

▼ REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

TLG IMMOBILIEN AG performed very well in the 2018 financial year and improved its key performance indicators yet again. We successfully carried out acquisitions and completed the integration of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (WCM AG).

A TRUSTING PARTNERSHIP WITH THE MANAGEMENT BOARD

In the 2018 financial year, the Supervisory Board fulfilled the responsibilities incumbent upon it in line with the law, Articles of Association, German Corporate Governance Code and rules of procedure with the greatest of care. It regularly advised the Management Board on the management of the company and monitored its activities.

As in previous years, the Management Board provided the Supervisory Board with regular, prompt and comprehensive reports on policies, strategy and planning and the position of the company, including opportunities and risks, the course of business and risk management. Any deviations between actual and planned developments were also discussed and significant transactions were coordinated between the Supervisory Board and the Management Board.

The Chairperson of the Supervisory Board and the other members of the Supervisory Board were also in frequent contact with the Management Board outside of the meetings of the Supervisory Board in order to discuss important matters. In particular, they discussed the strategic orientation and the development of the business of the company in detail.

The Supervisory Board was quickly and directly involved in all decisions of fundamental importance to the company and in all transactions requiring approval.

MEETINGS OF THE SUPERVISORY BOARD

In the 2018 financial year, the Supervisory Board convened twelve times – including seven times by way of a teleconference – to discuss current business developments, important transactions and transactions requiring approval. Furthermore, resolutions were passed by circulation in eleven cases.

The Supervisory Board passed the necessary resolution for each proposal after carrying out thorough examinations and holding detailed discussions in its meetings. All of the members of the Supervisory Board were present at every meeting in the reporting year.

In the 2018 financial year, the work of the Supervisory Board focused on planning and developing the business of TLG IMMOBILIEN AG as well as the corporate strategy and integration of WCM AG, the Alexanderplatz development project, property acquisitions and the appointment of new members to the Management Board.

The Supervisory Board regularly held in-depth consultations on the development of the office and retail portfolio as well as on the cash flows and liquidity of the Group.

The first resolution by circulation on **5 January 2018** extended the contracts of the members of the Management Board Peter Finkbeiner and Niclas Karoff. On **25 January 2018**, a resolution was passed by circulation to conclude a consultancy contract with Ms Stheeman. Additionally, a resolution was passed by circulation on **7 February 2018** to instruct the Management Board to have Mr Stefan E. Kowski appointed as a member of the Supervisory Board by court order.

In the first meeting held as a teleconference in the 2018 financial year on **16 February 2018**, the Supervisory Board addressed the development project on Alexanderplatz and revised the rules of procedure of the Management Board with regard to the authority of the Management Board in development projects.

On **28 February 2018**, a resolution was passed by circulation to have Mr Sascha Hettrich appointed as a member of the Supervisory Board by court order at the request of the Management Board.

In the meeting held on **16 March 2018**, an acquisition project and the development project on Alexanderplatz were discussed.

In the meeting held on **21 March 2018**, the annual and consolidated financial statements for 2017, the appropriation of net retained profits, the recommended auditor for 2018, the agenda and the proposals of the Supervisory Board for the 2018 general meeting were discussed and approved. Furthermore, the conclusion of control agreements with various subsidiaries of TLG IMMOBILIEN AG was approved.

In the meeting of the Supervisory Board on **23 April 2018**, Mr Hettrich was appointed as a member and the new chairperson of the project development committee and Mr Zahn was appointed to the audit committee. Furthermore, the Alexanderplatz development project was discussed and the short and long-term elements (STI and LTI) of the remuneration of the Management Board were addressed.

The meeting of the Supervisory Board on **25 May 2018** focused on the future strategy of TLG IMMOBILIEN AG.

A resolution concerning an acquisition was passed by circulation on **29 May 2018**.

The resolution passed by circulation on **19 June 2018** concerned the appointment of new members to the Management Board.

An acquisition project was discussed in the meeting of the Supervisory Board on **25 June 2018**.

In the meetings of the Supervisory Board on **25 June, 17 July, 9 August, 13 August, 7 September** and **13 September 2018**, the members discussed matters of the Management Board, especially in connection with the appointment of new members to the Management Board.

In the meeting held by circulation on **26 September 2018**, the assignment of the authorities of the Management Board in the rules of procedure for the Management Board was revised.

In the final Supervisory Board meeting of the year on **8 November 2018**, the members discussed the strategy of the company with the new members of the Management Board. Additionally, the schedule for 2019 was agreed, the declaration of compliance of TLG IMMOBILIEN AG was approved and a profile of skills and expertise for the Supervisory Board was adopted.

The last four **resolutions passed by circulation** in 2018 on 20 and 21 December 2018 concerned the appointment of new members to the presidential and nomination committee and audit committee, a disposal from the portfolio, a property acquisition and a project development measure.

EFFICIENT WORK IN FOUR SUPERVISORY BOARD COMMITTEES

In order to efficiently fulfil its duties, the Supervisory Board formed committees and continuously evaluated their requirements and activities during the reporting year.

Specifically, there were four committees in the reporting year; the presidential and nomination committee, the audit committee, the capital market and acquisitions committee and the project development committee whose duties are described in more detail in the corporate governance report available at <https://ir.tlg.eu/corporategovernance>.



Where legally permissible, individual committees were granted decision-making powers by the rules of procedure or resolution of the Supervisory Board. At the meeting of the Supervisory Board following each committee meeting, the chairpersons of the committees reported on the work of the committees.

The **presidential and nomination committee** met three times in the reporting year (on 3 January, 16 March and 19 June 2018), including once as a teleconference and twice by circulation. The meetings focused primarily on matters of the Management Board (remuneration issues and revision of the contracts of the members of the Management Board) and matters of the Supervisory Board (proposal to fill two positions on the Supervisory Board).

In the reporting year, the **audit committee** met four times (on 21 March, 14 May, 9 August and 8 November 2018) including once as a teleconference, and twice passed resolutions by circulation (on 12 January and 24 May 2018). In particular, the matters on the agenda included the preliminary audit of the annual financial statements, the consolidated financial statements and the interim reports of TLG IMMOBILIEN AG as well as the pro forma financial information from WCM AG in connection with the prospectus on the control agreement. It provided the Supervisory Board with a recommendation on which auditor to appoint for the 2018 financial year, procured the independence declaration from the auditor and monitored the activities of the auditor. Furthermore, the audit committee approved the engagement of the Berlin office of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, with other assurance services in connection with the voluntary audit of certain subsidiaries as well as an audit of TLG IMMOBILIEN AG by the German Financial Reporting Enforcement Panel. The members of the audit committee have particular knowledge and experience in the application of GAAP and internal control processes.

The **market and acquisitions committee** did not meet in the 2018 financial year.

The **project development committee** met seven times in total (on 30 January, 14 January, 2 May, 23 May, 4 July, 11 September and 2 November 2018), including once in the form of a teleconference. The meeting focused on the development project on Alexanderplatz and other planned development projects.

CORPORATE GOVERNANCE

The Supervisory Board continuously monitored and discussed the development of the corporate governance of the company. The corporate governance report available at <https://ir.tlg.eu/corporategovernance> contains detailed information on this system, including the structure and amount of remuneration paid to the Supervisory Board and Management Board.



The Management Board and Supervisory Board have discussed the requirements of the German Corporate Governance Code as applicable in the reporting year in detail, as well as their implementation. They have issued their updated joint declaration of compliance in accordance with Sec. 161 AktG and published it on the website of TLG IMMOBILIEN at <https://ir.tlg.eu/declaration-of-compliance>.



AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of TLG IMMOBILIEN AG and the consolidated financial statements as at 31 December 2018, including management reports, prepared by the Management Board were examined by the auditor appointed by the general meeting on 25 May 2018 and engaged by the Supervisory Board, the Berlin branch office of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, and given an unqualified opinion.

Once prepared, the annual and consolidated financial statements of TLG IMMOBILIEN AG, including management reports and the audit reports of the auditor, were issued to all members of the Supervisory Board immediately. The auditor attended the audit committee meeting held on 20 March 2019 and reported on the key results of the audit. After an in-depth discussion, the audit committee agreed with the results of the audit.

The Chairperson of the audit committee reported on the annual financial statements and the audit in detail at the meeting of the Supervisory Board held on 20 March 2019. Additionally, the auditor explained the main outcomes of the audit, answered questions and provided more information to the members of the Supervisory Board. The Supervisory Board carefully examined the annual financial statements, the management report, the Group management report, the proposed appropriation of net retained profits and the audit reports prepared by the auditor. No objections were raised. Therefore, the Supervisory Board accepted the recommendation of the audit committee and approved the annual and consolidated financial statements as at 31 December 2018 that had been prepared by the Management Board. The annual financial statements were therefore adopted.

The adopted annual financial statements contained net retained profits. The Supervisory Board accepted the proposal made by the Management Board as to the appropriation of the net retained profits. Therefore, the Supervisory Board and Management Board will add a vote on the payment of a dividend of EUR 0.91 per share (based on 103.4 m shares as at 31 December 2018) to the agenda of the general meeting in 2019.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Ms Elisabeth Talma Stheeman resigned from her position on the Supervisory Board with effect from 29 January 2018. Mr Stefan E. Kowski was appointed as a new member of the Supervisory Board by the local court of Berlin Charlottenburg on 21 February 2018 until the end of the general meeting in 2018 in which Mr Kowski was elected as a member of the Supervisory Board. Mr Kowski was appointed as a member of the Supervisory Board until the end of the general meeting that resolves on the exoneration of the Supervisory Board for the fourth financial year after the start of his term of office, not counting the financial year in which his term of office started.

Mr Frank D. Masuhr resigned from the Supervisory Board with effect from 31 January 2018. On 5 March 2018, Mr Sascha Hettrich was appointed to the Supervisory Board by the local court of Berlin Charlottenburg until the end of the general meeting in 2018 in which he was elected as a member of the Supervisory Board. Mr Hettrich was appointed as a member of the Supervisory Board until the end of the general meeting that resolves on the exoneration of the Supervisory Board for the fourth financial year after the start of his term of office, not counting the financial year in which his term of office started.

Dr Claus Nolting stepped down from the Supervisory Board on 31 December 2018. Mr Jonathan Lurie was appointed as a new member of the Supervisory Board by order of the local court of Berlin-Charlottenburg from 15 February 2019 until the end of the general meeting in 2019.

Mr Jürgen Overath (COO) and Mr Gerald Klinck (CFO) were appointed as members of the Management Board of TLG IMMOBILIEN AG with effect from 17 September 2018. The members of the Management Board Peter Finkbeiner and Niclas Karoff left TLG IMMOBILIEN AG with effect from 31 October 2018.

On behalf of the Supervisory Board, I would like to thank all members of the Management Board as well as the employees of TLG IMMOBILIEN AG and all Group companies for their commitment and the constructive work we have done this year.

Berlin, March 2019
For the Supervisory Board

A handwritten signature in blue ink, appearing to read 'M Zahn', is positioned above the name and title of the signatory.

Michael Zahn
Chairperson of the Supervisory Board