



Report of the Management Board on agenda item 13 (resolution on the creation of an Authorised Capital 2020 with the option to exclude subscription rights as well as the corresponding amendment of the Articles of Association)

Under agenda item 13 of the general meeting on October 7, 2020, the Management Board and Supervisory Board propose the creation of a new authorised capital 2020 (Authorised Capital 2020) in lieu of the existing Authorised Capital. In accordance with Section 203 para. 2 sentence 2 AktG in conjunction with Section 186 para. 4 sentence 2 AktG, for agenda item 13, the Management Board submits to the general meeting this report on the reasons for the authorisation to exclude the subscription rights of shareholders when issuing the new shares:

By resolution of the general meeting on November 22, 2017 and with the approval of the Supervisory Board, the Management Board was authorised to increase the share capital of the company by up to EUR 20,405,764.00 in exchange for cash contributions (Authorised Capital 2017/II) by issuing up to 20,405,764 new no-par value bearer shares at once or in stages by November 21, 2022.

Making partial use of this authority, in June 2019 the company increased the share capital of the company by EUR 8,500,000.00 from EUR 103,384,729.00 to EUR 111,884,729.00, i.e. by approximately 8.2%, in exchange for cash contributions and excluding the subscription rights of shareholders. Therefore, EUR 11,905,764.00 currently remains of the Authorised Capital 2017/II.

In order for the company to remain flexible in future and be able to strengthen its equity in exchange for cash contributions and/or contributions in kind if necessary, the Authorised Capital 2017/II should be cancelled and a new Authorised Capital 2020 should be adopted. The authorised capital proposed to the general meeting on October 7, 2020 under agenda item 13 should authorise the Management Board, subject to the approval of the Supervisory Board, to increase the share capital of the company by up to EUR 44,829,000.00 in exchange for cash contributions (Authorised Capital 2020) by issuing up to 44,829,000 new no-par value bearer shares at once or in stages by October 6, 2025.

The Authorised Capital 2020 should also give the company flexibility by making it possible to issue shares in exchange for cash contributions and excluding subscription rights pursuant to Section 186 para. 3 sentence 4 AktG if the proportionate amount of share capital attributable to the new shares issued without subscription rights does not exceed 10% of the share capital, neither when the authorisation takes effect nor when it is exercised. It will also enable the company to seize attractive investment opportunities as the subscription rights can be excluded when shares are issued in exchange for contributions in kind. By creating the new Authorised Capital 2020, the company will gain the flexibility it needs to continue implementing the growth strategy it has pursued successfully over the past few years.

The new Authorised Capital 2020 will enable the company to continue obtaining the capital necessary for the development of the company from the capital markets at short notice by issuing new shares and to use a favourable market environment to cover its future need for finance both promptly and flexibly. As decisions on covering the company's future need for capital often have to be made at short notice, it is important that the company is not dependent on the cycle of annual general meetings or the long notice period required to convene an extraordinary general meeting. Legislators have taken these circumstances into account in the form of the instrument known as authorised capital.

When the new Authorised Capital 2020 is used to issue shares in exchange for cash contributions, the shareholders generally have subscription rights (Section 203 para. 1 sentence 1 AktG in conjunction with Section 186 para. 1 AktG), although an indirect subscription right in the sense of Section 186 para. 5 AktG is also sufficient. The issuance of shares where such indirect subscription rights are granted already cannot be considered an exclusion of subscription rights in the eyes of the law. The shareholders are merely granted the same subscription rights as for a direct acquisition. For technical reasons, only one or more credit institutions will be involved in the process.

However, the Management Board should be authorised to exclude subscription rights in specific cases, subject to the approval of the Supervisory Board:

- a) The Management Board should be able to exclude subscription rights for fractional amounts with the approval of the Supervisory Board. The purpose of this exclusion of subscription rights is to make it easier to issue shares where the shareholders generally have subscription rights because a technically feasible subscription ratio can then be achieved. The value of the fractional amounts attributable to an individual shareholder is generally low, which is why the potential diluting effect should also be considered low. In contrast, significantly more work is involved in a share issue without such an exclusion. Therefore, the exclusion is for the sake of practicality and in order to facilitate a share

issue. The new shares to which, as fractional shares, the subscription rights of the shareholders are excluded shall be utilised in the best possible way for the company either by being sold on the stock exchange or in any other way. For these reasons, the Management Board and Supervisory Board consider the potential exclusion of subscription rights objectively justified and reasonable with consideration for the interests of the shareholders.

- b) Furthermore, with the approval of the Supervisory Board, the Management Board should be able to exclude subscription rights where necessary in order to grant subscription rights to new shares to the holders/creditors of convertible or warrant bonds, participation rights and/or participation bonds (or combinations of these instruments; hereinafter referred to collectively as “Bonds”). In their issue conditions, Bonds with conversion or option rights or obligations often provide for dilution protection which grants the holders/creditors subscription rights to new shares for subsequent share issues and if certain other actions are taken. This puts them in a position as if they were already shareholders. In order to equip the Bonds with such dilution protection, the subscription rights of the shareholders to these shares must be excluded. This makes it easier to issue the Bonds and therefore serves the interests of the shareholders in the company having an optimal financial structure. Additionally, the exclusion of subscription rights is advantageous for the holders/creditors of Bonds in that, if the authority is exercised, the option or conversion price for the holders/creditors of existing Bonds does not need to be lowered in line with the conditions of the Bonds.
- c) Furthermore, the subscription rights can be excluded as part of capital increases in exchange for cash contributions if the shares are issued at an amount that is not significantly lower than the price of the company's shares on the stock exchange and such a capital increase does not exceed 10% of the share capital (simplified exclusion of subscription rights pursuant to Section 186 para. 3 sentence 4 AktG). The authorisation will enable the company to react with flexibility to favourable situations that arise on the capital markets and issue the new shares even at very short notice (i.e. without requiring a rights offer that takes at least two weeks). The exclusion of subscription rights will enable the company to act extremely quickly and issue shares at prices close to the stock exchange rates, i.e. without the usual discount for subscription right issues. This will pave the way to achieving the highest possible income from disposals and strengthening the company's equity to the greatest possible extent. The authorisation to exclude subscription rights more easily is also justified objectively by the fact that such an approach can often generate a larger cash inflow.

Any such capital increase may not exceed 10% of the share capital, neither when the authorisation takes effect nor when it is exercised. The proposed resolution also provides for a deduction clause. Shares that are issued to service Bonds with conversion or option rights or obligations pursuant to Section 221 para. 4 sentence 2 AktG in conjunction with Section 186 para. 3 sentence 4 AktG during the term of this authorisation and to the exclusion of subscription rights or that will be issued on the basis of the valid conversion price at the time of the resolution of the Management Board on the utilisation of the new Authorised Capital 2020 must be counted towards the limit of 10% of the share capital that this exclusion of subscription rights concerns, provided that the Bonds are issued in application of Section 186 para. 3 sentence 4 AktG during the term of this authorisation and excluding subscription rights. Furthermore, the disposal of treasury shares must be counted if it takes place during the term of this authorisation and on the basis of an authorisation pursuant to Section 71 para. 1 no. 8 sentence 5 clause 2 AktG in conjunction with Section 186 para. 3 sentence 4 AktG, to the exclusion of subscription rights.

A mandatory requirement of the simplified exclusion of subscription rights is that the issue price of the new shares is not significantly lower than the stock exchange price. Any markdown from the current stock exchange price or from the volume-weighted stock exchange price during a reasonable period of time prior to the final definition of the par value of the new shares is not likely to be above approx. 5% of the stock exchange price, subject to the special circumstances of the individual case in question. As such, the interest of the shareholders in avoiding the dilution of the value of their shareholdings to the greatest possible extent is taken into account. Setting the par value of the new shares close to the price of the company's shares on the stock exchange ensures that the value a subscription right to the new shares would have is very low in practical terms. Additionally, the shareholders have the option to maintain their relative shareholding by making an acquisition on the stock exchange.

- d) The subscription right can also be excluded as part as capital increases in exchange for contributions in kind. The company should continue to be able to acquire companies, parts of companies, interests in companies or other assets (especially property portfolios and shares in real estate companies) or respond to offers relating to acquisitions or mergers in order to strengthen its competitiveness and maximise its profitability and value. Furthermore, the exclusion of subscription rights should service conversion or option rights or obligations from Bonds issued in exchange for contributions in kind.

Practical experience has shown that some shareholders of attractive properties have a strong interest in acquiring shares of the company as consideration (e.g. in order to maintain a certain amount of influence over the object of the contribution in kind). In

terms of an optimised financial structure, the option of providing consideration not only in cash, but also or exclusively in shares, is supported by the fact that the liquidity of the company is preserved and new debt is avoided in so far as new shares can be used as consideration in acquisitions, while the sellers can participate in future share price appreciation potential. This ultimately improves the competitive position of the company during acquisitions.

The option of using company shares as consideration in acquisitions will give the company the necessary leeway to seize such opportunities with speed and flexibility and enable it to acquire even large companies, portfolios and properties in exchange for shares. It must be possible to exclude the subscription rights of shareholders in both cases. As such acquisitions often have to take place at short notice, it is important that they not be resolved upon by the general meeting which takes place one per year. An authorised capital which the Management Board can access quickly and with the approval of the Supervisory Board is needed.

The same applies analogously to servicing conversion or option rights or obligations from Bonds that, likewise, are issued for the purpose of acquiring companies, parts of companies, interests in companies or other assets to the exclusion of the subscription rights of shareholders. In this regard, the new shares are issued in exchange for contributions in kind, either in the form of the Bond or in the form of the contribution in kind made towards the Bond. This increases the flexibility of the company when it comes to servicing the conversion or option rights or obligations. Offering Bonds in lieu or alongside shares or cash payments can represent an attractive alternative that improves the competitive opportunities of the company as part of acquisitions due to its additional flexibility. The shareholders are protected by the subscription rights they have when Bonds are issued with conversion or option rights or obligations.

If opportunities arise to merge with other companies or acquire companies, parts of companies, interests in companies or other assets, the Management Board shall in all cases examine whether or not to make use of its authority to carry out a capital increase by issuing new shares. In particular, this entails examining the value ratio between the company and the acquired interest or other assets and defining the issue price of the new shares and the other conditions of the share issue. The Management Board shall only use the new Authorised Capital 2020 if it is certain that the merger or acquisition of the company, part of the company or interest in question in exchange for the issuance of new shares is in the best interests of the company and of its shareholders. The Supervisory Board shall only grant its approval if it shares this conviction.

If, during a financial year, the Management Board exercises one of the above authorisations to exclude subscription rights as part of a capital increase from the new Authorised Capital 2020, it shall report on this matter to the next general meeting.

Berlin, August 2020

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The Management Board