Report of the Management Board concerning the partial utilisation of the 2014/II Authorised Capital against cash deposits with the exclusion of subscription rights of shareholders in November 2015

Based on the Resolutions of the Management Board of 17 November 2015 and 18 November 2015 and of the Presidential and Nomination Committee of the Supervisory Board of 17 November 2015 and 18 November 2015, which was authorised by Resolution of the Supervisory Board of 12 November 2015, the 2014/II Authorised Capital of EUR 30,651,163.00 was partially utilised in November 2015. The subscription rights of shareholders in the context of the Registered Capital increase entered in the Company's Commercial Register on 19 November 2015 were excluded. Through this capital increase, the share capital of the company was increased by EUR 6,130,000.00 from EUR 61,302,326.00 to EUR 67,432,326.00. The volume of the capital increase from the Authorised Capital with the exclusion of the subscription rights corresponds to a pro rata amount of the Registered Capital of the Company of about 10% of the Registered Capital - based on the Registered Capital existing on the effective date of the 2014/II Authorised Capital on 23 October 2014, as well as the existing Registered Capital at the time of the utilisation of the 2014/II Authorised Capital. The volume limitation stipulated in the 2014/II Authorised Capital for shares issued under exclusion of subscription rights against cash payment was thus observed.

The new shares were subscribed by Commerzbank Aktiengesellschaft. Commerzbank Aktiengesellschaft and UBS Limited were obliged to place and transfer these shares as part of a private placement with institutional investors, including existing investors, via an accelerated placement procedure (*Accelerated Book Building*). The new shares were issued according to the Resolution of the Management Board of 18 November 2015 at the placement price of EUR 16.60. The Presidential and Nomination Committee of the Supervisory Board approved the Resolution of the Management Board regarding the establishment of the placement price with its Resolution of 18 November 2015.

The new shares were approved for trading without a prospectus on 23 November 2015; they were added on 24 November 2015 to the current listing in the section of the regulated market with additional admission follow-up duties (*Prime Standard*) at the Frankfurt Stock Exchange. The gross issue proceeds of the capital increase were of about EUR 101.8 million. The Company has collected the net proceeds from the capital increase primarily to finance acquisitions. It has used these proceeds to finance further acquisitions to increase the real estate portfolio.

When setting the price, the stipulations of the Art. 203, para. 1, 186, para. 3, line 4 AktG were observed, as compliance is required by the 2014/II Authorised Capital for the exclusion of subscription rights in case of a capital increase against cash payments of up to 10% of the Registered Capital. Moreover, the price of the new shares may not be significantly below the stock market price of the Company's share.

The set placement price per share of EUR 16.60 corresponds to a deduction of about 2.87% off the XETRA closing price of the Company shares on the last trading day prior to the day of the price setting. Accordingly, the deduction varied within the scope generally considered as admissible so as to remain not significantly below the stock market price.

By excluding the subscription rights of shareholders, the Company has used the legal option stipulated in Art. 203, para. 1, 186, para. 3, line 4 AktG concerning the exclusion of subscription rights in the case of cash capital increases in publicly traded companies. Such an exclusion of the subscription rights was mainly necessary in order to be able to quickly profit from the market situation favourable for a capital measure at the moment of the partial utilisation of the 2014/II Authorised Capital as viewed by the Management Board and the Supervisory Board, and to achieve as high an issue profit as possible by setting a price that is close to the market situation. In contrast, the minimum two-week subscription period that must be ensured when granting subscription rights (Art. 186, para. 1, line 2 AktG) would not have allowed a quick reaction to current market conditions.

Moreover, when granting subscription rights, the final subscription price must be announced at the latest three days prior to the end of the subscription period (Art. 186, para. 2, line 2 AktG). Due to the longer interval between the setting of the price and the execution of the capital increase as well as the volatility of stock markets, this creates a higher market and in particular exchange rate risk than in the case of an allocation free of subscription rights. A successful placement as part of a capital increase with subscription rights would therefore had required a corresponding haircut off the current stock market price when setting the price, and would have thus led to conditions that are not in line with the market. For the reasons above, the exclusion of subscription rights was in the Company's interest. The interests of shareholders were also protected thanks to the setting of the price close to the current stock market price and to limiting the scope of the shares issued with the exclusion of subscription rights to about 10% of the Registered Capital existing on the effective date of the 2014/II Authorised Capital. Because, in the context of cash trading, this gives shareholders the opportunity to maintain their relative participation in the Company via an additional purchase through the stock market under comparable conditions. The issue of the new shares close to the current stock market price also made sure that the capital increase did not lead to a significant dilution of shareholders' participation.

In line with the Resolution in Art. 5.4 of the Company's Articles of Association, the new shares were issued with profit participation rights already starting on 1 January 2015. Correspondingly, the new shares were already equipped upon issue with the same profit participation rights as existing shares. It was therefore no longer necessary to assign to the new shares a separate securities number for the interval until this year's regular Annual General Meeting. Consequently, it was possible to avoid a low trading liquidity of the new share that is to be expected if traded under a separate securities number, which would have otherwise made the marketing of the new share more difficult and may have led to price reductions. For this reason, it was in the Company's interest to set the profit participation right at the beginning of the 2015 business year.

Given the above considerations, the exclusion of subscription rights undertaken in compliance with the stipulations of the 2014/II Authorised Capital was generally objectively justified.

Berlin, April 2016

TLG IMMOBILIEN AG

The Management Board