

# **TAG Immobilien AG**

## **Hamburg**

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We hereby invite our shareholders to the **129th annual general meeting** taking place at **11:00 am on Thursday, 14 June 2012** at Haus der Patriotischen Gesellschaft, Trostbrücke 6, 20457 Hamburg.

### **I.**

#### **Agenda**

- 1. Presentation of the approved financial statements and the approved consolidated financial statements for 2011, the management reports for TAG Immobilien AG and the Group, the report of the Supervisory Board, the Management Board's proposal for the appropriation of the profit for 2011 and the explanatory report on the disclosures made in accordance with Sections 289 (4) and 315 (4) of the German Commercial Code for 2011.**

In accordance with the applicable statutory provisions, a resolution on this item of the agenda is not planned as the Supervisory Board approved the annual financial statements and the consolidated financial statements on 23 April 2012, meaning that they have been duly adopted. The shareholders will vote on the allocation of the Company's unappropriated surplus for 2011 under Item 2 of the agenda. The relevant statutory provisions merely provide for the shareholders to be informed of the documents referred to in this item of the agenda by granting them an opportunity of examining them. They do not provide for the shareholders to pass any resolutions on them at the annual general meeting.

- 2. Proposal for the appropriation of profit**

The Management Board and Supervisory Board recommend that the shareholders pass the following resolution: that the unappropriated surplus as of 31 December 2011 of EUR 47,574,074.28 be allocated as follows:

Payment of a dividend of EUR 0.20 for each of the 95,568,911 dividend-entitled shares: EUR 19,113,782.20

Amount to be carried forward: EUR 28,460,292.08

Unappropriated surplus : EUR 47,574,074.28

The dividend will be paid on 15 June 2012

**3. Resolution to ratify the actions of the Management Board for fiscal 2011**

The Management Board and the Supervisory Board recommend that the shareholders pass a resolution to ratify the actions taken in 2011 by the persons who were members of the Management Board in 2011.

**4. Resolution to ratify the actions of the Supervisory Board for fiscal 2011**

The Management Board and the Supervisory Board recommend that the shareholders pass a resolution to ratify the actions of the persons who were members of the Supervisory Board in 2011 taken in 2011.

**5. Election of auditors for the annual financial statements and consolidated financial statements for fiscal 2012**

The Supervisory Board recommends that the shareholders pass a resolution to appoint KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as

- a) statutory auditors of the annual financial statements and consolidated financial statements for 2012,
- b) statutory auditors to perform a review, if necessary, of the abridged financial statements and the interim management report for the first half of 2012.

**6. Election of a member of the Supervisory Board**

The composition of the Supervisory Board is governed by Sections 96 (1), 101 (1) of the Stock Corporations Act and Section 1 (1) in connection with Section 4 (1) of the Act on the One-Third Inclusion of Employees on the Supervisory Board (formerly the Company Constitution Act of 1952). In accordance with Article 7 (1) of the Company's Articles of Incorporation, the Supervisory Board comprises six members, four of whom are elected by the shareholders and two by the employees in accordance with the Sections 4 et seq. of the One Third Employment Representation Act.

Rolf Hauschildt, a member of the Supervisory Board elected by the shareholders, has stated that he will be stepping down from the Supervisory Board at the end of the Company's annual general meeting on 14 June 2012 for age reasons. Accordingly, the shareholders will be required to elect a new member of the Supervisory Board.

The Supervisory Board recommends that the shareholders elect the following person as a further member of the Supervisory Board to represent the interests of the shareholders for a period ending at the annual general meeting at which a resolution is passed ratifying the actions of the members of the Supervisory Board for the year ending 31 December 2012:

Ms. Bettina Stark, general manager of Deutsche Kreditbank Aktiengesellschaft, resident in Berlin.

Mr. Bettina Stark holds the following offices on other statutory supervisory boards or comparable domestic or foreign corporate governance bodies in accordance with Section 125 (1) Sentence 5 of the German Stock Corporation Act:

– None

The shareholders are not bound by any election recommendations.

**7. Resolutions concerning amendments to Article 2 of the Articles of Incorporation (object of the company)**

In a notarised contract dated 4 May 2010, the Company and Kraftverkehr Tegernsee-Immobilien Gesellschaft mit beschränkter Haftung (“KVT”) submitted to an investor an irrevocable offer expiring on 31 December 2012 providing for a contract for the transfer of shares and a contract for the sale of real estate to be entered into (the “notarised offer”). The subject matter concerns the Company’s share in Tegernsee-Bahn Betriebsgesellschaft mit beschränkter Haftung as well as various plots of land owned by the Company or KVT. The investor has so far not yet accepted the offer. However, the Company assumes that the investor will do so.

Under Article 2 (1) of its Articles of Incorporation, the Company’s object is, among other things, to operate railways and to construct, acquire, lease and operate transport companies of all kinds. Assuming that the investor accepts the offer to enter into the aforementioned contracts and these are duly executed, this object will no longer be pursued. Accordingly, subject to acceptance of the notarised offer and the execution of the two aforementioned contracts, the Company’s object as stated in Article 2 (1) of its Articles of Incorporation is to be modified. This opportunity is also to be utilised to clarify the wording of the remaining passage on the Company’s object by stating that it not only acquires but also sells real estate and equity interests.

A corresponding resolution had previously been passed by the shareholders at the annual general meeting held on 26 August 2011. However, the corresponding amendment to the Articles of incorporation did not take effect as it was not submitted for entry in the commercial register due to the fact that the notarised

offer had not been accepted. Accordingly, the resolution passed at the last annual general meeting is now to be repeated and thus confirmed.

The Management Board and Supervisory Board recommend that the shareholders pass the following resolution:

a) Article 2 (1) of the Articles of Incorporation shall be reworded as follows:

“(1) The Company’s object is to acquire, sell and manage domestic and foreign real estate, to acquire, sell and manage equity interests including in interests in real estate funds and to engage in all other related business.”

b) The Management Board is instructed to have the aforementioned resolution as set out in a) entered in the commercial register, however not until the notarised offer of 4 May 2010 has been accepted and the resultant contracts have been duly executed.

**8. Resolution to create new Authorised Capital 2012/I, to exclude pre-emptive subscription rights and to amend the Articles of Incorporation accordingly**

In a resolution passed at the shareholder meeting of 7 April 2011, the Company’s Management Board was authorised subject to the Supervisory Board’s approval to increase the Company’s share capital once or repeatedly on or before 6 April 2016 on a cash and/or non-cash basis by a maximum amount of EUR 25,000,000.00 by issuing up to 25,000,000 new shares in the Company’s capital (Authorised Capital 2011/I).

In a resolution passed at the shareholder meeting on 26 April 2011, the Management Board was additionally authorised subject to the Supervisory Board’s approval to increase the Company’s share capital once or repeatedly on or before 25 August 2016 through the issue of no-par-value shares (shares) on a cash and/or non-cash basis by a maximum amount of EUR 7,000,000.00 by issuing up to 7,000,000 new bearer shares in the Company’s capital (Authorised Capital 2011/II).

The aforementioned authorisations were utilised with respect to Authorised Capital 2011/I in a resolution of the Management Board of 26 July 2011 acting with the Supervisory Board’s approval of 28 July 2011 and in a resolution of the Management Board of 17 November 2011 acting with the Supervisory Board’s approval of 17 November 2011, in a resolution passed by the Management Board on 25 October 2011 / 9 January 2012 acting with the Supervisory Board’s approval of 27 October 2011 / 9 January 2012 and finally - with respect to Authorised Capital 2011/I and Authorised Capital 2011/II- in a resolution passed by the Management Board on 28 February 2012 acting with the Supervisory Board’s approval of 28 February 2012. As a result, Authorised Capital 2011/I and 2011/II were utilised in full.

As the authorisation granted on 7 April 2011 (Authorised Capital 2011/I) and on 26 August 2011 (Authorised Capital 2011/II) has been utilised in full, new Authorised Capital 2012/I of EUR 40,000,000.00 is to be created so that the Management Board is able to continue using authorised capital in the future to reinforce the Company's equity base or to make use of opportunities for acquisitions arising in the market in the future and is in a position to choose either a cash or a non-cash equity issue for this purpose. The volume of the Authorised Capital 2012/I being sought therefore equals around 41% of the Company's current share capital.

The Management Board and Supervisory Board recommend that the shareholders pass the following resolution:

- a) The Management Board is authorised subject to the Supervisory Board's approval to increase the share capital once or repeatedly on or before 13 June 2017 on a cash and/or non-cash basis by a maximum amount of EUR 40,000,000.00 by issuing up to 40,000,000 new no-par-value bearer shares in the Company's capital (Authorised Capital 2012/I).

As a matter of principle, the new shares shall be offered to the shareholders for subscription; they may also be transferred to one or more banks or one or more institutions equivalent to banks subject to the obligation that they be offered to the shareholders for subscription (indirect subscription right). However, the Management Board is authorised to exclude the shareholders' statutory subscription rights subject to the Supervisory Board's approval in the following cases:

- (a) as far as this is necessary to eliminate fractional amounts;
- (b) as far as this is necessary to grant the holders of the conversion and/or option rights subscription rights to the same extent as the subscription rights to which they are entitled after the exercise of their conversion and/or option rights or the settlement of the conversion and/or option obligations;
- (c) to acquire real estate, real estate portfolios, enterprises, parts of enterprises or equity interests in enterprises or other assets through the provision of shares in suitable individual cases (non-cash equity issue);
- (d) to the extent to which - in the event that the new shares are issued on a cash basis - the new shares for which pre-emptive subscription rights are excluded do not exceed a total of ten percent of the Company's share capital and the issue price of the new shares is not significantly lower than the price of the same class of the Company's shares within the meaning of Sections 203 (1) and (2) and 186 (3) Sentence 4 of the German Stock Corporation Act both on the date on which the authorisa-

tion takes effect and on the date on which it is exercised. The limit of ten percent of the share capital also includes the prorated amount of the share capital attributable to shares which are sold subject to the exclusion of the shareholders' pre-emptive subscription rights in accordance with direct, analogous or corresponding application of Section 186 (3) Sentence 4 of the German Stock Corporation Act during the term of this authorisation. The limit of ten percent of the share capital shall additionally include the prorated amount of the share capital required for the settlement of any obligations under convertible and/or option bonds issued subject to the exclusion of the shareholders' subscription rights in accordance with Sections 221 (4) Sentence 2 and 186 (3) Sentence 4 of the German Stock Corporation Act during the term of this authorisation.

The proportionate value of the share capital attributable to the new shares for which pre-emptive subscription rights are excluded in accordance with Paragraphs (a) - (d) above may not exceed a total of twenty percent of the Company's share capital on both the date on which the authorisation takes effect and on the date on which it is exercised.

In all other matters, the Management Board acting with the Supervisory Board's approval shall make decisions on the issue of new shares, the nature of the rights attached to such shares and the conditions of such issue.

The Supervisory Board is authorised to adjust the wording of the Articles of Incorporation to reflect the share capital issue executed using authorised capital.

- b) Article 4 (8) of the Articles of Incorporation shall be renumbered as Article 4 (9) and a new Article 4 (8) with the following wording shall be inserted:

“The Management Board is authorised subject to the Supervisory Board's approval to increase the share capital once or repeatedly on or before 13 June 2017 on a cash and/or non-cash basis by a maximum amount of EUR 40,000,000.00 by issuing up to 40,000,000 new no-par-value bearer shares in the Company's capital (Authorised Capital 2012/I).

As a matter of principle, the new shares shall be offered to the shareholders for subscription; they may also be transferred to one or more banks or one or more institutions equivalent to banks subject to the obligation that they be offered to the shareholders for subscription (indirect subscription right). However, the Management Board is authorised to exclude the shareholders' statutory subscription rights subject to the Supervisory Board's approval in the following cases:

- (a) as far as this is necessary to eliminate fractional amounts;

- (b) as far as this is necessary to grant the holders of the conversion and/or option rights subscription rights to the same extent as the subscription rights to which they are entitled after the exercise of their conversion and/or option rights or the settlement of the conversion and/or option obligations;
- (c) to acquire real estate, real estate portfolios, enterprises, parts of enterprises or equity interests in enterprises or other assets through the provision of shares in suitable individual cases (non-cash equity issue);
- (d) to the extent to which - in the event that the new shares are issued on a cash basis - the new shares for which pre-emptive subscription rights are excluded do not exceed a total of ten percent of the Company's share capital and the issue price of the new shares is not significantly lower than the price of the same class of the Company's shares within the meaning of Sections 203 (1) and (2) and 186 (3) Sentence 4 of the German Stock Corporation Act both on the date on which the authorisation takes effect and on the date on which it is exercised. The limit of ten percent of the share capital also includes the prorated amount of the share capital attributable to shares which are sold subject to the exclusion of the shareholders' pre-emptive subscription rights in accordance with direct, analogous or corresponding application of Section 186 (3) Sentence 4 of the German Stock Corporation Act during the term of this authorisation. The limit of ten percent of the share capital shall additionally include the prorated amount of the share capital required for the settlement of any obligations under convertible and/or option bonds issued subject to the exclusion of the shareholders' subscription rights in accordance with Sections 221 (4) Sentence 2 and 186 (3) Sentence 4 of the German Stock Corporation Act during the term of this authorisation.

The proportionate value of the share capital attributable to the new shares for which pre-emptive subscription rights are excluded in accordance with Paragraphs (a) - (d) above may not exceed a total of twenty percent of the Company's share capital on both the date on which the authorisation takes effect and on the date on which it is exercised.

In all other matters, the Management Board acting with the Supervisory Board's approval shall make decisions on the issue of new shares, the nature of the rights attached to such shares and the conditions of such issue.

The Supervisory Board is authorised to adjust the wording of the articles of incorporation to reflect the share capital issue executed using authorised capital."

The Management Board is required pursuant to Sections 203 (2) Sentence 2 and 186 (4) Sentence 2 of the German Stock Corporation Act to submit a written report explaining the reasons for the exclusion of the shareholders' pre-emptive subscription rights. The contents of such report are disclosed in Part II of this invitation to the annual general meeting.

**9. Resolution to adjust Contingent Capital 2009/I and Contingent Capital 2010/I and to amend the Articles of Incorporation accordingly**

The Company has contingent capital of up to EUR 8,200,000.00 through the issue of up to 8,200,000 new bearer shares (Contingent Capital 2009/I) in accordance with Article 4 (5) of the Articles of Incorporation following a resolution passed at the shareholder meeting of 27 August 2009. Contingent Capital 2009/I is used to satisfy the rights accruing under convertible and/or option bonds which were issued in accordance with a resolution passed at the annual general meeting of 27 August 2009. Following the exercise of conversion rights in 2011, Contingent Capital 2009/I has declined by EUR 5,251.00 to 8,194,749.00.

The Company has contingent capital of up to EUR 9,000,000.00 through the issue of up to 9,000,000 new bearer shares (Contingent Capital 2010/I) in accordance with Article 4 (6) of the Articles of Incorporation following a resolution passed at the shareholder meeting of 25 August 2010. Contingent Capital 2010/I is used to satisfy the rights accruing under convertible and/or option bonds which were issued in accordance with a resolution passed at the annual general meeting of 25 June 2010.

In a resolution passed by the Management Board on 17 December 2009 and approved by the Supervisory Board, partial use was made of the authorisation of 27 August 2009 (Contingent Capital 2009/I) and a convertible bond with a nominal value of EUR 12,500,000.00 issued. In a resolution passed by the Management Board on 15 April 2010 and approved by the Supervisory Board, further use of this authorisation was made and a convertible bond in a nominal value of EUR 30,000,000.00 issued.

Finally, in resolutions passed by the Management Board and approved by the Supervisory Board, use was made of the authorisation of 25 June 2010 (Contingent Capital 2010/I) and a convertible bond in a nominal value of EUR 66,600,000.00 issued.

The conversion price for the three convertible bonds mentioned above has been adjusted in accordance with the applicable terms and conditions of issue as a result of the decision to execute an equity issue made by the Management Board on 28 February 2012 and approved by the Supervisory Board on the same day and entered in the commercial register on 19 March 2012. A further adjustment may be necessary if the shareholders pass the resolution proposed in Item 2 of the Agenda authorising the Company to pay a dividend of EUR 0.20 per divi-



dend-entitled share and this notionally gives rise to an adjustment to the conversion price for the holders of the convertible bonds in accordance with the applicable terms and conditions of issue.

The scope of Contingent Capital 2009/I and Contingent Capital 2010/I is to be extended and the wording of Article 4 (5) and (6) of the Company's Articles of Incorporation modified so that it is possible for all conversion rights accruing under the three convertible bonds to be satisfied by means of Contingent Capital 2009/I and Contingent Capital 2010/I following the adjustment to the applicable conversion price and to avoid the need to acquire any additional treasury stock or to make cash payments.

The Management Board and Supervisory Board recommend that the shareholders pass the following resolution:

a) The resolution passed by the shareholders at the Company's annual general meeting on 27 August 2009 concerning Contingent Capital 2009/I (Item 9 (c) of the agenda) is to be modified such that the Company's share capital will be increased by up to EUR 8,600,000.00 through the issue of up to 8,600,000 new bearer shares on a contingent basis.

b) Article 4 (5) Sentence 1 (a) of the Articles of Incorporation is to be reworded as follows:

“The share capital shall be increased by up to EUR 8,600,000.00 through the issue of up to 8,600,000 new bearer shares on a contingent basis (Contingent Capital 2009/I).”

Otherwise, Article 4 (5) of the Articles of Incorporation will not be modified.

c) The resolution passed by the shareholders at the Company's annual general meeting on 25 June 2010 concerning Contingent Capital 2010/I (Item 7 (b) of the agenda) is to be modified such that the Company's share capital will be increased by up to EUR 9,800,000.00 through the issue of up to 9,800,000 new bearer shares on a contingent basis.

d) Article 4 (6) Sentence 1 (a) of the Articles of Incorporation is to be reworded as follows:

“The Company's share capital shall be increased by up to EUR 9,800,000 through the issue of up to 9,800,000 new bearer shares on a contingent basis (Contingent Capital 2010/I).”

Otherwise, Article 4 (6) of the Articles of Incorporation will not be modified.

**10. Resolution to renew the authorisation to exclude pre-emptive subscription rights in connection with the issue of convertible bonds and/or option bonds**

**in accordance with the authorisation granted by the shareholders on 26 August 2011**

In accordance with a resolution passed at the annual general meeting of 26 August 2011, the Management Board is authorised subject to the Supervisory Board's approval to issue bearer convertible bonds and/or option bonds (collectively known as the "bonds") for a definite or indefinite period in a total nominal amount of up to EUR 150,000,000.00 once or repeatedly on or before 25 August 2016 and to grant the holders of the bonds conversion or option rights with respect to the Company's bearer shares accounting for a proportionate amount of up to EUR 15,000,000.00 of the Company's share capital in accordance with conversion and option bond conditions to be determined by the Management Board. Among other things, the Management Board was authorised subject to the Supervisory Board's approval to exclude the shareholders' right to subscribe to the bonds in accordance with the conditions on which such authorisation is contingent provided that the issue price is not materially less than the theoretical market value of the bonds calculated in accordance with acknowledged principles of financial mathematics. This limit of ten percent of the share capital included the shares which are issued during the term of this authorisation pursuant to authorisation to issue new shares using the Company's authorised capital in accordance with Sections 203 (1) and (2) in connection with 186 (3) Sentence 4 of the German Stock Corporation Act subject to the exclusion of the shareholders' pre-emptive subscription rights. The Management Board has so far not made any use of the authorisation granted on 26 August 2011.

Following the cash equity issue of EUR 5,000,000.00 executed by the Management Board on 17 November 2011 acting with the Supervisory Board's approval of the same day and utilising Authorised Capital 2011/I subject to exclusion of the pre-emptive subscription rights, a material part of the authorisation granted on 26 August 2011 to issue bonds subject to the exclusion of pre-emptive subscription rights was utilised in accordance with Section 186 (3) Sentence 4 of the German Stock Corporation Act. Thus, including the aforementioned utilisation, only a limited volume of the authorisation of 26 August 2011 now remains unused. The authorisation to exclude the shareholders' right to subscribe to the bonds is to be widened to ten percent of the Company's share capital in accordance with the specific provisions of the proposed resolution provided that the issue price is not materially lower than the theoretical market value of the bonds calculated in accordance with acknowledged principles of financial mathematics.

The Management Board and Supervisory Board recommend that the shareholders pass the following resolution:

In the event that the authorisation granted on 26 August 2011 by the shareholders in accordance Item 8 of the Agenda to issue convertible bonds and/or option bonds (hereinafter jointly referred to as the “bonds”) is utilised, the Management Board shall be authorised subject to the Supervisory Board’s approval to exclude the shareholders’ pre-emptive right to subscribe to the bonds provided that the issue price is not materially less than the theoretical market value of the bonds calculated in accordance with acknowledged principles of financial mathematics. In cases in which bonds are issued such that subscription rights are excluded in accordance with Section 186 (3) Sentence 4 of the German Stock Corporation Act, this authorisation to exclude the pre-emptive right of subscription shall apply only provided that the proportion attributable to the shares issued to settle the conversion and option obligations does not exceed a total of ten percent of the share capital either on the date on which this authorisation takes effect or on the date on which it is exercised. The limit of ten percent of the share capital also includes the prorated amount of the share capital attributable to shares which are sold subject to the exclusion of the shareholders’ pre-emptive subscription rights in accordance with direct, analogous or corresponding application of Section 186 (3) Sentence 4 of the German Stock Corporation Act. The limit of ten percent of the share capital additionally includes the prorated amount of the share capital required for the settlement of any obligations under convertible and/or option bonds issued subject to the exclusion of the shareholders’ pre-emptive subscription rights in accordance with Sections 221 (4) Sentence 2 and 186 (3) Sentence 4 of the German Stock Corporation Act during the term of this authorisation.

Otherwise the provisions contained in the resolution passed by the shareholders on 26 August 2011 in Item 8 of the Agenda authorising the issue of bonds and excluding the pre-emptive subscription rights will continue to apply.

**11. Resolution authorising the issue of profit-participation rights and the exclusion of pre-emptive subscription rights**

Profit-participation rights are an attractive instrument for providing the Company with a flexible capital base and for optimising its funding structure. Accordingly, the Management Board is to be authorised subject to the Supervisory Board’s approval to grant profit-participation rights free of any conversion or option rights with respect to the Company’s shares and to exclude the shareholders’ pre-emptive subscription rights in accordance with the provisions of the proposed resolution.

The Management Board and Supervisory Board recommend that the shareholders pass the following resolution:

- a) The Management Board is authorised The Management Board shall be authorised subject to the Supervisory Board’s approval to issue once or re-

peatedly profit-participation rights free of any conversion or option rights with respect to the Company's shares on or before 13 June 2017. The authorisation may also be utilised in fractional amounts. The total nominal amount of the profit-participation rights which may be granted in accordance with this authorisation may not exceed an amount of EUR 100,000,000.00.

- b) The Management Board shall be authorised subject to the Supervisory Board's approval to determine the remaining details and conditions of the profit-participation rights including but not limited to the issue price, denomination, duration, amount of the annual distribution, redemption and participation in the distribution of profit and liquidation proceeds.
- c) As a matter of principle, the profit-participation rights shall be offered to the shareholders for subscription; they may also be transferred to one or more banks or one or more institutions equivalent to banks subject to the obligation that they be offered to the shareholders for subscription (indirect subscription right). However, the Management Board is authorised to exclude the shareholders' statutory subscription rights subject to the Supervisory Board's approval in the following cases:
- for fractional amounts;
  - provided that the issue price is not materially lower than the theoretical market value of the profit-participation rights calculated in accordance with acknowledged principles of financial mathematics and the profit-participation rights merely have bond-like characteristics, i.e. in particular they do not confer any membership rights in the Company or a share in the liquidation proceeds and the amount of the coupon is not calculated by reference to the amount of the net profit for the year, the unappropriated surplus or the dividend.

## II.

### Reports by the Management Board to the shareholders

#### **Report by the Management Board on Item 8 of the Agenda in accordance with Sections 203 (2), Sentence 2 and 186 (4) Sentence 2 of the German Stock Corporation Act**

The Management Board and Supervisory Board recommend that the shareholders pass the following resolution: that new Authorised Capital 2012/I of EUR 40,000,000.00 be created.

With this proposed authorisation to create new authorised capital, which will equal roughly 41% of the Company's share capital, the Management Board will obtain a flexible instrument for structuring the Company's funding. With the proposed authorised

capital, the Management Board will also be able to continue raising the capital required for the Company's ongoing development in the short term by issuing new shares and making use of favourable market conditions for covering future financial requirements without delay. In addition, the Management Board will still be able to make use of opportunities for acquisitions arising in the market for a non-cash share capital issue.

The Management Board is to be authorised to exclude the shareholders' pre-emptive subscription rights for any fractional amounts. In this way, it will be possible to set simple and practicable subscription ratios in connection with future equity issues. Fractional amounts arise when it is not possible to distribute all new shares evenly to shareholders on account of the subscription ratio or the amount of the equity issue. Fractional amounts are of subordinate importance in the light of the total value of the equity issue. Accordingly, the disadvantages for the shareholders as a result of the exclusion of pre-emptive subscription rights for fractional amounts are negligible in the light of the procedural advantages for the Company.

In addition, the Management Board is to be given the option of excluding the shareholders' pre-emptive subscription rights subject to the Supervisory Board's approval in order to grant subscription rights to the holders of the conversion and/or option rights and of conversion and/or option obligations to the same extent as the subscription rights to which they are entitled after the exercise of their conversion and/or option rights or settlement of the conversion and/or option obligations. Bonds must exhibit such protection from dilution to facilitate placement in the capital market. This protection is provided by granting the holders of bonds in connection with ensuing share capital issues a subscription or conversion right with respect to new shares equivalent to that accruing to shareholders. This ensures that holders of bonds are placed in the position which they would have if they were already shareholders. The shareholders' pre-emptive subscription rights to such shares must be excluded to ensure that the bonds receive the necessary protection from dilution. This facilitates the placement of the bonds and thus serves the shareholders' interest in ensuring an optimum financial structure for the Company. In addition, the exclusion of pre-emptive subscription rights in favour of the holders of bonds granting a conversion and/or option right or giving rise to a conversion and/or option obligation offers a further advantage in that, if the authorisation is utilised, the option or conversion price for the holders of existing bonds granting a conversion and/or option right or giving rise to a conversion and/or option obligation does not have to be reduced in accordance with the applicable terms and conditions of the bond and the Company is not required to provide any other form of protection from dilution.

In addition, the Management Board is to be authorised to acquire real estate, real estate portfolios, enterprises, parts of enterprises or interests in enterprises or other assets from third parties by issuing shares. This will substantially heighten the Management Board's flexibility in competition with others as the consideration rendered for the acquisition of business entities and interests is increasingly taking the form of shares issued by the acquiring party. Given the fact that the enterprises which are the subject of such transactions are increasingly growing in size, it is frequently not possible to provide considera-

tion in cash form without exerting undue pressure on the Company's liquidity or raising unreasonable debt. The use of authorised capital for this purpose is contingent upon the ability to exclude subscription rights. It is only possible to issue new shares as consideration for the acquisition of real estate, real estate portfolios, all or part of other enterprises or business entities or other assets if the current shareholders' pre-emptive subscription rights are excluded. In such cases, the Management Board is therefore to be authorised to exclude the pre-emptive subscription rights. The price at which the new shares are utilised in this case depends on the individual circumstances. In determining the measurement ratios, the Management Board will in all cases take reasonable account of the shareholders' interests and base its decision on the Company's interests. In measuring the value of the shares granted as consideration, the Management Board will take as a guide the listed price of the Company's shares. However, there is no provision for a firm link with the listed price so as to avoid jeopardising the results of negotiations as a result of fluctuations in the trade price.

Finally, Sections 203 (1) and (2) and 186 (3) Sentence 4 of the German Stock Corporation Act permit the exclusion of pre-emptive subscription rights in connection with a cash equity issue if the new shares for which the pre-emptive subscription rights are to be excluded do not account for more than ten percent of the Company's share capital both on the date on which the authorisation takes effect and on the date on which it is exercised and the issue price of the new shares is not materially less than the price at which the Company's shares are trading in the stock market. In this way, the Company's management is able to make use of favourable conditions in the stock market at short notice and thus strengthen the Company's equity base to the greatest possible extent. Experience suggests that by excluding pre-emptive subscription rights it is possible to react substantially more swiftly, something which in turn results in a higher cash inflow than a comparable equity issue with subscription rights. This is due to the fact that, if subscription rights are granted, a subscription period of at least two weeks must be observed. In such a case, the Company would not be able to respond at short notice to favourable or unfavourable market conditions during the subscription period, possibly impairing its ability to raise the capital required. Although Section 186 (2) Sentence 2 of the German Stock Corporation Act states that the subscription price does not have to be disclosed until the third last day of the subscription period, given the frequent volatility in the equities markets a market risk would arise over several days resulting in risk discounts and thus distorting market conditions. Moreover, the grant of pre-emptive subscription rights may impair the ability to successfully place an issue with third parties or give rise to additional expense due to uncertainty as to the extent to which it is exercised. In addition, access to new shareholder groups can be gained by excluding subscription rights. It should also be noted that the limit of ten percent of the Company's share capital also includes any treasury stock issued or sold by the Company in cases in which the subscription rights have also been excluded in accordance with Section 186 (3) Sentence 4 of the Stock Corporation Act. The limit of ten percent of the share capital additionally includes shares which must be issued for the settlement of any obligations under convertible or option bonds issued subject to the exclusion of the shareholders'

pre-emptive subscription rights in accordance with Sections 221 (4) Sentence 2 and 186 (3) Sentence 4 of the German Stock Corporation Act during the term of this authorisation. The limit of ten percent of the share capital will reduce the dilution effects for the shareholders whose subscription rights have been excluded to the greatest possible extent. Given the limited size of the equity issue, the shareholders concerned can restore their share quotas by buying additional shares in the stock markets and, hence, under normal market conditions. In this case, the shareholders' financial interests are protected by the fact that the shares coming within the scope of this authorisation may only be issued at a price which is not materially lower than the price at which the Company's listed stock of the same class is trading. In addition, the Management Board is obliged to determine the value of the shares solely in the light of the interests of the Company and its shareholders.

In connection with all possibilities for excluding the shareholders' pre-emptive subscription rights, the proportionate value of the share capital attributable to the new shares for which pre-emptive subscription rights are excluded may not exceed a total of twenty percent of the Company's share capital on both the date on which the authorisation takes effect and on the date on which it is exercised. This will avoid excessive dilution of the previous shareholders' holdings.

The Management Board will consider the individual circumstances carefully before deciding whether to make use of this authorisation. It may only make use of the authorisation if it takes the view that this is in the best interests of the Company and, therefore, of its shareholders and is reasonable and appropriate.

### **Report by the Management Board on Item 10 of the Agenda in accordance with Sections 221 (4), Sentence 2 and 186 (4) Sentence 2 of the German Stock Corporation Act**

The issue of convertible and/or option bonds ("the bonds") enables capital to be raised on attractive terms. The authorisation granted by the shareholders on 26 August 2011 in accordance with Item 8 of the Agenda but hitherto not utilised provides the Company with the necessary flexibility to issue bonds itself or via directly or indirectly affiliated subsidiaries. Bonds may be denominated in euros and issued for a definite or indefinite period of time.

As a matter of principle, subscription rights will be granted to the shareholders. At the annual general meeting held on 26 August 2011, the shareholders authorised the Management Board to exclude pre-emptive subscription rights in accordance with the terms of the resolution passed at that time. As stated in the introduction to the proposed resolution in Item 10 of the annual general meeting for 2012, there is now only limited authorisation to exclude the pre-emptive subscription rights with respect to bonds in accordance with Section 186 (3) Sentence 4 of the German Stock Corporation Act due to the utilisation of Authorised Capital 2011/I, in connection with which use was made of

the authorisation to exclude pre-emptive subscription rights and the resultant inclusion of the prorated amount of the share capital for which the pre-emptive subscription rights may be excluded.

Accordingly, the Management Board is to be authorised to the extent permitted by law and subject to the Supervisory Board's approval to exclude the pre-emptive subscription rights in accordance with Section 186 (3) Sentence 4 of the German Stock Corporation Act with respect to the bonds which may be issued in accordance with the authorisation granted at the annual general meeting on 26 August 2011 under Item 8 of the agenda provided that the shares issued to exercise the conversion and option rights and to settle the obligations arising from the conversion and option rights do not exceed ten percent of the Company's share capital. The limit of ten percent of the share capital restricts both the date on which this new authorisation to exclude pre-emptive subscription rights becomes effective as well as the date on which this authorisation may be utilised. The limit of ten percent of the share capital also includes the prorated amount of the share capital attributable to shares which are sold subject to the exclusion of the shareholders' pre-emptive subscription rights in accordance with direct, analogous or corresponding application of Section 186 (3) Sentence 4 of the German Stock Corporation Act. The limit of ten percent of the share capital additionally includes the prorated amount of the share capital required for the settlement of any obligations under convertible and/or option bonds issued subject to the exclusion of the shareholders' pre-emptive subscription rights in accordance with Sections 221 (4) Sentence 2 and 186 (3) Sentence 4 of the German Stock Corporation Act during the term of this authorisation. This ensures that for as long as the authorisation to exclude pre-emptive subscription rights remains valid no bonds may be issued if such issue results in the shareholders' pre-emptive subscription rights being excluded for more than ten percent of the Company's share capital for no particular objective reason in analogous or corresponding application of Section 186 (3) Sentence 4 of the German Stock Corporation Act. The shareholders' voting rights will be protected in this way in accordance with the statutory evaluation provided for in Section 186 (3) Sentence 4 of the German Stock Corporation Act. Shareholders wishing to maintain their percentage share in the Company's share capital may do so by making the necessary purchases via the market and thus at standard market conditions.

With this authorisation to exclude subscription rights, the Company has the flexibility necessary to make use of favourable conditions in the capital market at short notice. The reason for this is that in contrast to the issue of bonds with subscription rights it is possible to fix the issue price and other conditions immediately before the placement, thus avoiding the heightened price risk liable to occur during a subscription period. As a result, the bonds can be issued on better terms for the Company. This is due to the fact that, if subscription rights are granted, a subscription period of at least two weeks must be observed. Although Section 221 (4) Sentence 2 in connection with Section 186 (2) Sentence 2 of the German Stock Corporation Act states that the subscription price and the other conditions do not have to be disclosed until the third last day of the subscription period, given the frequent volatility in the equities markets a market risk would arise over several days resulting in risk discounts and thus distorting market conditions.



Moreover, the grant of pre-emptive subscription rights may impair the ability to successfully place an issue with third parties or give rise to additional expense due to uncertainty as to the extent to which it is exercised. Accordingly, the exclusion of pre-emptive subscription rights is fundamentally in the interests of both the Company and its shareholders.

If pre-emptive subscription rights are excluded, the analogous application of Section 186 (3) Sentence 4 of the German Stock Corporation Act stipulates that the issue price of the bonds must not be materially less than their theoretical market value. This aims to make suitable allowance for the shareholders' interest in avoiding dilution in the value of their shares. As the authorisation stipulates that the issue price of the bonds must not be materially less than their theoretical market value, the value of the subscription rights would be effectively zero. However, to ensure compliance with this requirement in connection with the issue of bonds, the issue price must not be materially less than the theoretical market value of the bond calculated in accordance with acknowledged principles of financial mathematics. This protects the shareholders from the risk of the value of their shareholdings being diluted. At the same time, the exclusion of subscription rights does not result in any economic disadvantage for them.

The Management Board will consider the individual circumstances carefully before deciding whether to make use of this authorisation. It may only make use of the authorisation if it takes the view that this is in the best interests of the Company and, therefore, of its shareholders and is reasonable and appropriate.

### **Report by the Management Board on Item 11 of the Agenda in accordance with Sections 221 (4), Sentence 2 and 186 (4) Sentence 2 of the German Stock Corporation Act**

Item 11 of the agenda proposes that the Management Board be authorised to issue profit-participation rights free of conversion and option rights with respect to the Company's shares and, in doing so, to exclude the shareholders' pre-emptive subscription rights.

Appropriate capital resources form a key basis for the Company's growth. The purpose of the proposed authorisation, which will expire after a period of five years, to issue profit-participation rights in a total nominal amount of up to EUR 100,000,000.00 is to permit the Company to reinforce its equity resources swiftly, flexibly and on attractive terms and to optimise its funding structure.

As a matter of principle, subscription rights must be granted to the shareholders when profit-participation rights are issued. However, the Management Board is to be additionally authorised subject to the Supervisory Board's approval to exclude fractional amounts from the subscription rights. Such fractional amounts may arise from the amount of the investment volume and the application of a practicable subscription ratio. The exclusion of the pre-emptive subscription rights simplifies this.

In addition, the Management Board is to be authorised subject to the Supervisory Board's approval to exclude pre-emptive subscription rights for profit-participation rights provided that the issue price is not materially lower than the theoretical market value of the profit-participation rights calculated in accordance with acknowledged principles of financial mathematics and the profit-participation rights merely have bond-like characteristics, i.e. in particular they do not grant any membership rights in the Company or a share in the liquidation proceeds and the amount of the coupon is not calculated by reference to the amount of the net profit for the year, the unappropriated surplus or the dividend.

On the assumption that the profit-participation rights exhibit only bond-like characteristics, the shareholders' status as members of the Company will not be affected; neither their voting rights, nor their proportionate dividend entitlement nor their share in the Company's assets will be adversely affected by the exclusion of pre-emptive subscription rights in connection with the issue of profit-participation rights. Moreover, if pre-emptive subscription rights are excluded, the profit-participation rights must be issued on customary market terms to prevent any material inherent value arising in the profit-participation rights. With the authorisation to exclude pre-emptive subscription rights, the Management Board will be able to utilise low interest rate levels or favourable demand for an issue flexibly and at short notice. In this way, it will be possible to substantially lower the placement risk. On the other hand, if the pre-emptive subscription rights are not excluded from the issue, there is a risk, the severity of which will depend on market conditions, that the conditions which are defined no longer reflect prevailing market conditions by the time the issue is actually placed in the market. This would expose the Company to the risk of being unable to place all or part of the profit-participation rights, resulting in additional costs or price losses or forcing it to pay a high coupon. This would not be in the interests of the Company or its shareholders.

However, in order to protect the shareholders, the Management Board will consider in each case whether it is necessary in the Company's interests for pre-emptive subscription rights to be excluded when profit-participation rights are issued.

### **III. Further information**

#### **1. Total number of shares and voting rights**

As of the date of the invitation to the annual general meeting, the Company's share capital stands at EUR 96,428,250.00. It is divided into 96,428,250 shares with the same number of voting rights. As of the date of this invitation, the Company does not hold any treasury stock.

## **2. Conditions for participation and exercising voting rights**

Only shareholders who have registered prior to the annual general meeting and have furnished proof of eligibility may take part in the annual general meeting and exercise their voting rights. Proof of eligibility shall be furnished in the form of confirmation issued by the bank at which the securities account is held. Proof of shares not held on a collective basis may also be provided in the form of a certificate issued by the Company, a notary or a bank within the European Union upon the shares being lodged with the Company or such bank or notary. Such proof is to apply as of the beginning of 24 May 2012 (0:00 hours). The registration form and proof of eligibility must be lodged with the Company in text form in the German or English language by no later than 7 June 2012 (24:00 hours) at the following address:

Bankhaus Gebr. Martin AG  
Kirchstraße 35  
73033 Göppingen  
Telefax: +49 (0)7161 - 969317  
E-Mail: bgross@martinbank.de

## **3. Significance of the date of proof**

For the purpose of relations with the Company, only those persons who have provided proof that they hold shares in the Company's share capital may attend the shareholder meeting and exercise voting rights. Entitlement to attend the shareholder meeting and the extent to which voting rights may be exercised shall be determined solely on the basis of the shares held by the shareholder on the date of proof. The date of proof does not entail any block on the sale of the shares. Notwithstanding the fact that the shares may have been sold in full or in part after the date of proof, the shares held by the shareholder on the date of proof are solely decisive for determining his eligibility to attend the annual general meeting and the scope of the voting rights accruing to him. In other words, the sale of shares after the date of proof does not have any effect on eligibility to attend the annual general meeting and the scope of the voting rights. This applies equally if shares are acquired after the date of proof. Persons who do not own any shares on the date of proof and acquire them only at a later date are only eligible to attend the annual general meeting and exercise voting rights if they are duly authorised to do so. The date of proof does not have any relevance for determining dividend entitlement.

## **4. Procedure for proxy voting**

Shareholders may also vote by proxy at the annual general meeting by authorising an agent such as a bank, a shareholder association or any other person of their choice to exercise their voting rights on their behalf. If a shareholder

authorises more than one person to represent him, the Company may reject one or more of these.

Proxies, the revocation of proxies and proof of authorisation must be served on the Company in text form. If a bank or equivalent entity as defined Section 135 (10) of the German Stock Corporation Act in connection with Section 125 (5) of the German Stock Corporation Act, a shareholder association or a person coming within the definition contained in Section 135 (8) of the German Stock Corporation Act are designated as a voting proxy, alternative rules may apply, information on which can be obtained from such designated proxy.

The Company offers to designate a proxy, who will exercise voting rights in accordance with shareholders' specific instructions, prior to the annual general meeting. The voting proxy will exercise the voting rights solely in accordance with the instructions issued by the shareholder. The authorisation granted to the voting proxy designated by the Company and the voting instructions must be in text form. In the absence of any express instructions or if the instructions granted are contradictory or unclear, the voting proxy designated by the Company shall abstain from casting a vote on the item of the agenda concerned. The voting proxy designated by the Company cannot accept instructions on procedural motions either before or during the annual general meeting.

Shareholders wishing to designate a proxy may use the form sent to duly registered persons together with the admission ticket. The form authorising and instructing the voting proxy designated by the Company and issue voting instructions will also be sent to shareholders together with the admission ticket to the annual general meeting. Further information will be sent to the shareholders together with the admission ticket. Corresponding forms are also available on the Company's web site at [www.tag-ag.com/investor-relations/hauptversammlung](http://www.tag-ag.com/investor-relations/hauptversammlung).

Proof that a proxy has been designated and the authorisation to exercise voting rights together with instructions for the voting proxy designated by the Company can also be served on the Company via the following e-mail address:

[ir@tag-ag.com](mailto:ir@tag-ag.com)

The authorisation to exercise voting rights together with instructions for the voting proxy designated by the Company must reach the Company by 13 June 2012 (12:00 hours). This date applies solely to authorisation to exercise voting rights together with instructions.

The registration form and proof of eligibility to attend the annual general meeting must also be lodged within the specified period notwithstanding the nomination of a proxy. Subject to the aforementioned restrictions to the period in which authorisation may be granted to the voting proxy designated by the Company,

this does not exclude the possibility of designating a proxy after the registration form and proof of eligibility have been lodged.

**5. Shareholders' rights in accordance with Sections 122 (2), 126 (1), 127 and 131 (1) of the German Stock Corporation Act**

Minority request for additions to the agenda in accordance with Section 122 (2) of the German Stock Corporation Act

Shareholders whose shares jointly equal one twentieth of the Company's share capital or a prorated amount of EUR 500,000 in the Company's share capital (equivalent to 500,000 shares) may in accordance with Section 122 (2) of the German Stock Corporation Act request that items be placed on the agenda and announced accordingly. Each new item must be accompanied by an explanation or a proposed motion.

Requests for additions to the agenda must be served on the Company in writing no later than 30 days before the date of the annual general meeting not including the date of service and the date of the annual general meeting. Accordingly, the final date for serving any such requests on the Company is 14 May 2012 (24:00 hours). No requests received after that date will be accepted.

The applicants must prove that they have held the minimum requested number of shares for at least three months prior to the date of the shareholder meeting (Section 142 (2) Sentence 2 in connection with Section 122 (1) Sentence 3 (2) Sentence 1 of the German Stock Corporation Act).

Requests for additions to the agenda must be served on the Company at the following address:

TAG Immobilien AG  
- The Management Board-  
Steckelhörn 5  
20457 Hamburg

Counter motions and voting proposals by shareholders in accordance with Sections 126 (1), 127 of the German Stock Corporation Act

Shareholders may submit to the Company counter motions for the proposals made by the Management Board and the Supervisory Board for a certain item of the agenda and submit proposals of their own for the election of the statutory auditors and members of the Supervisory Board.

Counter motions and voting proposals which are received no later than 14 days before the date of the shareholder meeting not including the date of service and the date of the shareholder meeting, i.e. those which are served on the Company by no later than 30 May 2012 (24:00 hours), and which are required to be pub-

lished will be duly disclosed without delay to the other shareholders on the Internet at [www.tag-ag.com/investor-relations/hauptversammlung](http://www.tag-ag.com/investor-relations/hauptversammlung), stating the name of the shareholder and the reasons. Any comments by the management will also be published there.

In contrast to voting proposals, counter motions will only be disclosed provided that the reasons for such proposals are included.

Counter motions and voting proposals to be disclosed must be served on the Company at the following address:

TAG Immobilien AG  
Investor Relations  
Steckelhörn 5  
20457 Hamburg  
Telefax: +49 (0)40 380 32-446  
E-Mail: [ir@tag-ag.com](mailto:ir@tag-ag.com)

Counter motions and voting proposals sent to any other address will not be accepted.

#### Shareholders' right to request information in accordance with Section 131 (1) of the German Stock Corporation Act

In accordance with Section 131 (1) of the German Stock Corporation Act, each shareholder is entitled to request from the Management Board information on the Company's affairs at the shareholder meeting to the extent that such information is required for a reasonable assessment of the subject matter of the agenda. This duty to provide information also includes details of the Company's legal and business relations with affiliated companies as well as the condition of the Group and the consolidated companies. As a matter of principle, requests for information made during the annual general meeting shall be oral.

Further information on the rights conferred on the shareholders under Section 121 (3) Sentence 3 No. 3 of the German Stock Corporation Act can be found on the Company's website at [www.tag-ag.com/investor-relations/hauptversammlung](http://www.tag-ag.com/investor-relations/hauptversammlung).

#### **6. Documents on shareholder meeting and information provided in accordance with Section 124a of the German Stock Corporation Act**

The documents to be made available to the shareholders as well as any other information stipulated by Section 124a of the German Stock Corporation Act will be available on the Company's website at [www.tag-ag.com/investor-relations/hauptversammlung](http://www.tag-ag.com/investor-relations/hauptversammlung) immediately after the invitation to the shareholder meeting has been served on the shareholders.

The documents to be made available are also available at the offices of TAG Immobilien AG, Steckelhörn 5, 20457 Hamburg, and during the shareholder meeting for inspection by the shareholders. On request, copies of the documents will be sent to each shareholder free of charge and without delay.

Hamburg, May 2012

**TAG Immobilien AG**

**The Management Board**