

## Report of the Management Board on the issue of convertible bonds excluding subscription rights in June 2020

In June 2020, the Company issued non-subordinated, unsecured convertible bonds with a term until 2028 with a total nominal amount of EUR 550,000,000.00 ("Convertible Bonds 2020"). The Convertible Bonds 2020 are convertible, subject to possible adjustments in accordance with the terms and conditions of the Bonds, into up to approximately 3.54 million new no-par value registered shares of LEG Immobilien AG with a pro-rata amount of the share capital of EUR 1.00 each.

The convertible bonds 2020 have a term of 8 years. They were issued at 100% of their nominal amount and will be repaid at 100% of their nominal amount. The interest rate on the convertible bonds was set at 0.40 % per annum and is payable semi-annually in arrears. The initial conversion premium was set at 35 % above the reference price of EUR 115. The initial conversion price is thus EUR 155.25. The reference price corresponded to the placement price which was determined by means of an accelerated bookbuilding procedure for the capital increase in June 2020. The issue of the 2020 convertible bonds thus corresponded to current market conditions.

The right of shareholders of LEG Immobilien AG to subscribe to the Convertible Bonds 2020 was excluded with the consent of the Supervisory Board. In the opinion of the Management Board and the Supervisory Board, the conditions for the exclusion of subscription rights were met since the Convertible Bonds 2020 were issued at conditions that were not significantly below their theoretical value. This was ensured by determining them by means of an accelerated bookbuilding procedure. In addition, the number of approximately 3.54 million new shares into which the convertible bonds 2020 are initially convertible, even taking into account the 2.37 million new shares issued in the course of the capital increase carried out in June 2020, amounts to significantly less than 10 % of the share capital both at the time of the coming into effect and at the time of the utilization of the authorization granted by the Annual General Meeting on 17 May 2018, on the basis of which the convertible bonds 2020 were issued. Financial instruments such as the Convertible Bonds 2020 will typically be offered for subscription and placed with institutional investors outside the United States of America, Canada, Australia, South Africa and Japan or other countries where the offer or sale of securities is restricted by law, typically in a private placement. By not granting subscription rights to existing shareholders, the necessary transaction security and rapid settlement could be ensured. Furthermore, the costs of a private placement exclusively with institutional investors with the exclusion of subscription rights and short-term allocation of the issued convertible bonds are significantly lower than the costs of a subscription offer to existing shareholders.

With the issue of the Convertible Bonds 2020, LEG Immobilien AG was able to take advantage of the good market conditions to finance future corporate growth, further diversify its sources of financing and investor base and thus strengthen its financial profile. The net proceeds from the issuance of the Convertible Bonds 2020 and the capital increase carried out immediately will be used to finance the recent acquisitions of approximately 7,500 residential units and for general corporate purposes. In particular, it can be used to finance the acquisition of further properties and property portfolios and is therefore also in the interest of the shareholders.

Düsseldorf, July 2020



Lars von Lackum



Susanne Schröter-Crossan



Dr. Volker Wiegel