



AROUNDTOWN SA

Société Anonyme

40, Rue du Curé,
L-1368 Luxembourg

R.C.S. Luxembourg: B 217868

(the “**Company**”)

**REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY
IN ACCORDANCE WITH ARTICLE 420-26 (5) OF THE LUXEMBOURG LAW DATED
10 AUGUST 1915 ON COMMERCIAL COMPANIES, AS AMENDED**

The Board of Directors of the Company (the “**Board of Directors**”) hereby presents in accordance with article 420-26 (5) of the law of 10 August 1915 on commercial companies, as amended, (the “**Law**”) its report concerning the proposal to the extraordinary general meeting of the shareholders of the Company to authorize the Board of Directors to limit or suppress the shareholders preferential subscription rights during capital increases within the authorized capital framework as scheduled at items 1 to 3 of the agenda of the Company’s extraordinary general meeting of shareholders (the “**EGM**” or “**Meeting**”) convened to be held on 16 December 2019, at 2.00 p.m. (Central European Time, “**CET**”) at the premises of GSK Luxembourg SA, 44, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

1. Background of the EGM

In connection with an extraordinary general meeting of the shareholders of the Company held on 13 September 2017 (the “**2017 EGM**”), it was resolved to authorize the Board of Directors to increase the corporate share capital within the limits of the authorized share capital as set out in the current articles of association of the Company up to an amount of EUR 20,000,000.00 for a period of five years after publication of the deed of the 2017 EGM.

The Board of Directors now proposes to increase the authorized share capital amount from EUR 20,000,000.00 to EUR 30,000,000.00. The increase of the authorized share capital is aimed at providing the Company with more flexibility in connection with potential future capital markets and M&A transactions, as further described below in section 3 of this report.

As of the date hereof, the subscribed share capital of the Company equals EUR 12,235,742.61 and it is divided into 1,223,574,261 shares having a nominal value of EUR 0.01 each, all of which are fully paid up.

2. Resolutions Concerning the Authorized Share Capital Submitted to the Shareholders' Votes at the EGM

During the EGM, it is proposed to the shareholders of the Company to adopt the following resolution related to the authorized share capital of the Company:

- (a) to increase the existing authorized share capital of the Company from its present amount of EUR 20,000,000 to EUR 30,000,000 and to modify and renew the authorization of the Board of Directors to increase the corporate share capital within the limits of the authorized share capital for a period of five (5) years from 16 December 2019, or in case of adjournment because no quorum has been reached at the first EGM, of the adjourned EGM that effectively resolved on the increase, modification and renewal of the authorized share capital of the Company;
- (b) to approve the report of the Board of Directors pursuant to article 420-26 of the law of 10 August 1915, on commercial companies, as amended from time to time, relating to the possibility of the Board of Directors to suppress or limit any preferential subscription rights of the shareholders in relation to an increase of the share capital made within the authorized share capital of the Company;
- (c) to grant to the Board of Directors as referred to in article 420-26 (5) of the law of 10 August 1915 on commercial companies, as amended from time to time, all powers to carry out capital increases within the framework of the authorized share capital and to suppress or limit any preferential subscription right of the shareholders of the Company on the issue of new shares; and
- (d) to amend article 7 of the articles of association of the Company (the "**Articles**") accordingly.

Resolution proposed by the Board of Directors:

"The Extraordinary General Meeting resolves to:

- (a) approve the increase of the existing authorized share capital of the Company from its present amount of EUR 20,000,000 to EUR 30,000,000 and to approve the modification and renewal of the authorization of the Board of Directors to increase the corporate share capital within the limits of the authorized share capital for a period of five (5) years from 16 December 2019, or in case of adjournment because no quorum has been reached at the first EGM, of the adjourned EGM that effectively resolved on the increase, modification and renewal of the authorized share capital of the Company;*
- (b) approve the report of the Board of Directors relating to the possibility of the Board of Directors to suppress or limit any preferential subscription rights of the shareholders in relation to an increase of the share capital made within the authorized share capital of the Company;*

- (c) *grant to the Board of Directors all powers to carry out capital increases within the framework of the authorized share capital and to cancel or limit any preferential subscription right of the shareholders of the Company on the issue of new shares; and*
- (d) *amend article 7 of the Articles:*

“Article 7. AUTHORISED SHARE CAPITAL

7.1 The Company’s share capital may be increased from its present amount to up to thirty million Euro (EUR 30,000,000) by the creation and the issue of new shares with a par value of one Cent (EUR 0.01) each.

7.2 The Board of Directors is fully authorized and entitled:

7.2.1 to increase the subscribed capital within the limits of the authorized share capital as a whole at once, by successive portions or by continuous issues of new shares, to be paid up in cash, by contribution in kind, by conversion of shareholders' claims, including but not limited to, contribution in kind of dividend or distribution claims of a shareholder, or following approval of the general meeting of shareholders, by incorporation of profits or reserves into capital;

7.2.2 to issue convertible bonds, notes, warrants and, generally, any financial instruments granting the right to their holders to subscribe for one or more shares of the Company. The Board of Directors may at its sole discretion determine the conditions under which the convertible bonds, the notes, the warrants or the financial instruments granting the right to their holders to subscribe for one or more shares of the Company shall be issued, including the type, the form, the price, the currency, the interest rate, as well as any condition relating to the issue, exercise, transfer and conversion of such convertible bonds, notes, warrants or financial instruments. Such issue shall comply with the limits of the authorized share capital and with the applicable legal provisions and more particularly with article 420-27 of the Law, as applicable;

7.2.3 to issue shares, options and any financial instruments granting the right to their holders to subscribe for one or more shares of the Company under any share option programme, management or any other incentive scheme of the Company (each a "Programme");

7.2.4 to determine the place and the date of the issue or the successive issues, the issue price, with or without any issue premium, the date as of when the shares are entitled to distributions, the terms and conditions of subscription and payment of the additional shares; and

7.2.5 to suppress or limit the preferential subscription rights of the shareholders when issuing shares in accordance with this Article 7.

7.3 Such authorization is valid for a period of five (5) years starting on 16 December 2019 and may be renewed by a general meeting of shareholders with respect to the shares of the authorized share capital which at that time shall not have been issued by the Board of Directors.

7.4 As a consequence of each increase of capital rendered effective in accordance with this Article, the Board of Directors or any persons appointed for such purposes are authorized (i) to amend the Articles such as to correspond to the increase so rendered effective and (ii) to document such modification in notarial form.”

3. Reasons and Circumstances for the Limitation or Suppression of Preferential Subscription Rights

This report has been issued by the Board of Directors in order to present the circumstances justifying the limitation or elimination of the preferential right of shareholders within the framework of an authorization granted to the Board of Directors for a period of five years.

The Board of Directors acknowledges the necessity of being able to adapt the financial structure of the Company immediately with view to rapidly changing economic markets, real estate and stock markets in which it is involved and, thus, proposes to the EGM to authorize the Board of Directors to limit or suppress the preferential subscription rights of the shareholders in the event of future capital increases within the limits of the authorized share capital. In particular, the following reasons, each of which being sufficient to justify the implementation of the measure, shall be taken into account:

- (a) The authorized share capital with limitation or suppression of the preferential subscription rights of existing shareholders offers the Board of Directors the flexibility and speed required to become involved in public and private markets and to gather funds without having to resort to bank loans or bonds, and thus to develop and carry out quickly large real estate transactions.
- (b) The Company shall at all times be able to raise the necessary funds to cope with its changing needs in working capital, to cover unexpected charges, to preserve its cash balance, to improve its capital and debt structure, to strengthen its liquidity and to optimize the asset management and the cost of external funding.
- (c) The technique of authorized share capital with limitation or suppression of the preferential subscription right for existing shareholders will be used in the exercise of stock options, convertible bonds, warrants or other convertible securities into shares issued by the Company, the conversion of debt to capital.
- (d) In addition, the Company shall be authorized to limit or suppress the preferential subscription rights of the shareholders if it intends to make use of the authorized share capital in connection with any potential M&A transactions, take-over bids, share exchange offers to stakeholders and/or squeeze-out techniques in relation to other market participants. The option of limiting or suppressing the preferential subscription rights of the shareholders shall enable the Company to acquire companies, shares in companies in exchange for shares in the Company or to merge or combine businesses with other companies. This option shall put the Company in the position to react fast and flexibly on national and international markets in case of favourable offers or other opportunities to acquire companies

or shares in companies or to merge or combine businesses with companies which operate in related business areas. It is not uncommon that negotiations result in the necessity, or that it is in the best interest of the Company, to provide the consideration for the transaction in shares instead of or in addition cash. In order to be able to effect acquisitions in such cases on short notice, the Company should be provided with the possibility to increase its share capital against contributions in kind with the option of limiting or suppressing the preferential subscription rights.

On 16 October 2019, TLG Immobilien AG notified the Company that it holds 15.03% of its voting rights and therefore is its biggest shareholder. In connection with TLG Immobilien AG original acquisition of 9.99% shares in the Company on 1 September 2019, the Company announced that its Board of Directors has resolved to start with the evaluation of a potential merger with TLG Immobilien AG and to commence discussions in relation thereto. The Company and TLG Immobilien AG have since started to discuss a merger or other form of business combination of the two companies. In the course of the discussions different potential transaction structures for a business combination the Company and TLG Immobilien AG on 26 October 2019 entered into a non-binding term sheet, setting forth the essential terms and conditions of a potential merger of the two companies by way of a voluntary public offer by the Company for all shares in TLG Immobilien AG against a consideration consisting of new shares issued by the Company. As of the date of this report, no decision has been made by the Company to formally launch such offer pursuant to Sec. 10(1), (3) German Takeover Act or to engage in any other form of business combination and consequently no decision on the utilization of the Company's authorized capital or the proposed increase of the authorized capital has been made by the Company, nor has any definitive agreement been reached with TLG Immobilien AG. In addition, based on initial preliminary evaluations by the Board of Directors and subject to market developments and the outcome of negotiations with TLG Immobilien AG, the number of shares available under the existing authorized capital of the Company would suffice to issue the requisite consideration shares for a potential exchange offer to all shareholders of TLG Immobilien AG and hence no increase of the authorized share capital would be required to consummate such potential transaction. The proposed increase of the authorized share capital will therefore help to maintain the Company's flexibility and to react to favourable offers or other opportunities to acquire companies or shares in companies or to merge or combine businesses with companies which operate in related business areas and to react fast and flexibly on national and international markets, including in the event a certain number of its existing authorized capital will be used in connection with any potential transaction involving TLG Immobilien AG.

- (e) The long, costly and relatively complex procedure for the Company to convene a new extraordinary general meeting which could resolve on capital increases instead of what is proposed by points 1 to 3 of the agenda for the EGM may be,

under certain circumstances, incompatible with certain fluctuations of the financial markets or business opportunities to which the Company is subject to.

- (f) The technique of authorized capital with limitation or suppression of the preferential subscription right for existing shareholders may also be used by the Board of Directors, as far as permitted by applicable laws, in the case of a hostile take-over bid or an attack, in an attempt to take control or any other capital action brought against the Company, planned or not, by third parties and to defend its values and projects, to sustain the employment of its staff and to guarantee protection of its holdings.
- (g) The Board of Directors will use the possibility of a capital increase out of authorized capital against contributions in kind under limiting or suppressing of subscription rights only if the value of the new shares is in an appropriate proportion to the value of the consideration, i.e. of the companies or of the shareholdings to be acquired therein.

4. Method

The Board of Directors recommends the EGM to authorize it to limit or suppress the shareholders' preferential subscription right while it is achieving future capital increases within the framework of the authorization set out in the amended article 7.2 of the Articles. If preferential rights were not excluded as described above, the offering period to the existing shareholders would be at least fourteen days according to the Law.

This report is addressed to the Meeting and a subsequent 2nd extraordinary general meeting, if any, as applicable. This report therefore remains valid if the EGM is postponed, or if the mandatory quorum requirements for the first EGM are not met and a subsequent 2nd extraordinary general meeting therefore needs to be convened in accordance with Luxembourg law.

Done in Luxembourg, on 15 November 2019

Board of Directors