On behalf of:

Clearway Capital Partners ICAV

Atlas Global AG

Mr. Gregor Greber

Mr. Markus Eberle

Zurich, 24 August, 2024

Subject: GZO AG Bondholder Meeting

Dear fellow bondholders,

As you may know, a group of GZO AG's creditors composed of Clearway Capital Partners ICAV, an investment fund focused on impact investing in European public markets, Mr. Gregor Greber and Mr. Markus Eberle, two Zurich-based entrepreneurs, and Atlas Global AG, a family office, have requested a bondholder meeting of the GZO AG 1.87% June 2024 bonds, which will be held on October 25th, 2024.

We are writing to clarify our position in relation to certain elements of the proposals we are presenting and to provide you with additional background information to help inform your voting decisions at the upcoming meeting. Your vote will directly impact the future of GZO AG and the value of your investment.

The group initiated its engagement with GZO AG ("GZO" or "the Company") earlier this year when it became clear that GZO's board was not acting in the best interests of its creditors, of its shareholders and of the Company itself.

According to information disclosed publicly by the Company, last year the board had initiated discussions with a strategic investor to purchase 49% of the Company's equity at an implied CHF 120 million valuation. This valuation assumed that all company liabilities were at their nominal value. When this option fell through in late 2023, the board had not prepared any alternative plan. As a result, they entered a provisional composition moratorium, assuming it was too late to convene a bondholder meeting to request an extension of the bond's maturity.

The Swiss composition moratorium process is an alternative to bankruptcy and is intended to help companies continue as a going concern under a reduced debt load in the absence of a private solution. This process can only end in two possible outcomes: a composition agreement which requires the company to convince at least two thirds of its creditors to new terms (often including a haircut), or bankruptcy and ultimately liquidation. The composition moratorium is a good mechanism for companies with few tangible assets. GZO is not one of these companies: the market value of its assets exceeds the CHF 240 million[1] of liabilities by such a substantial margin that **there is no reasonable expectation that two-thirds of creditors would agree to a composition agreement that includes a haircut**.

We believe the GZO AG's board has chosen (or has been ill advised to choose) the wrong approach – an approach that *will almost certainly end up with the liquidation of the company.*

In a liquidation, creditors are likely to receive 100% of their money back, even if the hospital needs to be repurposed for other public services which are permitted under the current zoning rules. However, this is a terrible outcome for the hospital, for the 65 thousand patients that are treated annually, for the 900+ employees, for the shareholders and for the local communities.

For this reason, we are proposing as an alternative to extend the bond's maturity by three years giving the board time to come up with a permanent refinancing and restructuring plan.

In what follows, we would like to share with you our valuation of GZO's assets, more information around the logic of our bond term adjustment proposals and our response to the position that GZO has taken regarding our proposals. Further information can be also found on our website at www.gzo-bondholder.ch.

Valuation of GZO's assets

GZO's assets include, real-estate, a profitable hospital operation and a new building in which ~CHF 115 million have been invested and which sits 70% complete.

- **Liquidity:** as of December 31st 2023, the company had *~CHF 67 million* of cash and liquid assets. This represents ~28% of the total amount due to creditors. We furthermore understand that the hospital has generated positive cash flow in the first half of 2024.

- **Real-estate:** GZO owns real estate assets that include over 58 thousand sqm of land and multiple buildings with an estimated net lettable area exceeding 41 thousand sqm. With the help of a market leading real-estate firm, we conservatively estimate the value of the company's real-estate to **exceed CHF 75 million** *excluding the value of activated new-build construction costs from the new hospital buildings in which nearly CHF 115 million have been invested.*

  The real estate value is ~31% of the total outstanding debt.

[1] The CHF 240 million of liabilities assumes CHF 10 million of other claims in addition to the CHF 230 million of debt outstanding

- **Hospital Operations:** the hospital operating company ("OpCo") generates ~ CHF 155 million in revenue with a stated 8% - 12% EBITDA margin target. If valued in line with comparable public companies, we estimate the OpCo to be worth up to ~CHF 128 million (after a sale of the real-estate).

- **Activated Construction Costs:** GZO has spent CHF 115 million on the construction project for the new hospital building. The carrying value is currently CHF 95 million, which was approved by the board of directors on April 19, 2024 and by shareholders at the annual shareholder meeting held on June 21, 2024. The building currently sits empty and is reported to be 70% complete. Alternative uses for the building permitted under current zoning laws would allow for substantial recoverable value.

The value of the company's assets could exceed CHF 365 million, CHF 125 million more than outstanding amounts due to creditors.

Under the rules of the composition moratorium, any proposal that the Company makes will need to be accepted by creditors representing two-thirds of the outstanding debt **and** *one half of the creditors by number*.

Based on the supportive feedback received from institutional and retail investors alike who collectively hold sufficient nominal value and are greater in number than the minimum required to block any proposals that the board may bring, we are highly confident that the company will not be successful in its attempt to achieve the haircut it intends to seek and to subsidize the hospital's expansion at the expense of creditors.

This approach will result in liquidation which is why we are proposing an alternative.

A detailed presentation on our valuation of the Company's assets is available at *www.gzo-bondholder.ch.*

Clarifications and response to GZO's position

To overcome the problems outlined above, we are asking you to support four proposals at the upcoming bondholder meeting: an extension of the maturity of the bonds that will allow the company to exit the moratorium, a progressively increasing interest rate to incentivize the board to reach a timely solution, that all real-estate be pledged as collateral and that a bondholder representative be elected.

GZO has made numerous claims about our proposals, none of which had been discussed with us beforehand, but that we would nonetheless like to clarify:

- Contrary to GZO's statement, our proposal does not only benefit "certain" creditors, but it has **a provision that expressly benefits all pari-passu creditors**. Within the conditions to our proposal, we have included one stating that *no other debt shall be repaid during the three-year extension.* This condition indirectly requires the company to ensure that the holders of the CHF 10 million of notes due in 2025 are also willing to extend their maturity. We have indicated to the company that all pari-passu creditors should receive the same treatment.

The message that our proposals are detrimental to other creditors is untrue and we believe that in stating so, the **Board of Directors of GZO is intentionally misleading bondholders, other creditors and the public.**

- The step-up in the interest rate is designed to incentivize the board to act quickly to find a solution that will result in full repayment and to refinance the debt as soon as possible. While we recognize that this will place a marginal additional financial burden on the company should the board not take swift action, the company has CHF 67 million in cash from which it can comfortably pay the interest payments over three years. The average interest rate over the period is 3.625%, which is substantially lower than the current high yield rate that the company would pay to refinance (should it be possible to do so) in the absence of an explicit guarantee from the shareholder communities or the canton.

- The company has also raised concerns regarding our proposed bondholder representative. These regard the chairmanship of the bondholder meeting, the compensation of the bondholder representative and the right to observe board proceedings.

  Starting from the latter, the law stipulates in article 1160(2) of the Swiss Code of Obligations that bondholder representatives are only entitled to observe board meetings where matters regarding the bondholders are discussed. *We struggle to imagine any matters that the board could discuss in the present situation that do not concern the bondholders.*

  Regarding the representative's compensation, it is true that article 1163(2) of the Swiss Code of Obligations provides for bondholders to indirectly bear the costs of any additional representatives out of their distributions, however considering that the bonds are defaulted and that no distributions are being made, the company must assume this cost. Moreover, the company would be required to bear these costs anyways if the function of our proposed representative were to be performed by the current bondholder representative (which they are not).

  Despite this, we are willing to allow any costs to accrue and be paid out of distributions when made, including repayment of principal.

  Lastly, we have no objection to the chairmanship of the meeting being assumed by an independent third party.

In conclusion, there is no doubt that **a full repayment of principal is possible**, and three years of additional time are sufficient for the board to secure a permanent solution that will benefit <u>all</u> stakeholders and save the hospital from its otherwise likely demise.

We strongly urge you to support our proposed bond term adjustments at the upcoming October 25th meeting and to firmly oppose any company proposals that would impose a haircut on creditors. When assets so clearly surpass liabilities, creditors cannot be expected to give free money to shareholders.

By approving our proposals, bondholders will be providing the board with a clear solution making it highly unlikely that any judge will be able to approve a definitive moratorium. By supporting our proposals, bondholders will not only safeguard their investments but also contribute to a solution that preserves jobs, sustains critical community services, and ensure the hospital's continued operations.

We remain at your disposal for any questions or clarifications and urge all creditors of GZO to get in touch with us at www.gzo-bondholder.ch.

Sincerely,

Clearway Capital Partners ICAV

Atlas Global AG

Gregor Greber

Markus Eberle

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