Report of the Management Board on the partial utilisation of the Authorised Capital 2017/II in exchange for cash contributions and excluding subscription rights in June 2019

On the basis of the resolution of the Management Board of June 26, 2019, with the approval of the Supervisory Board, partial use was made of the Authorised Capital 2017/II of EUR 8,500,000.00 in June 2019. In the process, the subscription rights of shareholders were excluded as part of the share capital increase which was entered in the commercial register of the company on June 28, 2019. Through the capital increase, the share capital of the company was increased by EUR 8,500,000.00 from EUR 103,384,729.00 to EUR 111,884,729.00. Therefore, the volume of the capital increase from the authorised capital to the exclusion of subscription rights corresponds to around 8% of the share capital – relative to the share capital of the company when the Authorised Capital 2017/II took effect on January 18, 2018 as well as the share capital when partial use was made of the Authorised Capital 2017/II. The volume limit for shares issued in exchange for cash contributions and to the exclusion of subscription rights provided for in the Authorised Capital 2017/II has therefore been adhered to.

The new shares were made available to institutional investors at an offering price of EUR 26.13 per share by means of accelerated book building. The new shares were approved for trading on July 1, 2019 and added to the current listing in the section of the regulated market with additional post-admission transparency requirements (Prime Standard) at the Frankfurt Stock Exchange on July 2, 2019. The new shares have been fully entitled to a share of profits since January 1, 2019. As expected by the company, the gross proceeds were around EUR 222 m. The company used the net proceeds from the private placement to finance further growth and future acquisitions in line with its investment strategy, taking its LTV and FFO targets into account at all times.

While the price was defined, the specifications of Section 203 para. 1 and Section 186 para. 3 sentence 4 AktG – adherence to which is required by the Authorised Capital 2017/II for excluding subscription rights in the case of a capital increase in exchange for cash contributions of up to 10% of the share capital – were taken into account. Therefore, the price of the new shares may not be significantly lower than the price of the company's shares on the stock exchange.

The issue price of EUR 26.13 per share corresponded to a discount of around 5.0% on the closing price of the company's shares on Xetra on the last trading day before the price was set. This means that the discount was within the generally accepted limits for not being considered significantly lower than the stock exchange price.

By excluding the subscription rights of shareholders, the company made use of an option to exclude subscription rights as part of capital increases against cash contributions for companies listed on the stock exchange provided by Section 203 para. 1 and Section 186 para. 3 sentence 4 AktG. In this case, such an exclusion of subscription rights was necessary in order to make use of what the Management Board and Supervisory Board considered a favourable market situation for such a measure at the time partial use was made of the Authorised Capital 2017/II and in order to generate the highest possible proceeds through near-market pricing. In contrast, the necessary period of at least two weeks for exercising a subscription right (Section 186 para. 1 sentence 2 AktG) would not have made it possible to respond to the current market situation at short notice.

Additionally, when subscription rights are granted, notice must be given of the final issue price at least three days prior to the expiry of the subscription period (Section 186 para. 2 sentence 2 AktG). Due to the extended period of time between the setting of the price and the execution of the capital increase and the volatility of the stock markets, there is a higher market and especially price risk than if shares are allotted without subscription rights. Therefore, a successful placement as part of a capital increase with subscription rights would have made a deduction from the current share price necessary as a margin of safety when the price was set and in turn would likely not have resulted in near-market rates. For these reasons, the exclusion of subscription rights was in the interest of the company. On the other hand, as the price was set close to the current share price on the stock exchange and as the volume of shares issued to the exclusion of subscription rights was limited to around 8% of the share capital at the time the Authorised Capital 2017/II came into effect, the interests of the shareholders were taken into reasonable account. With regard to liquid stock exchange trading, this generally gives the shareholders the opportunity to maintain their relative shareholding in the company by making acquisitions at similar rates on the stock exchange. Furthermore, issuing the new shares close to the current share price on the stock exchange ensured that the capital increase did not result in any significant dilution of the shareholders' shareholdings.

In line with the authorisation in Article 5.4 of the Articles of Association of the company, the new shares were issued with profit participation rights from January 1, 2019. As such, the new shares had the same profit participation rights as the existing shares even when they were issued. This made it unnecessary to allocate a separate securities identification number to the new shares for the period of time up to this year's annual general meeting. This made it possible to prevent the new shares from having the low market liquidity that is to be expected from trading on a stock exchange under a separate securities identification number; this would otherwise have made it more difficult to sell the new shares and potentially have resulted in price reductions. For this reason, defining the profit participation right at the start of the 2017/II financial year was in the interest of the company.

Based on the above considerations, the exclusion of subscription rights was objectively justified overall with consideration for the specifications of the Authorised Capital 2017/II when it was utilised.

Berlin, August 2020

TLG IMMOBILIEN AG

The Management Board