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Report of the Management Board regarding Agenda Point 8 (Resolution regarding the creation of an Authorised Capital 2017 with the option of excluding subscription rights, as well as the corresponding amendment of the Articles of Association)

Regarding Agenda Point 8 of the General Meeting on 23 May 2017, the Management Board and Supervisory Board propose the creation of a new authorised capital (Authorised Capital 2017) and the repeal of the largely exhausted Authorised Capital 2016. Pursuant to Section 203 para. 2, sentence 2 in conjunction with Section 186 para. 4, sentence 2 AktG, the Management Board reports to the General Meeting with respect to Agenda Point 8 on the reasons for authorising the exclusion of the subscription rights of shareholders when new shares are issued as follows:

By resolution of the General Meeting of 31 May 2016, the Management Board was authorised, with the approval of the Supervisory Board, to increase the company's registered capital for the period until 30 May 2021 by up to EUR 9,195,000.00 once or several times by issuing up to 9,195,000 no-par value bearer shares against contributions in cash and/or in kind (Authorised Capital 2016).

Making partial use of this authorisation, the company increased in January 2017 the company's registered capital against cash contributions and excluding the subscription rights of shareholders from EUR 67,432,326.00 by EUR 6,743,232.00, i.e. by approx. 10%, to EUR 74,175,558.00. Therefore, the Authorised Capital 2016 currently remains at EUR 2,451,768.00.

The issue of shares against cash contributions may only take place excluding subscription rights pursuant to Section 186 para. 3, sentence 4 AktG if the pro rata amount of the registered capital due to the new shares issued excluding subscription rights does not exceed 10% of the registered capital, neither on the effective date nor at the time of exercising the authorisation. The option to issue shares against cash contributions, excluding subscription rights according to Section 186 para.

3, sentence 4 AktG on the basis of the Authorised Capital 2016 was therefore completely exhausted by the capital increase in January 2017.

In order to make sure the company remains flexible in the future, so as to strengthen its own resources if needed (including the issue of shares against cash contributions excluding subscription rights pursuant to Section 186 para. 3, sentence 4 AktG), the existing Authorised Capital 2016 is to be repealed and a new Authorised Capital 2017 is to be approved which makes possible the issue of shares against cash contributions excluding subscription rights pursuant to Section 186 para. 3, sentence 4 AktG, if the pro rata amount of the registered capital due to the new shares issued excluding subscription rights does not exceed 10% of the registered capital, neither on the effective date nor at the time of exercising the authorisation.

The authorised capital proposed under Agenda Point 8 lit. a) of the agenda of the General Meeting of 23 May 2017 is intended to authorise the Management Board, with the approval of the Supervisory Board, to increase the company's registered capital for the period until 22 May 2022 by up to EUR 12,566,616.00 once or several times by issuing up to 12,566,616 new, no-par value bearer shares against cash contributions (Authorised Capital 2017). Thus, the company maintains the same flexibility with regard to the use of the authorised capital that it already had following the entry of the resolution of authorisation of the General Meeting of 31 May 2016 in the commercial register and immediately after the IPO.

The Authorised Capital 2017 is intended to allow the company to continue to be able to quickly obtain on capital markets through the issue of new shares the capital needed for the further development of the company, and flexibly be able to use a favourable market environment to cover future financing needs. Given that decisions on covering future capital needs generally need to be taken quickly, it is important for the company to not be dependent in this regard on the rhythm of annual general meetings or the long convocation period for an extraordinary general meeting. Legislation has taken into account these conditions with the instrument of 'authorised capital'.

When using the Authorised Capital 2017 to issue shares against cash contributions, shareholders generally have subscription rights (Section 203 para. 1, sentence 1 in conjunction with Section 186 para. 1 AktG), where an indirect subscription right within the meaning of Section 186 para. 5 AktG is sufficient. The issue of shares granting such an indirect subscription right is not to be viewed as an exclusion of subscription rights according to law, because shareholders are ultimately granted the same subscriptions rights as in the case of direct subscription. For purely technical reasons in connection with the settlement, one or more financial institutions are involved in the process.

However, the Management Board is to be authorised to exclude subscription rights in certain cases with the approval of the Supervisory Board.

(i) With the approval of the Supervisory Board, the Management Board will be able to exclude subscription rights for residual amounts. This exclusion of subscription rights aims to simplify the procedure for issuances where shareholders are otherwise granted subscription rights, as this would permit a technically feasible subscription ratio. The value of the residual amounts is generally low per shareholder, and therefore the possible dilution effect should also be considered low. In contrast, the cost of an issue without such exclusion is significantly higher. Therefore, the exclusion improves the practicality and the ease of implementation of an issue. The new shares excluded from the shareholders' subscription rights as residuals will be either sold on the stock exchange or otherwise monetized in the best way possible for the company. For these reasons, the Management Board and the Supervisory Board consider the possible exclusion of the subscription rights as objectively justified, and, weighed against the interests of the shareholders, also appropriate.

(ii) Subscription rights can then be excluded in the case of cash capital increases if the shares are issued for an amount that is not significantly below the stock market price, and such capital increase does not exceed 10% of the registered capital (facilitated exclusion of subscription rights pursuant to Section 186 para. 3, sentence 4 AktG).

    The authorisation allows the company to flexibly react to favourable capital market situations and also be able to very quickly place the new shares, i.e., without the need for a subscription offer lasting at least two weeks. The exclusion of subscription rights makes it possible to act very quickly and perform placements close to the stock market price, i.e., without the reduction that is usual in the case of a subscription issue. This creates the basis for reaching the highest possible sale amount and the greatest possible strengthening of the company's equity. Not least, authorising the facilitated exclusion of subscription rights is objectively justified by the fact that a higher cash inflow can often be generated.

Such a capital increase may not exceed 10% of the registered capital in place at the effective date of the authorisation and also at the time the authorisation is exercised. The proposed resolution also provides for a deduction clause. The maximum threshold of 10% of registered capital to which the subscription rights exclusion refers includes shares issued to service bonds with conversion or option rights and those with conversion or option obligations pursuant to Section 221 para. 4, sentence 2 in conjunction with Section 186 para. 3, sentence 4 AktG during the term of this authorisation excluding subscription rights, or must be issued on the basis of the applicable conversion price at the time of the decision of the Management Board on the use of the Authorised Capital 2017, in as far as these service bonds were issued in analogous application of Section 186 para. 3, sentence 4 AktG during the validity period of this authorisation excluding subscription rights. Furthermore, treasury shares that were disposed of during the validity period of this authorisation excluding subscription rights on the basis of an authorisation pursuant to Section 71 para. 1, no. 8, sentence 5, clause 2 in conjunction with Section 186 para. 3, sentence 4 AktG, must also be included.

The facilitated exclusion of subscription rights mandatorily requires that the issue price of the new shares is not significantly below the stock market price. Any deduction from the current stock market price or a volume-weighted stock market price during a reasonable number of trading days prior to establishing the final issue price will likely not exceed approx. 5% of the corresponding stock market price, subject to special circumstances in individual cases. This also meets the protection needs of shareholders regarding a value-based dilution of their participation. By establishing the issue price close to the stock market price, we make sure that the value a subscription right would have for the new shares remains practically very low. Shareholders have the option of maintaining their relative participation via an additional purchase through the stock exchange.

If during a financial year the Management Board uses one of the above authorisations to exclude subscription rights as part of a capital increase from the Authorised Capital 2017, it shall report on it during the subsequent general meeting.

Berlin, April 2016

TLG IMMOBILIEN AG

Der Vorstand