



ADO Properties S.A.

Société anonyme

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REMUNERATION REPORT

FOR THE FINANCIAL YEAR 2019

I. INTRODUCTION

This remuneration report constitutes the report on the remuneration awarded or due¹ by ADO Properties S.A. (the “**Company**”) and its group entities to the members of the board of directors (the “**Board**”) and senior management who are appointed as daily managers (*délégué(s) à la gestion journalière*) of the Company for the financial year ending 31 December 2019 (the “**FY 2019**”) (the “**Remuneration Report**”).

The Remuneration Report is drawn up in accordance with the national legislation implementing the provisions of Directive (EU) 2017/828 (the “**Directive**”), especially the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies, as amended, and any other laws and regulations of the Grand Duchy of Luxembourg.

This Remuneration Report has been approved by the Board on 24 August 2020, as recommended by the nomination and compensation committee of the Company, and shall be the first remuneration report to be submitted to the general meeting of shareholders of the Company (the “**General Meeting**”) for an advisory vote, since the national legislation transposing the Directive came into effect.

The Company has established a remuneration policy (the “**Remuneration Policy**”) to be applied to the remuneration of the members of the Board and members of the senior management who are appointed as daily managers (*délégué(s) à la gestion journalière*) of the Company. The Remuneration Policy shall be submitted for the first time to the General Meeting to be held on 29 September 2020 for an advisory vote.

As required by applicable law, the Company will report its compliance with, and include any derogations and deviations from, the Remuneration Policy, in its remuneration report for the financial year ending 31 December 2020.

Highlights of FY 2019

The Company reported strong full year financial results for 2019 with significant growth in rental income and EPRA Net Asset Value per share of 5.2% and 19.5%, respectively.

Key operational figures show sustained growth

The income from rental activities of the Company increased by 5.2% in 2019 to EUR 141.6 million (2018: EUR 134.6 million) due to strong like-for-like rental growth of 5.0% as well as further reduced vacancy. The net rental income increased to EUR 134.1 million (2018: EUR 128.0 million). The Company predicts, following the combination with ADLER, to generate net rental income in the range of EUR 280-300 million in the financial year 2020.

The Company’s EBITDA from rental activities fell by 2.5% to EUR 92 million (2018: EUR 93.8 million) in 2019. Funds from operations (“**FFO 1**”) (from rental activities) decreased by 5.4% to EUR 63.2 million (2018: EUR 66.8 million) equivalent to an FFO 1 of EUR 1.43 per share (2018: EUR 1.51 per share). Combined FFO 1 with ADLER is forecasted to register within the range of EUR 105 million and EUR 125 million in the financial year 2020.

The average in-place rent of the residential portfolio increased to EUR 7.39 per sqm per month at the end of the year 2019 (31 December 2018: EUR 6.73). The vacancy rate for the residential portfolio decreased to 2.7% as of 31 December 2019 due to active lettings, sales and modernization activities (31 December 2018: 3.2%).

¹ To the extent that any member of the Board or member of senior management who is appointed as a daily manager of the Company has waived in writing to the Company, prior to the date hereof, his right to receive remuneration for FY 2019 (or any part thereof), the amount of such waived remuneration is not included in this report.

Ongoing portfolio optimization

As at 31 December 2019, the fair value of the Company's portfolio stood at EUR 3,664 million (31 December 2018: EUR 4,092 million). It comprised 17,637 units at the end of the reporting period, of which are 16,255 residential units (31 December 2018: 22,238 residential units). The average fair value per sqm of the residential portfolio increased to EUR 2,966 (31 December 2018: EUR 2,488). The EPRA Net Asset Value of the portfolio amounted to EUR 2.9 billion or EUR 65.80 per share as of 31 December 2019 (31 December 2018: EUR 55.05).

Disciplined financial structure

The Company has an LTV of 27% by 31 December 2019 and an average interest rate of 1.6%. The average maturity of the outstanding debts is approximately 4.2 years. Almost all loans have fixed interest rates or are hedged. The Company will continue with this sustainable financing strategy and targets an LTV of maximum 50%.

Transformational business combination with ADLER and Consus

On 15 December 2019, the Company announced its business combination with ADLER Real Estate AG ("**ADLER**") and a strategic cooperation agreement with Consus Real Estate AG ("**Consus**") to create one of the largest listed real estate companies in Europe. As announced on 30 March 2020, the Company's offer received strong support from ADLER shareholders with 91.93% of investors in the Company tendering their shares. Together with the shares of the Company indirectly held by ADLER ("*treasury shares*") the offer was accepted by 94.15% of ADLER's share capital. The business combination with ADLER brings together two high quality and complimentary portfolios diversified across key German cities with attractive growth potential. The combined company has a larger free float market capitalization and will be a potential MDAX candidate in the near term, allowing investors to benefit from enhanced liquidity. Through its strategic partnership with Consus, the Company gains access to a market leading development platform with a pipeline of over 15,000 residential rental units that will support the combined group's efforts to reduce the current housing imbalance in Germany.

Mietendeckel

The Mietendeckel law came into force in Berlin on 23 February 2020, effectively freezing rents as they stood on 18 June 2019 for a period of five years. As a combined entity with ADLER, EUR 119 million, or 35%, of the Company's total rental income is exposed to the regulation and it is expected Mietendeckel will reduce FY2020 FFO by EUR 1 million and FY2021 FFO by EUR 9 million.

Negligible impact from Covid-19

The Company is closely monitoring the spread of Covid-19 and is committed to ensuring the safety and health of all employees and tenants. The Company benefits from a reliable and high-quality stream of rental income and is confident that the pandemic will not materially impact FFO for 2020. The Company has robust financing structures in place and a strong liquidity position with EUR 500 million of directly accessible cash on hand. As such, the Company does not envisage that the pandemic will have a significant financial impact on the company and expects rental growth to continue outside of Berlin in the year ahead.

The annual report (including stand-alone and consolidated accounts and management report) of the Company for the FY 2019 is available on the Company's website:-

<https://www.ado.properties/websites/ado/English/4000/publications.html>

II. REMUNERATION OF THE BOARD OF DIRECTORS OF THE COMPANY

The composition of the Board of the Company during the FY 2019 incurred key changes.

At the date of submission of this Remuneration Report to the General Meeting, the Board is composed of the following seven directors: Dr. Peter Maser (independent director and chairman of the Board), Mr. Thierry Beaudemoulin (director), Mr. Maximilian Rienecker (director; appointed by co-optation on 28 April 2020), Ms. Arzu Akkemik (independent director), Dr. Michael Bütter (independent director), Dr. Ben Irle (director) and Mr. Jörn Stobbe (independent director).

The remuneration of members of the Board is determined by the general meeting of the Company.

On 20 June 2019 the general meeting of the Company approved annual non-performance related fixed remuneration of the directors in an amount of EUR 50,000 (gross) and an additional remuneration amount of EUR 1,500 (gross) per attendance at a meeting of the Board or any committee of the Company, of which the director is a member.

The total remuneration awarded or due in respect of FY 2019 to the current members of the Board who held office during FY 2019 is presented in the table below. One current member of the Board (Mr. Maximilian Rienecker) is not mentioned in the table below because he was appointed as a member of the Board only on 28 April 2020. All amounts are presented as gross figures in Euro.

Name and position	Base remuneration	Fees
Dr. Peter Maser non-executive independent director and chairman of the Board member of the audit committee member of the nomination and compensation committee	2,823	6,000
Mr. Thierry Beaudemoulin executive director and co-chief executive officer member of the ad hoc committee of the Company <i>Note: the remuneration related to this director's mandate as chief executive officer and daily manager is explained in the next section of this Remuneration Report</i>	2,823	6,000
Ms. Arzu Akkemik non-executive independent director and chairman of the Board member of the nomination and compensation committee	2,823	6,000
Dr. Michael Bütter non-executive independent director member and chairman of the audit committee	50,000	37,500
Dr. Ben Irle non-executive director	2,823	6,000
Mr. Jörn Stobbe non-executive independent director member of the audit committee member of the nomination and compensation committee	50,000	42,000

The total remuneration awarded or due to the former members of the Board for the FY 2019 (with the exception of Mr. Rabin Savion and Mr. David Daniel) is presented in the table below. All amounts are presented as gross figures in Euro.

Name and position	Base remuneration	Fees
Mr. Florian Sitta former non-executive director, resigned on 28 April 2020 member of the ad hoc committee of the Company	2,823	6,000
Mr. Moshe Dayan former non-executive director and chairman of the Board, resigned on 10 December 2019	23,520	7,500
Mr. Constantin Papadimitriou former non-executive director, resigned on 10 December 2019	23,520	9,000
Mr. Amit Segev former non-executive director, resigned on 10 December 2019	23,544	13,500

Mr. Rabin Savion, former director and chief executive officer of the Company (resigned on 22 July 2019), received remuneration only for his position as chief executive officer (daily manager) of the Company, which is explained in the section below.

Mr. David Daniel, former director and vice-chairman of the Board (resigned on 10 December 2019), received remuneration only as a daily manager (*délégué à la gestion journalière*), which is explained in the section below.

All directors of the Company are covered by the Company's directors' & officers' liability insurance and are entitled to reimbursement of any reasonable costs incurred within the scope of their duties as directors, upon presentation of proof of payment of such costs.

III. REMUNERATION OF PERSONS IN CHARGE OF DAILY MANAGEMENT OF THE COMPANY

The remuneration of daily managers (*délégués à la gestion journalière*) system provides for an annual base remuneration, a short-term incentive bonus (the "**STI-Bonus**") and a long-term share based incentive bonus (the "**LTI Bonus**"). In addition, other fringe benefits may be provided to daily managers, such as, *inter alia*, rental allowances, company cars, private health insurances and other insurance policies.

The composition of senior management, who were appointed as daily managers (*délégués à la gestion journalière*) of the Company during the FY 2019, incurred key changes.

As at the date of submission of this Remuneration Report to the General Meeting, the daily managers (*délégués à la gestion journalière*) of the Company are Mr. Thierry Beaudemoulin (director and co-chief executive officer (the "**co-CEO**")) and Mr. Maximilian Rienecker (director and co-CEO). Noting that Mr. Maximilian Rienecker was appointed as co-CEO of the Company as of 9 April 2020, Mr. Thierry Beaudemoulin was the sole chief executive officer and daily manager (*délégué à la gestion journalière*) of the Company from 10 December 2019 until 8 April 2020 (inclusive).

Pursuant to his service agreement with the Company, Mr. Thierry Beaudemoulin is entitled, for his activities as chief executive officer and daily manager (*délégué à la gestion journalière*) of the Company during the FY 2019 (i) to receive a fixed annual remuneration in a gross amount of EUR 500,000, payable in 12 equal instalments; (ii) to receive an annual variable STI-Bonus to be paid depending on the achievement of certain targets (the maximum value for an overall target of 100% is EUR 250,000 per annum); and (iii) to earn a variable LTI-Bonus payable (in cash or shares of the Company if the Company can issue said

shares) on the termination of the agreement (the base value for an overall target of 100% is EUR 250,000 per annum). Achievements of target objectives between the 50% minimum threshold and the 100% maximum threshold will entitle the senior executive to an LTI-Bonus and STI-Bonus payment linearly determined between the minimum and maximum LTI-Bonus and STI-Bonus amounts respectively.

According to the aforementioned service agreement, the STI-Bonus for a given financial year is payable at the latest with the next payroll run following the Company's annual general meeting approving the financial statements for the respective year in question. By way of exception, Mr. Thierry Beaudemoulin will only receive his 2019 STI-Bonus in 2021 when he is receiving his 2020 STI-Bonus.

The Board of the Company approved the following STI-Bonus targets for the financial year 2020, which shall also be a basis for the calculation of the STI-Bonus due to Mr. Thierry Beaudemoulin for the period from 10 December 2019 until 31 December 2019:-

- i. net rental income (weighting of 30%) – EUR 280,000,000;
- ii. FFO 1 (weighting of 30%) – EUR 105,000,000;
- iii. residential vacancy rate (weighting of 30%) – no more than 5 %;
- iv. a discretionary bonus of up to 10% of the maximum STI-Bonus.

By resolution of the Board, the indicated weightings may be adjusted in case one or several variables become obsolete or inappropriate in certain situations, e.g. a macroeconomic crisis.

By way of an example, if at the end of the FY2020, the net rental income of the Company is EUR 280,000,000, the FFO 1 is EUR 105,000,000, the residential vacancy rate is no more than 5% and the Board opts to award a discretionary bonus of 10% of the maximum STI-Bonus, then Mr. Thierry Beaudemoulin would be entitled to receive STI-Bonus in an amount of EUR 250,000 (gross) per annum - pro rated for the period from 10 December 2019 until 31 December 2019.

The Board of the Company approved the following LTI-Bonus targets for the financial year 2020, which shall also be a basis for the calculation of the LTI-Bonus due to Mr. Thierry Beaudemoulin for the period from 10 December 2019 until 31 December 2019:-

- i. the development of the net asset value (NAV) such that at the end of FY 2020, it is as forecast in the 2020 budget (EUR 4,523,000,000 – December 2020);
- ii. the development of the Company's share price in relation to the EPRA Germany index, from the appointment date of Mr. Thierry Beaudemoulin (10 December 2019) until end-December 2020.

The achievement of the LTI targets for a particular financial year is calculated after the close of that year and the corresponding LTI-Bonus entitlement will be determined at that time. The LTI-Bonus shall then only be distributed on or about termination of the service agreement. If the Company shall pay out LTI-Bonus in shares, the amount of shares shall be calculated by dividing the total LTI-Bonus amount due at termination, by the Company's share value. The Company's share value is taken to be average closing price for the 90 trading days prior to the termination date of the service agreement/payout date.

The total remuneration of Mr. Thierry Beaudemoulin for his role as a daily manager (*délégué à la gestion journalière*) of the Company for the FY 2019 is presented in the table below. All amounts are presented as gross figures in Euro.

Name and position	Fixed remuneration		Variable remuneration		Total remuneration
	Base salary	Fringe benefits ¹	STI-Bonus	LTI-Bonus	
Mr. Thierry Beaudemoulin executive director and co-CEO member of the ad hoc committee of the Company <i>Note: the remuneration related to this person's mandate as director is explained in the previous section of this Remuneration Report</i>	30,136.99	1,119.74	Please see above	Please see above	31,256.73 and variable remuneration to be determined by the Board in the year 2021

¹Fringe benefits include car lease and health insurance

In addition to the STI-Bonus and LTI-Bonus, the Board may, in its reasonable discretion, grant Mr. Thierry Beaudemoulin an additional bonus for outstanding performances without a prior agreement. A legal claim to such a discretionary bonus does not exist

As variable remuneration (STI-Bonus and LTI-Bonus) due to Mr. Thierry Beaudemoulin for the FY 2019 will be determined by the Board in the year 2021, this Remuneration Report cannot set out the relative proportion of fixed and variable remuneration of Mr. Thierry Beaudemoulin in the FY 2019. However, for explanatory purposes only, if all STI and LTI targets were met and the Board resolved to grant the 10% discretionary STI bonus, the relative proportion of fixed and variable remuneration of Mr. Thierry Beaudemoulin for FY 2019 would be 51%/49%.

The total remuneration of the former daily managers (*délégués à la gestion journalière*) of the Company for the FY 2019 is presented in the table on the next page. All amounts are presented as gross figures in Euro.

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Name and position	Fixed remuneration		Variable remuneration		Extraordinary items	Total remuneration
	Base salary	Fringe benefits	STI-Bonus	LTI-Bonus		
Mr. David Daniel former executive vice-chairman of the Board, resigned on 10 December 2019	56,290.32	N/A	140,000	200,000	250,000 ¹	646,290.32
Mr. Ran Laufer former CEO, resigned on 10 December 2019	145,556.45 ²	25,057.17 ³	61,221	47,797	462,111.27 ⁴	741,742.89
Mr. Eyal Merdler former CFO, resigned on 10 December 2019	70,000 ⁵	8,529.06 ⁶	32,500	42,500	140,000 ⁷	293,529.06
Mr. Eran Amir former COO, resigned on 10 December 2019	70,000 ⁸	2,624.75 ⁹	32,500	42,500	40,000 ¹⁰	187,624.75
Mr. Rabin Savion former executive director and CEO, resigned on 22 July 2019	174,166.67 ¹¹	8,897.16 ¹²	82,460	92,802 ¹³	1,250,000 ¹⁴	1,608,325.83

¹ Extraordinary items include bonus for a significant transaction

² EUR 48,518.82 paid by the Company; EUR 97,037.83 paid by ADO Properties GmbH

³ Fringe benefits include car lease and apartment rent

⁴ Extraordinary items include bonus for a significant transaction, a signing fee as well as a settlement amount pursuant to a settlement agreement dated 9 April 2020 (noting that a portion of that settlement amount could be considered as relating to 2020 as the notice period expired in June 2020). Part of the extraordinary items was paid by ADO Properties GmbH

⁵ EUR 23,333.33 paid by the Company; EUR 46,666.67 paid by ADO Properties GmbH

⁶ Fringe benefits include car lease and apartment rent

⁷ Extraordinary items include bonus for a significant transaction

⁸ EUR 23,333.33 paid by the Company; EUR 46,666.67 paid by ADO Properties GmbH

⁹ Fringe benefits include car lease and apartment rent

¹⁰ Extraordinary items include bonus for a significant transaction

¹¹ EUR 17,416.70 paid by the Company; EUR 156,750.30 paid by ADO Properties GmbH

¹² Fringe benefits include car lease

¹³ Settled in 31,412 shares

¹⁴ Extraordinary items include retirement bonus and settlement bonus pursuant to the agreement dated 13 June 2019

Ratio of fixed to variable remuneration of the former daily managers (*délégués à la gestion journalière*) of the Company in the FY 2019 was as follows:-

- David Daniel: 9%/91%
- Ran Laufer: 23%/77%
- Eyal Merdler: 27%/73%
- Eran Amir: 39%/61%
- Rabin Savion: 11%/89%

Daily managers (*délégués à la gestion journalière*) of the Company are covered by the Company's directors' & officers' liability insurance and are entitled to reimbursement of any reasonable costs incurred within the scope of their duties as daily managers (*délégués à la gestion journalière*), upon presentation of proof of payment of such costs.

IV. RIGHT OF RECLAIM

The Company did not have/exercise any right to reclaim variable remuneration during FY2019.

V. COMPARATIVE INFORMATION

The FY 2019 is the first year for which this reporting obligation exists. Therefore, the Company will provide for the first time comparative information on the remuneration with the FY 2019 in its remuneration report for the financial year ending 31 December 2020. The Company will, in the future, fulfil its obligation to provide the required comparison of at least five most recent financial years, but not going earlier than FY 2019 (i.e. the first financial year for which it was legally required for the Company to prepare a remuneration report).