



Aroundtown SA  
*Société Anonyme*  
40, Rue du Curé  
L-1368 Luxembourg  
R.C.S. Luxembourg: B217868

(the “**Company**”)

---

**REMUNERATION REPORT**

---

for the  
FINANCIAL YEAR 2019

## Remuneration Report

This Remuneration Report (the “**Report**”) provides detailed information about the remuneration received by the board of directors and the senior management of Aroundtown SA (the “**Company**”) during the financial year 2019. In accordance with article 7ter of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies, as amended (the “**2011 Law**”), implementing the Shareholder Rights Directive II (EU) 2017/828 (the “**Directive**”) hereinafter the system of fixed and variable remuneration for the financial year 2019 shall be summarized.

This Report is submitted to the advisory vote of the Company’s shareholders in connection with agenda item 8 of the annual general meeting of the Company’s shareholders to be held on 24 June 2020 (the “**AGM**”).

## Remuneration Policy

In accordance with article 7ter of the 2011 Law, the Company established a remuneration policy (the “**Policy**”) with respect to the remuneration paid by the Company to its directors which shall have effect as of the financial year 2020. The Company’s remuneration committee established the Policy applicable to the board of directors and the senior management of the Company. The Policy which was acknowledged by the board of directors is submitted to the advisory vote of the Company’s shareholders in connection with agenda item 9 of the AGM.

The Policy shall have effect as of the 2020 financial year.

The Policy is intended to remain in place for four years, i.e. until the annual general meeting to be held in 2024. In the event of material changes and in any case, every four years, the remuneration policy shall be submitted to the advisory vote the Company’s shareholders.

## 1. INTRODUCTION

This Report for the financial year 2019 has been prepared in accordance with relevant corporate governance and legal requirements. The board of directors has approved this Report on 20 May 2020 upon recommendation of the Remuneration Committee. This Report provides a description of the 2019 remuneration granted by the Company and its group companies (together “**Aroundtown**”) to the board of directors and senior management.

This Report is submitted to the advisory vote of the Company’s shareholders in connection with agenda item 8 of the AGM.

With the presentation of the results for the financial year ending 31 December 2019, the Company provided a detailed overview of the relevant facts and developments in the performance and business environment of the Company.

### **Key Developments**

2019 has been another very successful year for Aroundtown.

The cash balance remains to be very strong and further increased to €2.2 billion. As of mid-March 2020, the actual cash balances (including TLG Immobilien AG (“**TLG**”)) further increased to €2.8 billion.

The operational performance with an increase in FFO I by 24% was achieved on the back of the strongly performing diversified portfolio with its different economic characteristics with a focus on the strongest economies in Europe, Germany and the Netherlands. Aroundtown remains to have among the highest asset type diversification within the European commercial real estate market which was further strengthened by the merger with TLG which took place in Q1 2020. Post merger with TLG, the portfolio’s largest asset type is offices which makes up around 47% of Aroundtown’s portfolio. The hotel portfolio makes up 24% which have all fixed long-term leases. The third largest segment with 12% is German residential through Aroundtown’s holding in Grand City Properties. Within each asset class Aroundtown focuses on a very high tenant diversification and diversification of the industries that its tenants operate in. Aroundtown (incl TLG) has a strongly diversified tenant structure with over 4,000 tenants, of which the top 10 tenants make up about 20% of the total rental income, and very long lease structures with a long-term WALT of 7.9 years.

### **Corporate Achievements in 2020**

Aroundtown successfully fully finalized the merger with TLG Immobilien AG by mid-February 2020 and now owns ca. 78% of TLG. TLG will be fully consolidated starting from the Q1 2020 financial reporting. Furthermore, Aroundtown was added to the newly launched DAX 50 ESG Index and ranked as the highest ESG ranked real estate constituent of the index and 10th highest among all constituents.

In addition, Aroundtown improved its ranking from Sustainalytics to 94th percentile from the 93rd previously.

## Financial Highlights FY 2019

- Net rental income increased 21% to €766 million, from €633 million in 2018.
- Adjusted EBITDA grew to €773 million, an increase of 28% compared to €606 million in 2018.
- Strong FFO I growth, increasing by 24% YOY to €503 million (in line with increased guidance from Q3 2019), underlining the strong and stable operational profitability.
- FFO I per share resulted in €0.43 for 2019 (in line with increased guidance from Q3 2019), 10% higher than in 2018, reflecting an FFO yield of 12% based on the current share price.
- FFO I per share after perpetual notes attribution of €0.38 (in line with increased guidance from Q3 2019) an increase of 12% YOY.
- Successful disposals resulted in an FFO II of 2019 to €814 million, up by 42% compared to 2018.
- Net Profit amounting to €1.7 billion, compared to €1.8 billion in 2018 underlining the Company's strong value creation. EPS (basic) amounted to €1.12.
- Strong EPRA NAV growth, increasing to €10.6 billion as of year-end 2019, an increase of 22% compared to year-end 2018, EPRA NAV per share grew by 13% to €8.7 as of year-end 2019.
- Very strong cash position amounting to €2.2 billion and €14.2 billion of unencumbered assets. As of mid-March 2020 the cash position increased to €2.8 billion and unencumbered assets increased to over €16 billion (including TLG).
- EPRA NAV including perpetual notes amounting to €13.1 billion or €10.7 per share as of December 2019.
- Total Equity amounted to €13.4 billion as of December 2019, reflecting an increase of 35% compared to year-end 2018, representing an equity ratio of 53%.
- Investment property increased to €18.1 billion as of year-end 2019, increasing 28% from year-end 2018.
- Aroundtown's conservative financial structure has been strengthened with a low LTV of 34% as of December 2019 remaining well below the 45% Board of Directors' limit and well below the EMTN bond covenants of 60%.
- Secure debt profile with a strong ICR of 4.8x, long average debt maturity period of 7.2 years with no material debt repayments in the coming 4 years, low average cost of debt of 1.7%
- Consistently strong internal growth supported by the total net rent LFL growth of 4.2% (in line with guidance), with 3.6% from in-place rent increases and 0.6% as a result of occupancy increases.

- Full year 2019 guidance met

Financial statements for the financial year 2019 are available on the Company's website:

<https://www.aroundtown.de/investor-relations/publications/financial-reports/>

## **2. MAIN CONSIDERATIONS OF THE REMUNERATION**

The Company's remuneration structure for the executive board members and senior management is based on fixed and variable compensation and involving long-term and/or short-term incentives. The independent directors' remuneration is based on a fixed amount only.

The overall aim of the Company's remuneration structure is to provide a total compensation to motivate executive management and directors towards the achievement of long-term goals and short-term milestones which promote long-term goals in order to promote the Company's business strategy, long-term value creation and sustainability. It shall provide adequate compensation in consideration of the responsibilities, competency, commitment, workload, time spent and performance of each individual. The Company aims to ensure that the Company continues to attract and retain those individuals who consistently perform at or above expected levels and contribute to the success of the Company. The remuneration structure shall further ensure a close link between the interests of the executive management and the interests of the Company's stakeholders.

## **3. FIXED REMUNERATION**

During the financial year 2019, the Company paid the following fixed remuneration:

### **3.1 Base Remuneration, Fees and Allowances**

The non-performance related fixed remuneration for the financial year 2019 was as follows:

#### CEO

The CEO received an annual fixed compensation for his executive management role within the Company and its Group of in total 503 TEUR plus 92 TEUR of allowances.

#### Deputy CEO

The Deputy CEO received a fixed compensation for his executive management role within the Company and its Group of annual 239 TEUR gross plus 11 TEUR of allowances.

#### CFO

The CFO received a fixed compensation for his executive management role within the Company and its Group of annual 262 TEUR gross plus 4 TEUR of allowances.

### Executive Directors

Mr. Oschrie Massatschi received a fixed compensation for his executive management role within the Company and its Group of annual 160 TEUR gross plus 14 TEUR of allowances and 90 TEUR gross of fees related to his corporate duties as member of the Board of Directors.

Mr. Frank Roseen received a fixed compensation for his executive management role within the Company and its Group of annual 210 TEUR gross and 90 TEUR gross of fees related to his corporate duties as member of the Board of Directors.

Mrs. Jelena Afxentiou received a fixed compensation for his executive management role within the Company and its Group of annual 98 TEUR gross and 90 TEUR gross of fees related to her corporate duties as member of the Board of Directors.

### Independent and Non-Executive Directors

The independent directors Mr. Markus Kreuter and Mr. Markus Leininger each received a base remuneration of annually 100 TEUR gross for their mandate in the financial year 2019. Of this amount, 60 TEUR gross referred to Mr. Kreuter's and Mr. Leininger's mandates as independent directors and 40 TEUR gross for their mandates as members of the audit committee.

The independent director Dr. Axel Froese received until his mandate expired during 2019 a base remuneration of 30 TEUR gross.

## **3.2 Allowances**

The term "allowances" refers to one or more of the following: company car, accommodation, communication, health insurance and other benefits.

Travel expenses have been reimbursed according to the Company's travel expense policy.

Pension arrangements or other extraordinary items have not been granted.

## **4. VARIABLE REMUNERATION**

### **4.1 Short-term Incentive Payments**

During the financial year 2019, the Company granted the following variable short-term incentive to its executive management.

The Deputy CEO received a short-term incentive in the amount of 150 TEUR gross as a one-time payment for the good performance and tasks fulfilled.

Mr. Oschrie Massatschi received a short-term incentive in the amount of 30 TEUR gross as a one-time payment for good performance and tasks fulfilled.

## 4.2 Share-based Remuneration

During the financial year 2019, the Company granted the following share-based remuneration to its executive management based on the Company's share incentive plans.

### Deputy CEO

The Company and the Deputy CEO entered into share-based incentive programs as follows:

**Program A** – relating to a fixed amount of 480,000 shares vested proportionally for the period since 1 January 2018 until 30 June 2021.

**Program B** – relating to a fixed amount of 42,828 shares vested proportionally for the period since 1 July 2018 until 30 June 2022.

All shares vested under Program A and Program B will be delivered at the end of each program. However, it was agreed that the Deputy CEO shall receive the total vested amount pro rata, in case the Company releases him before the end of the program. In all other circumstances, the amount vested shall be reduced to 1/3 in order to motivate the Deputy CEO to complete the full program period.

During the financial year 2019, the value of the share-based remuneration vested in relation to Program A and B amounted to 820 TEUR.

### CFO:

The Company and the CFO entered into a share-based incentive program relating to a fixed amount of 222,000 shares vested proportionally for the period since 1 January 2017 until 31 December 2020.

All shares vested under the program will be delivered at the end of the program. However, it was agreed that the CFO shall receive the total vested amount pro rata, in case the Company releases him before the vesting period expires. In all other circumstances the amount vested shall be reduced to 1/3 in order to motivate the CFO to complete the full vesting period.

During the financial year 2019, the value of the share-based remuneration vested in relation to the program amounted to 401 TEUR.

### Oschrie Massatschi:

The Company and Mr. Oschrie Massatschi entered into share-based and direct operational incentive programs as follows:

**Program A** – relating to a fixed amount of 185,000 shares vested proportionally for the period since 1 January 2019 until 30 September 2022.

All shares vested under Program A will be delivered at the end of the program. However, it was agreed that Mr. Oschrie Massatschi shall receive the total vested amount pro rata, in case the Company releases him before the vesting period expires. In all other circumstances the amount vested shall be reduced to 1/3 in order to motivate Mr. Oschrie Massatschi to complete the full vesting period.

During the financial year 2019, the value of the share-based remuneration vested in relation to Program A amounted to 325 TEUR.

**Program B** – relating to a variable amount of shares linked to the following success parameters:

- (i) additional 10,000 shares in case the Company shall receive a A- rating or above until 31 December 2021;
- (ii) additional 10,000 shares if the funds from operations one (FFO I) per share growth of the Company are equal or above 12% in average per year in the following four financial years (2019-2022); and
- (iii) additional 10,000 shares if the net EPRA asset value (EPRANAV) per share growth of the Company is equal or above 15% in average per year in the following four financial years (2019-2022).

#### Mr. Frank Roseen

The Company and Mr. Frank Roseen entered into share-based and direct operational incentive programs as follows:

**Program A** – relating to a fixed amount of 100,000 shares vested proportionally for the period since 1 January 2018 until 31 December 2021.

All shares vested under Program A will be delivered at the end of the program. However, it was agreed that Mr. Frank Roseen shall receive the total vested amount pro rata, in case the Company releases him before the vesting period expires. In all other circumstances the amount vested shall be reduced to 1/3 in order to motivate Mr. Frank Roseen to complete the full vesting period.

During the financial year 2019, the value of the share-based remuneration vested in relation to Program A amounted to 200 TEUR.

**Program B** – relating to a variable amount of shares linked to the following success parameters:

- (i) additional 10,000 shares in case the Company shall receive a A- rating or above until 31 December 2021;
- (ii) additional 10,000 shares if the funds from operations one (FFO I) per share growth of the Company are equal or above 12% in average per year in the following four financial years (2018-2021); and

- (iii) additional 10,000 shares if the EPRA net asset value (EPRANAV) per share growth of the Company is equal or above 15% in average per year in the following four financial years (2018-2021).

#### Mrs. Jelena Afxentiou

The Company and Mrs. Jelena Afxentiou entered into share-based and direct operational incentive programs as follows:

**Program A** – relating to a fixed amount of 75,000 shares vested proportionally for the period since 1 January 2019 until 31 December 2022.

All shares vested under Program A will be delivered at the end of the program. However, it was agreed that Mrs. Elena Afxentiou shall receive the total vested amount pro rata, in case the Company releases her before the vesting period expires. In all other circumstances the amount vested shall be reduced to 1/3 in order to motivate Mrs. Jelena Afxentiou to complete the full vesting period.

During the financial year 2019, the value of the share-based remuneration vested in relation to Program A amounted to 135 TEUR.

**Program B** – relating to a variable amount of shares linked to the following success parameters:

- (i) additional 10,000 shares in case the Company shall receive a A- rating or above until 31 December 2021,
- (ii) additional 10,000 shares if the funds from operations one (FFO I) per share growth of the Company are equal or above 12% in average per year in the following four financial years (2019-2022) and
- (iii) additional 10,000 shares if the EPRA net asset value (EPRANAV) per share growth of the Company is equal or above 15% in average per year in the following four financial years (2019-2022).

In addition, during the financial year 2019, Mrs. Jelena Afxentiou received the amount 238 TEUR in connection with the execution of share-based remuneration in the previous financial year 2018.

## **5. COMPLIANCE WITH THE REMUNERATION POLICY**

The Company's remuneration policy is presented to the AGM of the Company on 24 June 2020 and is therefore for the first time subject to an advisory non-binding vote of its shareholders. Such remuneration policy is intended to be applicable as of the financial year 2020. Therefore, the Company will report on its compliance with, or in case applicable, any derogations and deviations from its remuneration policy and from the procedure for its implementa-

tion with the then applicable remuneration in its remuneration report for the financial year 2020.

In this context, the Company makes reference to the transitional regime as set out in the draft guidelines on the standardised presentation of the remuneration report under the Directive, as communicated by the Commission of the EU.

With regard to the remuneration paid during the financial year 2019, the principles of fixed remuneration and variable remuneration have been reviewed and recommended by the Company's remuneration committee.

## **6. COMPARATIVE INFORMATION OF REMUNERATION**

A comparison with the previous financial years will be provided in the Company's future reports concerning the following financial years. Due to the new implementation of the Directive, the Company was so far not required to report on the specific reporting parameters set out in the Directive concerning the remuneration of its directors. Therefore, the Company will start to provide its comparative information of remuneration with the remuneration report for the financial year 2020, comparing to financial year 2019. Hereinafter, year by year, the Company will fulfil the required comparison of that least five most recent financial years.

In this context, the Company makes reference to the transitional regime as set out in the draft guidelines on the standardised presentation of the remuneration report under the Directive, as communicated by the Commission of the EU.

## TABLE OF CONTENTS

Section	Page
1. Introduction.....	3
2. Main Considerations of the Remuneration .....	5
3. Fixed Remuneration.....	5
4. Variable Remuneration .....	6
5. Compliance with the Remuneration Policy .....	9
6. Comparative Information of Remuneration.....	10

## DEFINITIONS

2011 Law .....	2
AGM.....	2
Aroundtown.....	3
Company.....	2
Directive .....	2
Policy .....	2
Report .....	2