

General Meeting of TLG IMMOBILIEN AG on 21 May 2019

Report of the Management Board pursuant Section 71 para. 1 no. 8 sentence 5 of the German Stock Corporation Act in conjunction with Section 186 para. 4 sentence 2 of the German Stock Corporation Act

Pursuant to Section 71 para. 1 no. 8 sentence 5 in conjunction with Section 186 para. 4 sentence 2 of the German Stock Corporation Act, the management board submits the following report on Agenda Item 8 and Agenda Item 9 of the general meeting regarding the reasons for the authorization to exclude subscription rights of shareholders in connection with the sale of acquired treasury shares:

Under Agenda Item 8, the management board and supervisory board propose that the company be authorized to acquire treasury shares of the company corresponding to up to 10% of the share capital existing at the time of the resolution of the general meeting or – if lower – at the time of the exercise of the authorization until May 20, 2024. This authorization is set to enable repurchases of shares and the utilization of acquired shares. The existing authorization on the acquisition and utilization of treasury shares resolved by the extraordinary general meeting on September 25, 2014 will expire on September 24, 2019. The treasury shares may be acquired by the company itself as well as by dependent or majority-held companies (group companies) or third parties acting for the account of the company or group companies.

Under Agenda Item 9, the management board and the supervisory board propose that in addition to the options under Agenda Item 8, be authorized to utilize equity derivatives to acquire treasury shares.

The acquisition of treasury shares can take place through the stock exchange or by way of a Public Tender Offer or a Public Exchange Offer. In the course of the acquisition, the principle of equal treatment of shareholders according to Section 53a of the German Stock Corporation Act must be complied with. The proposed acquisition through the stock exchange or by way of a Public Tender Offer or Public Exchange Offer takes this into account. If the number of offered shares exceeds the purchase volume intended by the company in the course of a Public Tender Offer or Public Exchange Offer, the acquisition or exchange will take place on a pro rata basis, based on the ratio of the offered shares per shareholder. However, irrespective of the shares offered by the shareholder, a preferred purchase or exchange of a smaller number of up to 100 shares per shareholder can be provided. Shares with a price set by the shareholder at which the shareholder is prepared to sell the shares to the company and which is higher than the purchase price set by the company will not be taken into account in the acquisition. The same applies to an exchange ratio set by the shareholder by which the company would be required to deliver and transfer more Exchange Shares than in the exchange ratio set by the company for shares of the company.

- a) The proposed authorization provides that acquired treasury shares can be redeemed without any further resolution by the general meeting, or can be resold through the stock exchange or by way of a public offer to all shareholders. The redemption of treasury shares generally results in a reduction of the share capital of the company. However, the management board is also authorized to redeem the treasury shares without reducing the share capital pursuant to Section 237 para. 3 no. 3 of the German Stock Corporation Act. The proportion of the other shares in the share capital according to Section 8 para. 3 of the German Stock Corporation Act (nominal amount) would thus increase proportionally. For both sales methods, the corporate law principle of equal treatment will be complied with.
- b) In addition, it is also intended that the management board has the option to offer and transfer the treasury shares, with the consent of the supervisory board, as consideration in the course of mergers or as consideration when acquiring companies, plants, parts of companies or interests. The authorization proposed to this effect is intended to strengthen the company in competition for interesting acquisition objects and enable it to react to acquisition opportunities rapidly, flexibly and without adverse effects to its liquidity. The proposed exclusion of subscription rights of shareholders is taking this into account. The management board will decide whether treasury shares are to be utilized in any particular case, guided solely by the interests of the company and the shareholders. In the course of the valuation of the treasury shares and the consideration, the management board will ensure that the interests of the shareholders are reasonably protected. The management board will take into account the stock exchange price of the shares of the company. There is no schematic link to a stock exchange price, in particular to ensure that already achieved negotiation results are not questioned due to fluctuations in the stock exchange price.
- c) It is intended that the management board also has the option to sell acquired treasury shares, with the consent of the supervisory board, against cash payments to third parties under exclusion of subscription rights of the shareholders, if the sale price for each share does not significantly fall below the stock exchange price of shares of the company at the time of the sale. This authorization utilizes the option of a simplified exclusion of subscription rights permitted by Section 71 para. 1 no. 8 sentence 5 of the German Stock Corporation Act in analogous application of Section 186 para. 3 sentence 4 of the German Stock Corporation Act. This enables the management board to rapidly and flexibly use the opportunities of favorable stock exchange situations and achieve the highest possible resale price by setting the price close to the market. This makes it possible to strengthen the equity capital and access new groups of investors. The authorization is subject to the provision that shares issued under exclusion of subscription rights do not exceed a total of 10% of the share capital, neither at the time of the resolution nor at the time of the utilization of the authorization. Shares which have been issued during the term of the resale authorization in direct or analogous application of Section 186 para. 3 sentence 4 of the German Stock Corporation Act are to be credited against this limitation. The same applies to shares issued or to be issued to fulfill convertible bonds or option bonds, or participations rights with conversion or option rights, if these bonds were issued or sold during the term of this authorization up to this point in time under exclusion of subscription rights in analogous application of Section 186 para. 3 sentence 4 of the German Stock Corporation Act. The asset and voting interests of the shareholders will be sufficiently protected by this manner of selling treasury shares. In principle, shareholders have the option to maintain their proportionate participation on comparable conditions by acquiring shares through the stock exchange.

- d) The acquisition of treasury shares while utilizing derivatives in the form of put and call options or a combination of both instruments may only take place through option transactions with a financial institution or through the stock exchange at conditions close to market. To avoid a dilutive effect, the acquisition of treasury shares while utilizing derivatives in the form of put or call options or a combination of both instruments is also limited to a maximum of a total of 5% of the share capital, provided that the treasury shares acquired through derivatives are to be credited against the maximum limitation of 10% of the share capital of the company in the course of the acquisition and holding of treasury shares.
- e) In addition, it is also intended that the company be able to utilize its treasury shares to fulfill acquisition obligations or acquisition rights to shares of the company arising from and in connection with conversion bonds or option bonds, or participations rights with conversion or option rights, issued by the company or one of its group companies. To this effect, the subscription right of shareholders must be excluded. The same applies in case of a sale of treasury shares through a public offer to all shareholders for the option to grant creditors of such instruments subscription rights to shares to the extent to which they would be entitled to if the relevant conversion or option rights had already been exercised (protection against dilution). This authorization is subject to the condition that the shares issued under exclusion of subscription rights may not exceed a total of 10% of the share capital, neither at the time of the resolution nor at the time of the exercise of the authorization. Shares which have been issued during the term of the resale authorization in direct or analogous application of Section 186 para. 3 sentence 4 of the German Stock Corporation Act are to be credited against this limitation. This also applies to shares issued or to be issued to serve conversion bonds or option bonds, or participations rights with conversion or option rights, if these bonds were issued or sold during the term of this authorization up to this point in time under exclusion of subscription rights in analogous application of Section 186 para. 3 sentence 4 of the German Stock Corporation Act.

Pursuant to Section 71 para. 3 sentence 1 of the German Stock Corporation Act, the management board will report at the next general meetings on each exercise of this authorization, if any.

Berlin, April 2019

TLG IMMOBILIEN AG
– The management board –