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Report of the Management Board regarding the partial utilisation of the Authorised Capital 2016 against cash contributions with the exclusion of subscription rights of shareholders in January 2017

Based on the resolutions of the Management Board of 30 January 2017 and 31 January 2017 and of the Capital Measures Committee of the Supervisory Board of 30 January 2017 and 31 January 2017, which was authorised by resolution of the Supervisory Board of 10 November 2016, the Authorised Capital 2016 of EUR 9,195,000.00 was partially utilised in January 2017. The subscription rights of shareholders were excluded in the context of this increase of the registered capital entered in the company’s commercial register on 31 January 2017. Through this capital increase, the registered capital of the company was increased by EUR 6,743,232.00 from EUR 67,432,326.00 to EUR 74,175,558.00. The volume of the capital increase from the Authorised Capital with the exclusion of the subscription rights thus 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 Authorised Capital 2016 on 14 June 2016, as well as the existing registered capital at the time of the utilisation of the Authorised Capital 2016. The volume limitation stipulated in the Authorised Capital 2016 for shares issued under exclusion of subscription rights against cash contributions was thus observed.

The new shares were subscribed to by J.P. Morgan Securities plc. J.P. Morgan Securities plc and UBS Limited were obliged to place and transfer these shares as part of a private placement with institutional investors, including existing investors, by means of an accelerated bookbuilding. The new shares were issued according to the resolution of the Management Board of 31 January 2017 at the placement price of EUR 17.20. The Capital Measures Committee of the Supervisory Board approved the resolution of the Management Board regarding the establishment of the placement price with its resolution of 31 January 2017.

The new shares were approved for trading on 2 February 2017; they were added on 7 February 2017 to the current listing in the section of the regulated market with additional post-admission obligations (*Prime Standard*) at the Frankfurt Stock Exchange. The gross proceeds from the capital increase totalled approx. EUR 116.0 m. The company primarily collected the net proceeds from the capital increase in order to finance past (carried out shortly before the capital increase) and upcoming acquisitions of German office and retail properties in line with its defined investment criteria and for general business purposes.

When setting the price, the stipulations of Sections 203 para. 1, 186 para. 3, sentence 4 AktG were observed, compliance with which is required by the Authorised Capital 2016 for the exclusion of subscription rights in case of a capital increase against cash contributions of up to 10% of the registered capital. Consequently, 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 17.20 corresponds to a discount of about 3.53% off the XETRA closing price of the company shares on the last trading day prior to the day of the price setting. Accordingly, the discount ranged 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 option stipulated by law in Sections 203 para. 1, 186 para. 3, sentence 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 necessary in this case in order to be able to quickly profit from the market situation favourable for such capital measure at the moment of the partial utilisation of the Authorised Capital 2016 as viewed by the Management Board and the Capital Measures Committee of 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 (Section 186 para. 1, sentence 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 (Section 186 para. 2, sentence 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 presumably 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 on the other hand 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 Authorised Capital 2016. This is because, in light of the existing liquid stock exchange 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 economic dilution of shareholders' participation.

In line with the authorisation in Section 5 para. 4 of the company's Articles of Association, the new shares were issued with profit participation rights starting on 1 January 2016. Correspondingly, the new shares were already equipped upon issue with the same profit participation rights as existing shares. It was therefore not necessary to assign to the new shares a separate securities number for the interval until this year's regular 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 2016 business year.

Given the above considerations, the exclusion of subscription rights undertaken in compliance with the stipulations of the Authorised Capital 2016 was objectively justified.

Berlin, April 2016

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Der Vorstand