and cash equivalents	33,032
Financing liabilities	1,007,706
Provisions and other non-financial liabilities	54,259
Trade payables and other payables	83,539
Deferred tax liability	92,703
Net assets	**317,807**
Consideration transferred	**872,609**
thereof cash consideration	12,500
thereof equity interest	860,109
Non-controlling interests	143,688
Goodwill	**698,490**

Figure 21 Consus Annual Report 2017

Christoph Gröner (an Aggregate associate) was a minority holder in CG Gruppe and Adler bought him out for cash, albeit at lower valuation than the formation deal of Consus. We suspect that other Caner associates received cash at high valuations.

For completeness we note that CG Gruppe's work-in-progress assets were valued via a residual valuation – meaning the fair value of the end-product was recognized upfront, despite CG Gruppe already being overindebted and having no capacity to complete the projects. Realistically, these work-in-progress assets are worth substantially less.

Other financing of Consus

The other financing of Consus is very complicated. Both before and after it listed Consus issued considerable bearer bonds and shares. We question what serious financial institution would accept bearer bonds of an unlisted property developer. There were also considerable convertible debts before after listing.

(a) Liabilities from issued notes

On November 8, 2017, the company issued 150,000 notes payable to the bearer and ranking pari passu among themselves. The aggregate principal amount of up to € 150,000,000.00 bears interest at a rate of 4.75% per annum. To be redeemed on November 8, 2024, the notes will be represented by a global bearer note without interest coupons attached.

Figure 22 Consus Annual Report 2018

Those debts have since become debts of Adler Group and investors and bondholders should ask serious questions about who holds these bonds and their relation, if any, to Adler Group. In the attachments we detail assets that have been sold to undisclosed related parties which we believe have been offset against debt.

Looting in the Adler Era

Once it was clear that ADO was acquiring Consus, insiders began systematically looting Consus of remaining value prior to the consolidation with ADO. It appears Consus signed away ~€300m in investments representing €4.3b and 33% of its Gross Development Value on intentionally opaque terms.

For the sake of brevity, we have annexed to this report details on the following transactions which show how Consus was looted of premium assets under the safety of its poison pill:

- The sale of 17 developments to former Consus CEO, Christoph Gröner
- The sale of 8 developments to Partners Immobilien, controlled by Natig Ganiyev, who had outstanding receivables from a purchase from Adler from 4 years earlier.

These 2 transactions comprised ~33% of Consus' stated Gross Development Value (**GDV**). Terms were never clearly explained to investors however the possibility exists that they were settled in exchange for the above-mentioned debt reversal.

Full consideration of these transactions has not been paid.

We question:

1. How did Gröner obtain terms so favorable to himself in his dealings with the company?
2. Which developments and investments were sold to Gröner and Partners Immobilien?
3. Were ADO Properties shareholders aware that prior to the consolidation of Consus that the company had been systematically stripped of its assets?
4. What payment, if any, have Partners Immobilien Capital Management made to Consus?

Through these two actions Consus' GDV fell by €4.3b. Ultimately, once ADO Properties was locked into the acquisition of Consus, insiders stripped almost everything of value out of the company leaving ADO with an overly indebted shell company already picked clean.

3. Residential Portfolio – Valuation Flaws

We are not sure how much reliance to place on even basic items of Adler's income statement such as rent received. We suspect that rent is received from undisclosed related parties and is not collected in cash. The Bundestag representatives' letter to the BaFin, spearheaded by Fabio De Masi, asks specific questions tangential (and critical) to this question.

This section takes Adler's disclosures as accurate, and we believe this is generous. We will first explain how Adler values its portfolio and then use peer data to derive more realistic valuation inputs before arriving at a revised valuation.

How Adler's property is valued

Adler's residential investment property portfolio is valued extremely aggressively.

This systematic overvaluation appears to derive from Adler's **rent growth and residual value assumptions** in its Discounted Cash Flow (DCF) valuation model. Valuations are fatally sensitive to mild adjustments in their calculation assumptions.

- Adler's residential portfolio commands some of the lowest rent per m^2 and much lower than baseline average rent against peers in all major cities. This is consistent with Adler's strategy of acquiring properties in B and C class districts.
- Adler's rent growth assumptions are 3-5x that of its competitors, including those with similar portfolios.
- Adler's Capitalization Rate is comparable to the high-end properties in high-end districts in Berlin, across its *entire* portfolio. This is incompatible with B and C class properties.
- Adler's DCF indicates the company is marking their portfolio to CBRE region averages – thus suggesting it can "catch-up" to that average – without fundamentally acknowledging its portfolio is inferior.
- Adler's DCF – key locations detailed below – derives cap rates for their properties in the 2.36% – 3.80% percent range. Competitors are typically ~100bps higher. We compare Adler's reported cap rate to cap rates elsewhere.

Our base case analysis, which aims to reverse ridiculous assumptions and correct fatal logic flaws, suggests ***Adler's residential investment portfolio is overvalued by €2,363m****, or 36%.*

Adler Group - Residential Portfolio Valuation

Cap Rate		Reported	Generous Case*	Base Case**
Berlin	%	2.36%	3.33%	4.10%
Leipzig	%	2.90%	3.77%	4.10%
Wilmshaven	%	3.80%	3.80%	4.10%
Dulsberg	%	3.74%	3.50%	4.10%
Wolfsberg	%	2.91%	2.91%	4.10%
Göttinggen	%	2.59%	3.10%	4.10%
Dortmund	%	3.50%	4.13%	4.10%
Hannover	%	3.26%	3.10%	4.10%
Other	%	*	*	4.10%
Fair Value		**8,853,959**	**7,281,554**	**6,490,942**
Net Operating Income		266,129	266,129	266,129
Expected Write Off			**(1,572,405)**	**(2,363,017)**

* Average district Cap Rates among peers. Where not available, we revert back to Adler's cap rate
**Grand City Cap Rate - representing the most like-for-like comparison

Figure 23 – Adler Residential Portfolio – Adjustment Analysis

This section examines the ridiculous assumptions Adler use in their DCF valuation. Viceroy also analyze Adler's portfolio in line with its peers for what we believe is a more accurate valuation.

Desktop valuations

A critical discovery is that as Adler's third-party valuer, **CBRE does not visit any of Adler's properties. This was confirmed by Adler's investor relations.**

Adler's investor relations spokesperson noted that CBRE conducts a "desk-top valuation" of the investment portfolio, noting that "they can't check 70,000 units".

Maybe it's time we hold valuation experts to the same standards as auditors.

Fundamentally flawed DCF model

Along with other German residential real estate investment companies, Adler value their investment portfolio on a DCF basis rather than trying to estimate market value.

This may be appropriate for competitors, who invest in real estate assets with the intention to rent them out and create a spread-based portfolio (thus, DCF).

*Given Adler's propensity to offload assets to related parties in an environment where every asset appears to be for sale, **a DCF valuation method is inherently inappropriate.***

Adler's DCF valuation model is based on subjective Level 3 assumptions. These assumptions are rigged to produce very high valuations and thus support considerable debt. As described above the funds raised on these valuations is systematically looted.

Determining an Appropriate Capitalization Rate

No matter how you cut it Adler has very low cap rates and hence inflated values for their properties. The simplest comparison to demonstrate this dislocation is capitalization rates versus rents.

Rental comparison

There are widely published rental comparisons for German cities. Below we compare Adler's rent per m^2 per month with estimates provided by CBRE, Adler's valuer, and Catella, another European property consultant.

Adler Rent Analysis		Berlin	Leipzig	Wilhelmshaven	Dulsberg*	Wolfsberg
Adler	*EUR/m²/mth*	7.88	6.12	5.67	5.71	6.53
CBRE	*EUR/m²/mth*	9.31	7.11	5.97	6.13	8.41
Catella (Mid-Range)	*EUR/m²/mth*	10.50	7.60	8.80	12.30	9.20
Average	*EUR/m²/mth*	**9.91**	**7.36**	**7.39**	**9.22**	**8.81**
Difference		**-20%**	**-17%**	**-23%**	**-38%**	**-26%**
**Hamburg comps*						

Figure 24 – Adler Rent Analysis

Adler has – at least on this measure – a rental yield 17%-38% below the benchmarks. This is consistent with Adler's stated goal of owning properties in B and C class areas.

You can also compare Adler to other listed real estate companies. The following table compares Adler rents to Grand City and Vonovia (which have higher rent) and to TAG[22] and LEG[23]. TAG and LEG's portfolio is substantially low-cost housing. Outside Berlin Adler's rent looks close to TAG and LEG.

[22] https://www.tag-ag.com/en/
[23] https://www.leg-wohnen.de/en/corporation

Rent Comparisons		Berlin	Leipzig	Dulsberg	Dortmund*	Dusseldorf*
TAG	*EUR/m²/mth*	5.84	5.37	5.88	5.57	5.57
LEG	*EUR/m²/mth*				5.65	8.14
Grand City	*EUR/m²/mth*	8.50	5.50	6.50	6.30	6.30
Vonovia	*EUR/m²/mth*	7.97	6.76	8.56	7.35	7.35
Average	*EUR/m²/mth*	**7.44**	**6.41**	**8.47**	**6.48**	**8.68**
Average (ex-Catella)		7.44	5.88	6.98	6.22	6.84
Adler	***EUR/m²/mth***	**7.88**	**6.12**	**5.71**	**6.25**	**8.47**

**Bundled - Urban NRW*

Note: The above locations differ from CBRE and Catella comparisons as there are no immediate competitor data for some areas.

Figure 25 – Adler Rent Analysis vs Peers

Despite a portfolio that resembles the low-cost housing at TAG and LEG, Adler has very low capitalization rates.

Here is a comparison of Adler's capitalization rates and the listed peer companies.

Cap-Rate Comp		Berlin	Leipzig	Dulsberg	Dortmund*
Adler	*%*	**2.36%**	**2.90%**	**3.74%**	**3.50%**
Grand City (avg)	*%*	4.10%	4.10%	4.10%	4.10%
Vonovia	*%*	2.40%	3.10%	2.80%	3.40%
TAG	*%*	3.50%	4.10%	3.60%	3.70%
LEG	*%*				5.30%
Average	**%**	**3.33%**	**3.77%**	**3.50%**	**4.13%**

Figure 26 – Viceroy Cap Rate Analysis

Our "Generous" and "Base" scenarios utilize the "Average" and "Grand City rates" illustrated above. Such low cap rates imply an improved market value despite inferior rental rates and below-average maintenance spend.

Note: *in regions where Viceroy were unable to find comparative rates, we used Adler's reported cap rate.*

A comparison to Grand City

The Grand City cap rate comp is fixed for their German residential portfolio. Grand City's portfolio is very similar in weight to Adler, both in terms of locations *and* strategy within those cities; they even share apartment buildings. We believe Grand City provides the best but generous listed comparison.

Grand City charge a higher rent per m² than Adler with a cap rate of 4.1%[24]. Applying a 4.1% capitalization rate adjustment across Adler's portfolio is *more* than fair to accurately value their properties.

Logical Fallacies – Correcting Fatal Flaws

How do Adler derive such low cap rates, hence high valuations, from such properties that appear objectively inferior? Answer: DCF Valuations.

Anyone who has tried to value a stock with excel knows that DCF valuation is like calibrating the Hubble Telescope: you turn a fraction of an inch, and you are looking at a different galaxy. We show what "fractions of an inch" Adler has built into its models to a galaxy far, far, away.

[24] Grand City Properties Annual Report 2020

Berlin Rent Freeze – absurd growth projections

The German constitutional court recently overturned a Berlin rent-cap which had only been in place since January 2020, finding it "unconstitutional"[25].

Adler have been treating the news like it's the discovery of the Schnitzel or the invention of creative accounting. In fact, the reversal of this rent cap legislation appears to have already been priced into every listed German REIT and residential investment portfolio with Berlin exposure, reflected in the market's reaction to the news.

This reversal appears to have been already priced into Adler's own Berlin portfolio risk. Adler's Berlin cap rates ***increased*** (thus, relative valuation decreased) in the six-months from 31 Dec 2020 (2.2%) to 30 Jun 2021 (2.36%) during which time the Berlin rent cap was overturned.

Mark-to-Model – Rent

Adler appears to justify absurd growth expectations purely on a like-for-like basis against CBRE's average market rate. It indirectly implies that **because it charges below-average rents compared to peers, it can catch up by increasing rent.**

In its Q2 2021 conference call, Co-CEO Beaudemoulin claims Adler have "at least 20% reversionary potential across [its] portfolio", with some areas as high as 36%, which will be captured over the next 6 years. This assumes that a 4%, 18-month pro-rata rent catch-up in Berlin will perpetuate for 6 years across its entire portfolio.

Thierry Jean-Francois Beaudemoulin
Co-CEO & Executive Director

So as we have presented, we have at least 20% reversionary potential across our portfolio. In Berlin, this is again the case now that in Berlin, it is solid. And in some locations where we have repositioned our portfolio, we go up to 26% and 36%. So timing-wise, we have depending on [CT] 8% to 10% turnover across our portfolio, which will allow us in the midterm, so at least 6 to 7 years, to capture that. And what we have seen in the past is a reversionary potential stays the same because even if we capture the rent increase, this potential market is moving. So we still have of reversionary potential. And we have posted a high 4.3% rent increase, we show all across our portfolio, which show our ability to capture through relating this potential.

Figure 27 Adler Q2 2021 Earnings Call Transcript

This assumed ex-occupancy growth rate of "at least" 3% and as high as 5% is more than double the assumptions posted by most competitors. The exception below is LEG Immobilien, which specifically invests in high-growth, high-yield areas – this is reflected in its residential portfolio cap rate of 5.5%.

Viceroy Rent Growth Comp	Q2 2021
Adler - predicted future growth	**3% - 5%**
Grand City - current	1.40%
Vonovia - current	1.70%
TAG - current	1.60%
LEG - current	3.50%

Figure 28 Rent Growth Comparisons – Viceroy Analysis

Thus lies the problem: **Adler appears to mark-to-model its portfolio to CBRE**'s, without fundamentally acknowledging that its portfolio is simply inferior **in addition to unrealistic assumptions about rent increases.**

[25] https://www.theguardian.com/commentisfree/2021/apr/23/berlin-rent-cap-defeated-landlords-empty

Deriving the Discount Model

Here are the "valuation parameters" used by Grand City in their valuations:

Average Valuation Parameters	2020	2019
Rental multiple	**22.2**	20.4
Value per sqm	**€1,858**	€1,543
Market rental growth p.a.	**1.4%**	1.4%
Management cost per unit p.a.	**€260**	€262
Ongoing maintenance cost per sqm	**€8.7**	€8.5
Average discount rate	**5.1%**	5.3%
Average cap rate	**4.1%**	4.5%

Figure 29 Grand City Annual Report 2020

Note that Grand City assume 1.4% growth in rents, Adler – as discussed above – assumes 3%-5%.

Adler has maintenance expense of €6.1/m^2 per year which they say is in line with expectations. Grand City derive €8.7/m^2 per year. Adler assumes a discount rate averaging about 4.5% across the portfolio. Grand City uses a discount rate of 5.1% over their portfolio.

Obviously, it should be harder to get rent increases if you underspend on maintenance – but that is just grist in this model.

From these differences in assumptions Adler derives a portfolio cap rate of 2.88% versus 4.1% at Grand City – the portfolios are very similar; Adler and Grand City apartments even share buildings.

In our reassessment of Adler's portfolio valuation, we compare a fair value derived from Adler against industry comps ("Generous Case") and Grand City ("Base Case"), which is the most appropriate comparison. We determine that Adler's residential book is substantially overvalued on extreme DCF assumptions.

Adler Group - Residential Portfolio Valuation

Cap Rate		**Reported**	**Generous Case***	**Base Case****
Berlin	%	2.36%	3.33%	4.10%
Leipzig	%	2.90%	3.77%	4.10%
Wilhelmsmshaven	%	3.80%	3.80%	4.10%
Dulsberg	%	3.74%	3.50%	4.10%
Wolfsberg	%	2.91%	2.91%	4.10%
Göttinggen	%	2.59%	3.10%	4.10%
Dortmund	%	3.50%	4.13%	4.10%
Hannover	%	3.26%	3.10%	4.10%
Other	%	*	*	4.10%
Fair Value		**8,853,959**	**7,281,554**	**6,490,942**
Net Operating Income		266,129	266,129	266,129
	Expected Write Off		**(1,572,405)**	**(2,363,017)**

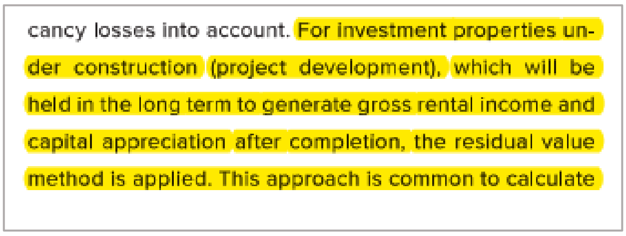
* Average district Cap Rates among peers. Where not available, we revert back to Adler's cap rate
**Grand City Cap Rate - representing the most like-for-like comparison

Figure 30 Adler Group Residential Portfolio Valuation – Viceroy Analysis

The LTV effect of these valuations is measured in Section 5 of this report.

4. Development Portfolio – Valuation Flaws

Adler uses a residual value method to value its development pipeline, including its "Inventory". Some of this pipeline lacks even development approval, and there is considerable risk in completing these developments.



cancy losses into account. For investment properties under construction (project development), which will be held in the long term to generate gross rental income and capital appreciation after completion, the residual value method is applied. This approach is common to calculate

Figure 31 Adler Q2 2021 Report

What is the Residual Value Method?

The residual value method is used to calculate the value of an incomplete project. This method calculates the discounted residual value of the development after completion, minus the initial cost of the property, costs to develop the project, and costs to sell the project.

- The completed development is valued via a discounted cash flow method as described in Section 3 above, and subject to the same flaws.
- The costs to finish the project are also discounted to the present also presumably with a low discount rate in Adler's case.
- The net of these values is the residual value placed on the balance sheet.

A History on Residual Value's Pitfalls

Residual Valuation method has a checkered history. Enron infamously valued "trading assets" at the present value of future cash flows no matter how hare-brained or difficult to complete the underlying trade was. For instance:

> When someone had a contract to deliver electricity in India, the value placed on Enron's balance sheet was the present value of the expected cash flows minus the costs of the completion of the (maybe very difficult to complete) project in India.

This was famously described by Jim Chanos in a Business Insider Interview[26]:

> *"The energy merchant banks had lobbied the SEC successfully for getting mark-to-model and mark-to-market accounting for their long-term investing in energy derivatives. To take the present value of all the future profits that were written into the derivatives were sold as opposed to adjusting it pro-rata over the life of the contract… [Enron was] celebrating.*
>
> *…[T]here were a number of academics and accountants who were worried about this practice. That anytime you could front-load profits you'd really suspect that company of corporate abuse. We had experience with this in a number of areas in the first subprime fiasco in the mid-90s and then way way back going back to the annuity issuers – Baldwin United and others – back in the early-80s. They were selling insurance policies* ***and cooking up all their future assumed income up front****."*

That is precisely what this valuation method does: it cooks up assumed future values up-front and places them on the balance sheet.

[26] https://www.businessinsider.com.au/qa-with-jim-chanos-part-iii-the-fall-of-enron-2010-4?r=US&IR=T

The Residual Value method is critically sensitive to assumptions

Like the DCF: the residual value method is based on various subjective, sensitive, and long-dated estimates. All the difficulties in Adler's DCF models are repeated here because the residual value of the completed project is calculated in a DCF.

Unlike the DCF: the residual value assumes that projects **can be completed at estimated cost to completion**.

Adler has thin cash flows, is levered to the hilt, and **cannot complete these projects**. Viceroy asserts that it is a broad misrepresentation to value Adler's development projects this way. The residual value will not be reached as the projects will not be completed under Adler.

Numerous case studies can evidence that project completions are **not** guaranteed: an example is the VauVau project reversal.

Development Case Study - The VauVau Reversal

This case study examines Adler's inability to complete projects, even those already pre-sold, and having to reverse cash receipts to purchasers.

The VauVau developments are a series of high-rise "vertical village" developments Adler acquired through Consus.

Prior to its consolidation with Adler, Consus announced that it had forward sold VauVau projects to the **BVK**[27] pension fund (Germany's largest public pension fund) for a "transaction value" of €670m. This was not the cash consideration transferred, and only partial prepayments were made on the property. The disclosures are – as is typical with reversed deals – horribly opaque.

CONSUS places projects with a forward sale volume to the Bayerische Versorgungskammer (BKV) of around EUR 670 million under the VauVau brand

Berlin, 11. January 2018 - CONSUS Real Estate AG ("CONSUS", ISIN DE000A2DA414) has forward sold, via its subsidiary company CG Gruppe in its core business unit "Development and Production of residential properties", EUR 670 million to the Bayerische Versorgungskammer (BVK).

Figure 32 Consus Press Release dated 11 January 2018[28]

After years of development delays, this transaction was subsequently reversed in Q2 2021 without mentioning the purchaser or project. Adler's IR representative confirmed the project was in fact VauVau but refused to disclose the identity of the purchasing counterparty, despite being previously disclosed as BVK. They mentioned the reversal was due the counterparty "changing strategy" and no longer wanting to be invested in the project.

A change of heart is unfortunate, but understandable. However, Adler investor relations advised that **deposits paid by BVK had been refunded**, as well as compensation for interest expenses and incidental costs. This is against the very nature of a "deposit". Quoting Adler investor relations:

> *"Buyer had to lay down deposits as developments matured. [Adler] had to pay back these values."*

This has given us pause.

The only valid circumstance that we would understand a deposit being refunded is if **the contract was cancellable under a break clause by the purchaser where the obligations of the developer were not being met.** This appears to have been the case, as the VauVau developments sat idle, and the purchaser was refunded and compensated.

[27] https://www.bvkap.de/en
[28] https://www.bloomberg.com/press-releases/2018-01-11/dgap-news-consus-real-estate-ag-consus-places-projects-with-a-forward-sale-volume-to-the-bayerische-versorgungskammer-bkv-o

VauVau Very-Current Status

The individual websites of each VauVau location are hilariously outdated. For instance: CologneApart, a VauVau project, states that occupancy should have begun last month[29]. The building is derelict and has an inactive crane on top of it. If you would like to see the crane, you can do so in the following link to Cologne's live panoramic webcam:

https://www.wetter.com/hd-live-webcams/deutschland/cologne-media-park/5977288734b55/

The crane appears below Cologne's Hohenzollern Bridge, as pictured here on 2 October 2021:

Figure 33 – Capture from Cologne's live Webcam

This is consistent with other VauVau projects and Consus projects in general that Viceroy have channel checked.

For instance, an article in BZ Berlin details the conflict between apartment purchaser André Gaufer and Adler.

"Don't let me intimidate"

Bought an apartment, nothing happened! Kreisel victim files a lawsuit

Figure 34 Wohnung gekauft, nix passiert! Kreisel-Opfer reicht Klage ein (translated)

Gaufer was notified by Adler that his apartment completion date was going to be delayed 3 years, and bicycle lifts, heat and power units, parking spaces and other installations were going to be omitted from his already-purchased apartment at The Steglitzer Kreisel High-Rise. Mr Gaufer had purchased the apartment from Consus[30].

None of these delays and contract disputes have been accompanied by Adler reversing the multi-billion Euro residual values on their balance sheet.

We have found numerous instances of cash receipts being reversed.

[29] http://vertical-village.de/immobilien/koeln

[30] https://www.bz-berlin.de/berlin/steglitz-zehlendorf/wohnung-gekauft-nix-passiert-kreisel-opfer-reicht-klage-ein

A VauVau Valuation

Adler has made no attempt – and seems to have no intention – of detailing the cash flows in these transactions.

We note however that upon the reversal of the VauVau sale to BVK, Adler:

- booked a €26.1m gain, despite the buyer having walked away,
- reversed €54.2m of expenses and capitalized them,
- reversed €34.1m of contingent losses against these projects against other income, and
- capitalized an unknown amount of compensation liabilities to the former buyer.

This speaks to the quality of Adler's earnings.

At Adler failing to deliver on a contract and having to pay compensation results in multiple opportunities to mark up the book and presumably to borrow more money based on marked-up assets.

A wild, incomprehensible disclosure of the VauVau project is included in Adler's Q2 2021 report, note that both the buyer and the project are unnamed:

> The transfer to investment properties from inventories relates to the reversal of forward sales projects in 2021. Consequently no enforceable rights exist any longer and IFRS 15 is no longer applicable. As a result of this, the previously balanced contract assets amounting to EUR 224.4 million and prepayments amounting to EUR 179.1 million have been separated again and already recognised revenues of EUR 22.5 million have been reversed against the contract assets. The already expensed costs of operations amounting to EUR 54.2 million have been capitalised. The previously recognised provisions for contingent losses for these projects were reversed against other income amounting to EUR 31.4 million. The reversal results in an increase of inventories of EUR 403.4 million. This increase includes compensation liabilities to the former buyer (interest expenses and incidental costs) as well as already existing inventories of EUR 115.0 million for performance obligations for the land bank. The received prepayments for the land bank of

> EUR 87.0 million and the prepayments for the buildings amounting to EUR 179.1 million were reclassified to the other payables (current). From a Group perspective, two projects shall be continued as build-to-hold and are reclassified from inventories to the investment properties. The reclassification results in a valuation gain of EUR 26.1 million. The other two projects are to be sold and remain therefore in inventories with a value of EUR 280.9 million.

Figures 35 & 36 VauVau Transaction Reversal disclosures in Adler Group Q2 2021 interim report

We raise the following questions to these incomprehensible passages:

What was the cash consideration paid by BVK for the VauVau projects to date?

How much cash consideration was reversed to the purchaser on the cancellation of the transaction?

Can Adler confirm that BVK is the final counterparty for the reversal of the VauVau transaction?

Fair Market Value

As demonstrated, Adler have neither the capital nor the cash required to complete development projects. Worse, there is a demonstrated inability to finish some of these projects, even those that are forward sold. Viceroy assert that a market value approach would be more reasonable in assessing the fair value of Adler's stalled developments.

In a default-event scenario, which Viceroy believe is likely, we believe Adler's development and inventory pipeline will take a hit of **at least** a €1b hit.

At end of December 2019, before Consus' consolidation, the work-in-progress was valued at €2,473m, contract assets at €335m and investment properties at €384m. This was despite Consus' assets being flipped from related parties at 17x valuations.

Over the whole book, if we take 30% off the development pipeline, the valuation drops by €1b. Given the evidence that many Adler projects are idle and they must refund deposits with compensation: this seems modest.

Here are more realistic estimates reflecting a market value approach to the portfolio, we note that in a default event our view is that both these assumptions are very generous:

Viceroy Analysis
Development Valuation Adjustments

Assets		**As Reported**	**Generous (-30%)**	**Base (-50%)**
Investment Properties	*€m*	2,033	1,423	1,017
Inventory	*€m*	1,515	1,060	757
Total		**3,548**	**2,484**	**1,774**
	Expected Adjustment		**(1,064)**	**(1,774)**

Figure 37 Viceroy Analysis – Development portfolio valuation adjustments

5. Loan-to-Value Analysis – Un-Cooking the Books

Generally intertwined with its methodical siphoning of assets and funds is Adler's necessity to saddle every asset with debt. This is limited by the Loan-to-Value (LTV) ratio, a key covenant in substantially all of Adler's listed bonds.

Adler's bond covenants dictate that an event of default occurs if its LTV surpasses 60%. LTV is not an IFRS measure meaning it can be manipulated and Adler has mastered this manipulation to mislead credit rating agencies, bond investors, and the wider market as to the health of its balance sheet.

Viceroy's base-case analysis suggests Adler's LTV is already at ~87%.
This is purely from an analysis of public information: the tip of the iceberg.

Management have quietly re-defined ***how*** they calculated LTV from Q4 2020 to artificially place Adler below the default event threshold. If it did not change its calculation methodology, Adler would already have triggered a default event.

Our analysis examines components of Adler's LTV, including:

- Ridiculous portfolio valuations (see **Sections 3 & 4** above).
- Assumed unrecoverable receivables stemming from uncommercial and/or undisclosed related party transactions (see **Section 1 & 2** above).

Adler's Covert LTV Calculation Changes

ADO Properties (now Adler Group) changed how it calculated LTV when it acquired Adler Real Estate and Consus. This change was materially beneficial to Adler: it subsequently refinanced old, expensive debt *and* issued a large new tranche of unsecured bonds.

Q4 2020 LTV Calculation Method

Calculation of LTV

Bonds, other loans and borrowings and other financial liabilities

(–) Cash and cash equivalents
= **Net financial liabilities**
(/) Fair value of properties[11]

= Loan-to-Value Ratio (LTV)

11) Including investment properties and trading properties at their fair value and advances paid in respect of investment properties and trading properties as at the reporting date.

VS

Q2 2022 LTV Calculation Method

(+) Convertible bonds
(–) Cash and cash equivalents
(–) Selected financial assets[19]
(–) Contract assets
(–) Assets and liabilities classified as held for sale
= **Net financial liabilities**
(+) Fair value of properties[20]
(+) Investment in real estate companies[21]
= **GAV (Gross Asset Value)**

= Loan-to-value ratio (LTV ratio)

19) Including financial receivables, trade receivables from the sale of real estate investment and other financial assets.
20) Including investment properties and inventories at their fair value, advances paid in respect of investment properties and trading properties as well as property, plant and equipment used for energy management services at its book value as at the reporting date.
21) Including investment in financial instruments and investments in associated companies from the consolidated financial statements.

Figures 38 & 39 ADO Properties LTV calculation methods – 2019 vs 2020 respectively

The net debt in the LTV ratio was substantially reduced by including all sorts of questionable assets as cash-equivalent.

Adler's new LTV calculation include:

- Offsetting total borrowings with contract assets and selected financial assets including dubious purchase price receivables and loans to undisclosed related parties.
- Including financial instruments and investments in associated companies in Gross Asset Value even when those investments in associated companies resulted from "marking transactions".
- The separate presentation of loan-to-value including and excluding convertible bonds.

Our attempt at estimating Adler's true loan to value ratio

Here is Adler's calculation as recreated from the annual report:

Adler LTV Adjustement Estimates	As Presented
Net Financial Liabilities	
Corporate bonds, loans & other financial liabilities	(7,869,901)
Convertible bonds	(309,313)
Cash and cash equivalents	369,874
Financial Receivables	241,000
Trade receivables from sale of real estate investment	272,000
Other financial assets	222,000
Contract assets	133,173
Assets and liabilities classified as held for sale	17,069
Reported Net Financial Liabilities	**(6,924,098)**
Gross asset value	
Fair value of properties	12,570,345
Investment in real estate companies	84,716
Reported GAV	**12,655,061**
LTV inc Convertibles	**54.71%**
LTV exc Convertibles	52.27%

Figure 40 Viceroy recreation of Adler's reported LTV

We think that several adjustments need to be made to reflect reality. The reasons for the adjustments are described in this note.

- Fair value of residential properties needs to be adjusted for the ludicrous DCF assumptions described in Section 3 above. The Viceroy "Generous" case below allows a 3.65% cap rate averaged from listed German competitors. The Viceroy "Base" case below applies Grand City's 4.1% cap rate.
- The fair value of the development properties should be discounted by a ("Generous") 30% or a more realistic still generous "Base" case of 50%.

Realistically we should also use an LTV calculation similar to the 2019 calculation and remove "selected financial assets"entirely. We have only identified some of these – but they are listed under miscellaneous adjustments below.

Revised LTV Calculations

Adler LTV Adjustement Estimates	As Presented	Viceroy Bull	Viceroy Base	Former Calc
Net Financial Liabilities				
Corporate bonds, loans & other financial liabilities	(7,869,901)	(7,869,901)	(7,869,901)	(7,869,901)
Convertible bonds	(309,313)	(309,313)	(309,313)	(309,313)
Cash & other discretionary financial assets	1,255,116	1,255,116	1,255,116	369,874
Reported Net Financial Liabilities	**(6,924,098)**	**(6,924,098)**	**(6,924,098)**	**(7,809,340)**
Gross asset value				
Fair value of properties	12,570,345	12,570,345	12,570,345	12,570,345
Investment in real estate companies	84,716	84,716	84,716	-
Reported GAV	**12,655,061**	**12,655,061**	**12,655,061**	**12,570,345**
Viceroy Adjustments				
Investment Property				
less: Residential Portfolio adjustment (p. 27)		(1,572,405)	(2,363,017)	
less: Development & Inventory Portfolio adjustment (p. 32)		(1,064,466)	(1,774,110)	
Total Portfolio adjustment		**(2,636,871)**	**(4,137,127)**	
Gerresheim				
less: excess mortgage		(55,000)	(55,000)	
less: Glasmacherviertel loan		(74,600)	(74,600)	
less: partial consideration refund			(79,000)	
Total Gerresheim impact		**(129,600)**	**(208,600)**	
Miscellaneous				
less: Taurecon loan		(38,100)	(38,100)	
less: Accentro receivable		(60,400)	(60,400)	
less: Partners Immobillien portfolio receivable		(189,000)	(189,000)	
less: Benson Elliot receivable		(32,000)	(32,000)	
Total miscellaneous impact		**(319,500)**	**(319,500)**	
Other Adjustments		**(449,100)**	**(528,100)**	
Total adjustments		**(3,085,971)**	**(4,665,227)**	-
Viceroy Adjusted GAV	**N/A**	**9,569,090**	**7,989,834**	**N/A**
LTV inc Convertibles	**54.71%**	**72.36%**	**86.66%**	**62.13%**
LTV exc Convertibles	52.27%	69.13%	82.79%	59.66%

Figure 41 ADO LTV as presented past, present and Viceroy Revision

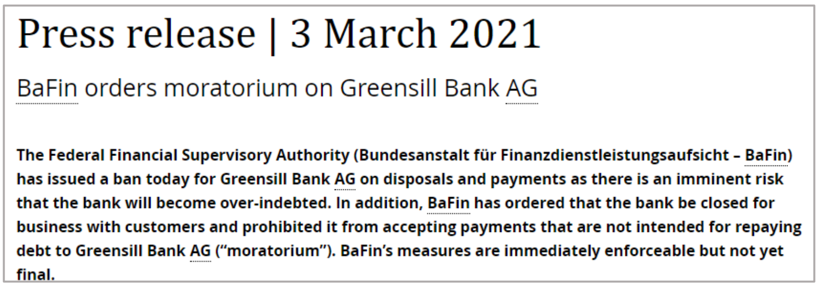
The adjustments Viceroy have made are a result of our investigations; a more comprehensive third-party investigation would likely uncover substantially more uncommercial transactions and mismarking of assets. As has been demonstrated above many of these projects valued at billions of Euros are effectively undeveloped lots. The company is regularly failing to complete developments and the valuation above still assumes that these are collectively worth billions of Euros.

Ebner Stolz – Déjà Vu

Adler Real Estate is audited by Ebner Stolz, the same auditor directly implicated in the recent Greensill Bank AG fiasco. On March 3, 2021, BaFin ordered a moratorium on Greensill Bank[31] following a special forensic audit in which it was "unable to provide evidence of the existence of receivables in its balance sheet that it had purchased".

It is concerning that Ebner Stolz has been responsible for the assessment of Adler Real Estate's massive uncollected receivable book.

According to the Financial Times, BaFin also expressed concerns about Ebner Stolz with the newspaper claiming that "[the] watchdog will report Ebner Stolz to Germany's audit watchdog Apas…"[32].



Press release | 3 March 2021

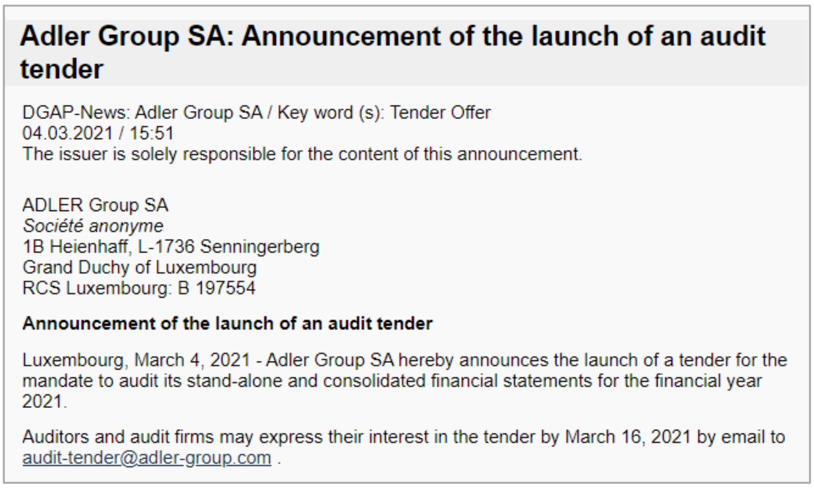
BaFin orders moratorium on Greensill Bank AG

The Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) has issued a ban today for Greensill Bank AG on disposals and payments as there is an imminent risk that the bank will become over-indebted. In addition, BaFin has ordered that the bank be closed for business with customers and prohibited it from accepting payments that are not intended for repaying debt to Greensill Bank AG ("moratorium"). BaFin's measures are immediately enforceable but not yet final.

Figure 42 BaFin orders moratorium on Greensill Bank AG

Kicking Out KPMG

The day following the BaFin's release about Greensill, Adler Group announced the launch of an audit tender, meaning KPMG would not be auditing the consolidated group for the year, with Ebner Stolz remaining in charge of Adler Real Estate.



Adler Group SA: Announcement of the launch of an audit tender

DGAP-News: Adler Group SA / Key word (s): Tender Offer
04.03.2021 / 15:51
The issuer is solely responsible for the content of this announcement.

ADLER Group SA
Société anonyme
1B Heienhaff, L-1736 Senningerberg
Grand Duchy of Luxembourg
RCS Luxembourg: B 197554

Announcement of the launch of an audit tender

Luxembourg, March 4, 2021 - Adler Group SA hereby announces the launch of a tender for the mandate to audit its stand-alone and consolidated financial statements for the financial year 2021.

Auditors and audit firms may express their interest in the tender by March 16, 2021 by email to audit-tender@adler-group.com .

Figure 43 Adler Group SA: Announcement of the launch of an audit tender

While Viceroy do not know who Adler Group will select, **pushing out a Big-4 auditor after an aggressive reverse-merger should raise eyebrows.**

[31] https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Pressemitteilung/2021/pm_210303_Greensill_en.html
[32] https://www.ft.com/content/dd0735f9-3587-4d1c-977b-6554dfc4c019

6. Bond Summary

Adler's parasitic strategy of acquiring or being acquired by larger companies to flatter its balance sheet has a drawback: it requires larger and larger targets to offset its indebtedness.

For ease of reference, readers can find a summary of Adler's listed debt instruments are listed below:

Issuer	ISIN	Maturity Date	Security Type	Outstanding (€000s)
Consus RE AG	DE000A2YN7M8	20-Nov-2021	Subordinated Debt	12,600
Consus Real Estate AG	DE000A2NBMJ1	01-Dec-2021	Senior Debt	22,000
Adler Real Estate AG	XS1731858392	06-Dec-2021	Senior Debt	170,420
Consus RE AG	DE000A2YN1U4	18-Dec-2021	Subordinated Debt	13,900
Consus RE AG	DE000A254X02	30-Dec-2021	Subordinated Debt	10,200
Consus Real Estate AG	DE000A254NN9	22-Jan-2022	Subordinated Debt	59,200
Consus RE AG	DE000A254NZ3	05-Feb-2022	Subordinated Debt	33,500
Adler Real Estate AG	XS1843441491	17-Apr-2022	Senior Debt	400,000
Adler Group S.A.		30-Sep-2022	Revolving Credit	
Adler Group S.A.		30-Sep-2022	Revolving Credit	
Consus Real Estate AG	DE000A2G9H55	01-Nov-2022	Senior Debt	100,000
Consus Real Estate AG	DE000A2G9H97	29-Nov-2022	Senior Debt	119,600
A.D.O. Group Ltd.	IL0050502405	01-Jan-2023	Senior Debt	67,359
Adler Real Estate AG	XS1713464441	27-Apr-2023	Senior Debt	500,000
Consus Real Estate AG	DE000A2NBGC8	07-Aug-2023	Senior Debt	50,000
Adler Group S.A.	DE000A2RUD79	23-Nov-2023	Senior Debt	165,000
Adler Real Estate AG	XS1731858715	06-Feb-2024	Senior Debt	300,000
Adler Group S.A.		15-Mar-2024	Revolving Credit	
Adler Group S.A.	XS1652965085	26-Jul-2024	Senior Debt	400,000
Consus Real Estate AG	DE000A2GSGE2	08-Nov-2024	Senior Debt	150,000
Brack Capital Properties NV	IL0011283475	31-Dec-2024	Senior Debt	38,606
A.D.O. Group Ltd.	IL0050502652	30-Jun-2025	Senior Debt	104,379
Adler Group S.A.	XS2010029663	05-Aug-2025	Senior Debt	400,000
Adler Group S.A.	XS2283224231	14-Jan-2026	Senior Debt	700,000
Adler Real Estate AG	XS1713464524	27-Apr-2026	Senior Debt	300,000

Figure 44 – CapIQ Fixed Income Profile – Adler Group & Subsidiaries

Adler will have significant issues obtaining further finance when lenders realize they have been fooled. This would immediately result in a liquidity crisis and technical insolvency.

Note: Bonds have similar covenants. <60% LTV, <40% Secured LTC, 1.8:1.0 interest coverage ratio, and standard reporting requirements.

7. Conclusion

Adler Group as it exists today is a stitched-together and overly indebted entity operated for the benefit of a kleptocratic network of insiders, and regulators are now watching.

Adler is not an ordinary real estate investor designed to invest in real estate and make a spread over funding costs. Instead, it is a deliberately complicated mishmash designed to enrich thieves.

Adler uses delusional DCF valuations and derives gains from deceptive "marking transactions" to make themselves appear creditworthy.

Enormous sums are borrowed, and cash and assets are funneled to friends and associates via opaque related-party transactions

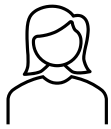
Due to the complexity, duration, and opacity of this scheme any figures calculated by Viceroy are not comprehensive: a fully independent third-party audit would be required to ascertain the true financial state of the Adler Group and its subsidiaries. Our analysis suggests Adler is already substantially in breach of its debt covenants and that much of its asset values has been fabricated.

Shareholders, regulators, bondholders, and other creditors should move for an investigation into the company and its financial position, its ties to Cevdet Caner and his inner circle, and the extent and legality of their influence.

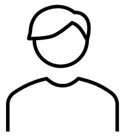
To the shareholders, debtholders, and minority interest holders: we advise immense caution. Do not fall under the illusion that Adler works for you: Adler works only in the interest of its insiders. You are being robbed.

Annexure 1 – The Inner Circle

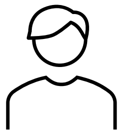
Cevdet Caner
Caner is the center of a web of individuals involved with the insider dealing at Adler. Caner now lives in Monaco and has two prior high-profile failures under his belt: **CLC AG** and **Level One**. Often referred to by Adler as a consultant, **Caner appears to call the shots at Adler despite holding no official position**.



Gerda Caner
Wife of Cevdet Caner and sister to Josef Schrattbauer, Gerda often functions as a **stand-in for Caner** in various holding corporations. Press reports indicate she has little, if any, actual control over her holdings[33].



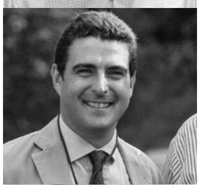
Josef Schrattbauer
Brother of Gerda Caner and **brother-in-law to Cevdet Caner**, Josef serves the same function as his sister as a cat's paw for undisclosed related party transactions and inflating the value of Caner companies.



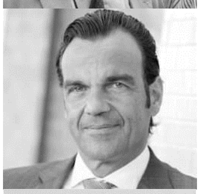
Richard Bunning
A friend of **Gerda Caner**, former part-owner of **Mezzanine IX** Investors and owner of **Meridien Capital Management**. Bunning appears to be a former colleague of Caner from the **Level One** scheme and former **Meridien** employees often appear in key positions at Caner controlled companies.

John D Heikenfeld
An American businessman and former supervisory board member of Adler involved in Adler since 2005[34]. Former part-owner of **Mezzanine IX** Investors.

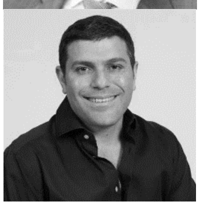
Gunther Walcher
Walcher is the founder of **SKIDATA**: allegedly a major investor in the **Level One** scheme. Despite losses sustained, he appears to trust Caner: former employees of his investment vehicle **Aggregate Holdings** say that the company follows Caner's orders often acting in party with Adler and **Mezzanine IX** Investors.



Tomas Machuca
Former CEO of Adler and **Brack Capital Properties** following its acquisition by Adler. Machuca was Caner's former banker during the **Level One** scheme and has recently left the business.



Christoph Gröner
Former owner of **CG Gruppe**, later acquired by **Consus**, later acquired by Adler. According to press reports Gröner has close ties to Adler, reinforced by the sale of **CG Gruppe** to **Aggregate** only for them to flip it later.



Teddy Sagi
Israeli billionaire entrepreneur. Teddy Sagi has acted as a middle man for Adler Group acquisitions: quickly flipping portfolios to Adler for large short term gains. Sagi was also involved the Brack Coup D'état, buying minority interests presumably on Adler's behalf in order to take over the target company.

[33] https://www.calcalist.co.il/markets/articles/0,7340,L-3838074,00.html
[34] https://www.dgap.de/dgap/News/adhoc/adler-real-estate-adler-real-estate-erhaelt-neuen-mehrheitsaktionaer/?newsID=53550

Annexure 2 – Mezzanine and Aggregate

Mezzanine IX Investors

Mezzanine IX Investors SA is a Luxembourg entity controlled by Caner and his associates: the company is 66% owned by Caner's wife Gerda Caner and her brother Josef Schrattbauer.

This is a filing from Caner Privatstiftung which is shareholder in Mezzanine IX Investors.

2006-08-25 Modification

LG Linz (458), Änderung   Bekannt gemacht am 25. August 2006 Firmenbuchnummer: FN 203484t Firmenbuchsache: Caner Privatstiftung Hauptplatz 15-16, 4020 Linz Text: Änderung der Stiftungszusatzurkunde mit Notariatsakt vom 06.06.2006 ; VORSTAND: (F) Gerda Schrattbauer (13.10.1978), Stellvertreter des Vorsitzenden vertritt seit 21.3.2003 gemeinsam mit einem weiteren Vorstandsmitglied; (G) Badegül Coban (10.03.1973), gelöscht; (H) Cevdet Caner (29.07.1973), gelöscht; (I) Peter Haider (24.01.1976), Vorsitzender vertritt seit 6.6.2006 gemeinsam mit einem weiteren Vorstandsmitglied; (J) Mag. Bernd Thiele (18.03.1968), Mitglied vertritt seit 6.6.2006 gemeinsam mit einem weiteren Vorstandsmitglied; Gericht: LG Linz eingetragen am 09.08.2006

Figure 45 Caner Privatstiftung filing dated August 25, 2006

Shareholders of Mezzanine IX Investors at its inception were:

SUBSCRIPTION

The Articles of the Company having thus been established, the Shareholders, pre-named, represented as stated above, hereby declare to subscribe to the three thousand one hundred (3.100) shares representing the total share capital of the Company as follows:

1.	White Star Investments LLC, prenamed	775 shares
2.	Caner Privatstiftung, prenamed	775 shares
3.	Bondi Beteiligungs GmbH, prenamed	775 shares
4.	Chelmer GmbH, prenamed	775 shares
TOTAL		3.100 shares

Figure 46 Mezzanine IX Investors Incorporation Documents[35]

- Caner Privatstifung, managed by Cevdet Caner and what appear to be his relations: Nusrettin and Mag. Hulya Caner[36]. Caner Privatstiftung's stake would later be transferred to Bassan SAM, managed by Gerda Caner.
- Bondi Beteiligugs GmbH, managed by Josef Schrattbauer, brother to Gerda Caner[37].
- Chelmer GmbH, managed by Richard Bunning[38], its sole beneficial owner. Bunning is also owner of Meridien Capital Management[39]. Several Meridien employees serve in executive positions in Caner-related entities.
- White Star Investments LLC, managed by Caner associate and former Adler supervisory board member John D Heikenfeld[40].

[35] https://gd.lu/rcsl/31fRPR
[36] https://www.kompany.de/p/at/203484t
[37] https://www.kompany.de/p/de/hrb140545%20berlin%20(charlottenburg)
[38] https://www.kompany.de/p/de/hrb140556%20berlin%20(charlottenburg)
[39] https://find-and-update.company-information.service.gov.uk/company/09304894/filing-history
[40] Austrian Takeover Commission report

Aggregate Holdings

Aggregate Holdings[41] is the majority-owned investment vehicle of Gunther Walcher[42], the founder of Skidata AG.

Viceroy were reliably informed that Walcher was a major investor in Caner's Level One company. Despite the eventual collapse of Level One, Walcher and Caner have remained close with Aggregate allegedly carrying out Caner's instructions to the letter. The idea that Caner ultimately directs the actions Aggregate has been reported on in both the German[43] and Israeli media[44].

The company is Adler's largest shareholder with holdings of 26.59% as of Q2 2021 and has recently been granted a non-interest bearing €22.4m loan from Adler subsidiary Consus.

Adler deals overwhelmingly with Aggregate and does so on terms that are incredibly favorable for the latter. The Adler purchase of Aggregate's Consus stake at substantial premium is only one such deal.

Using these entities Caner and his associates are often on both sides of many Adler transactions. The goal of these transactions is to extract wealth from investors and siphon it to Caner's circle, as well as to optically shore up Adler's balance sheet, which is only a house of cards, to perpetuate its schemes.

[41] https://www.aggregateholdings.com/en
[42] https://www.aggregateholdings.com/media/pages/investors/exchange-offer/2346078420-1610726594/aggregate-offering-memorandum-final.pdf
[43] https://www.wiwo.de/finanzen/immobilien/immobilienkonzern-demire-ag-unklare-verhaeltnisse/12611780.html
[44] https://www.calcalist.co.il/markets/articles/0,7340,L-3838074,00.html

Annexure 3 – The Brack Deception

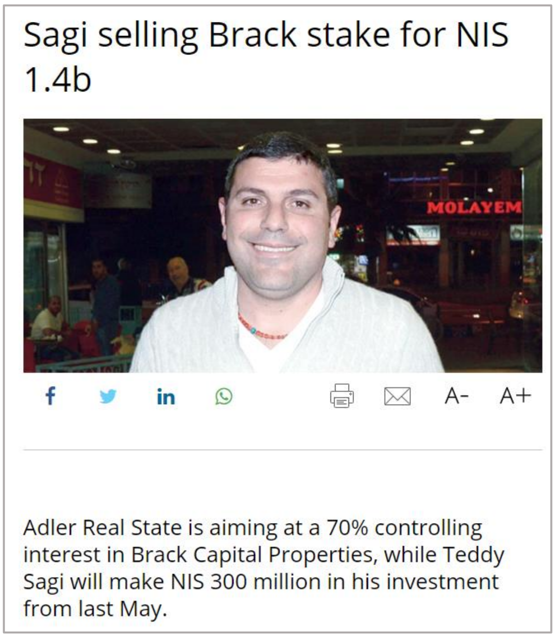
Brack Capital Properties (TASE:BCNV) is a Netherlands-based real estate company listed on the Tel Aviv stock exchange which owns and develops residential and commercial properties in Germany. Today the company is majority-owned by Adler but exists as a shell of its former self having been stripped of its prime assets.

Adler gained a controlling stake in the business by buying out Teddy Sagi. They replaced the management team and cleaned up the rest with a tender offer. This is the same scheme Caner, Sagi, and others ran with Conwert: an earlier example of Ader's "Coup d'état Transactions".

Sagi acquired his 44% stake in May 2017 through his Redzone Empire Holding vehicle for NIS1.1b and flipped it to Adler in February 2018 for NIS1.4b at a 12.3% premium to the previous closing price. The stake was acquired from Brack founders Shimon Weintraub and Ronen Peled, allegedly due a disagreement within the company.


Teddy Sagi buys control of Brack Capital

Sagi is paying NIS 1.1 billion for 44% of the TASE listed company, which invests in German real estate.


Sagi selling Brack stake for NIS 1.4b

Adler Real State is aiming at a 70% controlling interest in Brack Capital Properties, while Teddy Sagi will make NIS 300 million in his investment from last May.

Figures 47 & 48 Globes coverage of Sagi's Brack purchase and sale dated May 23, 2017 and February 18, 2018[45,46]

Investigations by Israeli authorities into Brack's eventual asset stripping revealed that Adler was interested in Brack at the time but claimed they did not want to acquire a target with intransigent management.

In April 2018 Adler announced that it had acquired 70% of Brack, with the balance made up of public purchases and Brack management selling. What followed was a mass management reshuffle putting Adler executives and Caner allies in key positions at Brack:

- The joint CEOs were replaced by Adler CEO Tomas de Vargas Machuca who continued to serve in both roles. Viceroy were reliably informed that Machuca was Caner's banker at Credit Suisse while Caner was operating Level One.

לפי הבדיקה של הגופים הישראלים, ה"פנים" של אדלר, המנכ"ל דה מצ'וגה, שהיה בעבר בנקאי השקעות בקרדיט סוויס, היה הבנקאי האישי של קנר.

"According to the investigation of the Israeli entities, the "face" of Adler, CEO Tomas Machuca, who was previously an investment banker at Credit Suisse, was Caner's personal banker."

Figure 49 הסיפור מאחורי העברות מיליוני שקלים מ־2 חברות ישראליות לגרמניה עובר דרך מונאקו – Calcalist and translation

[45] https://en.globes.co.il/en/article-teddy-sagi-buys-control-of-brack-capital-1001189828
[46] https://en.globes.co.il/en/article-teddy-sagi-selling-brack-interest-for-nis-14b-1001224264

- The CFO was replaced by Thomas Stienlet, a former analyst at Meridien Capital Management. Meridien is owned and managed by Richard Bunning, manager of one of Mezzanine IX Investments shareholders and thus Stienlet's former employer[47].
- The appointing of Claus Jorgensen[48], also a director and member of the supervisory board at Adler[49]

This is when the manipulations started at Brack.

In its Q3 2018 update Brack said it had acquired 4.1% of an unrelated listed German real estate developer for EUR35m. Strangely the company was never identified, nor did Brack ever justify its purchase despite this being a material acquisition.

> ❑ On July 23, 2018, the Company acquired shares in a public company incorporated in Germany, whose shares are traded on the unofficial supervised Frankfurt Stock Exchange and which is one of the leaders in the German residential real estate development market, which is unrelated to the Company or its controlling shareholder, representing 4.1% of the issued and outstanding share capital of the target company, for a total consideration of € 35 million.

Figure 50 Brack Capital Properties Q3 2018 update

This company was later identified by a consortium of shareholders as Consus Real Estate AG, another Adler takeover target. Consus was held by Gunther Walcher's Aggregate Holdings SA who profited greatly from this purchase by Brack.

Ultimate Shareholder	Direct Shareholder	As of the date of the Prospectus (in %)
Günther Walcher[(1)]	Aggregate Deutschland S.A.	68.6
Public Free Float		31.4
Total		**100.00**

(1) A total of 68.6% of the voting rights in the Company are attributed to Günther Walcher pursuant to sections 33, 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) through Aggregate Holdings S.A. (Luxembourg), Lavinia B.V. (Netherlands) and Medeon S.à r.l. (Luxembourg).

Figure 51 Consus Real Estate Prospectus dated July 6, 2018

The identity of Consus was kept under wraps for good reason: the company was as demonstrated above, largely a construct. At the time Consus's senior secured bonds traded at 10.5% and it had a mezzanine facility from Corestate capital accruing interest at more than 20%. A previous Consus IPO had failed with Aggregate almost alone in taking part.

6.3. רכישת המניות על-ידי בראק בוצעה לאחר שהנפקה שביצעה Consus נחלה כישלון עם היענות מועטה מצד בעלי המניות הקיימים. ודוק! מפרסומיה של Consus עולה כי בעלת השליטה Aggregate[3] ויתרה על זכות הקדימות שלה לרכוש את המניות המונפקות לטובת בעלי המניות האחרים, אך מסתמן כי בסופו של יום Aggregate היתה בעלת המניות היחידה או כמעט יחידה שהשתתפה בהנפקה (קרי - בעלי המניות האחרים של Consus לא מאמינים בחברה). ככלות כל אלה - יצאה Consus בהנפקה לרוכשים פרטיים, שבה רכשה בראק כ-70% (!!) מהמניות שהונפקו, קרי- בראק הייתה המשקיע העיקרי (!) ובסכום משמעותי של 35 מליון יורו[4];

"Brack's share purchase was made after Consus' IPO failed with little responsiveness from existing shareholders. Consus's publications indicate that Aggregate waived its right of priority to purchase the shares issued in favor of the other shareholders, but it appears that at the end of the day Aggregate was the only or almost single shareholder to take part in the IPO"

Figure 52 Correspondence between Brack Capital Properties and Psagot, Harel and Brosh

In combination with the Gerresheim deal, it is easy to see a similar pattern to other Adler acquisitions that do nothing for shareholders or bondholder, instead enriching Caner's associates.

[47] https://bcp-nv.com/wp-content/uploads/2020/03/BCP-Barnea-report-ENG-2019-18.03.2020-Final.pdf
[48] Sometimes spelled "Jorgenson"
[49] https://adler-ag.com/en/dt_team/claus-jorgensen/

Annexure 4 – Accentro: Overdue

On October 20, 2017, Adler announced the "sale" of 80% of its Accentro subsidiary to "a partnership advised by **Vestigo Capital Advisors LLP**" for €181m[50]. As usual, the purchase price was not paid up-front. Rather only 20 million was paid (as disclosed in the 2017 Adler Real Estate annual report). Some of the purchase price remains outstanding.

The immediate acquirer of Accentro was **Brookline Real Estate Sarl**[51]. Natig Ganiyev was a director of Brookline Capital LP, the owner of Brookline Real Estate as well as the managing director of advising entity Vestigo.

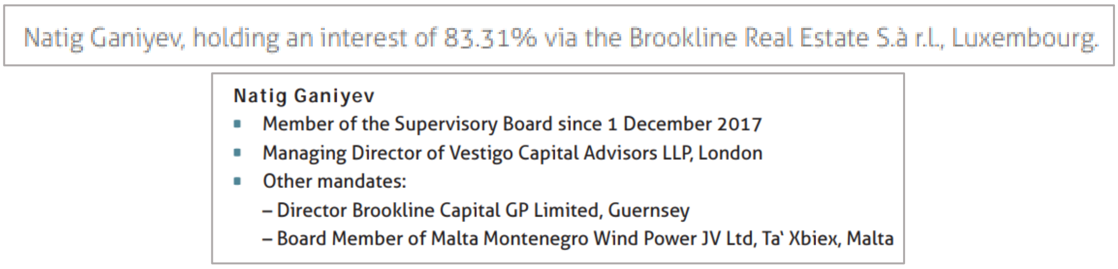
Questions on the integrity of the buyers: Vestigo tilting at windmills

Vestigo Capital were simultaneously involved in a Montenegrin scandal involving the sale of a wind farm that tripled in value over 3 years. **Vestigo** appeared to be on both sides of the transaction via subsidiary **Cifidex**; who purchased the wind farm for €3m and flipping it Malta's energy provider **Enemalta** for €10.3m two weeks later[52].

It was found that **Cifidex had borrowed the original €3m from 17 Black**, a Dubai company owned by **Yorgen Fenech.**

Fenech was charged with organizing and financing the murder of Maltese journalist **Daphne Caruana Galizia** and **widespread graft and fraud in Malta**[53]. **Vestigo** later disavowed **Cifidex** despite past statements that they were the owner.

Vestigo later changed its name to Triangle Equity Partners which was named, along with other directors **Metin Guvener** and **Gafar Gurbanov**, both involved in incorruption investigations involving Azerbaijan's ruling family[54].



Natig Ganiyev, holding an interest of 83.31% via the Brookline Real Estate S.à r.l., Luxembourg.

Natig Ganiyev
- Member of the Supervisory Board since 1 December 2017
- Managing Director of Vestigo Capital Advisors LLP, London
- Other mandates:
  – Director Brookline Capital GP Limited, Guernsey
  – Board Member of Malta Montenegro Wind Power JV Ltd, Ta' Xbiex, Malta

Figures 53 & 54 Accentro Annual Report 2019[55]

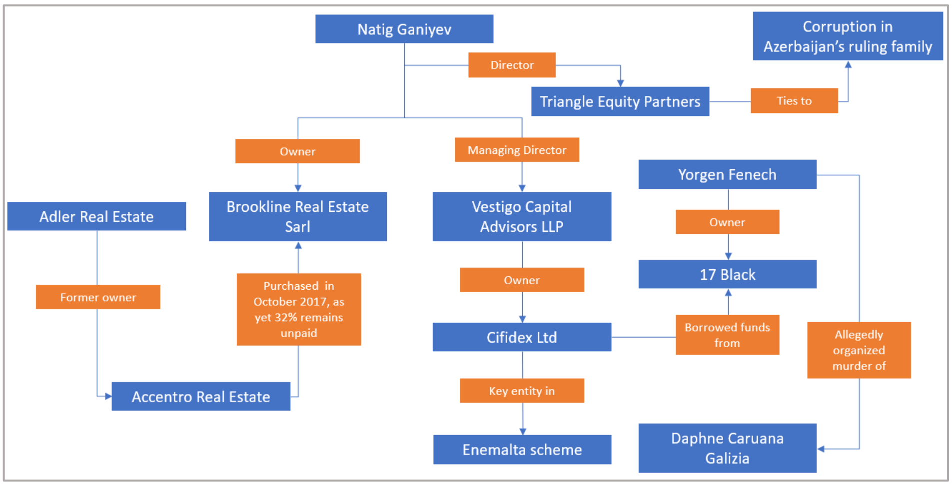


Figure 55 Diagram of the Accentro transaction and suspicious parties

[50] https://www.refire-online.com/companies/adler-stabilises-business-by-selling-accentro-to-uks-vestigo/
[51] https://www.spglobal.com/marketintelligence/en/news-insights/trending/eg4v56ug_3_grxtrqyxwsg2
[52] https://www.reuters.com/article/uk-malta-daphne-money-trail-exclusive/exclusive-in-daphne-murder-investigation-money-trail-leads-to-montenegro-venture-idUKKBN23Q1MA?edition-redirect=uk
[53] https://www.theguardian.com/world/2019/nov/30/maltese-businessman-charged-with-complicity-to-journalist
[54] https://www.occrp.org/en/corruptistan/azerbaijan/2015/12/04/building-on-a-shaky-foundation.html
[55] https://www.accentro.ag/en/investor-relations/publications/financial-reports/

A year after the Accentro sale, Adler reported a purchase price receivable of €149.9m but claimed that this balance was due to no later than June 30, 2019, following a supplemental agreement with the acquirer. Adler kept kicking the can.

> In addition, non-current assets include as yet unsettled receivables relating to the sale of the shares in ACCENTRO amounting to EUR 149.9 million. At the end of 2017, this position had amounted to EUR 161.7 million. The remaining receivables are due to be settled in the course of the 2019 financial year, but no later than 30 June following a supplemental agreement with the acquirer.

Figure 56 Adler Real Estate Annual Report 2018

In its 2019 annual report Adler received a partial payment of €97.9m and a €2.9m dividend that the buyer would have been entitled to. There was still a purchase price receivable of EUR56.3m sitting on its balance sheet as payment "had, however, been postponed.".

> was primarily due to the increase in cash and cash equivalents. Current assets comprised EUR 56.3 million in receivables against the buyer of the shares in ACCENTRO which ADLER had already sold at the end of 2017. Payment had, however, been postponed. In July 2019, the buyer made a further partial payment of EUR 95.0 million. ADLER also received a dividend amounting to EUR 2.9 million which the buyer would have an entitlement to. The remaining receivables are expected to be settled in 2020. These receivables bear a customary interest and are secured.

Figure 57 Adler Real Estate Annual Report 2019

As of Q2 2021 Adler still holds €60.4m in purchase price receivables (including interest) on its books relating to Accentro. The postponement mentioned in its 2019 annual report was again overridden from December 31, 2020 to September 30, 2021.

> As at the reporting date, other current receivables include residual receivables of EUR 60.4 million including interest (as at 31 December 2020: EUR 59.1 million) against the buyer of the shares in ACCENTRO which ADLER had sold at the end of 2017. The payment period ending on 31 December 2020 was extended to 30 September 2021. If the extended payment period expires without success, the existing collateral could be realised to cover the outstanding purchase price claim. Due to collateral which ADLER could utilise in the event of creditor's non-performance, there is no material default risk.

Figure 58 Adler Real Estate Q2 2021 Intermittent Report

Viceroy believe the balance of this consideration will be a write-off, and the "collateral" is non-recoverable.

> **Berlin, 20 October 2017** – ADLER Real Estate AG today entered into an agreement to sell a stake of c. 80 % of the shares in ACCENTRO Real Estate AG and c. 92 % of the convertibles 2014/2019 issued by ACCENTRO Real Estate AG at a total price of c. EUR 180 million to a partnership advised by Vestigo Capital Advisors LLP, a FCA authorized and regulated entity. On a fully diluted basis, the sold shares and convertibles represent a c. 82% stake in ACCENTRO Real Estate AG. The sale is structured with a first down payment by the buyer at signing, followed by successive tranches of the purchase price (including interest) to be paid over the next 13 months with appropriate security interests in place. In addition, ADLER Real Estate AG has the option to sell a further holding of up to 6% in ACCENTRO Real Estate AG to the partnership advised by Vestigo Capital Advisors LLP at the same price per share.

Figure 59 ADLER Real Estate AG: Privatisation platform ACCENTRO Real Estate AG sold[56]

We find it highly unlikely given Adler's complete disregard for investors capital that a first lien was lodged against any "collateral" to mitigate the substantial credit risk of the deferred payment terms. Even if Adler recovers this property, it may likely come back with secured debt and a poison pill, similar to Gerresheim.

We do not know whether Adler has directly or indirectly financed the payments it has supposedly received.

[56] https://adler-ag.com/en/2017/10/adler-real-estate-ag-privatisation-platform-accentro-real-estate-ag-sold/

Annexure 5 – Consus: Thoroughly Pillaged

Consus's Transaction with Gröner (after the deal with ADO was announced)

On May 8, 2020, Consus announced the sale of 17 developments to CEO Christoph Gröner for an unnamed amount, as well as the acquisition of Gröner's remaining 25% stake in CG Gruppe (now Consus RE AG) for an unnamed amount[57]. Of course, Gröner would not be paying this amount and Consus recognized a purchase price receivable of EUR339.7m.

In the same reporting period, it was announced that Gröner had resigned from the supervisory board and as CEO of Consus RE AG. As such he would no longer be a related party.

> Because Mr. Gröner sold his remaining shares in Consus RE AG to the Company in June 2020 he no longer qualified as a related party.

Figure 60 Consus Q3 2020 Interim Report

In Q2 2020 the Consus stated that if the price had not been paid by October 31, 2020, then the transaction could be reversed.

> **3.7 SCOPE OF CONSOLIDATION**
>
> As part of its deleveraging strategy the Company announced on 8 May 2020 a significant sale of assets to companies controlled by Christoph Gröner resulting in share deals of 14 subsidiaries, which left the Group's consolidated financial statements as of 31 May 2020. The transaction resulted in a (preliminary) profit of €53.9 million. The (preliminary) purchase price receivable of €339.7 million is included in the balance sheet position Trade and other receivables. If the purchase price has not been paid by 31 October 2020, the transaction can be reversed. The Company believes that the purchase price will be paid.

> **3.6 SCOPE OF CONSOLIDATION**
>
> As part of its deleveraging strategy the Company announced on 8 May 2020 a significant sale of assets to companies controlled by Christoph Gröner resulting in share deals of 14 subsidiaries, which left the Group's consolidated financial statements as of 31 May 2020. The transaction resulted in a (preliminary) profit of €53.9 million. The (preliminary) purchase price receivable of €339.7 million is included in the balance sheet position Trade and other receivables. In mid of November 2020 a final agreement regarding the purchase price and its payment conditions was reached between the involved parties. The Company is currently determining the final purchase price based on this agreement.

Figure 61 Consus Q2 2020 & Q3 2020 Interim Reports, respectively

Note that the company "is determining the final purchase price based on this agreement". This is for a deal where the "purchase price" had been finalized. If the purchase price were cash, they would know the number to the penny. Instead, we can conclude the deal was negotiated in part or in whole as "non-cash consideration".

By Q3 2020 Consus had yet to receive any payment, instead reporting that the final purchase price was only reached in the middle of November. Consus reported only EUR183k in sale proceeds for the 9-month period to Q3 2020; it appears that Gröner had failed to pay anything at all. Gröner for his part collected EUR27.5m in cash and 24.75m Consus shares for the sale of his stake of Consus RE AG.

> On 9 July 2020 Consus Real Estate AG completed the acquisition of the remaining 25% minority stake (on a fully diluted basis) in Consus RE AG against €27.5 million in cash and 24.75 million Consus shares. The management board of

Figure 62 Consus Q3 2020

[57] https://www.consus.ag/consus-real-estate-ag-consus-real-estate-ag-divests-17-development-projects-with-a-gdv-of-eur-2-3-billion-and-intends-to-fully-acquire-consus-re-gmbh-in-connection-with-a-capital-increase-by-contribu?lang=en

We suspect that this deal may be partially settled for one of the (fictional) pre-existing related party debts of Consus.

Consus no longer publishes financial statements and as such we do not know whether Gröner has paid for the properties. Nonetheless we question how Consus could have sold 17 properties to its former CEO and recognized a receivable and a payment date before backflipping and saying it was "currently determining the final purchase price" 6 months after the sale.

The presentation with the 2021 Q2 detailed amounts still outstanding from the Gröner Group. See item 2 below.

Overview of selected financial assets / receivables

#	Description	Type	Outstanding amount (€m)	Year	Right of withdrawal / Security
1	**Partners Immobilien Capital Management** bought 7 non-strategic development projects with a GAV of €0.4bn in December 2020	Disposal	189	2021	✓
2	**Gröner Group** bought 17 non-strategic development projects with a GAV of €0.6bn in December 2020	Disposal	84	2021	✓
3	Adler Real Estate AG sold shares in **Accentro** in 2017, which is due for payment end of September 2021	Disposal	60	2021	✓
4	**Gerresheim** development project located in Düsseldorf. 75% was sold and 25% retained. The 75% will also be retained to regain 100% ownership in the asset.	Retention	209	2021	✓
5	Certain minority shareholder hold 10.1% of the shares in Adler Group companies, partly financed by vendor loans granted by Adler Group and/or its affiliated companies which will be restructured	Minorities	204	2021	✓
6	**Other disposals** (like Germany III and BCP Chemnitz, among others) with minor residual receivables outstanding	Disposal	13	2021	✓

Figure 63 Extract from Adler Q2 2021 Presentation

Portfolio Sale to Natig Ganiyev

For more details on entities controlled by Natig Ganiyev and their non-payment see Annexure 4 - Accentro

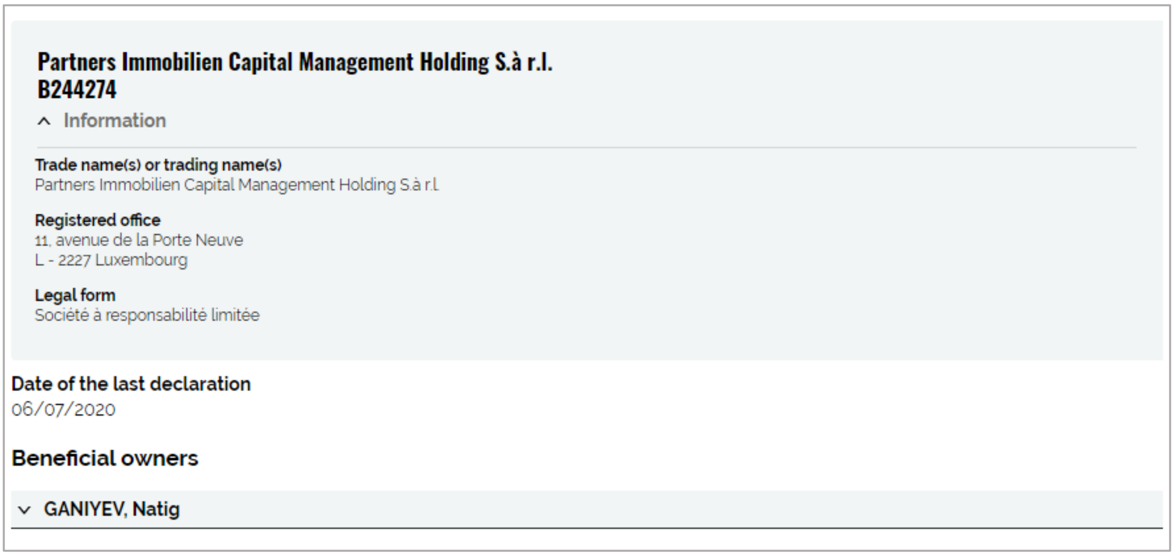
Still unwilling or unable to pay Adler for Accentro, Ganiyev then turned to Consus. On May 20, 2020, Consus announced the sale of 8 development projects to Partners Immobilien Capital Management for an undisclosed price[58]. Viceroy question whether any price was paid at all as there is no disclosure about the acquisition in its filings for Q2 or Q3 2020.

> CONSUS Real Estate AG: Consus Real Estate AG divests 8 development projects with a GDV of EUR 2.0 billion
>
> Berlin, 20 May 2020 – Today, the Management Board of Consus Real Estate AG ("Consus"), with the approval of the Supervisory Board, has resolved to divest 8 development projects with a GDV of EUR 2.0 billion. The development projects have been sold to Partners Immobilien Capital Management, a real estate fund, at a premium to the market values appraised as of 31 December 2019. The parties have agreed not to disclose the selling price. Consus will reduce its project finance debt due to this transaction by around EUR 390 million.

Figure 64 Consus Real Estate AG divests 8 development projects with a GDV of EUR 2.0 billion[59]

Natig Ganiyev is listed as the beneficial owner of Partners Immobilien Capital Management Holding Sarl, a Luxembourg company incorporated the day prior with Natig Ganiyev listed at its beneficial owner.

[58] https://www.consus.ag/consus-announces-a-further-material-sale-of-development-projects-resulting-in-additional-significant-deleveraging?lang=en
[59] https://www.consus.ag/consus-real-estate-ag-consus-real-estate-ag-divests-8-development-projects-with-a-gdv-of-eur-2-0-billion?lang=en



Partners Immobilien Capital Management Holding S.à r.l.
B244274

Information

Trade name(s) or trading name(s)
Partners Immobilien Capital Management Holding S.à r.l.

Registered office
11, avenue de la Porte Neuve
L - 2227 Luxembourg

Legal form
Société à responsabilité limitée

Date of the last declaration
06/07/2020

Beneficial owners

GANIYEV, Natig

Figure 65 Partners Immobilien Capital Management Holding Sarl RBE profile[60]

As mentioned above Ganiyev has a history of non-payment for Adler properties and has ties to suspected fraud, money laundering and murder.

For all intents and purposes, it appears as though Consus gave away 8 development projects (6 of which were in the top 25 projects as claimed by Consus in its press release) for negligible upfront consideration.

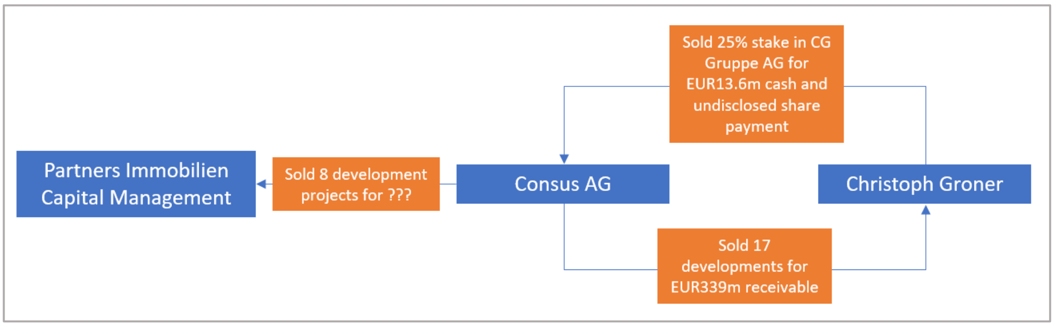


Figure 66 Diagram of the Gröner and Partners Immobilien transactions

Partners Immobilien gets a small mention in Adler Group’s Q2 2021 presentation wherein it is disclosed that they have yet to pay €189m of the undisclosed sum.

Overview of selected financial assets / receivables

#	Description	Type	Outstanding amount (€m)	Year	Right of withdrawal / Security
1	Partners Immobilien Capital Management bought 7 non-strategic development projects with a GAV of €0.4bn in December 2020	Disposal	189	2021	✓

Figure 67 Adler Q2 2021 Investor Presentation

With Adler still awaiting payment from the Accentro deal conducted almost 4 years ago, we doubt whether Consus will be seeing any consideration anytime soon.

[60] Visit https://www.lbr.lu/mjrcs-rbe/jsp and search for B44274

Annexure 6 – Conwert: Denied

Conwert Immobilien Invest SE (**Conwert**) is an Austrian residential real estate developer with most of its portfolio in Germany. This is the first apparent example of Caner's tricks at Adler and a decent introduction to **Caner's inner circle**.

Conwert was the target of a takeover bid from **Adler Real Estate** around autumn 2015 which drew the scrutiny of the **Austrian Takeover Commission** and is now owned by **Vonovia SE**. We believe this regulatory scrutiny is what motivated Caner to shield his involvement more carefully with Adler in future endeavours.

Summary of Austrian Takeover Commission Report

The report by the Commission[61] details Caner's control of Adler including his brokering of deals, transaction structuring, attendance of meetings, suggestions of Director appointments and setting of schedules. **The view of the Commission was that Adler was effectively controlled by Caner**, despite his claims that he was a "consultant". The report goes into detail a about Caner's network of associates involved in the Conwert transaction, some of which appear in later Adler transactions.

In a ruling dated November 30, 2016, the Commission formally held that Adler Real Estate, its subsidiaries **MountainPeak** and **WESTGRUND, Mr. Cevdet Caner** and **Petrus Advisers LLP** had acted in concert with respect to **Conwert**: acquiring a controlling stake in Conwert on September 29, 2015, in the context of a potential transaction between **Adler Real Estate** and **Conwert**. Consequently, **the Commission ruled the parties had wrongly failed to make a mandatory takeover offer to the remaining shareholders of Conwert**.

Adler Real Estate appealed this ruling to the Austrian Supreme Court on December 14, 2016. However, in a decision communicated on April 10, 2017, the Supreme Court upheld the ruling of the Commission. While its ruling was ultimately ruled against by the European Court of Justice, the report details Caner's complete control over Adler.

The Scheme

Israeli entrepreneur and Caner associate **Teddy Sagi** purchased 24.79% of Conwert in **May 2015** for an undisclosed amount[62] (likely a discount to the €228m market price). Three months later in **August 2015**, Sagi sold his stake to Adler Real Estate for EUR285m, likely netting a healthy profit[63] and valuing Conwert at €1.49b.

While this stake was significant, the Commission established that Caner associates acted in concert with Adler Real Estate in purchasing innocuous amounts of Conwert stock in anticipation of a transaction between Adler Real Estate and Conwert.

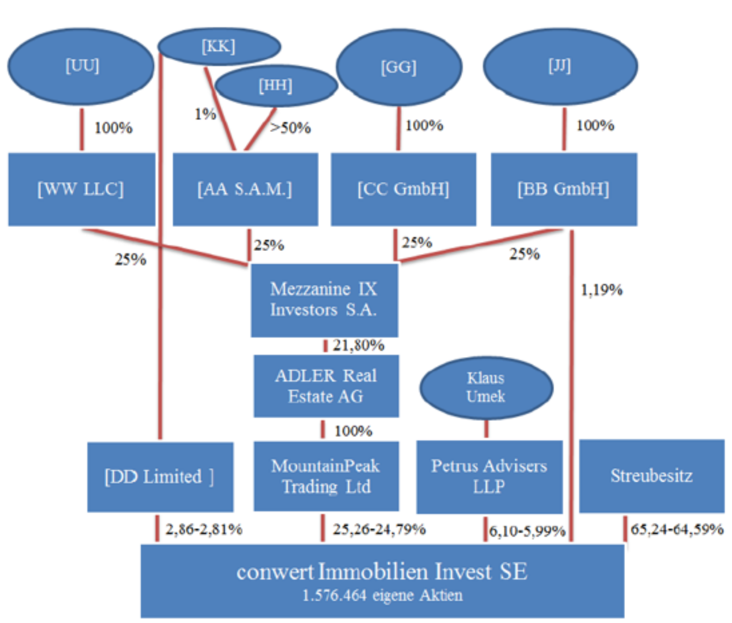
While some identities of individuals and businesses in the report have been anonymized, it is easy to deduce their identities with information available today and within the report. These include:

- **Caner's wife Gerda Caner** (nee Schratbauer), who controls a stake in Monaco company **Bassan SAM**, a **Mezzanine IX Investors SA** shareholder.
- Brother-in-law **Josef Schratbauer** owner of **Bondi Beteiligungs GmbH**, a **Mezzanine IX Investors SA** shareholder.
- Longtime associate **Wolfgang Hahn** who worked with Caner at **Green Bridge Capital**, the fund **accused of siphoning funds from Level One**. Hahn appears as a minor shareholder of **Bassan SAM** and owner of **Duvorest Limited**, a Cyprus company with holdings in **Conwert**.
- **Richard Bunning**, as a friend of Gerda Caner and owner of **Meridien Capital Management**[64]. Bunning is the owner of **Chelmer GmbH**, a **Mezzanine IX Investors SA shareholder**.

[61] https://www.takeover.at/uploads/u/pxe/A2_Entscheidungen/Bescheide/GZ_2016-1-2-317_Conwert_-_22.11.2016.pdf
[62] https://www.marketscreener.com/quote/stock/CONWERT-IMMOBILIEN-INVEST-6496202/news/Conwert-Immobilien-Invest-SE-nbsp-MountainPeak-Trading-completes-acquisition-of-shares-in-Conwert-20386307/
[63] https://www.marketscreener.com/quote/stock/CONWERT-IMMOBILIEN-INVEST-6496202/news/Conwert-Immobilien-Invest-SE-nbsp-Change-in-share-of-voting-rights-ADLER-Real-Estate-AG-and-Longwa-20927773/
[64] https://find-and-update.company-information.service.gov.uk/company/09304894

- **John D Heikenfeld**, a former **Adler** supervisory board member and a Caner associate since 2012. **Heikenfeld is the manager of White Star Investments LLC**[65,66], a **Mezzanine IX Investors SA** shareholder.

Below is an organizational chart as well as a table of aliases and the corresponding identities.



Pictured	
AA SAM	Bassan SAM
BB GmbH	Bondi Beteiligungs GmbH
CC GmbH	Chelmer GmbH
DD Limited	Duvorest GmbH
FF Privatstiftung	Caner Privatstiftung
GG	Richard Bunning
HH	Gerda Caner (nee Schratbauer)
JJ	Josef Schratbauer
KK	Wolfgang Hahn
UU	John D Heikenfeld
WW LLC	White Star Investments LLC
Not pictured	
TT	Teddy Sagi
MM GmbH	M1 Beteiligungs GmbH
NN Limited	Green Bridge Capital Limited

Figure 68 Austrian Takeover Commission chart and alias table

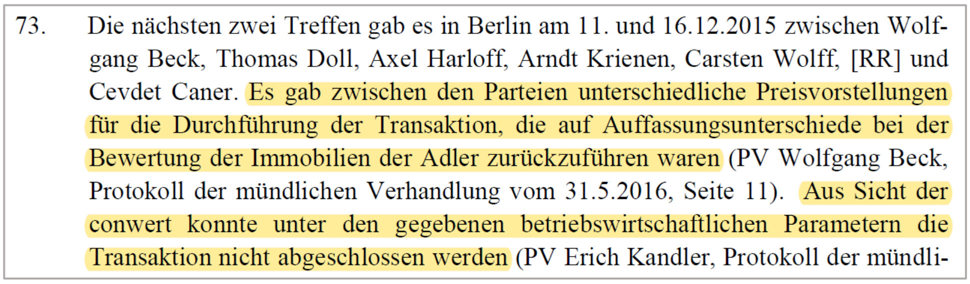
We believe Adler attempted to do to Conwert what it would later do at ADO: flip the board, enrich insiders, and saddle its assets with debt. It is no surprise that this same cabal appears in numerous Adler acquisition activities.

The acquisition bears the Caner trademarks: apparently unrelated entities quietly purchase enough stakes to collectively own a majority, then act as one to push through an acquisition of a better capitalized company.

Conwert Objections

Ultimately the acquisition fell through due to discrepancies in the valuation of Adler's assets which Conwert considered too high, concerns that consolidation would negatively impact their credit rating, and objections to a replacement of the board of directors with Adler personnel.

As detailed in the report:



73. Die nächsten zwei Treffen gab es in Berlin am 11. und 16.12.2015 zwischen Wolfgang Beck, Thomas Doll, Axel Harloff, Arndt Krienen, Carsten Wolff, [RR] und Cevdet Caner. Es gab zwischen den Parteien unterschiedliche Preisvorstellungen für die Durchführung der Transaktion, die auf Auffassungsunterschiede bei der Bewertung der Immobilien der Adler zurückzuführen waren (PV Wolfgang Beck, Protokoll der mündlichen Verhandlung vom 31.5.2016, Seite 11). Aus Sicht der convert konnte unter den gegebenen betriebswirtschaftlichen Parametern die Transaktion nicht abgeschlossen werden (PV Erich Kandler, Protokoll der mündli-

"The parties had different price expectations for carrying out the transaction, which were due to differences of opinion in the valuation of Adler's real estate"
"From the point of view of Conwert, the transaction could not be completed under the given business parameters"

[65] Visit https://mycpa.cpa.state.tx.us/coa/ and search for "White Star Investments"
[66] Visit https://ecorp.sos.ga.gov/BusinessSearch and search for control number "0118818"

vom 31.5.2016, Seite 86 f). Grund war die Befürchtung, dass bei einer vollständigen Konsolidierung der conwert durch Adler das Investmentgrad-Rating („*Loan-To-Value Ratio*“, „*LTV*“) der conwert bei einer Investment Rating Agentur verloren gehen könnte, basierend auf einem „*Look-Through-Principle*“ (Zeugenaussage

“The reason was the fear that if Conwert were fully consolidated by Adler, the investment grade rating (loan-to-value ratio, “LTV”) of Conwert could be lost at an investment rating agency based on a "Look-Through Principle"”

Ausgangspunkt der Diskussion war der Vorschlag, dass Adler zwei von insgesamt fünf Sitzen im Verwaltungsart der conwert haben und auch den Vorsitzenden stellen sollte (Zeugenaussage Dirk Hoffmann, Protokoll der mündlichen Verhandlung vom 3.6.2016, Seite 64). Der Vorschlag wurde von conwert abgelehnt: Zwei Sitze waren für einen Aktionär mit der Beteiligungshöhe von Adler nach Ansicht der conwert zu viel; der Vorsitz wurde aus Gründen der „*Corporate Governance*“ abgelehnt (PV Wolfgang Beck, Protokoll der mündlichen Verhandlung vom 31.5.2016, Seite 11). Das Management der conwert schlug dagegen vor, dass Adler jedenfalls ein Mitglied nominieren könne (PV Wolfgang Beck, Protokoll der mündlichen Verhandlung vom 31.5.2016, Seite 11). In einem Vieraugengespräch zwischen Barry Gilbertson und Dirk Hoffmann („*Chairman* zu *Chairman*“) unterbreitete Adler dann den Kompromissvorschlag, dass conwert ein einziges Verwaltungsratsmitglied von Adler akzeptiert, das aber auch zum Vorsitzenden gewählt wird (Zeugenaussage Dirk Hoffmann, Protokoll der mündlichen Verhandlung vom 3.6.2016, Seite 65 f). Für Adler sollte Dirk Hoffmann entsendet werden. Auch dieser Vorschlag wurde von conwert abgelehnt, weil man der Ansicht war, dass der Aufsichtsratsvorsitzende eines konkurrierenden Unternehmens nicht zugleich Vorsitzender im Verwaltungsrat der conwert sein könne (PV Wolfgang Beck, Proto-

“The starting point of the discussion was the suggestion that Adler should have two out of five seats in the administrative mode of Conwert and should also provide the chairman.”

“The proposal was rejected by Conwert: In the opinion of Conwert, two seats were too many for a shareholder with Adler's stake; the chairmanship was rejected for reasons of “corporate governance””

“Adler then submitted the compromise proposal that Conwert would accept a single Adler board member, who would also be elected chairman”

“This proposal was also rejected by Conwert because it was of the opinion that the chairman of the supervisory board of a competing company could not also be the chairman of the board of directors of Conwert”

Figures 69, 70 & 71 Austrian Takeover Commission Adler Investigation & Translation

Ultimately it appears Conwert were correct: Viceroy have found significant issues in Adler’s accounts which present a healthier balance sheet than actually exists.

Adler agreed to sell its Conwert stake to Vonovia in September 2016 for 74 Vonovia shares per 149 Conwert shares (€17.58 per Conwert share)[67] valuing the business at €3.2b.

[67] https://www.reuters.com/article/us-conwert-m-a-vonovia-idUSKCN11B0LV

Annexure 7 – CLC AG

Cedvet Caner's first foray in the stock market was Call & Logistik Center GesmbH (**CLC**), a German-listed telemarketing center.

Like his other spectacular failures, CLC's game plan was effectively to **overleverage itself to grow, buy larger competitors to "fix" balance sheet, borrow even more money, and repeat** until no larger takeover targets existed at which point the scheme collapsed. While this was happening, the company **shuffled cash to directors through "loans"** which appear to have never been repaid.

Caner originally founded CLC in 1998, which became the first private directory assistance line in Austria around 2000.

Without skipping a beat, and with zero time or money under its belt, **CLC acquired** the **much** larger cash-burning call center **DMB Marketing Beratung GmbH** in late 2000[68] with relatively large amounts of debt.

Turnover from Directory Services jumped from €1m to €3.9m from 2000 to 2001 from this transaction.

4. UMSATZERLÖSE

Die Umsatzerlöse stellen sich wie folgt dar:

	31.12.2001	31.12.2000
Directory Services	3.902.656,75	1.003.175,86
Customer Care Services	10.345.362,75	2.777.348,91
Logistik Services	0,00	1.695.668,09
Lizenz- und Markenrechte	545.093,82	0,00
Netto-Umsatzerlöse	**14.793.113,32**	**5.476.192,86**

Figure 72 CLC AG Annual Report 2001

When **CLC IPO'd in June 2001** to free up capital from the horrible DMB acquisition, it was burning cash and paying heavy interest.

Instead of paying down debt and establishing a working capital buffer with the IPO proceeds, **CLC purchased the much larger Camelot Group** in Germany. Camelot also burned cash, had terrible unit economics, but a relatively clean balance sheet. At this stage, CLC was among the largest German-speaking customer care and directory businesses.

CLC continued to raise debt and issue equity against Camelot's balance sheet until it too was completely underwater.

With the **loss of one customer who accounted for over 30% of the group's sales**, **CLC collapsed** – it was the straw that broke the Camel(ot)'s back.

Caner sold ALL of his shares (21.3%, as at EOY 2001, but less at time of resignation as he appeared not to participate in capital offerings) and resigned, **leaving the bag-holders to come up with a restructuring solution that inevitably failed**.

All the while, Caner **appears to have taken HUGE loans from the insolvent business.**

This is the first instance of the cycle of acquiring a better capitalized and often larger competitor to take on excessive debt before collapsing under its weight.

[68] https://apps.derstandard.at/privacywall/story/642298/callcenter-betreiber-clc-uebernimmt-dmb-marketing-ganz

Annexure 8 – Level One

Following the collapse of CLC Caner set his eyes on real estate with the company Level One.

The premise was simple: **purchase low-cost prefabricated housing in Germany and securitize the debt**. Credit Suisse was the first lender to the party, joined later by UBS and Bear Stearns.

By the end of 2007 Level One had 28,000 apartments, various other properties, and land in its portfolio as well as €1.1b in debt. Caner believes that at the time he was Credit Suisse's largest single customer outside the US.

Ende 2007 hatte Caners Holding 28 000 Wohnungen im Bestand, daneben noch diverse Gewerbe-Immobilien und Brachflächen – und über 1,1 Milliarden Euro Schulden in den Büchern. Allein die Credit Suisse war mit über 800 Millionen engagiert. „Ich war der größte Einzelkunde der Bank außerhalb der USA", sagt Caner. Und das wollte er auch im Jahr 2008 bleiben und immer weiter wachsen.

At the end of 2007, Caners Holding had 28,000 apartments in its portfolio, as well as various commercial properties and fallow land - and over 1.1 billion euros in debt on the books. Credit Suisse alone was involved with over 800 million. "I was the bank's largest single customer outside of the US," Caner says. And he wanted to stay that way in 2008 and keep growing.

Figure 73 Das Ende einer Heuschrecke – Der Spiegel 25/2009 and translation[69]

Viceroy were reliably informed that **Tomas de Vargas Machuca**, then-future **CEO of Adler and later Brack** was Caner's personal broker at Credit Suisse. **Gunther Walcher** is also alleged to have been a major investor in Level One.

Level One planned to IPO in 2007 but the tide turned as high-risk credit dried up in the wake of the financial crisis. Ultimately it was **a €109m mezzanine loan with 20% interest from Credit Suisse** dubbed "Piper" that signaled the end for Level One. The company was unable to refinance it and the loan itself had been sold by Credit Suisse to several vulture funds.

Level One was placed into receivership in August 2008 and was declared insolvent in September 2008. Credit Suisse was in for €300m, with the majority of the €1.3b loan from Credit Suisse to Level One already securitized[70]. Apparently, no-one thought to ask whether a 35-year-old Caner with one failed business under his belt was a "risky prospect".

For his part Caner has always maintained that he was a victim of shady deals by Credit Suisse and an "embarrassing takeover attempt" and claims the outflows to companies controlled by him were part of the official structure of the company[71].

Level One went down in the history books as Germany's largest real estate collapse since Jurgen Schneider's smash-and-grab style scheme fell apart in 1994.

[69] https://magazin.spiegel.de/EpubDelivery/spiegel/pdf/65717393
[70] https://www.trend.at/wirtschaft/business/plattenbau-pleitier-linzer-immo-insolvenz-deutschlands-233543
[71] https://www.immobilien-zeitung.de/79385/level-one-ist-pleite-und-keiner-wills-gewesen-sein

Annexure 9 - Deutscher Bundestag Member Letter to BaFin

DOWNLOAD LINK: https://dserver.bundestag.de/btd/19/323/1932347.pdf

Deutscher Bundestag — **Drucksache 19/32347**

19. Wahlperiode — 08.09.2021

Kleine Anfrage

der Abgeordneten Fabio De Masi, Jörg Cezanne, Klaus Ernst, Stefan Liebich, Thomas Lutze, Pascal Meiser, Bernd Riexinger, Dr. Axel Troost, Alexander Ulrich, Dr. Sahra Wagenknecht und der Fraktion DIE LINKE.

Medienberichte über Probleme beim Immobilienkonzern Adler Real Estate AG

Im Jahr 2020 fusionierte der Immobilienkonzern Adler Real Estate mit dem Wettbewerber Ado Properties und dem Projektentwickler Conus Real Estate zu einem integrierten Immobilienkonzern mit etwa 52 000 Wohnungen in Deutschland. Das „Handelsblatt“ beschreibt die komplexe Fusion folgendermaßen:

„Zunächst übernahm im September die Adler Real Estate für 708 Mio. Euro die israelische Ado Group und sicherte sich so die Kontrolle an deren Tochtergesellschaft Ado Properties – zum doppelten Wert des damaligen Börsenkurses. Kurz darauf trat der Vorstand von Ado Properties zurück. Auch fünf Mitglieder des Verwaltungsrats legten ihre Ämter nieder.

Das neue Management der Ado Properties kündigte dann fünf Tage später an, nun seinerseits seinen hochverschuldeten Großaktionär Adler Real Estate und in einem zweiten Schritt den klammen Projektentwickler Consus Real Estate zu übernehmen. Die Tochtergesellschaft übernahm also das Unternehmen, das zuvor den Mutterkonzern übernommen hatte.

Kritiker monierten, dass der Deal zulasten von Ado Properties und seinen Aktionären gegangen sei. Um die Kosten zu stemmen und die Schulden von Adler Real Estate abzulösen, musste das Unternehmen einen Kredit über 3,5 Mrd. Euro bei der US-Bank JP Morgan aufnehmen. Analysten kritisierten zudem, dass das Portfolio der auf Berlin spezialisierten Ado Properties verwässert würde.“ (vgl. https://www.handelsblatt.com/finanzen/immobilien/immobilien-warum-die-adler-real-estate-ag-fast-eine-halbe-milliarde-euro-abschreiben-musste/27541316.html).

Laut „Handelsblatt“ hat die Adler Real Estate AG nun 491 Mio. Euro abschreiben müssen, die das Unternehmen auf die Corona-Pandemie zurückführt. In der Fusion seien laut Kritikerinnen und Kritikern der Fusion die Schulden der Adler Real Estate abgelöst worden, was zulasten von Ado Properties und seinen Aktionärinnen und Aktionären erfolgt sei. Kritikerinnen und Kritiker beklagen, dass der komplexe Übernahmeprozess für Anlegerinnen und Anleger nicht transparent gewesen sei. Es gab sogar eine Warnung vom Vermögensverwalter Timbercreek (der heute Hazelview Investments heißt) an die Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) bezüglich potentieller Interessenkonflikte. Die BaFin hat die Fusion jedoch nicht unterbunden.

Wir fragen die Bundesregierung:

1. Welche, Untersuchungshandlungen hat die BaFin im Zusammenhang mit der Fusion der Unternehmen Adler Real Estate, Ado Properties und Conus Real Estate getätigt?
   a) Wann und in welcher Form hat die BaFin erstmalig Kenntnis von den Fusionsplänen erlangt?
   b) Welchen Inhalt hatte der Hinweis von Timbercreek (heute Hazelview Investments genannt) zu möglichen Interessenkonflikten bei der Fusion an die BaFin (vgl. https://www.handelsblatt.com/finanzen/immobilien/immobilien-warum-die-adler-real-estate-ag-fast-eine-halbe-milliarde-euro-abschreiben-musste/27541316.html)?
   c) Hat die BaFin weitere Hinweise bezüglich dieser Fusion erhalten, und wenn ja, wie viele?
   d) Welche Prüfungen wurden von welcher Stelle innerhalb der BaFin aufgrund des Hinweises (bzw. der Hinweise) vorgenommen?
   e) Gab es Whistleblower-Hinweise zur Fusion an die BaFin?
   f) Wie begründet die BaFin die Entscheidung, die Fusion nicht zu unterbinden?
2. Haben die BaFin, die Financial Intelligence Unit, die Sicherheitsbehörden oder andere Bundesbehörden jenseits des Aspektes der Fusion weitere Hinweise (z. B. Geldwäscheverdachtsmeldungen oder Warnungen hinsichtlich etwaiger Bilanzmanipulationen) bezüglich des Konzerns Adler Real Estate oder verbundener Unternehmen erhalten?

   Wenn ja, wie viele derartige Hinweise sind erfolgt, und wie wurde mit diesen Hinweisen umgegangen (bitte jeweils den Zeitpunkt der Meldung sowie die Behörde angeben, die den Hinweis erhielt)?
3. Gibt es derzeit Ermittlungen seitens der BaFin oder anderer Bundes- bzw. Strafverfolgungsbehörden im Zusammenhang mit der Adler Real Estate oder mit verbundenen Unternehmen, und wenn ja, welche?
4. Welche Kontakte gab es zwischen Mitgliedern der Bundesregierung und Cevdet Caner von der Ado Properties (vgl. https://www.wiwo.de/my/finanzen/immobilien/ado-properties-geniales-geschaeft/25683326-2.html?ticket=ST-2858943-Tev4CnpgvYcbcA610lKp-ap1; bitte Zeitpunkt, Teilnehmende und Anlass bzw. Thema auflisten)?
5. Hat das Bundesministerium für Wirtschaft und Energie jemals Prüfungshandlungen (z. B. für Bundestagsabgeordnete) in Bezug auf die Zuverlässigkeit von Cevdet Caner oder der Adler Real Estate Gruppe und der mit ihr verbundenen Unternehmen durchgeführt?
6. Hatte die Bundesregierung Hinweise darauf, dass Cevdet Caner in irgendeiner Form an der Fusion beteiligt ist oder Einfluss auf die an dem Deal beteiligten Unternehmen hat?

7. Wie viele Mieterinnen und Mieter leben nach Kenntnis der Bundesregierung in Immobilien der Adler Real Estate Gruppe (einschließlich der Ado Properties und der Conus Real Estate) in Deutschland?
   a) Auf welche Bundesländer verteilen sich die Immobilien?
   b) Wie groß ist der Marktanteil der Gruppe in Bezug auf den deutschen Wohnungsmarkt?

Berlin, den 6. September 2021

Amira Mohamed Ali, Dr. Dietmar Bartsch und Fraktion

Translated – Bundestag Letter to BaFin

German Bundestag **Printed Paper** 19/32347

19th legislative period 08.09.2021

minor inquiry

by Fabio De Masi, Jörg Cezanne, Klaus Ernst, Stefan Liebich, Thomas Lutze, Pascal Meiser, Bernd Riexinger, Dr Axel Troost, Alexander Ulrich, Dr Sahra Wagenknecht and the DIE LINKE Group.

Media reports about problems at the real estate group Adler Real Estate AG

In 2020, the real estate group Adler Real Estate merged with its competitor Ado Properties and the project developer Conus Real Estate to form an integrated real estate group with around 52,000 apartments in Germany. Handelsblatt" describes the complex merger as follows:

"First, in September, Adler Real Estate acquired the Israeli Ado Group for €708 million, thereby securing control of its subsidiary Ado Properties - at twice the market price at the time. Shortly afterwards, the board of Ado Properties resigned. Five members of the Board of Directors also resigned.

The new management of Ado Properties then announced five days later that it would now take over its highly indebted major shareholder Adler Real Estate and, in a second step, the ailing project developer Consus Real Estate. The subsidiary thus took over the company that had previously taken over the parent company.

Critics complained that the deal was at the expense of Ado Properties and its shareholders. In order to cover the costs and pay off Adler Real Estate's debts, the company had to take out a loan of 3.5 billion euros with the US bank JP Morgan. Analysts also criticized that the portfolio of Ado Properties, which specializes in Berlin, would be diluted." (cf. https://www.handelsblatt.com/finanzen/immobilien/immobilien-waru m-the-adler-real-estate-ag-had-to-write-off-nearly-half-a-billion-euros/2 7541316.html).

According to the Handelsblatt, Adler Real Estate AG has now had to write off 491 million euros, which the company attributes to the Corona pandemic. According to critics of the merger, Adler Real Estate's debts were paid off in the merger, to the detriment of Ado Properties and its shareholders. Critics complain that the complex takeover process was not transparent for investors. There was even a warning from asset manager Timbercreek (now called Hazelview Investments) to the German Federal Financial Supervisory Authority (BaFin) about potential conflicts of interest. However, BaFin did not stop the merger.

Printed Matter -–2 German Bundestag - 19th legislative

We ask the federal government:

1. what investigative measures has BaFin taken in connection with the merger of Adler Real Estate, Ado Properties and Conus Real Estate?

   a) When and in what form did the BaFin first become aware of the Merger plans?

   b) What was the content of the notice from Timbercreek (now called Hazelview Investments) to BaFin on possible conflicts of interest in the merger (cf. https://www.handelsblatt.com/finanzen/immobilien/immobilien-warum-die-adler-real-estate-ag-fast-ein-halbe-milliarde-euro-abschreiben-müsse/27541316.html)?

   c) Has BaFin received any further information regarding this merger, and if so, how many?

   d) What checks were carried out by which unit within BaFin on the basis of the notice (or notices)?

   e) Were there any whistleblower tips on the merger to BaFin?

   f) How does BaFin justify the decision not to bind the merger?

2. have BaFin, the Financial Intelligence Unit, the security authorities or other federal authorities received any other information (e.g. suspicious money laundering reports or warnings regarding possible balance sheet manipulation) regarding the Adler Real Estate Group or affiliated companies beyond the aspect of the merger?

   If so, how many such notifications have been made and how have they been dealt with (please indicate in each case the date of the notification and the authority which received the notification)?

3. are there currently investigations on the part of BaFin or other federal or state authorities? law enforcement agencies in connection with Adler Real Estate or related entities, and if so, which ones?

4. what contacts have there been between members of the federal government and Cevdet Caner of Ado Properties (cf. https://www.wiwo.de/my/finan zen/real-estate/ado-properties-geniales-geschaeft/25683326-2.html? ticke t=ST-2858943-Tev4CnpgvYcbcA6101Kp-ap1; please list date, participants and occasion or topic)?

5. has the Federal Ministry for Economic Affairs and Energy ever carried out auditing activities (e.g. for members of the Bundestag) with regard to the reliability of Cevdet Caner or the Adler Real Estate Group and its affiliated companies?

(6) Did the Federal Government have any indication that Cevdet Caner was in any way involved in the merger or had any influence on the companies involved in the deal?

German Bundestag - 19th legislative -–3 Printed Matter

7. to the knowledge of the Federal Government, how many tenants live in properties owned by the Adler Real Estate Group (including Ado Properties and Conus Real Estate) in Germany?

   a) Which federal states are the properties distributed among?

   (b) What is the market share of the group in relation to the German Housing market?

Berlin, 6 September 2021

Amira Mohamed Ali, DrDietmar Bartsch and Group

Annexure 10 – Letters from Adler and Aggregate

Letter from Adler received October 5, 2021, at 11:06 AM CET

From:	Sitta, Florian <f.sitta@adler-group.com>
Sent:	Tuesday, October 5, 2021 11:06 AM
To:	Viceroy Research
Subject:	Adler Group - Viceroy Research report

Dear Viceroy Research Team,

due to certain rumors in the market it came to our attention that you and/or your founder, Fraser Perring, may intend to publish a report imminently regarding Adler. This surprises us since you had refuted such a report in June 2021. We understand that such report may contain allegations against Adler which, if published, would have an adverse impact on Adler. Could you please confirm whether or not you are preparing and/or intending to publish such report regarding Adler?

In case you are intending to publish a report, you have unfortunately not reached out to us in order to provide us with a reasonable opportunity to comment and to ensure the accuracy of all information that may be included in such report. Please provide us with a copy of the report prior to publication - we are happy to respond and comment.

Many thanks and best regards

Mit freundlichen Grüßen

Florian Sitta
General Counsel

Adler Group S.A.

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ADLER GROUP

Letter from Aggregate's lawyers received October 5, 2021, at 12:52 PM CET

Mishcon de Reya

Our Ref: DW/AWD/HAJ

Your Ref:

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Viceroy Research LLC
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Delaware
19801 USA

5 October 2021

BY POST AND E-MAIL

Dear Viceroy Research

Our client: Aggregate Holdings SA

We act for Aggregate Holdings SA (**Aggregate**), a shareholder of Adler Group SA (**Adler**).

We understand you and/or your founder, Fraser Perring, intend to publish a report imminently regarding Adler (the **Proposed Report**). We understand that the Proposed Report may contain serious and highly damaging allegations against Adler which, if published, would have a significant and adverse impact on Adler and, consequentially, Aggregate.

You have made no attempt to contact our client prior to publication in order to put any allegations and/or questions to it and provide it with a reasonable opportunity to respond, despite its interest in Adler being a matter of public record.

We also understand that you have made no attempt to contact Adler. You have not provided either our client or Adler with any opportunity to address any matters which you intend to publish in the Proposed Report – it appears you have no desire to engage in a candid and honest dialogue about any of these matters. Instead, our client's concern is that you are intent on inflicting maximum damage on it and Adler in order to further your own commercial ends or those of associated parties.

In any event, our client is in the dark as to the nature and scope of the Proposed Report.

In addition to any defamation claim which the publication of any false allegations in the Proposed Report would give rise to (on behalf of our client and/or Adler), the publication of any such allegations which have the effect of damaging our client's economic interests may give rise to claims in malicious falsehood (your failure to make any attempt to check the veracity of the allegations with our client and/or Adler clearly constituting malice) and tortious interference.

Should you wish to demonstrate that you have acted responsibly in the preparation of your Proposed Report, and to avail yourself of a public interest defence in any claim for defamation, we invite you to contact our client prior to publication and allow it a reasonable time to respond and/or take the appropriate pre-publication steps.

67128692.3
Switchboard: +44 (0)20 3321 7000 London: Mishcon de Reya LLP
Main Fax: +44 (0)20 7404 5982 New York: Mishcon de Reya New York LLP

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Mishcon de Reya

If, however, you choose to take the misguided step of publishing a report which you know will have a significant and adverse impact on our client and/or Adler without first communicating with it, it reserves the right to take whatever steps are necessary in order to protect its interests.

Our client's rights are expressly reserved.

Yours faithfully

Mishcon de Reya LLP

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