

**Joint Report of the Management Report of
LEG Immobilien AG
and the management of
LEG Holding GmbH**

in accordance with section 293a of the German Stock Corporation Act
on the profit and loss transfer agreement dated 21 March 2018

between

LEG Immobilien AG, Düsseldorf
and
LEG Holding GmbH, Düsseldorf

I. General

On 21 March 2018, LEG Immobilien AG, Düsseldorf, entered in the commercial register of the Düsseldorf Local Court under HRB 69386, and LEG Holding GmbH, Düsseldorf, entered in the commercial register of the Düsseldorf Local Court under HRB 80943, entered into a profit and loss transfer agreement. Under the terms of this agreement, LEG Holding GmbH undertakes to transfer its entire profit to LEG Immobilien AG, while LEG Immobilien AG undertakes to absorb any losses generated by LEG Holding GmbH.

The Management Board of LEG Immobilien AG and the management of LEG Holding GmbH hereby submit the following joint report on the profit and loss transfer agreement in accordance with section 293a of the German Stock Corporation Act (AktG).

II. Parties

1. LEG Immobilien AG

LEG Immobilien AG is a listed stock corporation under German law and the parent company of the LEG Group. The share capital of LEG Immobilien AG is EUR 63,188,185.00 and is divided into 63,188,185 registered shares. The LEG Group has more than 1,200 employees in the Federal Republic of Germany, more specifically in North Rhine-Westphalia state, and reported revenue (rental and letting income) of EUR 795.8 million and net profit of EUR 844.8 million for the 2017 financial year (IFRS consolidated financial statements). Total assets amounted to EUR 10,013.0 million at 31 December 2017, while equity carried on the balance sheet amounted to EUR 4,112.4 million. In its single-entity financial statements in accordance with the German Commercial Code LEG Immobilien AG reported no revenue, but other operating income of EUR 2,768.1 million and net profit of EUR 2,741.2 million. The balance sheet of LEG Immobilien AG as at 31 December 2017 reported total assets of EUR 4,863.4 million and equity of EUR 3,469.2 million.

LEG Immobilien AG's financial year is the calendar year.

According to the Articles of Association, the business purpose of LEG Immobilien AG is as follows:

The conduct of real estate business and any related business of any kind, in particular the management, leasing, construction and modification, acquisition and sale of apartments as well as the provision of other services in connection with real estate, either by itself or by companies in which the Company holds an interest.

The Company may engage in any business which may directly or indirectly serve its business purpose. It may establish branches in its home country and abroad with the same or a different corporate name, establish companies, hold interests in and sell companies.

The Company is entitled to centralize under its direction companies in which it has an interest and/or restrict its activities to the management of the interest(s) and to conclude enterprise agreements of any kind as well as to spin off or transfer its business in parts or as a whole to companies in which it has a majority interest.

The current members of the Management Board are Thomas Hegel, Eckhard Schultz and Holger Hentschel.

In accordance with Article 7 of the Articles of Association, LEG Immobilien AG is legally represented by two members of the Management Board or one member of the Management Board together with an authorised signatory or by one member of the Management Board if the Supervisory Board grants him the right of individual representation. Currently the Supervisory Board has not granted any member of the Management Board the right of individual representation.

2. LEG Holding GmbH

The company was formed in 2017. The share capital of LEG Holding GmbH amounts of EUR 25,000.00. In its single-entity annual financial statements at 31 December 2017, LEG Holding GmbH reported no revenue and a net loss of EUR 28,797.38. The balance sheet at 31 December 2017 reported total assets of EUR 880.8 million and equity of EUR 880.7 million.

LEG Holding GmbH's financial year is the calendar year.

According to the Articles of Association, the business purpose of LEG Holding GmbH is as follows:

To acquire, hold and manage equity interests in legal entities, in particular the equity interest in LEG NRW GmbH with registered office in Düsseldorf. In addition, the purpose of the company is the construction, the conversion and expansion, the modernisation, support, management, the purchase, acquisition and sale and the management of apartments and other buildings in all legal forms and types of use as well as performing services for private clients and planning and implementation of measures in the area of site and project development.

The Managing Directors of LEG Holding GmbH are currently Thomas Hegel, Eckhard Schultz and Holger Hentschel.

If several Managing Directors are appointed, in accordance with Section 7(4) of the shareholder agreement, LEG Holding GmbH is legally represented by two Managing Directors or by one Managing Director together with an authorised signatory. The Shareholders' Meeting can grant one or more Managing Directors the right of individual representation. Currently the Shareholders' Meeting has not granted any Managing Director the right of individual representation.

LEG Immobilien AG is the sole shareholder of LEG Holding GmbH. LEG Holding GmbH is included in the consolidated financial statements of LEG Immobilien AG.

III. Effectiveness of the profit and loss transfer agreement

In order to be effective under civil law, the profit and loss transfer agreement requires the approval of the Annual General Meeting of LEG Immobilien AG and the shareholders' meeting of LEG Holding GmbH. Accordingly, the Management Board and the Supervisory Board of LEG Immobilien AG will propose the approval of the profit and loss transfer agreement to the Annual General Meeting that has been convened for 17 May 2018. The profit and loss transfer agreement was approved by the shareholders' meeting of LEG Holding GmbH held on 21 March 2018.

In order to be effective, the conclusion of the profit and loss transfer agreement is also required to be entered in the commercial register of the domicile of LEG Holding GmbH. This applies retrospectively for the period from the start of the financial year of LEG Holding GmbH in which the profit and loss transfer agreement becomes effective by way of its entry in the commercial register of the domicile of LEG Holding GmbH.

IV. Legal and economic reasons for the conclusion of the profit and loss transfer agreement

The profit and loss transfer agreement will allow LEG Immobilien AG to optimise its tax situation. The conclusion of an effective profit and loss transfer agreement and its actual execution are a prerequisite for the formation of a tax entity for corporate income and trade tax purposes. Among other things, this tax entity has the advantage that positive or negative results generated by LEG Holding GmbH can be offset against the results generated by LEG Immobilien AG, thereby optimising Group tax expense and the Group tax cash flow.

The conclusion of the profit and loss transfer agreement does not involve any change in the equity interests of the companies concluding the agreement. Aside from the loss absorption obligation entered into by LEG Immobilien AG, the profit and loss transfer agreement does not result in any particular consequences for the shareholders of LEG Immobilien AG, particularly since external shareholders are not held responsible for compensation and settlement.

V. Detailed commentary on the profit and loss transfer agreement

The following section contains a detailed commentary on the individual provisions of the profit and loss transfer agreement between LEG Immobilien AG and LEG Holding GmbH:

Section 1: Profit transfer

As is typical for agreements of this nature, section 1 point 1 of the profit and loss transfer agreement contains the obligation for LEG Holding GmbH to transfer its entire profit to LEG Immobilien AG in accordance with all of the provisions of section 301 AktG in its current version.

Section 301 sentence 1 AktG states that a company may transfer a maximum of its net income for the year before profit transfer less any losses carried forward from the previous year and the amount blocked from distribution in accordance with section 268 (8) HGB.

With the approval of LEG Immobilien AG, LEG Holding GmbH is entitled in accordance with section 1 point 2 of the profit and loss transfer agreement to appropriate portions of its net income to other revenue reserves (section 272 (3) HGB) to the extent that this is permitted in accordance with HGB and considered to be economically justified in line with prudent business judgement. In this case, the profit transferred by LEG Holding GmbH is reduced accordingly. The restriction that the

appropriation to other revenue reserves may only be conducted to the extent that this is permitted in accordance with HGB and considered to be economically justified in line with prudent business judgement serves to fulfil the requirements of section 14 (1) sentence 1 no. 4 of the German Corporate Income Tax Act.

Section 1 point 3 of the profit and loss transfer agreement also states that any profits carried forward from the period prior to the inception of the agreement, amounts resulting from the reversal of revenue reserves formed prior to the inception of the agreement, and amounts resulting from the reversal of capital reserves are excluded from transfer.

Section 1 point 4 states that the entitlement to profit transfer arises at the end of the financial year of the tax entity and is due for payment from this date. Interest shall be charged at 5% p.a. from this date.

Section 1 point 5 states that the parent of the tax entity may demand an advance profit transfer to the extent that the payment of an advance dividend would be permissible.

The provisions described above are typical for a profit and loss transfer agreement.

Section 2: Loss assumption obligation on the part of LEG Immobilien AG

Section 2 point 1 of the profit and loss transfer agreement contains the loss assumption obligation on the part of LEG Immobilien AG in accordance with all of the provisions of section 302 AktG in its current version. Accordingly, LEG Immobilien AG is obliged to settle any net loss that would have been reported by LEG Holding GmbH during the term of the agreement if there were no loss absorption, to the extent that such losses are not settled by withdrawing amounts from other revenue reserves that were appropriated to these reserves during the term of the agreement (section 302 (1) AktG). As such, LEG Immobilien AG bears the economic risk of LEG Holding GmbH. This loss assumption obligation is a necessary consequence of a profit and loss transfer agreement.

The reference to the provisions of section 302 AktG contained in section 2 point 1 is structured dynamically insofar as the wording refers to section 302 in its current version.

Section 2 point 2 of the profit and loss transfer agreement states that the entity company's entitlement to the settlement of the loss generated is due from the end of the financial year of the entity company. Interest shall be charged at 5% p.a. from this date.

Section 3: Effectiveness, duration and termination of the profit and loss transfer agreement

Section 3 point 1 of the profit and loss transfer agreement states that the agreement requires the approval of the Annual General Meeting of LEG Immobilien AG and the shareholders' meeting of LEG Holding GmbH. The agreement only becomes effective following its entry in the commercial register of the domicile of LEG Holding GmbH. The approval of the shareholders' meeting of LEG Holding GmbH has already been obtained.

Section 3 point 2 states that, once the conditions for the effectiveness of the profit and loss transfer agreement have been fulfilled, the agreement shall be effective retrospectively from the start of the financial year of LEG Holding GmbH in which the agreement comes into force.

The duration of the agreement is defined in section 3 point 3. The agreement is concluded for an indefinite term and may be terminated by either party giving six months' notice to the end of the

financial year of LEG Holding GmbH; in any case, however, the agreement may not be terminated until the end of the first financial year of LEG Holding GmbH that lies at least five calendar years (60 months) after the inception of the profit transfer or loss absorption obligation as described in section 3 point 2 above (minimum term). The minimum term serves to fulfil the requirements of section 14 (1) sentence 1 no. 5 of the German Corporate Income Tax Act.

Irrespective of this, section 3 point 4 states that the profit and transfer and loss agreement may be terminated without notice for good cause. Good cause within the meaning of this profit and loss transfer agreement is considered to exist in particular if LEG Immobilien AG terminates the agreement due to the sale or withdrawal of all of the shares of LEG Holding GmbH, or in any case shares in the amount of the total nominal value, with the result that the conditions for the financial integration of LEG Holding GmbH within LEG Immobilien AG in accordance with the relevant tax provisions are no longer met, or if LEG Immobilien AG or LEG Holding GmbH are merged, demerged (sections 2 ff. of the German Transformation Act (Umwandlungsgesetz), demerger (sections 123 ff. of the Umwandlungsgesetz)) or liquidated.

Section 3 point 5 defines the latest termination date for this agreement as the end of the financial year in which an external shareholder within the meaning of section 304 AktG holds an equity interest in LEG Holding GmbH. The current version of section 307 AktG applies accordingly.

If this profit and loss transfer agreement ends, section 3 point 6 of the agreement states that LEG Immobilien AG must furnish collateral to the creditors of LEG Holding GmbH. The current version of section 303 AktG as a whole applies accordingly.

Section 3 point 7 of the agreement states that the agreement must be terminated in writing.

Section 4: Cost assumption

In accordance with section 4 of the profit and loss transfer agreement, any costs arising in connection with the conclusion of the agreement will be borne by LEG Immobilien AG.

Section 5: Closing provisions

Section 5 point 1 of the closing provisions of the agreement states that the interpretation of the profit and loss transfer agreement must take into account the tax provisions that are relevant for the tax entity to the extent necessary to ensure that the tax entity is effective.

Section 5 point 2 of the profit and loss transfer agreement states that any amendments or additions to the agreement must be made in writing to the extent that notarial certification is not required.

The effectiveness of any such amendments or additions requires the approval of the Annual General Meeting of LEG Immobilien AG and the shareholders' meeting of LEG Holding GmbH. The amendments/additions shall only become effective following their entry in the commercial register of LEG Holding GmbH.

If a provision of this agreement is or becomes invalid or unenforceable, either in part or in full, this shall not affect the validity of the other provisions of this agreement. The invalid or unenforceable provision shall be replaced by a valid or enforceable provision that best reflects the economic purpose pursued by the parties to the agreement with the invalid or unenforceable provision. The same applies in the event of any unintended loopholes or omissions in the agreement.

The place of performance and jurisdiction for both parties is Düsseldorf. This is set out in section 5 point 4 of the profit and loss transfer agreement.

In accordance with section 5 point 5, the profit and loss transfer agreement is subject to the law of the Federal Republic of Germany.

A summary assessment of the profit and loss transfer agreement shows that is beneficial for both LEG Immobilien AG and LEG Holding GmbH.

Dusseldorf, 5 April 2018

LEG Immobilien AG

_____	_____	_____
Thomas Hegel	Eckhard Schultz	Holger Hentschel

LEG Holding GmbH

_____	_____	_____
Thomas Hegel	Eckhard Schultz	Holger Hentschel