

Report of the Management Board on agenda item 15 (resolution on the authorisation to utilise equity derivatives when acquiring treasury shares)

In accordance with Section 71 para. 1 no. 8 sentence 5 AktG in conjunction with Section 186 para. 4 sentence 2 AktG, for agenda item 15, the Management Board submits to the general meeting this report on the reasons for the authorisation to exclude the subscription rights of shareholders when disposing of the acquired treasury shares:

By resolution of the general meeting on May 21, 2019 and with the approval of the Supervisory Board, the Management Board was authorised to acquire treasury shares to a value of up to 10% of the share capital of the company as at the date of the resolution or – if this value is lower – when the authority is exercised, by May 20, 2024 and with consideration for the principle of equal treatment (Section 53a AktG). This authorisation has made it possible to buy back shares and utilise acquired shares. As part of the authorisation, treasury shares can be acquired by the company itself as well as by entities controlled by or under the majority ownership of the company (Group companies), or by third parties for the account of the company or for the account of Group companies.

Supplementing the approved authorisation, the Management Board was authorised by resolution of the general meeting on May 21, 2019, subject to the approval of the Supervisory Board, to use derivative financial instruments (put or call options or a combination of both instruments) to acquire treasury shares up to a total of 5% of the existing share capital as at the date of the resolution on May 21, 2019. This authority shall only remain effective until November 20, 2020.

In order for the company to continue to be able to use derivative financial instruments (put or call options or a combination of both instruments) to acquire treasury shares up to a total of 5% of the share capital, a new authorisation to use equity derivatives to purchase treasury shares with a term ending on May 20, 2024 should be granted. This should also establish synchronicity with the authorisation to acquire treasury shares granted by the general meeting on May 21, 2019.

Therefore, with regard to agenda item 15, the Management Board and Supervisory Board propose that the Management Board be authorised to use equity derivatives to acquire treasury shares until May 20, 2024 and with the approval of the Supervisory Board.

In accordance with the authority granted by the general meeting on May 21, 2019, treasury shares can be acquired on the stock exchange or by means of a public tender or swap offer. With regard

to the acquisition, the principle of equal treatment of shareholders pursuant to Section 53a AktG must be taken into consideration. An acquisition on the stock exchange or by means of a public tender or swap offer takes this into account. If, as part of a public tender or swap offer, the number of tendered shares exceeds the acquisition volume provided for by the company, the acquisition or swap shall take place proportionally based on the ratio of tendered shares per shareholder. However, a preferred acquisition or swap of lower numbers of up to 100 shares per share can be provided for, regardless of the shares tendered by the shareholder. The acquisition shall not take into account shares with a tender price at which the shareholder is prepared to sell the shares to the company that has been set by the shareholder and that is higher than the purchase price set by the company. This applies analogously to a swap ratio set by a shareholder where the company would have to deliver and transfer more shares for shares of the company than it would using the swap ratio set by the company.

Treasury shares may only be acquired using derivative financial instruments in the form of put and call options or a combination of both instruments by means of option transactions with a financial institution or at near-market rates on the stock exchange. In order to prevent a dilution effect, the acquisition of treasury shares using derivative financial instruments in the form of put and call options or a combination of both instruments is also limited to 5% of the share capital as a maximum for treasury shares, in which regard the treasury shares acquired using derivative financial instruments shall be counted towards the maximum limit of 10% of the company's share capital when treasury shares are acquired and held.

- a) The proposed authorisation shall enable acquired treasury shares to be redeemed without a further resolution by the general meeting or re-sold on the stock exchange or as part of a public offer to all shareholders. The redemption of treasury shares will generally cause a reduction in the share capital of the company. However, the Management Board is also authorised to redeem the treasury shares without reducing the share capital pursuant to Section 237 para. 3 no. 3 AktG. This would proportionately increase the stake that the remaining shares have in the share capital pursuant to Section 8 para. 3 AktG (the nominal amount). The principle of equal treatment of shareholders shall be upheld as part of both of the aforementioned means of disposal.

- b) Furthermore, with the approval of the Supervisory Board, the Management Board should be able to offer and transfer treasury shares as consideration as part of mergers or as consideration when acquiring companies, plants, parts of companies or interests. The authorisation proposed for this reason should strengthen the company when it competes to acquire interesting properties and enable it to respond to arising opportunities to make acquisitions with speed and flexibility and without compromising its liquidity. The proposed exclusion of the subscription rights of shareholders takes this into account. The decision on whether or not to use treasury shares shall be made by the Management Board on a case-by-case basis and it shall be guided exclusively by the interests of the company and its shareholders. When valuing the treasury shares and the consideration for them, the Management Board shall ensure that the interests of the shareholders are taken into reasonable account. The Management Board shall take the price of the company's shares on the stock market into consideration. There are no plans to establish a schematic link with a stock market price, especially in order that, once achieved, the results of negotiations cannot be thrown back into question by fluctuations in the stock market price.
- c) With the approval of the Supervisory Board, the Management Board should also be able to sell acquired treasury shares to third parties in exchange for cash contributions, excluding the subscription rights of shareholders, provided that the selling price per share is not significantly lower than the stock market price of the company's shares at the time of the sale. This authorisation makes use of the option to simplify the exclusion of subscription rights permitted by Section 71 para. 1 no. 8 sentence 5 AktG in application of Section 186 para. 3 sentence 4 AktG. This will also enable the Management Board to make use of opportunities arising from favourable stock market situations with speed and flexibility and generate the highest possible re-sale price through near-market pricing. In turn, this makes it possible to strengthen the equity and access new groups of investors. The authorisation is subject to the condition that the shares issued to the exclusion of subscription rights may not exceed 10% of the share capital, neither when the resolution is passed nor when the authority is exercised. Shares that have been issued during the term of the resale authorisation in direct or analogous application of Section 186 para. 3 sentence 4 AktG must be counted towards this limit. The same applies to shares issued or that are to be issued to serve convertible or warrant bonds, or participation rights with conversion or option rights, if those bonds were issued or sold during the term of this authorisation up to that point to the exclusion of subscription rights in accordance with Section 186 para. 3 sentence 4 AktG. The asset and voting interests of the shareholders will be sufficiently protected by this manner of selling treasury shares. In principle, the shareholders have the

option to maintain their relative shareholding at similar rates by acquiring shares on the stock exchange.

- d) Furthermore, the company should be able to use treasury shares to satisfy acquisition obligations or exercise acquisition rights to shares of the company arising from and in connection with convertible or warrant bonds or participation rights with conversion or option rights that have been issued by the company or one of its Group companies. The subscription rights of the shareholders must be excluded for this purpose. This applies even if treasury shares are sold by means of a public offer to all shareholders for the opportunity to grant the holders of such instruments the same subscription rights to the shares as they would have had if the conversion or option rights in question had already been exercised (dilution protection). This authorisation is subject to the condition that the shares issued to the exclusion of subscription rights may not exceed 10% of the share capital, neither when the resolution is passed nor when the authority is exercised. Shares that have been issued or sold during the term of the resale authorisation in direct or analogous application of Section 186 para. 3 sentence 4 AktG must be counted towards this limit. The same applies to shares issued or that are to be issued to serve convertible or warrant bonds, or participation rights with conversion or option rights, if those bonds were issued during the term of this authorisation up to that point to the exclusion of subscription rights in accordance with Section 186 para. 3 sentence 4 AktG.

In each subsequent general meeting, the Management Board shall report on any case in which it has exercised this authority in accordance with Section 71 para. 3 sentence 1 AktG.

Berlin, August 2020

TLG IMMOBILIEN AG

The Management Board