



Annual General Meeting 4 July 2008

Report of the Management Board regarding agenda item 9

The Management Board issues the following written report on the proposal contained in agenda item 9 involving the proposed stock option plan.

“§ 192 Section 2, No. 3 AktG [*Aktiengesetz*, German Stock Corporation Act] empowers corporations upon authorization by the General Meeting to grant employees and members of the Management Board stock options for up to 10% of the share capital (stock options) which are to be created by a conditional increase in capital. Agenda item 9 contains the proposal to grant such authorization. This authorization is intended to enable the Supervisory Board and the Management Board upon consent of the Supervisory Board to grant stock options for the purchase of up to 130,000 unit shares with no par value of POLIS Immobilien AG in the context of a stock option plan, thereof stock options for up to 100,000 unit shares to members of the Management Board and stock options for up to 30,000 unit shares for selected managers.

In the draft resolution, which was agreed with the Supervisory Board, all major terms and conditions of the respective stock option program have been set forth in writing. Accordingly, the following only illustrates the main terms and conditions:

1. Objective

It has become a common international method of compensation to provide stock options or warrants to members of a board of management or a select number of managers which entitle them under certain terms to obtain shares in the company. Stock option programs have increasingly been implemented in Germany over the past few years. By providing stock options, an incentive is created to increase the market value of a company as a result of exceptional performance and thereby in the interest of the shareholders foster the stock market price of the company, also in comparison to other companies in the sector.

The stock option program provides the participating beneficiaries the possibility of an additional compensation component based on the performance of the share of POLIS Immobilien AG on

the stock market in absolute terms and in comparison with the DAXsubsector Real Estate Performance Index of the Deutsche Boerse Group (benchmark index).

In addition, the possibility will be created to keep up with the international competition for exceptional managers and to retain them at the Company in Germany. Providing stock options to members of the Management Board and a select group of managers of POLIS Immobilien AG reflects the expectations of the capital market since that way the success based compensation of the Management Board and a select number of managers will be augmented – in the interest of generating an even stronger motivation - with a success based component which is related to long-term targets. Due to this objective, the stock option plan should be restricted to members of the Management Board and a select number of managers of POLIS Immobilien AG.

2. Allocation of the stock options

Due to the long-term objective of this component of compensation, the stock options in the context of the stock option program should be allocated to the two groups of beneficiaries in a period covering 5 fiscal years up to 31.12.2012, preferably in several annual tranches. In this regard, the decision to issue the annual tranches and the decision about the number of stock options in each tranche is to be taken by the Supervisory Board with respect to members of the Management Board and taken by the Management Board with the consent of the Supervisory Board with respect to managers. The allocation of the stock options will take place only once per year within defined time periods, in 2008 immediately following the General Meeting on 4 July 2008 which will vote on the ratification of the creation of the conditional capital and the authorization to the Supervisory Board and the Management Board to implement the stock option program, in each of the following years the allocation will take place after the 11th trading day on the stock market following publication of the annual financial statements. In the draft resolution, which was agreed with the Supervisory Board, all major terms and conditions of the respective stock option program have been set forth in writing. Accordingly, the following only illustrates the main terms and conditions:

3. Term, waiting period, exercise periods

The term of the stock options totals 5 years from the date of allocation. The stock options can be exercised at the earliest following expiration of a three year waiting period after each respective allocation date. In order to simplify the administration of the program, the stock options may only be exercised during two specific exercise periods per year, i.e. between the sixth and the twentieth trading day on stock exchanges following publication of the annual financial statements and the half-year interim reports. Given the time difference between the exercise periods and the above said events, it is assured upon consideration of insider trading issues that an information equilibrium can be created among the market participants. In addition, the creation of blocked periods for exercising the stock options serves to inhibit the use of critical insider information pursuant of § 14 WpHG [German Securities Act].

4. The three pillars of the stock option program

The stock option plan rests on three pillars which are in particular interest of the Company and its shareholders:

a) Three year waiting period

The first pillar relates to the stipulated waiting periods which will achieve a mid to long-term retention of the beneficiaries among the Management Board and managers of the Company. The waiting periods prescribed here of three years each greatly exceed the waiting periods stipulated by law and the waiting periods involved in stock options of other companies. The term generally exceeds the individual terms of office of the Management Board.

b) Own investment

The second pillar arises from the own investment of the beneficiary. The respective member of the Management Board or manager is only entitled to participate in the stock option program if he invests in shares of POLIS Immobilien AG at his own risk. In this respect, the stock option program has a unique feature which distinguishes it from the stock option plans of many other enterprises. The respective members of the Management Board and the managers not only have the opportunity by virtue of their exceptional performance to participate in the rise in market value of the Company; they also share in the risk of the company with their own assets – just like the shareholders.

c) Absolute and relative exercise hurdles

The third pillar involves further exercise prerequisites. The level of compensation which can be generated through the stock option program depends on the total performance of the share of POLIS Immobilien AG, i.e. the stock market price which has been adjusted to reflect dividend payments and special aspects in absolute terms and also in comparison to a benchmark.

In determining the absolute share price hurdle, consideration is made of the fact that the issue price was EUR 14.50. The stock option program only begins to have an impact above this share price. Accordingly, the exercise of the stock options from the first tranche, which in the case of stock options allocated in 2008 and exercisable for the first time in 2011, is under the condition that the share price exceeds EUR 14.50. The prerequisite for the stock options from other tranches is that the share price increases by a further 24 percentage points above the share price of POLIS Immobilien AG in comparison with the share price at the date of allocation, provided the share price of POLIS totals at least EUR 14.50.

In relative terms, that means in comparison with the DAXsubsector Real Estate Performance Index of the Deutsche Boerse Group, the total performance of the share since the date of allocation until the first possible exercise date, i.e during the respective waiting period, outperforms the benchmark by more than 5 percent.

This additional relative exercise hurdle complies with the guidelines of the German Corporate Governance Code for structuring such share based remuneration systems.

5. Exercise price, cap

The exercise price corresponds to the price of the share of POLIS Immobilien AG prevailing and defined at each date of allocation of the stock options (base price); it totals for the reasons stated above under sentence 4c a minimum of EUR 14.50.

In addition, the Supervisory Board may (vis a vis the members of the Management Board) and the Management Board may (vis a vis the beneficiary managers) adjust the exercise price of the stock options to create the effect of a cap and thus prevent the total annual compensation of the beneficiaries from reaching an amount which pursuant to legal regulations would be deemed to be unreasonable. In addition, with the help of an adjustment in the exercise price, extraordinary and unforeseen events, such as a significant deterioration in the financial condition of the Company, can be taken account of.

6. Allocation without charge

In granting the stock options in the context of the stock option program, the beneficiary members of the Management Board and selected managers have already earned the benefit, i.e. the options for stock in the Company, by their performance so that the stock options will be issued free of charge.

Aside from the costs of the notary public arising from notarizing and registering the resolutions of the General Meeting for the conditional capital increase, the costs of the entries in company registers and administration costs, the stock option program will not result in any loss of liquidity for the Company, provided this is created by the related increase in the share capital. Shareholders will however experience a reduction in their holdings through the resultant dilution of capital. Pursuant to IFRS 2 ("Share-based Payment"), this instrument of compensation is to be charged as a personnel expense. A loss of liquidity can only occur if the stock options are fulfilled with own shares which had been previously purchased or a cash offset is arranged.

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8. Ongoing information at the General Meeting

The Supervisory Board and Management Board will inform the General Meeting of the utilization of the authorization.”

Berlin 16 May 2008

The Management Board