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**AROUNDTOWN AND TLG SIGNED BINDING BUSINESS COMBINATION  
AGREEMENT**

**PAVING THE WAY TO BECOME ONE OF THE LEADING PAN-EUROPEAN  
COMMERCIAL REAL ESTATE COMPANY**

- After announcing non-binding terms, Aroundtown and TLG have now agreed on the final terms
- Aroundtown will make a voluntary tender offer in Aroundtown shares for all outstanding shares in TLG
- TLG shareholders will receive 3.6 new Aroundtown shares for each TLG share (based on June 30, 2019 EPRA NAVs per share of both companies)
- The combined business creates a market leader in offices and hotels, with combined asset base in excess of €25 billion
- Expected operational and financial synergies to result in annual pre-tax FFO savings of EUR 110 million to EUR 139 million over time
- Updated governance following successful merger, with TLG representatives further strengthening the existing Aroundtown management team
- Significant overlap in top tier cities such as Berlin, Frankfurt, Dresden, Leipzig and Hamburg, positioning the combined company as a leading landlord
- Management expertise and scale to accelerate and develop-to-core in prime locations and realize full potential of nearly €2 billion combined development potential
- TLG's major shareholder irrevocably supports the transaction

*18 November 2019.*

Following Aroundtown SA's ("**Aroundtown**") announcement on 1 September 2019 on the evaluation of a potential merger with TLG Immobilien AG ("**TLG**"), and subsequent announcement on 27 October 2019 on agreeing non-binding key terms for a potential merger, both companies have successfully agreed on terms to achieve a combination of their businesses from an economic, financial and operational standpoint.

On the basis of resolutions by its Board of Directors today, Aroundtown will be making a voluntary public tender offer to acquire the outstanding shares of TLG in consideration for shares of Aroundtown. TLG shareholders will receive 3.6 new Aroundtown shares for each TLG share, based on EPRA NAVs as of 30 June 2019 of both companies. Based on the closing price of the Aroundtown shares prior to the day of the announcement of the offer, the resulting offer price amounts to €27.655 per TLG share. TLG's boards will support the offer and, subject to review of the offer document, recommend their shareholders to accept the offer.

In order to implement the planned combination in an efficient and value creative manner, both companies have signed a Business Combination Agreement which addresses the common understanding in regards to strategy and structure of the combined Group.

The exchange offer is strongly supported by TLG's major shareholders representing, subject to certain conditions, approx. 28% of TLG's total share capital, supporting the transaction, with an irrevocable commitment to tender. The voluntary public tender offer is not expected to be conditional on a minimum acceptance ratio.

### **Creation of a market leader in European commercial real estate**

In the event of a successful transaction, Aroundtown and TLG will consolidate over €25 billion in combined assets and will rank as one of the top 3 real estate companies among listed European real estate with a focus on offices and hotels predominantly in Germany and the Netherlands, and, through its strategic holding in Grand City Properties SA, in residential.

The combined strategy will be built on existing similar value-add business models. Aroundtown's active asset management approach and experience in managing large scale value-add potential will be complemented perfectly by TLG's high quality stable asset base, with embedded redevelopment potentials in top tier locations. A strategy formed around critical mass in overlapping locations and asset classes, management's joint expertise in accelerating like-for-like rental growth and stronger negotiating power towards tenants and market participants will form the fundamentals of the operational strategy.

### **Highly synergetic combination, accretive to both shareholder groups**

Both companies have on the basis of mutual due diligence identified operational, financing and development synergies with a positive expected effect on combined FFO. Including the identified synergy potential, the transaction will be accretive from year 1 to all shareholders.

Both companies estimate an increase in FFO of the combined company in the range of €110-€139 million per annum (pre-tax) within five years post merger, which will be realized through operational cost synergies, financial savings by accelerating Aroundtown's goal of a rating upgrade and financial synergies on TLG level through benefitting from a higher rating.

Operational synergies in the expected amount of €24-€34 million per annum (pre-tax) mainly due to efficiency gains through joint operations and headquarters, strong portfolio overlap, efficient cost optimization on corporate cost level, ancillary cost reduction, scale benefits, IT systems etc.

In addition, the merger is credit rating enhancing which is expected to be a significant factor in accelerating refinancing benefits for Aroundtown's existing debt and perpetual notes, resulting in an acceleration related financial savings of €64-80 million per annum (pre-tax).

The synergies from financial savings on TLG's existing debt and perpetual notes in the amount of €22-25 million per annum (pre-tax) as TLG will benefit from the potential credit rating upgrade to A- of the combined entity.

### **Unlocking embedded potential of development pipeline**

Both companies' strong development pipeline is focused on top tier cities with significant embedded value of building rights and rent increase potential. The strong overlap supports planning, negotiation and execution processes and the enlarged combined development team with the substantial balance sheet scale will enable to accelerate the execution and completion of the development portfolio and thus result in earlier cash flow generation. The merger would enable to accelerate the organic develop-to-core prime assets while still keeping the development below 15% of the combined balance sheet. The combined companies stronger pre-letting capability can enable accelerated development without the risk of a speculative construction. The development potentials strongly complement each other and will enhance the quality of the existing portfolio with a high quality growth engine.

### **Attractive total return proposition and enhanced liquidity**

In addition to identified synergies, the combination will further reduce the risk profile for investors, improving the combined cost of equity. Strong value creation from active asset management, development as well as accretive acquisition pipeline will enhance the total shareholder return prospects.

Furthermore, with enhanced free float, liquidity and visibility, the merger supports potential DAX inclusion, which both companies expect will attract new pockets of large-cap capital and could trigger further positive re-rating of the share price.

### **Business Combination Agreement, forming the foundation for improved governance**

The Business Combination Agreement sets out Aroundtown's and TLG's common understanding as to, among other things, the strategy and structure of the combined company, the offer process, synergies potential, the future composition of the governance bodies of Aroundtown and TLG and the integration process.

Upon Aroundtown holding more than 50% of all shares in TLG ("Holding Threshold"), it is contemplated that Aroundtown will introduce a governance structure consisting of a management body (comité de direction) and a Board of Directors. Aroundtown's management body will consist of five members, and its board of directors of seven to eight, three to four of which will be independent. The CEO and additional two to four management body members are to be nominated by Aroundtown subject to the Holding Threshold. TLG is entitled to nominate the CFO subject to the Holding Threshold and an additional member of the management body upon reaching a holding of 66% of all TLG shares. One of the members nominated by TLG would carry the title of Co-CEO. Upon Aroundtown holding more than 40% of all shares in TLG, the Chairman of Aroundtown's board of directors would be nominated by TLG.

Aroundtown's current senior management and executive members of the Board of Directors have confirmed their long term commitment to continue leading the combined company as members of the respective governing bodies after completion of the transaction.

The Advisory Board of Aroundtown will stay unmodified, with the continuous leadership of the chairman Dr Gerhard Cromme and the vice chairmen Mr Gabay. The combined company will keep its seat in Luxembourg and is contemplated to do business under a new name to be defined jointly by Aroundtown and TLG. The German operational headquarters will continue to be in Berlin, Germany.

Shmuel Mayo, CEO of Aroundtown said: "After jointly announcing non-binding terms, we are pleased to be able to announce concrete plans to combine Aroundtown and TLG into a leading European commercial real estate player. This transaction will be accretive to both shareholder groups from year 1, in terms of FFO and NAV per share, portfolio quality and strategic positioning."

Gerhard Cromme, Chairman of Aroundtown's Advisory Board commented: "As previously stated, the strategic, operational and financial merits of merging the two companies are crystal clear to all of us. We have concluded our conversations and we are fully committed to continue working towards the consolidation of the leading European commercial property company in terms of scale, portfolio attributes, returns, risk, management and governance."

The exchange offer will be implemented subject to certain closing conditions for a transaction of this type and size. These conditions will be presented in the offer document and include, among others, the implementation of a capital increase in kind in order to create new shares for the exchange offer.

The business combination is intended to be concluded in Q1 2020.

Further details about the tender offer will be part of the offer document to be submitted to the German Federal Financial Supervisory Authority (BaFin). Aroundtown anticipates that the offer document will be published in a few weeks.

The offer is subject to approval of the offer document by BaFin, to the offer terms set out in the offer, and to approval by relevant anti-trust authorities. Following approval, the offer document will be made available on our website under [link](#).

JP Morgan, Deutsche Bank, Kempen and Victoria Partners are acting as financial advisers and Taylor Wessing and GSK Stockman are acting as legal advisers to Aroundtown.

### **About the Company**

Aroundtown SA (symbol: AT1), trading on the Prime Standard of the Frankfurt Stock Exchange, is the largest listed and highest rated (BBB+ by S&P) German commercial real estate company. Aroundtown invests in income generating quality properties with value-add potential in central locations in top tier European cities mainly in Germany/NL.

Aroundtown SA (ISIN: LU1673108939) is a public limited liability company (société anonyme) established under the laws of the Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under

number B217868, having its registered office at 1, Avenue du Bois, L-1251 Luxembourg, Grand Duchy of Luxembourg.

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