VALUES. GROWTH. POTENTIAL.

2017 ANNUAL REPORT

TLG IMMOBILIEN

KEY GROUP FIGURES ACCORDING TO IFRS

Earnings indicators	Unit	01/01/2017–31/12/2017	01/01/2016–31/12/2016	Change in %
Rental income	in EUR k	168,310	140,464	19.8
Net operating income from letting activities (NOI)	in EUR k	153,548	125,588	22.3
Disposal profits	in EUR k	2,561	6,391	–59.9
Net income	in EUR k	284,373	94,109	202.2
Funds from operations (FFO)	in EUR k	102,673	76,877	33.6
FFO per share[1]	in EUR	1.29	1.14	13.2

Balance sheet matrix	Unit	31/12/2017	31/12/2016	Change in %
Investment property	in EUR k	3,383,259	2,215,228	52.7
Cash and cash equivalents	in EUR k	201,476	68,415	194.5
Total assets	in EUR k	3,835,748	2,344,763	63.6
Equity	in EUR k	1,936,560	1,009,503	91.8
Equity ratio	in %	50.5	43.1	7.4 pp
Interest-bearing liabilities	in EUR k	1,541,692	1,040,412	48.2
Net debt	in EUR k	1,340,216	971,997	37.9
Net LTV[2]	in %	39.2	43.4	–4.2 pp
EPRA NAV[3]	in EUR k	2,228,512	1,252,131	78.0
EPRA NAV per share[1, 3]	in EUR	21.84	18.57	17.6

Key portfolio performance indicators	Unit	31/12/2017	31/12/2016	Change in %
Property value[4]	in EUR k	3,400,582	2,241,615	51.7
Properties	Number	426	404	22 units
Annualised in-place rent[5]	in EUR k	214,057	155,276	37.9
In-place rental yield	in %	6.3	6.9	–0.6 pp
EPRA Vacancy Rate	in %	3.6	3.8	–0.2 pp
WALT	in years	6.3	6.1	0.2 years
Average rent	EUR/sqm	10.05	9.67	3.9

[1] Total number of shares as at 31 December 2016: 67.4 m, as at 31 December 2017: 102.0 m. The weighted average number of shares was 67.4 m in 2016 and 79.7 m in 2017.
[2] Calculation: Net debt divided by real estate assets; for the composition see *page 69*.
[3] The calculation has changed in accordance with the specifications of the EPRA. For more detailed information, see *page 42*.
[4] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5.
[5] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date – not factoring in rent-free periods.

Page reference Contents Link

VALUES GENERATE GROWTH

TLG IMMOBILIEN AG IS A LEADING COMMERCIAL REAL ESTATE COMPANY IN GERMANY

*TLG IMMOBILIEN continued its development in 2017 and established itself as a leading commercial real estate company throughout Germany by acquiring WCM, which was primarily active in western Germany. TLG IMMOBILIEN was able to increase the value of its portfolio to around EUR 3.4 bn due to consistently strong demand for lettable areas and its high-quality portfolio, which it expanded further through strategic acquisitions and the takeover of WCM. The company improved important key performance indicators and, in doing so, greatly surpassed some of its stated objectives. Thus TLG IMMOBILIEN once again created **VALUE**. The cornerstone was laid for sustainable **GROWTH** through the expansion measures implemented in 2017 as well as the refinancing and securing of solid long-term funding. The Management Board sees the **POTENTIAL** to increase rental income, increase the value of the portfolio and, in turn, further increase earnings in 2018. In 2017, the capital market recognised the reliability of TLG IMMOBILIEN in achieving its stated objectives with a share price increase of 23.7%. Furthermore, the shareholders of TLG IMMOBILIEN AG are to share in the success of the company once again in the form of an attractive dividend.*

EUR 0.82
proposed dividend based on 102.0 m shares as at 31 December 2017

EUR 125 – 128 m

is the FFO forecast for the end of 2018, plus the income contributions from further acquisitions

VALUES. GROWTH. POTENTIAL.

» TLG IMMOBILIEN is very well funded for the future. «

PETER FINKBEINER

MEMBER OF THE MANAGEMENT BOARD OF TLG IMMOBILIEN AG

TO OUR SHAREHOLDERS

» We are confident that our growth will remain solid in 2018. «

NICLAS KAROFF

MEMBER OF THE MANAGEMENT BOARD OF TLG IMMOBILIEN AG

GROWTH TARGETS RELIABLY ACHIEVED

EDITORIAL

DEAR SHAREHOLDERS, DEAR SIR OR MADAM, DEAR BUSINESS PARTNERS AND TENANTS.

The 2017 financial year was a highly eventful and exceptionally successful one for TLG IMMOBILIEN. The markets relevant to us generally developed positively in the context of healthy economic development and persistently low interest rates. We used these developments to further substantiate the value of our portfolio and pave the way for more profitable growth. In doing so, we were consistently able to achieve our stated objectives.

By acquiring around 86% of the shares in WCM Beteiligungs- und Grundbesitz Aktiengesellschaft and a total of 29 other attractive properties, we have increased the value of our portfolio by more than EUR 1.0 bn, or 51.7%, to EUR 3.4 bn – twice as high as it was at the IPO in 2014. Our successful expansion into other growth regions in Germany over the past two years helped us to position ourselves as a leading commercial real estate company throughout Germany in a short period of time. This generates significantly greater opportunities that enable us to continue to grow flexibly on the basis of our established business model.

Last year, we utilised the capital market four times in order to finance the record investments totalling over EUR 1.0 bn relating to our expansion and to repay existing loans. For one, a total of around 34 m new shares were issued through two capital increases and the stock swap as part of the WCM transaction. Additionally, our healthy relationships with numerous investors resulted in the successful placement of our first corporate bond totalling EUR 400 m. The great interest of the financial markets was reflected in the highly attractive terms. Furthermore, within one year we were able to significantly decrease the average cash costs of debt of TLG IMMOBILIEN from 2.46% to 1.84%.

As in previous years, in addition to the acquisitions, the sale of a number of properties which were no longer strategically suitable attested to our active portfolio management. Overall, including due to the successful closing of new rental agreements in the financial year, we were once again able to improve our relevant key operational indicators. Net operating income from letting activities grew by 22.3% to EUR 153.5 m and funds from operations (FFO) increased by around 34% to EUR 102.7 m. FFO was last forecast to be between EUR 95 m and EUR 97 m. Due to the operational performance, the positive development of the value of the portfolio and the recognition of the income tax loss carryforwards, the EPRA Net Asset Value (EPRA NAV) also increased significantly from EUR 18.57 to EUR 21.84 per share.

Central adjustments were also made to our organisation in 2017 in order to account for planned dynamic growth in the future and the associated complexity of the Group. In addition to reorganising the operational fields, we were one of the first companies in our sector to introduce the new ERP system SAP S4 HANA in order to improve our resource management. We also improved our internal tax system by expanding and augmenting internal expertise, which was reflected in a significantly lower tax rate in 2017.

Ever since the IPO, it has been our philosophy to give our shareholders a proportionate share of the success of the company. We are therefore happy that the results achieved in the reporting year have also been recognised by the capital markets. This is reflected by the 23.7% increase in the share price of TLG IMMOBILIEN AG to EUR 22.15 by the end of 2017. Additionally, we would like our shareholders to share in our success by paying a dividend of EUR 0.82 per no-par value share based on 102.0 m shares as at 31 December 2017. We will propose this dividend to our next general meeting on 25 May 2018.

We are confident that our profitable growth will continue in the new 2018 financial year. Financially speaking, we are exceptionally well equipped to acquire attractive office and retail properties as well as selected hotel properties for our portfolio this year. As you can read in this annual report, we want to continuously develop our property portfolio. Therefore, with consideration of acquired properties year to date as well as WCM, we aim to generate FFO of between EUR 125 m and EUR 128 m in the 2018 financial year. This would represent a further improvement of 20.1% or 23.7% compared to the previous year.

You have our thanks, dear shareholders, for your loyalty to our company and for our constructive dialogue. The same goes for our business partners and tenants: These positive developments would not have been possible for our company without our close and cooperative partnership. We therefore wish to thank you very much. Special recognition is also due to all of the employees of the Group, of whom more was demanded than in previous years due to the successful growth of the company.

We look forward to continuing our excellent, trusting relationship in 2018 and would be happy if you would accompany us as we grow further.

Berlin, 21 March 2018

Peter Finkbeiner
Member of the
Management Board

Niclas Karoff
Member of the
Management Board

The displayed building "Main Triangel" in Frankfurt/Main can also be found in stylised form on the cover of the 2017 annual report.

VALUES.
GROWTH.
POTENTIAL.

STRATEGY

HIGH PORTFOLIO QUALITY AND STRATEGIC ACQUISITIONS GENERATE VALUE AND GROWTH

By expanding its portfolio of high-quality properties, TLG IMMOBILIEN has become one of the leading listed commercial real estate companies in Germany in recent years. This will also generate significant potential for the company to grow and increase the value of its portfolio in the future.

TLG IMMOBILIEN once again grew dynamically in the 2017 reporting year. Its growth was due primarily to the acquisition of WCM Beteiligungs- und Grundbesitz Aktiengesellschaft (WCM) with real estate assets of around EUR 800 m and the acquisition of other properties worth EUR 204.9 m. In doing so, TLG IMMOBILIEN has further strengthened its position as a leading commercial real estate company in Germany. Additionally, the high portfolio quality combined with the dynamic development of local property markets caused the value of the portfolio to increase again. Therefore, the total portfolio value of the company climbed to around EUR 3.4 bn in 2017 (31/12/2016: EUR 2.2 bn). Compared to the situation at the time of the IPO in October 2014, this represents an increase of more than 100%.

TLG IMMOBILIEN plans to continue its growth in 2018. For example, three properties in Rostock, Mannheim and Eschborn (near Frankfurt/Main) with a total investment volume of EUR 83.8 m were added to the portfolio in the first quarter alone. The purchase agreements for the properties in Rostock and Mannheim were signed in late 2017 and the agreement for the property in Eschborn in January 2018; all three new acquisitions will be added to the company's portfolio in the first quarter of 2018.

EXPANSION THROUGHOUT GERMANY IS PAYING OFF

The gradual expansion of the company beyond its original main locations in Berlin and eastern Germany over the past two years has opened up significant new potential. The growth of the company is structured primarily for long-term increases in income and value. As an active portfolio manager, TLG IMMOBILIEN focuses on managing a high-quality portfolio mostly comprising office properties in Berlin, Frankfurt/Main, Dresden, Rostock and Leipzig. The company also has a regionally diversified portfolio of retail properties in attractive micro-locations in Germany. Its portfolio also includes seven centrally located hotels with well-known operators. All of the hotels enjoy outstanding locations as well as long-term rental agreements and leases. TLG IMMOBILIEN generates stable rental income with low vacancy rates and very good building stock. The successes in asset management and in the selection of suitable investment properties are due in no small part to the excellent knowledge of local markets of the employees of TLG IMMOBILIEN as well as its deliberate proximity to each regional market and its tenants through local offices.

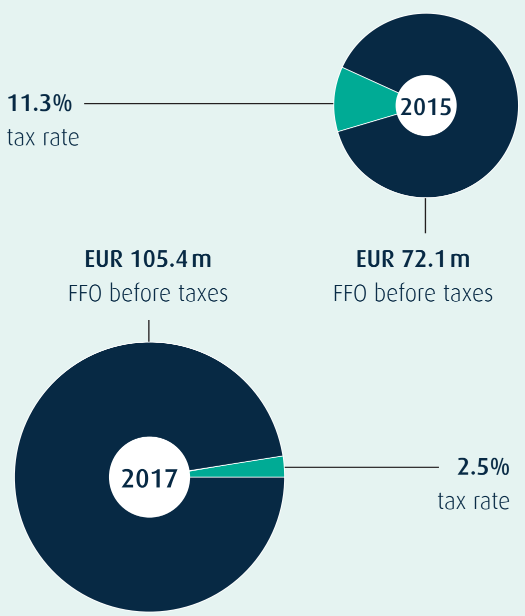
PROFITABILITY IMPROVED ON ALL LEVELS

The strategic focus of the company lies on the sustainable improvement of its profitability whilst minimising risks. At TLG IMMOBILIEN, the positive development of its operating income is mainly reflected in its funds from operations (FFO), a key performance indicator for the company. FFO increased by 33.6% to EUR 102.7 m in 2017. Alongside cost optimisations, the positive development of the company's profitability was due primarily to the further substantial increases in rental income and the further reduction of its EPRA Vacancy Rate. Consequently, the net operating income from letting activities increased by 22.3% to EUR 153.5 m. Furthermore, the successful asset management of the company is reflected in the approximately 4.1% increase in rental income on a like-for-like basis, i.e. not factoring in property acquisitions and disposals. On this comparative basis, the EPRA Vacancy Rate decreased by another 1.6 percentage points to 2.2%.

TAX RATE SUCCESSFULLY LOWERED

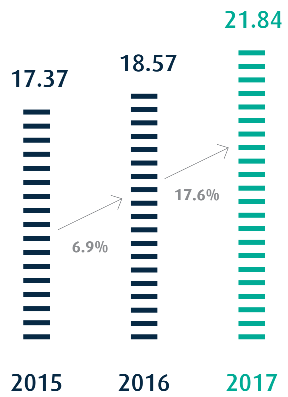
By systematically spurring on the expansion and augmentation of its internal tax expertise since 2016, TLG IMMOBILIEN is able to take dynamic growth and increasing complexity of tax legislation into account. In 2017, the company was able to significantly lower its tax rate and as such, the expected tax rate on FFO for the medium term is just 2.5%.

TAX RATE DECREASE IN 2017



SUSTAINABLE VALUE GROWTH

EPRA Net Asset Value per share in EUR



INTEREST COSTS SIGNIFICANTLY LOWERED

In the reporting year, cost-efficiency in the company – represented by the EPRA Cost Ratio – was influenced primarily by the extraordinary costs associated with the takeover of WCM and increased by 24.1% to 27.1%. The ratio can therefore be expected to substantially improve again in the coming year. In contrast, the company's average cash costs of debt decreased from 2.46% to 1.84% as a result of factors including refinancing measures relating to the corporate takeover (see *pages 30 and 31* for more details), which will make a positive contribution to FFO in the future.

1.84%

average cash costs of debt at the end of 2017

TLG IMMOBILIEN: PROFITABLE WITH GERMAN COMMERCIAL PROPERTIES

STRATEGIC ADVANTAGES:

- *Focus on high-quality office, retail and hotel properties in well-established locations in German growth regions*
- *High cash flows through stable rental income and low overall vacancy rates*
- *Strong financial figures and solid funding for future growth*
- *A diversified portfolio provides exceptional opportunities and limits operational risks*
- *Shareholder-friendly dividend policy*

INDICATORS OF SUCCESSFUL VALUE DEVELOPMENT IN 2017

Development in the overall portfolio (as at 31/12)	Unit	2017	2016	Change in %
Property value[1]	EUR m	3,400.6	2,241.6	51.7
Annualised in-place rent[2]	EUR m	214.1	155.3	37.9
Average rent	EUR/sqm/month	10.05	9.67	3.9
In-place rental yield	%	6.3	6.9	–0.6 pp
EPRA Vacancy Rate	%	3.6	3.8	–0.2 pp
WALT	Years	6.3	6.1	0.2 years
Personnel expenses/property value[3]	%	0.3	0.5	–0.2 pp
Funds from operations (FFO)	EUR m	102.7	76.9	33.6
EPRA NAV per share[4, 5]	EUR	21.84	18.57	17.6
Share price	EUR	22.15	17.90	23.7
Dividend[6]	EUR	0.82	0.80	2.5

[1] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5
[2] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date – not factoring in rent-free periods.
[3] Personnel expenses in line with statement of profit or loss, adjusted for special items
[4] Total number of shares as at 31 December 2016: 67.4 m, as at 31 December 2017: 102.0 m. The weighted average number of shares was 67.4 m in 2016 and 79.7 m in 2017.
[5] The calculation has changed in accordance with the specifications of the EPRA. For more detailed information, see page 42.
[6] 2017: Proposal to the 2018 general meeting based on 102.0 m shares as at 31 December 2017

RELIABLY CREATING VALUE THROUGH:

PORTFOLIO OPTIMISATION

- Acquisition of strategic properties
- Implementation of measures designed to optimise value at all stages of the value chain
- Disposal of portfolio properties that do not meet the requirements of the company
- Execution of selected project developments

HIGHER RETURNS

- Higher rental income and improved cost-efficiency through active asset management
- Optimised financing costs
- Reinvestment of proceeds from transactions

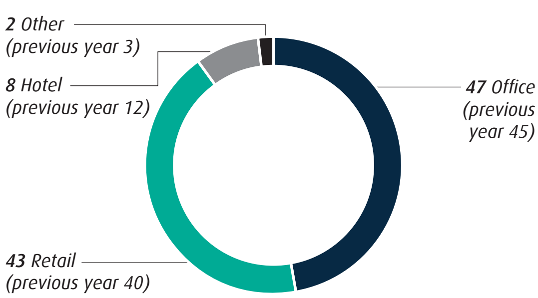
RISK MINIMISATION THROUGH A DIVERSIFIED PORTFOLIO

By diversifying the structure of its portfolio across the office, retail and hotel asset classes, TLG IMMOBILIEN has successfully managed to stand out from the competition and gain a sustainable and efficient risk diversification. At the end of 2017 with regard to asset classes, 47% of the portfolio consisted of office properties (previous year 45%), 43% consisted of retail properties (previous year 40%) and 8% consisted of hotel properties (previous year 12%).

The cash inflows from the issuance of new shares and a EUR 400 m bond will enable TLG IMMOBILIEN to make flexible use of market opportunities and expand its portfolio further.

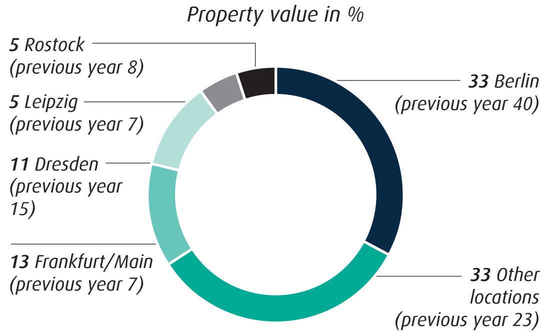
PORTFOLIO BY ASSET CLASS

Property value in %



PORTFOLIO BY LOCATION

Property value in %



IMPORTANT DECISION-MAKING CRITERIA FOR PROPERTY ACQUISITIONS

Office properties

Well-established office location with potential for growth

Individual property quality

Low-risk tenant structure

Retail properties

Excellent micro-locations with positive prospects

Attractive commercial indicators (e.g. purchasing power and centrality)

Appropriate property size and structure for the market – preferably with potential for expansion

Hotel properties

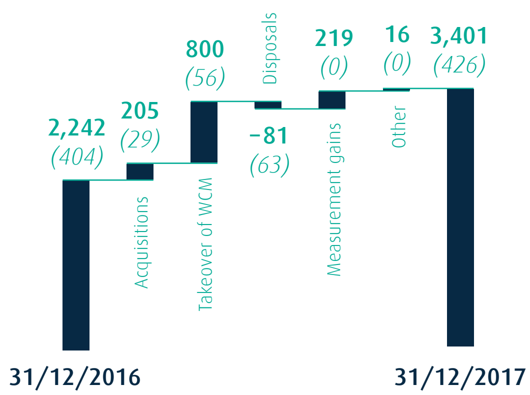
Top central locations in major cities

Long-term rental agreements and leases

Established operators with considerable knowledge of the industry

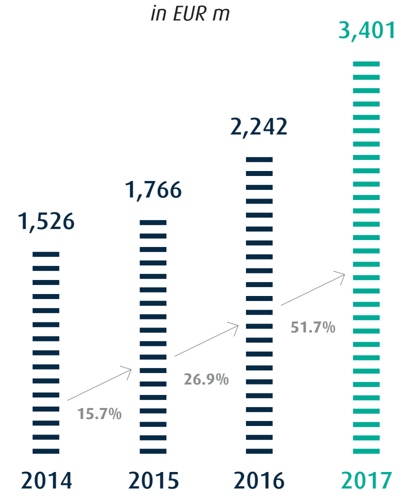
PORTFOLIO GROWTH

in EUR m (number of properties)



PORTFOLIO DEVELOPMENT OF TLG IMMOBILIEN

in EUR m



PORTFOLIO VALUE MORE THAN EUR 1.0 BN HIGHER

By taking over WCM (see "In focus" on *page 29*) and acquiring other properties, the company has entered a new order of magnitude with a portfolio value of EUR 3.4 bn as at 31 December 2017. TLG IMMOBILIEN added 85 properties with an approximate value of EUR 1.0 bn to its portfolio in 2017. In the office and retail asset classes, the company was able to acquire high-quality properties with a total lettable area of 526,591 sqm. At EUR 547.6 m, or 73 properties, the expansion was focused on retail properties. Additionally, twelve office properties worth EUR 455.4 m were taken over. The additional annualised in-place rent of around EUR 59.3 m generated in this regard will serve as a key platform for future earnings growth. Additionally, the positive development of the property markets and the associated increase in the value of the portfolio of TLG IMMOBILIEN made a significant contribution to the growth in the value of the portfolio.

CONTINUED ACTIVE PORTFOLIO MANAGEMENT

In the financial year ended, active portfolio management ensured that potentially less interesting properties were not among the number of properties held at the end of the year. Over the course of 2017, for example, three retail portfolios and other non-strategic properties were sold for EUR 83.7 m so as to maximise their value.

POTENTIAL FOR VALUE GROWTH THROUGHOUT GERMANY

The takeover of WCM and other property acquisitions in 2017 marked the continuation of the growth measures involving the strategic entry of the company into markets throughout Germany. In terms of locations, the company is most heavily invested in Berlin (33%; previous year 40%), Frankfurt/Main (13%; previous year 7%), Dresden (11%; previous year 15%), Rostock (5%; previous year 8%) and Leipzig (5%; previous year 7%).

FACTS AND FIGURES

OVERVIEW OF PROPERTIES WORTH IN EXCESS OF EUR 10 M FROM THE PORTFOLIO OF THE TLG IMMOBILIEN GROUP AS AT 31 DECEMBER 2017

OFFICE ASSET CLASS

Property name	Location	Addition of acquisition (month/year)	Plot size (sqm)	Year built	Year renovated	Property value (EUR m)	Annualised in-place rent (EUR m)	EPRA Vacancy Rate (%)
Office building, Alexanderstr. 1, 3, 5	Berlin		6,159	1969	1997	120.8	6.7	1.5
Main Triangel, Zum Laurenburger Hof 76	Frankfurt/Main	10/2017	4,993	2006		118.0	4.8	15.0
astropark, Lyoner Str. 9	Frankfurt/Main	9/2017	22,371	1992		95.9	5.1	22.6
Campus Carré, Lyoner Str. 25/Herriotstr. 6, 8, 10/ Rhonestr. 7	Frankfurt/Main	12/2016	19,790	1993	2014	85.8	5.5	3.4
Office building Mertonviertel, Olof-Palme-Str. 35	Frankfurt/Main	12/2016	16,742	2003	2013	76.6	*	0.0
KulturBrauerei, Schönhauser Allee 36/ Ecke Sredzki- und Knaakstr. 97	Berlin		25,190	1867	2000	73.9	4.1	0.0
Office building, Karl-Liebknecht-Str. 31, 33/ Kleine Alexanderstr.	Berlin		8,000	1968	2007	72.2	3.4	0.3
Spreestern, Englische Str. 27, 28, 30	Berlin		3,997	2004		61.6	*	0.0
Erlenhöfe, Aroser Allee 60, 64, 66, 68, 70, 72, 72a, 74, 76, 78	Berlin	4/2016	15,369	1997	1993	59.7	3.2	4.3
Technisches Rathaus, Prager Str. 118, 120, 122, 126, 128, 130, 132, 134, 136	Leipzig	10/2016	11,092	1996	2009	58.7	*	0.4
Forum am Brühl, Richard-Wagner-Str. 1, 2–3/ Brühl 65, 67	Leipzig	9/2014	7,855	1996		57.4	3.4	0.3
Office building, Helfmann-Park 8–10	Eschborn	10/2017	9,682	2005		53.1	3.3	0.0
Office building, Bleichstr. 64–66	Frankfurt/Main	10/2017	2,226	1972	2001	50.0	2.3	7.0
Office building, Am Vögenteich 23	Rostock		5,430	2000		47.9	*	0.0
Office building, Dircksenstr. 42–44	Berlin	10/2017	3,060	1997		44.5	*	1.0
Office building, Kapweg 3, 4, 5	Berlin	10/2016	6,297	1997		41.1	1.9	21.1
Office building, Köpenicker Str. 30–31/ Bona-Peiser-Weg 2	Berlin	10/2014	2,746	2004		40.1	1.5	4.2
Office building, Frankfurter Str. 227–229	Neu-Isenburg	10/2017	17,492	1960	1998	38.1	2.4	19.1
Wilsdruffer Kubus, Postplatz 1/Wilsdruffer Str. 24	Dresden		5,888	2008		33.3	2.0	0.0
Office building, Hausvogteiplatz 12	Berlin		2,353	1895	2003	32.8	1.0	0.0
Spreétage, Kaiserin-Augusta-Allee 104–106	Berlin	2/2014	4,332	1996		29.5	1.6	0.7
Office building, Graurheindorfer Str. 179a	Bonn	10/2017	5,516	2001		19.2	1.1	1.0
Office building, Doberaner Str. 114–116/ Lohmühlenweg 1, 2	Rostock	12/2014	8,587	1995		17.6	1.5	2.7
Office building, Industriestr. 48	Stuttgart	4/2016	3,248	2000	2012	15.5	1.1	0.0
Office building, Münzstr. 18/Max-Beer-Str. 3	Berlin		729	1900	2004	15.2	0.5	0.0
Office building, Am Schießhaus 1–3	Dresden	4/2016	2,399	1996	2014	15.0	0.9	5.0
Office building, Hermann-Drechsler-Str. 1	Gera		48,466	1985	2004	13.7	1.6	0.7
Office building, Zimmerstr. 90	Berlin		1,205	1900	2006	13.1	0.4	0.1
Office building, Hugenottenallee 167	Neu-Isenburg	10/2017	4,187	2002		13.0	0.7	23.8
Office building, Ferdinandplatz 1–2	Dresden	3/2015	1,284	1994		13.0	0.7	3.7
Office building, Kronenstr. 5	Berlin	4/2016	556	1996	2007	12.9	0.4	0.2
Margonhaus, Budapester Str. 3, 5	Dresden		2,890	1965	2001	12.8	0.7	0.8
CCW City-Center Warnowallee, Warnowallee 26–29	Rostock		7,354	1996		12.3	1.1	0.0
Office building, Kronenstr. 6	Berlin	4/2016	552	1996	2010	12.0	*	0.0
Pirnaisches Tor, Grunaer Str. 2/St. Petersburger-Str. 9	Dresden		14,600	1971	1999	10.9	*	4.0

* No information due to competition

WALT (years)	Total lettable area 31/12/2017 (sqm)	Parking spaces (number)	Anchor tenants	Proportion of property value in office asset class (%)
2.9	42,476	9	BIM Berliner Immobilienmanagement GmbH, Visual Meta GmbH, 1&1 Internet SE	7.5
17.0	28,405	375	OFD – Landesbetrieb Hessisches Immobilienmanagement, Kombiverkehr GmbH & Co. KG	7.3
4.4	38,778	657	BS Payone GmbH, Fujitsu Technology Solutions GmbH, ZVEI Zentralverband Elektrotechnik und Elektronikindustrie e.V.	6.0
5.1	31,544	587	Hochtief Solutions AG, Techniker Krankenkasse, Steigenberger Hotels AG	5.3
*	26,575	459	Air Liquide Global E&C Solutions Germany GmbH	4.8
5.5	30,577	247	Greater Union Filmpalast GmbH, Rewe Group (Rewe), Contipark Parkgaragengesellschaft mbH	4.6
2.7	24,461	60	Institute for Federal Real Estate, FlixMobility GmbH	4.5
*	17,815	156	Daimler Real Estate GmbH	3.8
3.9	36,717	410	Vivantes Netzwerk für Gesundheit GmbH, 1&1 Versatel Deutschland GmbH, Vitanas GmbH & Co. KGaA	3.7
*	45,016	315	City of Leipzig	3.6
3.0	26,374	222	Deutsche Bahn AG, apoBank Deutsche Apotheker- und Ärztebank eG, SBK Siemens Betriebskrankenkasse	3.6
2.9	18,281	496	Randstadt Deutschland GmbH, Accovion GmbH, Waters GmbH	3.3
3.5	10,167	121	General Electric Deutschland Holding GmbH, Curzon Advisers GmbH, MMZ Architekten GmbH	3.1
*	19,470	26	OstseeSparkasse Rostock	3.0
*	9,642	49	PSI Aktiengesellschaft	2.8
4.5	18,161	183	Vermögensverw.- u. Treuhand-Gesellschaft des Deutschen Gewerkschafts-bundes mbH, Alpha Com Deutschland GmbH, district office of Berlin-Mitte	2.6
5.2	11,996	26	Vereinte Dienstleistungsgewerkschaft Landesbezirk Berlin-Brandenburg, Deutsche Bahn AG, Buchhaltungsservicegesellschaft der ver.di GmbH	2.5
2.0	18,351	597	DuPont de Nemours (Deutschland) GmbH, Toray International Europe GmbH, ADP Employer Services	2.4
1.9	10,537	227	SAP Deutschland SE & Co. KG Global Facility Management, Rathgeber Gaststätten GmbH, Dresdner Verkehrsbetriebe AG	2.1
4.2	7,897	21	unitB technology GmbH, medneo GmbH, Will Media GmbH	2.0
2.8	14,727	145	VHV Allgemeine Versicherung AG, Media Broadcast GmbH, BLD Bach Lang-heid Dallmayr Rechtsanwälte Partnerschaftsgesellsc mbB	1.8
6.2	7,723	124	VRT Linzbach, Löcherbach und Partner; VR – Networld GmbH; secretariat of the Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany	1.2
2.3	15,978	216	Betrieb für Bau und Liegenschaften MV, Pädagogisches Kolleg Rostock GmbH, Viactiv Krankenkasse Verwaltung Region Nord	1.1
4.3	8,103	83	Bauknecht Hausgeräte GmbH, eXXcellent Solutions consulting & software GmbH, Deutscher Sparkassen Verlag GmbH	1.0
3.2	2,468	0	MCO Conversestore GmbH, Point-Blank Int.Marketing GmbH Research&Consultancy, Freitag lab. Germany GmbH	0.9
8.0	9,139	50	Medizinischer Dienst der Krankenversicherung im Freistaat Sachsen e.V., Leonhardt, Andrä und Partner Beratende Ingenieure VBI AG, RA Wolff & Rapp	0.9
4.6	30,062	157	Free State of Thuringia, Institute for Federal Real Estate, special real estate service of Gera	0.9
3.3	2,802	6	Berlin Fashion Group GmbH, acht+Baumanagement+ Immobilienberatung GmbH, m-public Medienservices GmbH	0.8
2.6	5,512	128	Quintiles, Tinet GmbH, Rigaku Europe SE	0.8
3.1	7,135	80	Landeshauptstadt Dresden, HUK – HUK-Coburg Haftpflicht-Unterstütz-ngs-Kasse kraftfahrender Beamter Deutschlands a. G. in Coburg, SGF Santander Global Facilities S.L.	0.8
4.0	2,856	9	Institute for Federal Real Estate, Tuja Zeitarbeit GmbH, gsub mbH – Gesellschaft für soziale Unternehmensberatung	0.8
5.9	6,663	103	Barmer GEK Hauptverwaltung, Newtron AG, OT-Dresden GmbH Steuerberatungsgesellschaft	0.8
6.5	6,306	119	OstseeSparkasse Rostock, Rewe Group (Penny), Neue ohne Barrieren gGmbH	0.8
*	2,555	18	gsub mbH – Gesellschaft für soziale Unternehmensberatung	0.7
*	17,973	259	Landeshauptstadt Dresden	0.7

ONLINE LIST OF OUR PROPERTIES WITH A PORTFOLIO VALUE OF >EUR 10 M

www.tlg.eu > Portfolio > Properties

RETAIL ASSET CLASS

Property name	Location	Addition of acquisition (month/ year)	Plot size (sqm)	Year built	Year renovated	Property value (EUR m)	Annualised in-place rent (EUR m)	EPRA Vacancy Rate (%)
Bahnhofs-Passage Bernau, Börnicker Chaussee 1–2	Bernau	7/2015	56,523	1996/2006		54.8	3.9	4.5
Gäubodenpark, Hebbelstr. 14B	Straubing	10/2017	52,986	1976/1990		54.3	3.6	1.3
Neighbourhood shopping centre, Dr.-Adolf-Schneider-Str. 20	Ellwangen	10/2017	68,958	1992		49.9	3.3	1.2
Neighbourhood shopping centre, Südstadtring 90	Halle	10/2017	50,864	1996		41.9	3.1	6.0
Special retail centre, Adlergestell 296, 299–305; Otto-Franke-Str. 105	Berlin	2/2015	43,639	2006		39.8	3.1	0.0
Handelscentrum Strausberg, Herrenseeallee 15	Strausberg	7/2015	95,177	1997/2007		37.3	3.0	0.5
Südstadt Center**, Nobelstrasse 50–55/ Majakowskistr. 58	Rostock	8/2015	23,971	1994		32.6	2.3	7.4
Marktplatz Friedrichshagen**, Bölschestr. 35–38	Berlin		15,408	2012/2013		30.1	1.8	0.0
Hellweg Baumarkt, An der Ostbahn 3/ Str. der Pariser Kommune 10–16	Berlin		29,238	2006		29.2	*	0.0
Quartier17, Ossenreyerstr. 53–61, Badenstr. 3–6, Kleinschmiedstr.	Stralsund		4,751	2013		28.5	2.0	1.7
Prohlis Centrum**, Jakob-Winter-Platz 13/ Prohliser Allee 10	Dresden	10/2017	23,239	2001		25.9	1.6	2.1
Sachsen Forum**, Merianplatz 4	Dresden	11+12/2016	14,462	1996/1988		24.7	1.7	3.5
OBI Baumarkt, Heininger Str. 26	Göppingen	10/2017	36,327	2012		24.5	*	0.0
Neighbourhood shopping centre, Hoymer Str. 108	Aschersleben	10/2017	36,735	1993	2017	23.3	1.6	0.8
Burgwall Center, Lübsche Str. 146–148	Wismar	9/2015	19,342	1993		21.4	1.6	1.5
Neighbourhood shopping centre, Calbesche Str. 26–37	Schönebeck	10/2017	84,205	1994		20.2	1.3	22.8
Neighbourhood shopping centre, Potsdamer Str. 108	Ludwigsfelde	10/2017	10,340	1997		20.1	1.1	8.2
Neighbourhood shopping centre, Karl-Marx-Allee 20	Jena-Lobeda	10/2017	18,198	1995		20.0	1.4	8.4
Neighbourhood shopping centre, Siebenhauser Str. 184	Wolfen	10/2017	74,820	1995		19.4	*	0.0
Neighbourhood shopping centre, Waldenburger Str. 175	Glauchau	10/2017	47,878	1992	2017	18.4	1.1	6.7
Specialist retailer, Wriezener Karree 15	Berlin		14,221	1980		18.2	0.0	100.0
Hellweg Baumarkt, Salvador-Allende-Str. 115	Berlin		48,811	2008		18.0	*	0.0
Hellweg Baumarkt, Ellen-Epstein-Str. 1	Berlin		19,392	2008		17.5	*	0.0
Neighbourhood shopping centre, Helene-Weigel-Platz 1, 2	Berlin		12,596	2011		15.5	0.9	0.0
Neighbourhood shopping centre, Seegraben 5	Aschersleben	10/2017	21,732	1994		15.4	*	0.0
Cinema Cubix, Rathausstr. 1	Berlin		2,946	2001		14.5	1.2	0.0
Neighbourhood shopping centre, Asbacher Str. 75–95	Linz am Rhein	12/2017	20,783	1959	2004	13.5	0.9	2.7
Commercial building, Prager Str. 4	Dresden		1,462	2006		13.1	0.7	0.0
Special retail centre, Kronacher Str. 9	Unterwellenborn	11/2017	42,454	1991/1992		12.7	*	0.0
Rewe market, Revaler Str. 2/hinter Marchlewsistr. 101	Berlin		6,472	1981		11.6	*	0.0
OBI Baumarkt, In der Trift 17	Olpe	10/2017	24,456	2014		11.3	*	0.0
Neighbourhood shopping centre, Marzahner Promenade 30	Berlin		11,732	2005		11.3	0.7	0.0
Lidl market, Leipziger Str. 42	Berlin		2,700	1978	2008	10.4	*	0.0
Neighbourhood shopping centre, Bertholt-Brecht-Str. 23	Rostock		15,139	1972	2004	10.3	0.8	2.6
Neighbourhood shopping centre, Greifswalder Str. 86/Storkower Str. 5–7	Berlin		8,332	2009		10.3	0.6	0.0

* No information due to competition ** Combination of two-part building

HOTEL ASSET CLASS

Property name	Location	Addition of acquisition (month/ year)	Plot size (sqm)	Year built	Year renovated	Property value (EUR m)	Annualised in-place rent (EUR m)	EPRA Vacancy Rate (%)
Die Welle, Karl-Liebknecht-Str. 32, 32 A, 32 B	Berlin		4,772	2011		111.0	6.2	0.0
Hotel de Saxe, Neumarkt 9	Dresden		2,009	2006		48.9	2.6	0.0
MotelOne, Postplatz 5,6/Schweriner Str. 1	Dresden		3,848	2013		39.5	2.2	2.2
Brühl Arkade, Am Hallischen Tor 1/Brühl 33/ Richard-Wagner-Str. 9	Leipzig	4/2016	3,596	1997		27.3	1.8	6.7
InterCity Hotel, Wiener Platz 8/9	Dresden	2/2016	3,309	2008		26.1	1.5	10.3
Novum Winters Hotel, Zimmerstr. 88	Berlin		2,336	1950	2012	17.2	*	0.0
MotelOne, Schröderplatz 2/Schröderstr. 25/ Am Vögenteich 24	Rostock		2,468	2013		15.9	0.9	4.3

* No information due to competition ** Combination of two-part building

WALT (years)	Total lettable area 31/12/2017 (sqm)	Parking spaces (number)	Anchor tenants	Proportion of property value in retail asset class (%)
4.0	27,131	884	Edeka Group (Edeka), Dirk Rossmann GmbH, MediMax Zentrale Electronic SE	3.8
4.1	35,105	1,000	Schwarz Group (Kaufland), EXTRA Games Entertainment GmbH, Adler Modemärkte AG	3.7
5.4	32,779	872	Schwarz Group (Kaufland), Marktkauf Autonom BM Vermietungs GmbH & Co KG, Adler Modemärkte AG	3.4
5.4	30,711	1,261	Schwarz Group (Kaufland), MediMax Zentrale Electronic SE, Deichmann SE	2.9
3.2	28,350	542	OBI GmbH, Poco Einrichtungsmärkte GmbH, McFit GmbH	2.7
4.0	23,681	1,400	Edeka Group (Edeka), C&A Mode GmbH & Co. KG, Repo-Markt Nord Rest- und Sonderposten GmbH	2.6
4.6	17,609	361	Rewe Group (Rewe), Dirk Rossmann GmbH, Rewe Group (Penny)	2.2
10.9	12,923	139	Edeka Group (Edeka), gemeinnützige ProCurand GmbH	2.1
*	17,883	310	Hellweg Die Profibaumärkte GmbH & Co. KG	2.0
7.4	10,877	182	dm-drogerie markt GmbH & Co.KG, Edeka Group (Edeka), Contipark Parkgaragengesellschaft mbH	2.0
5.7	12,424	N/A	Edeka Group (Edeka), Landeshauptstadt Dresden, Ostsächsische Sparkasse	1.8
2.5	14,648	285	Konsum Dresden eG, Dirk Rossmann GmbH, Rewe Group (Penny)	1.7
*	13,481	400	OBI GmbH	1.7
6.6	14,757	846	Toom Baumarkt GmbH, Schwarz Group (Kaufland), AWG Allgemeine Warenvertriebs GmbH	1.6
3.5	11,793	280	Rewe Group (Rewe), Deichmann SE, Dirk Rossmann GmbH, Norma Lebensmittelhandels Stiftung & Co.KG	1.5
5.5	25,306	814	Schwarz Group (Kaufland), Hammer Fachmarkt für Heimausstattung	1.4
5.7	12,611	366	Schwarz Group (Kaufland), AWG Allgemeine Warenvertriebs GmbH	1.4
4.4	12,303	502	Schwarz Group (Kaufland), KiK Textilien und Non-Food GmbH	1.4
*	16,886	300	Edeka Group (Edeka)	1.3
8.3	14,108	519	Schwarz Group (Kaufland), MediMax Zentrale Electronic SE, AWG Allgemeine Warenvertriebs GmbH	1.3
–	8,448	0	–	1.3
*	13,950	477	Hellweg Die Profibaumärkte GmbH & Co. KG	1.2
*	9,320	270	Hellweg Die Profibaumärkte GmbH & Co. KG	1.2
4.2	5,978	158	Rewe Group (Rewe), Zahnklinik Ost GmbH, Dirk Rossmann GmbH	1.1
*	9,071	497	Edeka Group (Edeka)	1.1
3.4	10,842	0	Greater Union Filmpalast GmbH	1.0
2.9	10,794	279	Edeka Group (Edeka), Unternehmensgruppe Aldi Nord	0.9
7.8	2,690	0	Burgerlich GmbH, Targobank AG & Co. KGaA, Taschenkaufhaus GmbH	0.9
*	7,748	440	Schwarz Group (Kaufland)	0.9
*	3,978	14	Rewe Group (Rewe)	0.8
*	8,922	253	OBI GmbH	0.8
8.8	4,676	250	Edeka Group (Netto Marken-Discount), Pfennigpfeiffer Handelsgesellschaft mbH, Krafttraining Berlin GbR Kieser Training	0.8
*	4,718	0	Schwarz Group (Lidl)	0.7
9.9	6,740	160	Edeka Group (Edeka), Unternehmensgruppe Aldi Nord, Dirk Rossmann GmbH	0.7
4.1	3,801	120	Edeka Group (Edeka), Shoe4You GmbH & Co. KG, Takko Holding GmbH	0.7

WALT (years)	Total lettable area 31/12/2017 (sqm)	Parking spaces (number)	Anchor tenants	Proportion of property value in hotel asset class (%)
10.6	33,942	106	THR Hotel (H4 Hotel, H2 Hotel)	38.8
16.7	13,487	0	Steigenberger Hotels	17.1
13.6	14,646	165	Motel One	13.8
7.8	21,413	168	Marriott Hotel	9.5
8.1	12,270	0	IntercityHotel	9.1
*	7,158	18	Novum Hotels	6.0
18.5	6,603	61	Motel One	5.5

RETAIL IN DETAIL

www.tlg.eu > Portfolio > Overview

The highly diversified portfolio of TLG IMMOBILIEN AG

FOCUS ON REGIONAL PRESENCE IN THE GROWTH REGIONS

Regional distribution of the property portfolio by asset class (property value) as at 31 December 2017

TOTAL IN EUR M

Office	Retail	Hotel	Other
1,610.2	1,453.4	285.9	51.1

EUR 125–128 m is the FFO forecast for the end of 2018, plus the income contributions from further acquisitions

A NEW ORGANISATIONAL STRUCTURE ACCOUNTS FOR DYNAMIC GROWTH

In light of the ongoing expansion of activities throughout Germany and its planned continuation of dynamic growth, TLG IMMOBILIEN adjusted its internal organisational structure in the 2017 reporting year. In place of the previous decentralised branch structure, the operative units – which will retain their strong local presence – are now controlled by a more flexible structure with central management roles. The Portfolio Management division is responsible for ensuring that the overall portfolio is strategic while the staff in the new, comprehensive Asset Management division manage the implementation of the strategy on the level of the properties. The Property Management division is the first point of contact for tenants, whereas the Transaction Management division coordinates with the other divisions with regard to acquisitions and disposals relating to the TLG IMMOBILIEN portfolio. In the future, it will therefore be easier to integrate newly acquired properties into the operational processes of the company quickly and efficiently. As crucial competitive advantages, the company's regional roots and close local ties with institutional and private market participants and decision makers have not been affected. They serve as the basis for the Asset, Property and Transaction Management divisions in Berlin, Dresden, Erfurt, Frankfurt/Main, Leipzig and Rostock.

Office property Hausvogteiplatz 12, Berlin

ALSO ON THE CUTTING EDGE OF TECHNOLOGY

The new orders of magnitude reached by TLG IMMOBILIEN with its most recent stages of expansion in 2017 also necessitate increasingly more efficient resource management that grows at the same pace as the company. The company was therefore one of the first in its sector to introduce the new ERP system SAP S4 HANA. This will make it possible to control all operational processes within the Group efficiently with modern technology and integrate newly acquired properties without delay, even on a technical level. In terms of IT, therefore, TLG IMMOBILIEN has equipped itself for future stages of growth.

FACTS AND FIGURES

DEVELOPMENT OF PROPERTY VALUE BY ASSET CLASSES AS AT 31 DECEMBER 2017 VERSUS 31 DECEMBER 2015

Property value (EUR m)[1]					Total
Total as at 31/12/2015[2]	610.2	869.6	207.6	78.4	1,765.8
Disposals from 01/01/2016–31/12/2017	5.2	55.8	0.0	30.4	91.5
31/12/2015 like-for-like 31/12/2017 (excluding disposals)	605.0	813.8	207.6	48.0	1,674.4
Like-for-like development	163.5 *27.0%*	67.4 *8.3%*	24.9 *12.0%*	3.1 *6.5%*	259.0 *15.5%*
31/12/2017 like-for-like 31/12/2015 (excluding acquisitions)	768.5	881.2	232.5	51.1	1,933.3
Acquisitions from 01/01/2016–31/12/2017[3]	841.6	572.2	53.4	0	1,467.2
Total as at 31/12/2017	1,610.2	1,453.4	285.9	51.1	3,400.6
Development from 31/12/2015–31/12/2017	999.9 *163.9%*	583.8 *67.1%*	78.3 *37.7%*	−27.3 *−34.8%*	1,634.7 *92.6%*

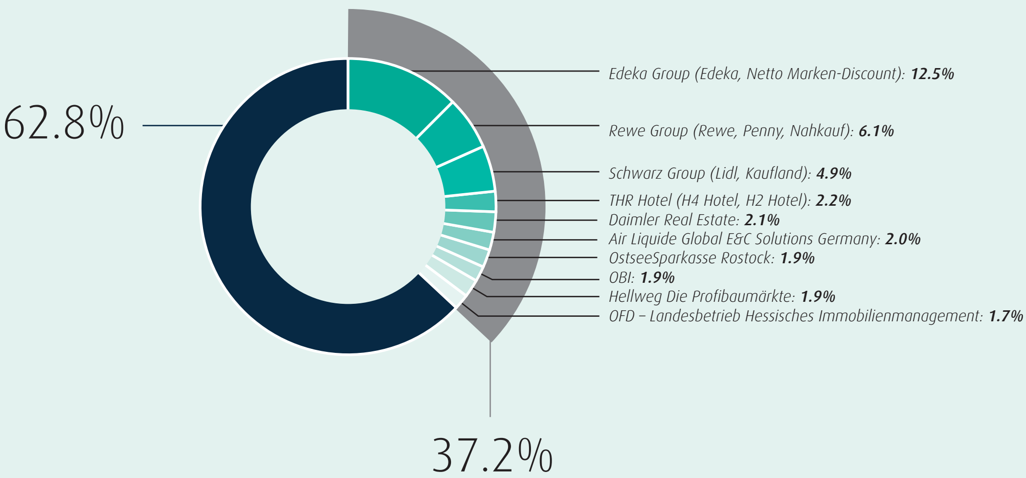
[1] Rounding differences possible
[2] Reclassification following division of properties taken into account
[3] Including acquisition of WCM

DEVELOPMENT OF ANNUALISED IN-PLACE RENT AS AT 31 DECEMBER 2017 VERSUS 31 DECEMBER 2015

Annualised in-place rent (EUR m)[1]					Total
Total as at 31/12/2015[2]	42.8	68.2	12.7	7.6	131.4
Disposals from 01/01/2016–31/12/2017	0.7	6.1	0.0	2.9	9.7
31/12/2015 like-for-like 31/12/2017 (excluding disposals)	42.1	62.1	12.7	4.7	121.6
Like-for-like development	4.0 *9.4%*	1.5 *2.5%*	0.2 *1.6%*	0.1 *1.2%*	5.8 *4.7%*
31/12/2017 like-for-like 31/12/2015 (excluding acquisitions)	46.0	63.7	13.0	4.8	127.4
Acquisitions from 01/01/2016–31/12/2017[3]	45.2	38.1	3.3	0	86.6
Total as at 31/12/2017	91.2	101.8	16.3	4.8	214.1
Development from 31/12/2015–31/12/2017	48.4 *113.3%*	33.6 *49.2%*	3.5 *27.7%*	−2.9 *−37.6%*	82.7 *62.9%*

[1] Rounding differences possible
[2] Reclassification following division of properties taken into account
[3] Including acquisition of WCM

TOP TEN TENANTS BY ANNUALISED IN-PLACE RENT AS AT 31 DECEMBER 2017



EVERY ASSET CLASS CONTRIBUTES TO VALUE GROWTH

THE OFFICE PROPERTY MARKET IS STILL GROWING

Driven by positive economic developments and the particularly strong growth of freelance, scientific and technical services as well as the information and communication sectors, demand for office properties remains high in many German cities. The number of office workers in major and medium-sized cities is expected to grow by around 5% over the next five years. As a result, the sector expects the demand for office space to grow, vacancy rates to fall and rental income to increase. In addition to the seven metropolises with the strongest demand, investors are increasingly focused on medium-sized German cities. In a recent study, the real estate experts at Wüest Partner predicted that demand for office space in Berlin would increase by almost 200,000 sqm per year. However, Wüest Partner also expects demand for office space in medium-sized cities such as Hanover, Leipzig and Nuremberg to increase over the next five years (with increases of around 250,000 sqm, over 150,000 sqm and over 150,000 sqm respectively), which means that providers of office properties in these locations will be able to profit from the developments.

Neighbourhood shopping centre BurgwallCenter, Wismar

RETAIL PROPERTIES WITH A SOLID RISK–RETURN PROFILE

Following its expansion in 2017, TLG IMMOBILIEN now has retail properties in many parts of Germany. In terms of property value, the majority was attributable to neighbourhood shopping centres (51.5%) and food retail (32.6%). DIY shops had a share of 9.9%. According to a study carried out by bulwiengesa, the ongoing concentration process in food retail, a constant supply of sales space and generally increasing turnover are the trends of relevance to the evaluation of investment opportunities. The main factors motivating investors are high stability and long-term security. The investment strategy of TLG IMMOBILIEN focuses on properties in good micro-locations that are used for neighbourhood food retail and are of good structural quality.

Key indicators of TLG IMMOBILIEN in connection with office properties

	2017	2016
Property value	EUR 1,610.2 m	EUR 1,004.1 m
Units	68	60
Annualised in-place rent	EUR 91.2 m	EUR 65.0 m
In-place rental yield	5.7%	6.5%
EPRA Vacancy Rate	5.0%	5.2%
WALT	5.2 years	5.0 years

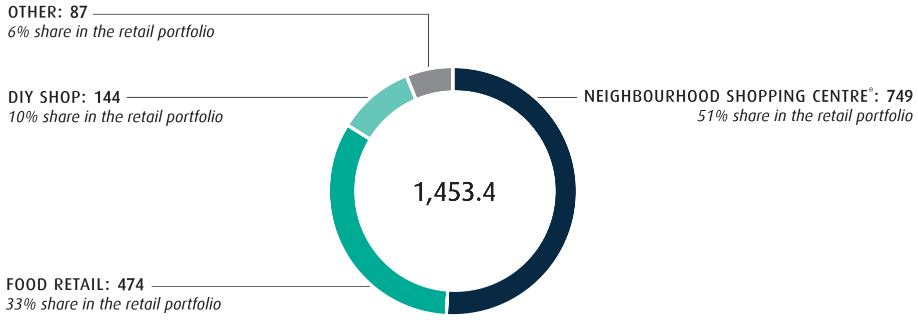
Key indicators of TLG IMMOBILIEN in connection with retail properties

	2017	2016
Property value	EUR 1,453.4 m	EUR 896.2 m
Units	301	278
Annualised in-place rent	EUR 101.8 m	EUR 69.3 m
In-place rental yield	7.0%	7.7%
EPRA Vacancy Rate	2.1%	2.4%
WALT	6.3 years	5.4 years

Office building Karl-Liebknecht-Strasse 31, 33, Berlin

BREAKDOWN OF RETAIL ASSET CLASS BY PROPERTY VALUE

As at 31 December 2017 in EUR m



* Incl. special retail centres and residential and commercial buildings

Brühl Arkade, Marriott Hotel, Leipzig

HOTEL PROPERTIES WITH A FOCUS ON SECURE LONG-TERM RETURNS

In its autumn report, DEHOGA – the German hotel and restaurant association – continues to see Germany as a popular travel destination. The same also applies to business trip traffic that is profiting from the positive economic developments. As a result, according to DEHOGA, the hotel and restaurant sector is continuing to report growth in the number of overnight stays and turnover. TLG IMMOBILIEN owns seven hotels in central locations in Berlin, Dresden, Leipzig and Rostock that are both highly frequented by tourists and in demand due to positive economic development. The attractiveness of the locations, the high structural quality and the resulting potential for operators go hand in hand with the long-term weighted average lease term of 12.2 years. This makes the development of income from the hotel asset class highly reliable for TLG IMMOBILIEN.

Key indicators of TLG IMMOBILIEN in connection with hotel properties

	2017	2016
Property value	EUR 285.9 m	EUR 272.0 m
Units	7	7
Annualised in-place rent	EUR 16.3 m	EUR 16.1 m
In-place rental yield	5.6%	5.8%
EPRA Vacancy Rate	2.3%	2.4%
WALT	12.2 years	13.1 years

PROPERTY TRANSACTIONS DESIGNED TO INCREASE VALUE

TOTAL IN 2017

In 2017, TLG IMMOBILIEN added a total of 85 properties to its portfolio. In doing so, the company secured an additional EUR 59.3 m in rent. The investments in excess of EUR 1.0 bn in 2017, including the takeover of WCM, were focused primarily on regional expansion into western German states (67% of the value) and on the retail asset class (55% of the value).

OFFICE BUILDING “ASTROPARK”, FRANKFURT/MAIN

Property value	EUR 95.9 m
Total area	38,778 sqm
Annualised in-place rent	EUR 5.1 m
In-place rental yield	5.3%
EPRA Vacancy Rate	22.6%
WALT	4.4 years
Transfer of benefits and encumbrances	01/09/2017

A WELL-POSITIONED OFFICE PROPERTY WITH THE HIGHEST ENVIRONMENTAL STANDARDS

Having made its first investment in the prosperous Rhine-Main area in late 2016, TLG IMMOBILIEN acquired “astropark”, another large office property in the Niederrad district of Frankfurt. The building has high-quality fittings and is a green building with an LEED gold certification. It is therefore an extremely ecological building distinguished by its sustainable cost-efficiency, accountability for the future and environmental friendliness. The EPRA Vacancy Rate on the date of acquisition had already been lowered to 22.6% as at the end of 2017. The expertise of TLG IMMOBILIEN in attracting tenants promises further potential even in the first six months of 2018 by lowering the vacancy rate in this exceptionally well-positioned property.

SPECIAL RETAIL CENTRE IN UNTERWELLENBORN, THURINGIA

Property value	EUR 12.7 m
Total area	7,748 sqm
Annualised in-place rent	*
In-place rental yield	6.8%
EPRA Vacancy Rate	0%
WALT	*
Transfer of benefits and encumbrances	02/11/2017

SECURE LONG-TERM IN-PLACE RENTAL YIELD

With a high remaining lease term, the fully occupied special retail centre in Unterwellenborn, Thuringia, that was acquired in the fourth quarter of 2017, guarantees predictable rental income over an exceptionally long remaining term. The neighbourhood shopping centre is locally established and its main tenant is the food retailer Kaufland.

* No information due to competition

Office building "Theo & Luise", Mannheim

OFFICE BUILDING "THEO & LUISE", MANNHEIM[1]

Investment volume	EUR 50.7 m
Total area	25,400 sqm
Annualised in-place rent	EUR 3.0 m
In-place rental yield	5.9%
EPRA Vacancy Rate	10.6%
WALT	3.9 years
Transfer of benefits and encumbrances	Q1 2018

[1] Data as at: 22 December 2017 (signing)

ATTRACTIVE POTENTIAL FOR VALUE CREATION

In December 2017, TLG IMMOBILIEN acquired an office property in Mannheim, the economic heart of the Rhine-Neckar Metropolitan Region. The office property enjoys optimal transport connections and currently generates an annualised in-place rent of around EUR 3.0 m. The transfer of benefits and encumbrances is due to take place in the first quarter of 2018, i.e. after the end of the reporting year. The acquisition is another addition to the TLG IMMOBILIEN portfolio in a dynamically growing mid-sized German city.

ONYX RETAIL PORTFOLIO (27 PROPERTIES THROUGHOUT GERMANY)

Property value	EUR 94.1 m
Total area	60,631 sqm
Annualised in-place rent	EUR 6.3 m
In-place rental yield	6.7%
EPRA Vacancy Rate	1.1%
WALT	6.0 years
Transfer of benefits and encumbrances	18/12/2017

FURTHER EXPANSION OF THE RETAIL PORTFOLIO

At the end of the year, TLG IMMOBILIEN further strengthened its position in this asset class by acquiring a portfolio of 27 retail properties in multiple German states. Of the total investment volume, 94% was used to acquire neighbourhood shopping centres, supermarkets and discounters, primarily in states in western Germany. The space that is currently vacant will be utilised to optimise the use of space and accommodate tenants. The anchor tenants are predominantly leading food retailers such as Rewe and Edeka.

NEIGHBOURHOOD SHOPPING CENTRE "KLENOW TOR", ROSTOCK[1]

Investment volume	EUR 18.6 m
Total area	16,545 sqm
Annualised in-place rent	EUR 1.6 m
In-place rental yield	8.5%
EPRA Vacancy Rate	0.8%
WALT	2.4 years
Transfer of benefits and encumbrances	01/01/2018

HIGH IN-PLACE RENTAL YIELD WITH A MINIMAL VACANCY RATE

By purchasing a neighbourhood shopping centre in Rostock, TLG IMMOBILIEN has acquired a property with an in-place rental yield of 8.5% as at the acquisition date. The transfer of benefits and encumbrances took place on 1 January 2018, i.e. after the end of the 2017 financial year. The company has therefore strengthened its presence in what is traditionally its most significant location in north-eastern Germany.

[1] Data as at: 2 November 2017 (signing)

NEW RENTAL AGREEMENTS

STRONG DEMAND GUARANTEES HIGH LONG-TERM CASH FLOWS

The development of rental income is one of the key indicators of success of TLG IMMOBILIEN. The 19.8% improvements achieved in 2017 attest to the high quality of the property portfolio.

In the reporting year, the annualised in-place rent in the portfolio increased by 37.9% to EUR 214.1 m. In addition to the takeover of WCM (EUR 47.1 m), this successful development was due not only to the acquisition accounting of newly acquired properties, but also the ability of TLG IMMOBILIEN to lower vacancy rates in its portfolio through active asset management. Furthermore, average rents increased and existing agreements were adapted – e.g. following modernisation work – based on changing general conditions. On a like-for-like basis, i.e. not factoring in the acquisitions and disposals in 2017, the annualised in-place rent increased by 4.1%. This occurred across all asset classes, although the greatest increase (of 6.3%) was realised in office properties and primarily in Berlin. On a like-for-like basis, the EPRA Vacancy Rate was

THE QUALITY OF THE PORTFOLIO ENSURES LOW VACANCY RATES AND RENTAL INCOME GROWTH

A STRONG PORTFOLIO	Total as at 31/12/2017	Like-for-like as at 31/12/2017	Change compared to previous year (like-for-like)
Property value in EUR m	3,400.6	2,397.7	229.9 *10.6%*
Annualised in-place rent in EUR m	214.1	154.7	6.0 *4.1%*
Average rent in EUR/sqm/month	10.05	10.00	0.23
EPRA Vacancy Rate in %	3.6	2.2	–1.6 pp
WALT in years	6.3	6.0	–0.2 years

lowered by 1.6 percentage points to 2.2% – a comparably low level for the sector. Consequently, the properties in all asset classes (like-for-like) were almost fully occupied at the end of 2017: office (97.6%), retail (98.5%) and hotel (97.7%). TLG IMMOBILIEN can also report successes in finding tenants for the “astropark” property in Frankfurt/Main which had high vacancy rates when acquired in 2017. This means that the property will also have good potential for value growth in the future. The same applies to the property on Kapweg in Berlin that was acquired in 2016 (see “In focus” in the box on the right) and is now 86.5% rented out.

Over the past twelve months, the average rent in the portfolio increased from 9.67 EUR/sqm to 10.05 EUR/sqm due to the positive development of demand and the implementation of technical measures as part of new rental agreements.

EXAMPLES OF NEW RENTAL AGREEMENTS IN THE DYNAMICALLY GROWING OFFICE MARKET IN BERLIN

Having already lowered the EPRA Vacancy Rate in the office property Alexanderstrasse 1, 3, 5 in Berlin from 35% to 10.5% in 2016, TLG IMMOBILIEN was able to rent the remaining 7,300 sqm to a company belonging to the state of Berlin for five years in the 2017 reporting year. As a result, the second-largest office property belonging to the company – at 42,500 sqm in size – is now almost fully occupied. Compared to late 2016, the company was able to increase the average rents further and in doing so share in the dynamic market developments of the second half of 2017. According to the industry experts at Savills, the average rent in Berlin increased by 19.4% to EUR 19.10 in 2017.

IN FOCUS

THE REPOSITIONING OF THE OFFICE BUILDING ON KAPWEG IN BERLIN IS PAYING OFF

When TLG IMMOBILIEN acquired the office property at Kapweg 3–5 in Berlin for around EUR 30 m in October 2016, the EPRA Vacancy Rate was a remarkable 58.5%. As soon as the transaction was complete, the company started to reposition the property and initiated construction measures designed to enable the seven-storey building to be rented out in line with market demand. This made it possible to attract new potential tenants in a short period of time.

RENTAL INCOME MORE THAN TRIPLED IN ONE YEAR

The remaining space in this optimally connected property on the popular Kurt-Schumacher-Platz, not far from Tegel Airport, was then gradually lowered to just 21.1% as at the end of 2017; other rental agreements starting in 2018 have already been signed. New tenants in the property include Europcar and the local district office. Within twelve months, the annualised in-place rent including all new rental agreements therefore increased from EUR 0.7 m to EUR 2.2 m. The high demand and the improvement in the quality of the property are also reflected in the 45% increase

EPRA Vacancy Rate lowered from

58 % to 21 %

19.4%
increase in the average rent per square metre in Berlin

The positive development of the market also benefited TLG IMMOBILIEN through another property situated directly on Alexanderplatz in Berlin. As part of two changes of tenant, 3,000 sqm of space in the building – referred to as “Die Welle” for its rolling facade – was rented out at a price of 22.00 EUR/sqm, an average increase of 28%. The contractual partners are the operator of H-Hotels and a leading software developer.

Additionally, the last free office space at Hausvogteiplatz in Berlin, the same location as the headquarters of TLG IMMOBILIEN, was rented out in early 2017, which meant that the property was fully occupied at the end of the year.

RETAIL PROPERTY IN DRESDEN FULLY OCCUPIED IN 2017

Berlin is not the only city distinguished by high demand for attractive lettable area: Demand for high-quality properties is also growing at some of the other locations of the company. In 2017, the company was able to rent the remaining 1,800 sqm of space in a commercial building on the main shopping street in Dresden to two tenants operating in the fields of gastronomy and commerce. The entire property on Prager Strasse will now generate an annualised in-place rent of EUR 0.7 m across a contractual term of around eight years.

in average rent per month to 11.67 EUR/sqm. Even prices of 13.00 EUR/sqm were accepted as part of the new rental agreements.

Given the consistently strong level of demand, the remaining vacant space can be expected to decrease further in 2018.

CASE STUDY – KAPWEG, BERLIN	As at 31/12/2016	As at 31/12/2017	Change from 31/12/2016–31/12/2017	31/12/2017 adjusted[1]	Adjusted change from 31/12/2016–31/12/2017
Annualised in-place rent in EUR m	0.7	1.9	166%	2.2	202%
Average rent in EUR/sqm/month	8.06	11.33	41%	11.67	45%
WALT in years	6.0	4.5	–1.5	5.2	–0.8
EPRA Vacancy Rate in %	58.5	21.1	–37.4	13.5	–45.0

[1] including the signed rental agreements coming into effect after 31 December 2017

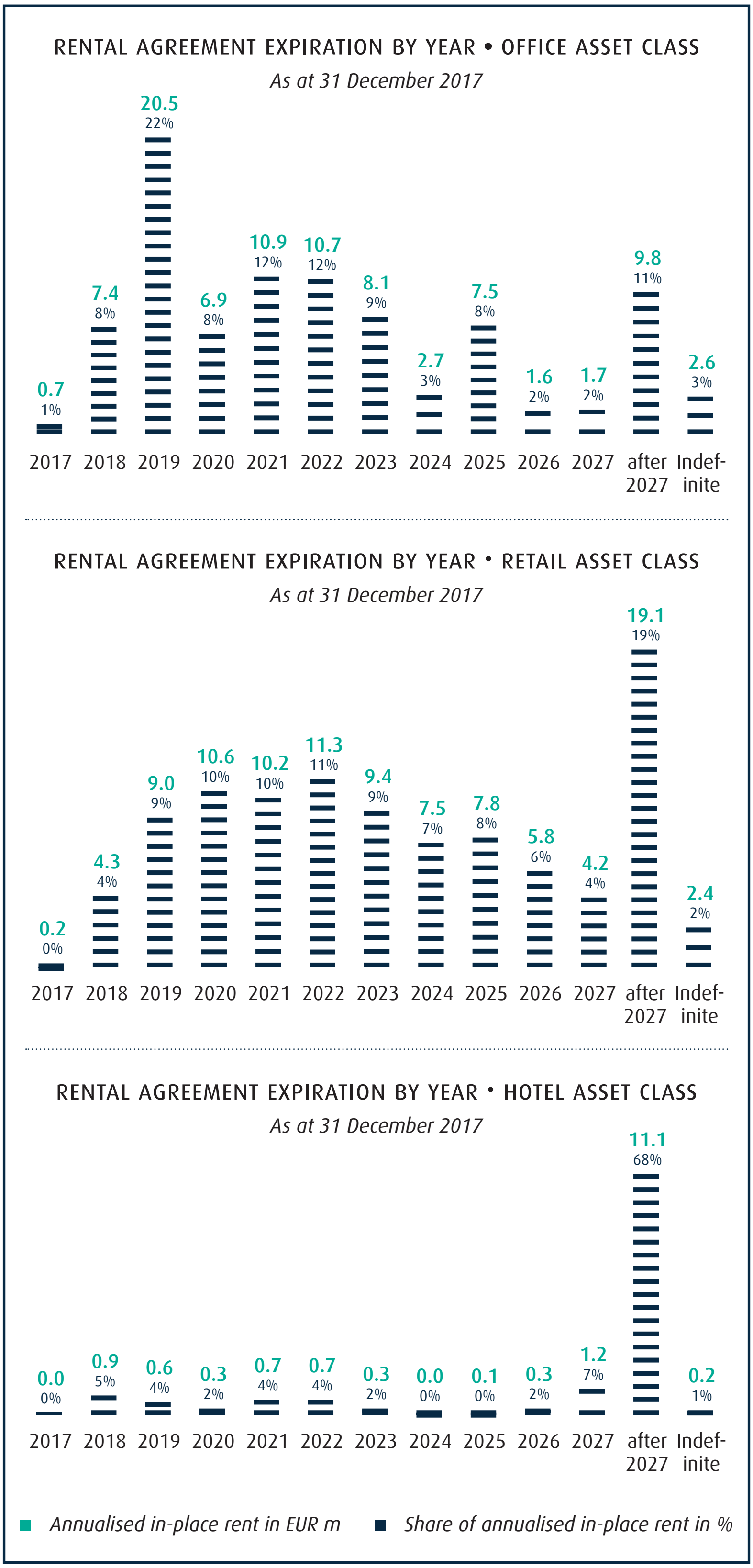
“The substantial reduction in vacancy rates and the resulting rental growth underline that the office market in Berlin still has great potential.”

NICLAS KAROFF, MEMBER OF THE MANAGEMENT BOARD OF TLG IMMOBILIEN AG

RELIABLE ANCHOR TENANTS GUARANTEE SOLID INCOME OVER LONG CONTRACTUAL TERMS

A FOCUS ON HIGH-QUALITY ANCHOR TENANTS

A high occupancy rate alone does not guarantee solid long-term income if the creditworthiness of the anchor tenants does not make that income reliable and predictable. The strategy of TLG IMMOBILIEN to focus on a number of creditworthy major tenants in its 426 portfolio properties is paying off. The company's ten largest anchor tenants therefore accounted for 37% of the total annualised in-place rent as at 31 December 2017. With a weighted average lease term of 5.2 years for the entire portfolio, 6.3 years for office and retail properties and even in excess of twelve years for hotels, the long-term cash inflows of TLG IMMOBILIEN are easily predictable and risks are highly diversified.



POTENTIAL FOR DEVELOPMENT

OPPORTUNITIES TO INCREASE INCOME THROUGH MODERNISATION, CONSTRUCTION AND RENOVATION

The highly diversified property portfolio of TLG IMMOBILIEN provides a range of opportunities to increase its value on its own merits.

Having reached a new order of magnitude in 2017 with more than 426 properties and a portfolio value of around EUR 3.4 bn, the identification and development of ways to increase value within its own portfolio are becoming much more relevant to TLG IMMOBILIEN due to the dynamic market developments. For one, the company is focusing on measures designed to permanently optimise current building stock that have been requested by tenants. Additionally, working on the basis of existing potential for development in each individual property, the company will examine new, contemporary usage concepts that will remain compliant with the market in the long term for its properties, including structural expansion and construction measures.

FULFIL CUSTOMER REQUESTS – INCREASE RENTAL INCOME

Modern commercial properties now face completely different requirements in terms of design, equipment and energy efficiency than they did a few years ago. In order to take these into account, TLG IMMOBILIEN has carried out structural expansion and modernisation measures in seven food retail properties over the past three years and fully rebuilt two other properties after demolishing them. This involved investments totalling more than EUR 9 m. As part of the technical measures, environmentally friendly materials and technology were used in line with customer requests and current environmental criteria observed; this can lower the operating costs of tenants. These measures also gave TLG IMMOBILIEN the opportunity to renegotiate long-term rental agreements at better conditions. These measures caused the annualised in-place rent of all nine properties to increase by 49% to EUR 1.75 m; the average rent increased by 29% to 10.49 EUR/sqm. The weighted average lease term (WALT) of the rental agreements increased from 3.1 years as at the end of 2014 to 12.5 years as at 31 December 2017. Overall, the value of these properties increased by around 150% within three years.

VALUE GENERATION ON EXISTING DEVELOPMENT LAND

TLG IMMOBILIEN owns centrally located plots of land, some of which have extensive potential for development, in Dresden, Leipzig and especially Berlin, in particular at Alexanderplatz. Located close to the Ostbahnhof station, “Wriezener Karree” in the district of Friedrichshain in Berlin is another area with potential. With the neighbouring Mediaspree site, the local surroundings have undergone a dynamic transformation in recent years to become one of the most popular districts in the German capital. TLG IMMOBILIEN is currently examining potential development opportunities.

"TLG IMMOBILIEN is very well funded for the future."

PETER FINKBEINER

MEMBER OF THE MANAGEMENT BOARD OF TLG IMMOBILIEN AG

Mr Finkbeiner, three capital increases and one large bond. As you, a member of the Management Board, are also responsible for finance, you must have been kept busy in 2017. Is that fair to say?

At over EUR 1.0 bn, we invested more last year than ever before in the history of our company. We successfully used a variety of financing instruments in order to finance them at good terms. The close contact with numerous investors that we established in recent years really paid off for us.

And you have even lowered your financing costs.

The average interest rate has fallen from 2.46% to under 2% within one year, even though interest rates in general have increased slightly. This saves us a lot of money.

Can we expect more investments on a scale similar to 2017 this year?

First of all, we want to focus on integrating the new assets worth over EUR 1.0 bn and optimising our organisational structures. However, if a good opportunity arises to enhance the value of our portfolio, we will certainly examine it closely.

How well prepared are you financially for 2018?

We have used the favourable capital market environment to prepare ourselves for further interesting property acquisitions. With regard to important key operational indicators such as portfolio value, rental income and funds from operations, we are confident that we will be able to achieve attractive growth in 2018 as well. Without taking further acquisitions into account, the latter is expected to increase to between EUR 125 m and EUR 128 m.

"We are confident that our growth will remain solid in 2018."

NICLAS KAROFF

MEMBER OF THE MANAGEMENT BOARD OF TLG IMMOBILIEN AG

Mr Karoff, how would you sum up the operational developments in 2017?

We can be really happy with what we have achieved. The value of our portfolio has increased by more than EUR 1.0 bn to EUR 3.4 bn. The majority is attributable to the acquisition of WCM and 30 other properties, as well as to significant increases in value within our property portfolio, in particular in our core region of Berlin. Our regional position is now even better and we are extremely well diversified across our three strategic asset classes. This also reduces potential risks, should the positive market dynamic weaken in future.

Does the same apply to the development of the company's earnings?

We were once again able to improve profitability significantly in 2017. Our rental income has increased by almost 20% and our funds from operations by 33.6%. We have also paved the way for further earnings increases. Through the newly acquired properties, we have secured additional rental income. At the same time, we managed to again increase occupancy rates in the portfolio despite the already-high levels.

What does this mean for 2018? What are your concrete targets?

With a view to the future, we intend to continue growing through targeted acquisitions and are currently examining some high-quality properties, all while still concentrating on the gradual increase of existing value potential within our portfolio.

Office building, Helfmann-Park 8–10, Eschborn

419,434 sqm
lettable area

IN FOCUS

THE TAKEOVER OF WCM IS OPENING UP NEW ORDERS OF MAGNITUDE

By acquiring 86% of the shares in WCM Beteiligungs- und Grundbesitz Aktiengesellschaft in 2017, TLG IMMOBILIEN further strengthened its portfolio in its existing locations in Berlin, Dresden, Frankfurt/Main and Leipzig. Additionally, due to the excellent position of WCM primarily in western Germany, TLG IMMOBILIEN was able to use the transaction to build up a significant presence in that region. Like the portfolio of TLG IMMOBILIEN, that of WCM stands out for its highly diversified office and retail properties. Additionally, the newly acquired properties, worth in excess of around EUR 800 m, have an attractive rate of return of around 6%, a relatively low EPRA Vacancy Rate of close to 6% and a property portfolio with long-term tenants, as reflected by the WALT of almost eight years. The planned merger of the structures of both companies will also generate cost synergies.

around EUR 800 m in portfolio value

A COMMON PLATFORM FOR FUTURE GROWTH

Both TLG IMMOBILIEN and WCM have had extensive experience in acquisitions for years: Between 2014 and 2016, the two companies acquired properties worth around EUR 1.5 bn in total. TLG IMMOBILIEN now has an even broader local presence in the metropolitan regions of Berlin, Frankfurt/Main, Düsseldorf and Stuttgart.

Office building, Helfmann-Park, Eschborn

INTEGRATION IS PROCEEDING SUCCESSFULLY

The registration of the domination agreement in the commercial register of WCM on 9 February 2018 signalled the start of the operational integration of the company into the TLG IMMOBILIEN Group. The offices of both companies have already been merged in Frankfurt/Main. Additionally, WCM was fully consolidated as a subsidiary of TLG IMMOBILIEN in the fourth quarter of 2017 and, for the sake of practicality, its rapid delisting from the General Standard segment of the Frankfurt Stock Exchange was initiated in the first quarter of 2018. Additionally, TLG IMMOBILIEN will take on employees from WCM and integrate the operational processes relating to the management of high-quality properties into its own processes.

"By taking over WCM, we have become a leading German commercial real estate company. Further stages of growth have already followed."

PETER FINKBEINER

MEMBER OF THE MANAGEMENT BOARD OF TLG IMMOBILIEN AG

FINANCING GROWTH

A HIGHLY DIVERSIFIED FINANCING STRUCTURE AT FAVOURABLE RATES

TLG IMMOBILIEN was able to finance the record investments in excess of EUR 1.0 bn made in its continued growth in 2017 through its good access to the financial markets.

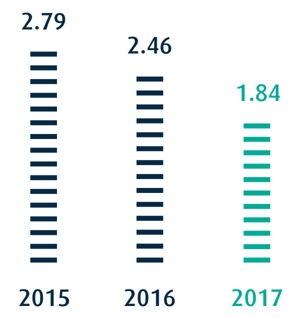
Its highly solid, well-established position in the financial markets paid off again for TLG IMMOBILIEN in the 2017 reporting year. The acquisition of 86% of the shares in WCM AG took place through the issuance of around 20.4 m new shares. Additionally, the company used the capital market to issue an additional 14.1 m new shares in January and November 2017. As a result, TLG IMMOBILIEN generated gross proceeds totalling EUR 262.1 m.

Furthermore, a EUR 400 m bond was issued for the first time in November 2017. It will be used to repay current loans with significantly less favourable terms, to finance future acquisitions and for the general purposes of the company. The bond was issued at a highly attractive rate of 1.415% and has been given a Baa2 investment grade by the rating agency Moody's. The strategic focus of the company remains on diversifying its financial instruments as broadly as possible in terms of both debt and equity.

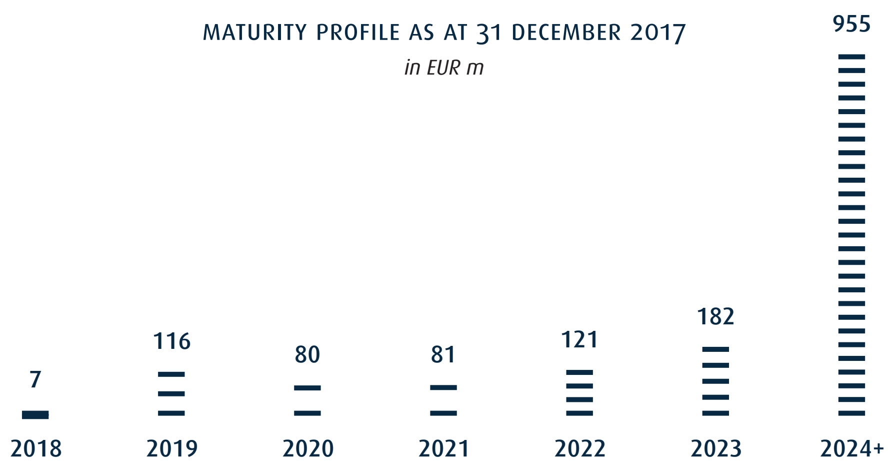
Moreover, TLG IMMOBILIEN obtained a significant amount of new bank financing in the first half of the year and therefore obtained considerably better terms for a large portion of its current bank loans amounting to around EUR 264 m. The greater volume of financing was achieved with fewer properties used as collateral. As a result, the average interest charge was lowered and the average weighted maturity of the bank loans increased. TLG IMMOBILIEN was therefore able to further optimise its debt portfolio.

As at the end of 2017, the Net LTV was 39.2% (previous year 43.4%) and was therefore considerably lower than the upper threshold of 45% set by the company. The total gross debt reached EUR 1,145.7 m (previous year EUR 1,040.4 m). The company's average cash costs of debt were lowered from 2.46% to 1.84% within one year through the measures described above. For 100% of the debt, the interest rate is fixed over the term of each liability by fixed interest rate agreements or secured by interest rate hedges. As at the end of 2017, the loans had an average weighted maturity of 6.3 years and certain maturity dates are even in 2027.

AVERAGE CASH COSTS OF DEBT,
AS AT 31 DECEMBER OF EACH YEAR
in %



MATURITY PROFILE AS AT 31 DECEMBER 2017
in EUR m



EPRA BPR GOLD AWARD FOR HIGH TRANSPARENCY

In 2017, as in previous years, TLG IMMOBILIEN was awarded the EPRA BPR Gold Award for the high reporting quality of its last annual report. Additionally, EPRA awarded the sustainability report entitled “Der erste Schritt” (“the first step”) the sBPR Silver Award. Credibility and trust are based on transparency and are therefore an important basis for successful operational development.

FINANCIAL REPORTING

EPRA BPR GOLD

SUSTAINABILITY REPORTING

EPRA sBPR SILVER

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

TLG IMMOBILIEN performed very well in the 2017 financial year, especially by virtue of its successful transactions, and improved its key performance indicators yet again. The takeover of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (WCM AG), two capital increases and the issuance of the company's first bond were important milestones in its future growth.

A TRUSTING PARTNERSHIP WITH THE MANAGEMENT BOARD

In the 2017 financial year, the Supervisory Board fulfilled the responsibilities incumbent upon it in line with the law, Articles of Association, German Corporate Governance Code and rules of procedure with the greatest of care. It regularly advised the Management Board on the management of the company and monitored its activities.

The Management Board provided the Supervisory Board with regular, prompt and comprehensive written and oral reports on policies, strategy and planning and the position of the company, including opportunities and risks, the course of business and risk management. Any discrepancies between planned and actual developments were discussed in detail. The Management Board coordinated all significant transactions with the Supervisory Board.

Even outside of the meetings of the Supervisory Board and its committees, the Chairperson of the Supervisory Board and other members of the Supervisory Board were in regular contact with the Management Board and discussed key issues. These issues included the strategic orientation of the company and business developments.

As described in more detail below, the Supervisory Board was quickly and directly involved in all decisions of fundamental importance to the company. The Supervisory Board examined transactions requiring its approval and discussed each one with the Management Board.

MEETINGS OF THE SUPERVISORY BOARD

In the 2017 financial year, the Supervisory Board convened seven times – including three times by way of a teleconference – to discuss current business developments, important transactions and transactions requiring approval. The Supervisory Board passed the necessary resolution for each proposal after carrying out thorough examinations and holding detailed discussions in its meetings.

In the reporting year, Dr Michael Bütter and Mr Frank D. Masuhr were each unable to attend one meeting in person (they were excused); otherwise, all members of the Supervisory Board were present.

In the 2017 financial year, the work of the Supervisory Board focused on planning and developing the business of TLG IMMOBILIEN as well as the corporate strategy and takeover of WCM AG, property acquisitions and capital measures. The Supervisory Board regularly held in-depth consultations on the development of the office and retail portfolio as well as on the financial position and liquidity of the Group.

In its **meeting on 7 March 2017**, the Supervisory Board discussed the annual and consolidated financial statements for 2016, the recommended auditor for 2017 and matters of the Management Board in particular. Representatives of the auditor attended the discussions on the annual and consolidated financial statements for 2016 in order to provide explanations regarding line items and methods in the financial statements. Other key matters included the agenda and proposed resolutions for the general meeting in 2017, the report of the Supervisory Board and the corporate governance report. Furthermore, Dr Michael Bütter was elected Vice-chairperson of the Supervisory Board in the meeting and other matters of the Supervisory Board were resolved.

In its **meetings on 26 April 2017 and 10 May 2017**, the Supervisory Board focused on the takeover of WCM AG.

The **meeting on 23 May 2017** focused on amendments to the rules of procedure for the Supervisory Board and the rules of procedure for the Management Board, a change to the organisational structure of the company and the definition of targets for the proportion of women on the Supervisory Board and Management Board.

The **meeting on 10 August 2017** centred on the half-yearly financial report of the company as well as its strategic and organic growth options. The Supervisory Board also discussed and decided on matters of the Supervisory Board and Management Board.

The **meeting on 4 October 2017** focused on other measures in connection with the takeover of WCM AG, matters of finance and the agenda and proposals for the extraordinary general meeting on 22 November 2017.

In its **meeting on 7 November 2017**, the Supervisory Board discussed capital measures, one acquisition project and two development projects. It also approved the business plan for 2018 and examined the medium-term plan and the capital structure of the company. Furthermore, the Supervisory Board discussed matters of the Management Board and the introduction of a company pension scheme. Finally, the Supervisory Board approved the declaration of compliance of the Management Board and Supervisory Board with the recommendations of the German Corporate Governance Code.

Furthermore, in the 2017 financial year the Supervisory Board **passed several resolutions** in connection with matters of the Supervisory Board, acquisitions and the engagement of consultants by providing written consent **in lieu of a meeting**.

MICHAEL ZAHN, CHAIRPERSON OF THE SUPERVISORY BOARD

EFFICIENT WORK IN FOUR SUPERVISORY BOARD COMMITTEES

In order to efficiently fulfil its duties, the Supervisory Board formed committees and continuously evaluated their requirements and activities during the reporting year.

Specifically, the following four committees existed in the reporting year:

- Presidential and nomination committee
- Audit committee
- Capital market and acquisitions committee (formerly the capital measures committee)
- Project development committee (est. 29 November 2017)

whose responsibilities are presented in more detail in the corporate governance report available at *https://ir.tlg.eu/corporategovernance*.

Where legally permissible, individual committees were granted decision-making powers by the rules of procedure or resolution of the Supervisory Board. At the meeting of the Supervisory Board following each committee meeting, the chairpersons of the committees reported on the work of the committees.

The **presidential and nomination committee** convened four times in the reporting year (once as a teleconference): on 7 March 2017, 27 March 2017, 7 August 2017 and 18 December 2017. The meetings focused primarily on matters of the Management Board (remuneration issues and revision of the contracts of the members of the Management Board), strategic considerations of the company and matters of the Supervisory Board (proposal to fill a position on the Supervisory Board and remuneration issues).

The **audit committee** convened four times in the reporting year: on 7 March 2017, 10 May 2017, 10 August 2017 and 7 November 2017. In particular, these meetings involved a preliminary audit of the annual financial statements, consolidated financial statements and interim reports of TLG IMMOBILIEN as well as a discussion of the internal auditing and cybersecurity systems and a potential change to the company's ERP system of the company. It provided the Supervisory Board with a recommendation on which auditor to appoint for the 2017 financial year, procured the independence declaration from the auditor and monitored the activities of the auditor. Additionally, the audit committee approved the engagement of the Berlin branch of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, to render other assurance services in connection with capital measures by providing written consent in lieu of four meetings. The members of the audit committee have particular knowledge and experience in the application of GAAP and internal control processes.

The **capital market and acquisitions committee** convened nine times (eight of those times by phone). In its meetings on 27, 30 and 31 January 2017, the committee focused primarily on a capital increase; in its meetings on 5 and 10 May 2017, 4 October 2017, 9 November (two meetings) and 17 November 2017, it discussed the takeover of WCM AG, another capital increase and the issuance of a bond.

The new **project development committee** formed by resolution of the plenary session of 29 November 2017 convened once on 20 December 2017. The meeting focused on two planned development projects.

CORPORATE GOVERNANCE

The Supervisory Board continuously monitored and discussed the development of the corporate governance of the company. The corporate governance report available at *https://ir.tlg.eu/corporategovernance* contains detailed information on this system, including the structure and amount of remuneration paid to the Supervisory Board and Management Board.

The Management Board and Supervisory Board have discussed the requirements of the German Corporate Governance Code as applicable in the reporting year in detail, as well as their implementation. They have issued their updated joint declaration of compliance according to Sec. 161 AktG and published it on the website of TLG IMMOBILIEN at *https://ir.tlg.eu/declaration-of-compliance*.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of TLG IMMOBILIEN AG and the consolidated financial statements as at 31 December 2017, including management reports, prepared by the Management Board were examined by the auditor appointed by the general meeting on 23 May 2017 and engaged by the Supervisory Board, the Berlin office of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, and given an unqualified opinion.

Once prepared, the annual and consolidated financial statements of TLG IMMOBILIEN, including management reports and the audit reports of the auditor, were issued to all members of the Supervisory Board immediately. The auditor attended the audit committee meeting held on 21 March 2018 and reported on the key results of the audit. After an in-depth discussion, the audit committee agreed with the results of the audit.

The Chairperson of the audit committee reported on the annual financial statements and the audit in detail at the meeting of the Supervisory Board held on 21 March 2018. Additionally, the auditor explained the main outcomes of the audit, answered questions and provided more information to the members of the Supervisory Board. The Supervisory Board carefully examined the annual financial statements, the management report, the consolidated financial statements, the Group management report, the proposed appropriation of net retained profits and the audit reports prepared by the auditor. No objections were raised. Therefore, the Supervisory Board accepted the recommendation of the audit committee and approved the annual and consolidated financial statements as at 31 December 2017 that had been prepared by the Management Board. The annual financial statements were therefore adopted.

The adopted annual financial statements contained net retained profits. The Supervisory Board accepted the proposal made by the Management Board as to the appropriation of the net retained profits. Therefore, the Supervisory Board and Management Board will add a vote on the payment of a dividend of EUR 0.82 per share (based on 102.0 m shares as at 31 December 2017) to the agenda of the general meeting in 2018.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Mr Alexander Heße resigned from his position as a member of the Supervisory Board, effective from the end of the general meeting on 31 May 2016. On 10 February 2017, the local court of Berlin Charlottenburg appointed Mr Frank D. Masuhr as a new member of the Supervisory Board; he was then elected by the general meeting on 23 May 2017.

Additionally, Ms Elisabeth Talma Stheeman resigned from her position on the Supervisory Board with effect from 29 January 2018. Mr Stefan E. Kowski was appointed as a new member of the Supervisory Board by the local court of Berlin Charlottenburg on 21 February 2018 until the end of the general meeting in 2018.

Finally, Mr Frank D. Masuhr resigned from the Supervisory Board with effect from 31 January 2018. On 5 March 2018, Mr Sascha Hettrich was appointed to the Supervisory Board by the local court of Berlin Charlottenburg until the end of the general meeting in 2018.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board as well as the employees of TLG IMMOBILIEN AG and all Group companies for their commitment and the constructive work we have done this year.

Berlin, March 2018
For the Supervisory Board

Michael Zahn
Chairperson of the Supervisory Board

TLG IMMOBILIEN SHARES

Driven by a range of factors, the positive trend on the stock exchange continued in 2017. The decision of the European Central Bank to continue its bond-buying scheme and leave interest rates at 0% in 2017 was one of the drivers behind the positive performance of the stock exchange. Likewise, with victories by pro-European candidates in the presidential elections in France and the Netherlands, the growing European and global economies supported the positive trend.

The German stock market underwent a correction from mid-June to late August 2017 that can be explained, among others, by interim profit-taking.

Over the course of the year, the DAX increased by a total of 13.1% compared to its opening price on 2 January 2017. The SDAX developed significantly better, increasing by 24.9% in the same period. Likewise, 2017 was no less positive for real estate shares. The FTSE EPRA/NAREIT Germany Index increased by 23.1% and the FTSE EPRA/NAREIT Europe Index by 8.5%.

TLG IMMOBILIEN shares experienced a wobbly start to 2017 before performing excellently in the second half of the year, setting a new record on XETRA at EUR 22.15 on the final trading day of the year (29 December 2017). This equates to an annual increase of 23.7% compared to the opening price of EUR 17.90 at the start of the year.

TLG IMMOBILIEN share data

ISIN/WKN	DE000A12B8Z4/A12B8Z
Ticker symbol	TLG
Share capital in EUR	102,028,821.00
Number of shares (no-par-value bearer shares)	102,028,821
Indices (selection)	SDAX, EPRA/NAREIT Global Index, EPRA/NAREIT Europe Index, EPRA/NAREIT Germany Index
Sector/sub-sector	Real estate
Market segment	Regulated market (Prime Standard)
Designated sponsors	Commerzbank AG, ODDO SEYDLER BANK AG
Reporting period high on 29/12/2017 (Xetra) in EUR	22.15
Reporting period low on 20/01/2017 (Xetra) in EUR	17.03
Closing price on 31/12/2017 (Xetra) in EUR	22.15
Market capitalisation in EUR m	2,259.9

GENERAL MEETING

ANNUAL GENERAL MEETING

The annual general meeting of TLG IMMOBILIEN AG was held in the conference centre at Ludwig Erhard Haus, Fasanenstrasse 85, 10623 Berlin, on 23 May 2017.

Overall, approximately 65% of the total share capital of the company was represented. The proposals of the management on all matters of the agenda were passed by a large majority. In line with the resolution, a dividend of EUR 0.80 per share was paid on the third working day following the general meeting, i.e. 29 May 2017, in accordance with the applicable version of the German Stock Corporation Act (AktG) from 1 January 2017 onwards.

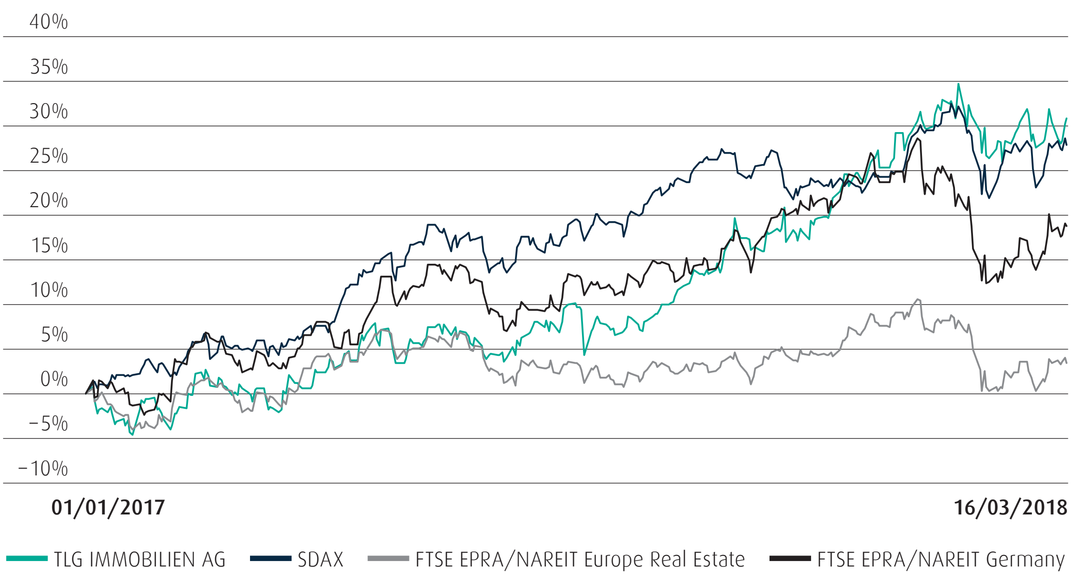
The 2018 general meeting is likely to be held in Berlin on 25 May 2018.

EXTRAORDINARY GENERAL MEETING

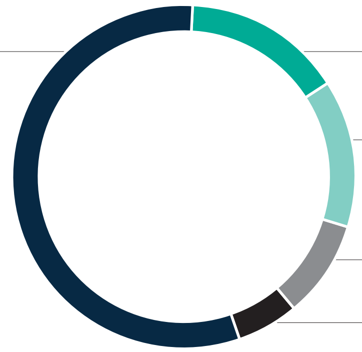
The 2017 extraordinary general meeting of TLG IMMOBILIEN AG took place at 10 a.m. on Wednesday 22 November 2017 in Cafe Moskau, Karl-Marx-Allee 34, 10178 Berlin, Germany.

The extraordinary general meeting approved the conclusion of the domination agreement by a large majority. Additionally, and also by a large majority, the extraordinary general meeting approved a new authorised capital of EUR 20.4 m, an authorisation to issue convertible bonds with a nominal amount of up to EUR 750 m and a contingent capital of EUR 20.4 m for the purposes of fulfilling conversion rights or obligations resulting from the issuance of convertible bonds.

Performance of the shares by index



Shareholder structure as at 31 December 2017*



* Data based on the latest voting rights notifications.

Prof. Gerhard Schmidt: *Shareholding attributed to Prof. Gerhard Schmidt as reported for 24 November 2017. The shares are held by DIC Real Estate Investments GmbH & Co. Kommanditgesellschaft auf Aktien, DIC OF RE 2 GmbH. On that date, the total number of voting rights was 102,028,821.*
ADAR Capital Partners Ltd.: *Indirect shareholding of ADAR Capital Partners Ltd. as reported for 15 May 2017. The shares are held by ADAR Macro Fund Ltd. On that date, the total number of voting rights was 74,175,558.*
Government of Singapore: *Indirect shareholding as reported for 6 October 2017. The government of Singapore is the majority shareholder of GIC Private Limited which held all of the reported voting rights of the company as at the key date. On that date, the total number of voting rights was 94,611,266.*
Julius Baer Group Ltd.: *Shareholding attributed to Julius Baer Group Ltd. as reported for 29 November 2017. The shares are held by KAIROS INTERNATIONAL SICAV. On that date, the total number of voting rights was 102,028,821.*
Free float *as defined by Deutsche Börse.*

The diagram shows the voting rights last disclosed by shareholders according to Sec. 21 and Sec. 22 of the German Securities Trading Act (WpHG), based on the share capital of TLG IMMOBILIEN AG at the time. Please note that the last disclosed number of voting rights might since have changed within the thresholds without the shareholders being obliged to inform the company.

As at 31 December 2017, there were 102,028,821 TLG IMMOBILIEN AG shares outstanding.

Coverage by analysts

Bank	Target price in EUR	Rating	Analyst	Date
Bankhaus Lampe	23.00	Hold	Georg Kanders	16/03/2018
Commerzbank	25.00	Buy	Tom Carstairs	16/03/2018
Deutsche Bank	23.50	Hold	Markus Scheufler	16/03/2018
J.P. Morgan	23.00	Neutral	Tim Leckie	13/03/2018
UBS	21.00	Neutral	Osmaan Malik	28/02/2018
HSBC	22.50	Hold	Thomas Martin	08/02/2018
Bank of America Merrill Lynch	24.50	Buy	Camille Bonnell	19/01/2018
Kempen & Co	22.00	Neutral	David Prescott	12/01/2018
M.M.Warburg	24.90	Buy	J. Moritz Rieser	11/01/2018
Kepler Cheuvreux	23.00	Buy	Thomas Neuhold	18/12/2017
Nord/LB	21.00	Hold	Michael Seufert	08/12/2017
Jefferies	20.00	Hold	Thomas Rothäusler	15/11/2017
Baader Bank	19.50	Hold	Andre Remke	10/11/2017
Berenberg	22.00	Buy	Kai Klose	09/11/2017
VictoriaPartners	19,50–21,30[1]	n/a	Bernd Janssen	02/05/2017

[1] Fair value range as at 2 May 2017, currently restricted

Source: Bloomberg (as at 19 March 2018) and broker research

In 2017, the following banks started covering the shares of TLG IMMOBILIEN: M.M.Warburg, Jefferies International Limited, Baader Bank and Commerzbank.

INVESTOR RELATIONS ACTIVITIES

In the 2017 financial year, we communicated closely with our shareholders, analysts and potential investors. TLG IMMOBILIEN AG attended the following national and international banking conferences:

- ODDO & Cie – ODDO FORUM, Lyon
- J.P. Morgan – European Real Estate CEO Conference, London
- UniCredit Kepler Cheuvreux – German Corporate Conference, Frankfurt/Main
- Bankhaus Lampe – German Equity Forum, London
- ODDO SEYDLER – Small and Mid Cap Conference 2017, Frankfurt/Main
- Kempen & Co – European Property Seminar, New York
- Commerzbank – German Real Estate Forum, London
- Kepler Cheuvreux – German Property Day, Paris
- Kempen & Co – European Property Seminar, Amsterdam
- Deutsche Bank – dbAccess, Berlin
- EPRA Conference, London
- Berenberg and Goldman Sachs Sixth German Corporate Conference, Munich
- Baader Investment Conference, Munich
- Société Générale, Pan-European Real Estate Conference, London
- UBS Global Real Estate Conference 2017, London
- HSBC Global Real Estate Conference 2017, Cape Town

Roadshows were also held in Frankfurt/Main, London, New York and Amsterdam. In addition to participating in conferences and roadshows, we visited some of our own properties with analysts and shareholders.

TLG IMMOBILIEN AG is committed to an active dialogue with the market. For example, when the figures for 2016 and the three quarterly reports for 2017 were published, the numbers were discussed with investors and analysts in teleconferences. Furthermore, the takeover offer made to all shareholders of WCM AG – which represents a significant step towards building a leading German commercial real estate platform – was discussed in more detail with investors and analysts in a teleconference. Recordings of the teleconferences are available in the Investor Relations section of our website, *https://ir.tlg.eu*. On this website, we publish our quarterly and annual reports, our latest company presentation, ad hoc announcements, company news, voting rights notifications and directors' dealings. The share price of TLG IMMOBILIEN can also be found here. Likewise, the website clearly delineates the shareholder structure and provides essential share-related information.

EPRA AWARDS

The company received the EPRA BPR Gold Award for its 2016 annual report. This is the third Gold Award in a row.

Additionally, TLG IMMOBILIEN received the EPRA sBPR Silver Award for its first sustainability report.

EPRA BPR GOLD

EPRA sBPR SILVER

KEY FIGURES ACCORDING TO EPRA

The European Public Real Estate Association (EPRA) is a not-for-profit association based in Brussels. It represents the interests of listed real estate companies in Europe and is committed to consistent, transparent financial reporting.

TLG IMMOBILIEN AG has been a member of the EPRA since November 2014 and, as a company listed on the stock exchange, attributes great importance to transparency and comparability in reporting. The following key figures were calculated in line with the Best Practice Recommendations of the EPRA.

Overview of key figures according to EPRA

in EUR k	31/12/2017	31/12/2016	Change	Change in %
EPRA NAV[1]	2,228,512	1,252,131	976,381	78.0
EPRA NNNAV[1]	1,827,981	991,284	836,697	84.4
EPRA Net Initial Yield (NIY) in %	5.2	5.7	−0.5 pp	
EPRA "topped-up" Net Initial Yield in %	5.3	5.7	−0.4 pp	
EPRA Vacancy Rate in %	3.6	3.8	−0.2 pp	

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016	Change	Change in %
EPRA Earnings	104,136	78,781	25,355	32.2
EPRA Cost Ratio (including direct vacancy costs) in %	27.1	24.1	3.0 pp	
EPRA Cost Ratio (excluding direct vacancy costs) in %	26.0	23.0	3.0 pp	

[1] For reasons of simplicity, the net total of all deferred tax assets and liabilities was balanced out in the 2016 annual report. The calculation is now closely based on the specifications of the EPRA and only neutralises deferred tax assets and liabilities attributable to investment property and derivative financial instruments. The EPRA NAV and EPRA NNNAV for 2016 have also been adjusted in the same way.

EPRA EARNINGS

EPRA Earnings is an indicator of the recurring income from core business operations and is therefore fundamentally similar to the FFO calculation. EPRA Earnings does not factor in revenue components which have no influence on the long-term performance of a real estate platform. This includes, for example, remeasurement effects and the result from the disposal of properties.

Unlike the FFO calculation carried out by the TLG IMMOBILIEN Group, EPRA Earnings does not exclude other non-cash or non-recurring effects.

The significant increase in EPRA Earnings over the same period in the previous year is due primarily to the higher rental income resulting from the successful investments.

EPRA Earnings

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016	Change	Change in %
Net income	284,373	94,109	190,264	202.2
Result from the remeasurement of investment property	−218,609	−39,860	−178,749	448.4
Result from the disposal of investment property[1]	−2,681	−6,103	3,422	−56.1
Result from the disposal of real estate inventories	120	−10	130	n/a
Tax on profits or losses on disposals	−325	0	−325	0
Result from the remeasurement of derivative financial instruments and refinancing costs	13,534	−299	13,833	n/a
Acquisition costs of share deals	6,501	957	5,544	n/a
Deferred and actual taxes in respect of EPRA adjustments	21,799	30,098	−8,299	−27.6
Non-controlling interests	−576	−111	−465	418.9
EPRA Earnings	**104,136**	**78,781**	**23,355**	**32.2**
Average number of shares outstanding in thousands[2]	79,681	67,432		
EPRA Earnings per share in EUR	1.31	1.17		

[1] Including the expenses from the adjustment of the proceeds of EUR k 278 from the disposal of Gewerbepark Grimma in 2016, held as an investment; recognised in other operating income in the consolidated statement of comprehensive income
[2] Total number of shares as at 31 December 2016: 67.4 m, as at 31 December 2017: 102.0 m. The weighted average number of shares was 67.4 m in 2016 and 79.7 m in 2017.

EPRA NET ASSET VALUE (EPRA NAV)

The EPRA NAV calculation discloses a net asset value on a consistent, comparable basis. The EPRA NAV is a key performance indicator for the TLG IMMOBILIEN Group.

TLG IMMOBILIEN is also reporting an adjusted EPRA NAV for the first time in 2017. The difference is that all recognised goodwill is neutralised instead of just the goodwill attributable to deferred taxes.

Compared to 31 December 2016, the EPRA NAV increased by EUR k 976,381 to EUR k 2,228,512, which equates to an EPRA NAV per share of EUR 21.84.

The increase was due primarily to the increase in equity through the takeover of WCM AG, two capital increases in exchange for cash contributions carried out in 2017 and net income of EUR k 284,373. The net income was largely influenced by the successful course of business, the positive development of the value of the property portfolio and the recognition of income tax loss carryforwards by TLG IMMOBILIEN AG. The payment of a dividend of EUR k 59,340 to the shareholders had the opposite effect.

EPRA Net Asset Value (EPRA NAV)

in EUR k	31/12/2017	31/12/2016	Change	Change in %
Equity of the shareholders of TLG IMMOBILIEN	1,897,636	1,009,503	888,133	88.0
Fair value adjustment of fixed assets (IAS 16)	8,807	5,327	3,480	65.3
Fair value adjustment of real estate inventories (IAS 2)	1,174	1,443	−269	−18.6
Fair value of derivative financial instruments	1,813	18,089	−16,276	−90.0
Deferred taxes[1]	367,983	218,933	149,050	68.1
Goodwill from deferred taxes	−48,901	−1,164	−47,737	n/a
EPRA Net Asset Value (EPRA NAV)	**2,228,512**	**1,252,131**	**976,381**	**78.0**
Number of shares (in thousands)	102,029	67,432		
EPRA NAV per share in EUR	**21.84**	**18.57**		
Adjustment of remaining goodwill	−115,823	0	−115,823	0
Adjusted EPRA Net Asset Value (EPRA NAV)	**2,112,689**	**1,252,131**	**860,558**	**68.7**
Number of shares in thousands	102,029	67,432		
Adjusted EPRA NAV per share in EUR	20.71	18.57		

[1] For reasons of simplicity, the net total of all deferred tax assets and liabilities was balanced out in the 2016 annual report. The calculation is now closely based on the specifications of the EPRA and only neutralises deferred tax assets and liabilities attributable to investment property and derivative financial instruments. The EPRA NAV for 2016 has also been adjusted in the same way.

EPRA TRIPLE NET ASSET VALUE (EPRA NNNAV)

EPRA recommends the calculation of an EPRA Triple Net Asset Value (EPRA NNNAV) which, in addition to the EPRA NAV, corresponds to the fair value of the company without the going concern principle. The EPRA NAV excludes hidden liabilities and hidden reserves resulting from market valuations of liabilities as well as deferred taxes.

As at 31 December 2017, the EPRA Triple Net Asset Value was EUR k 1,827,981 compared to EUR k 991,284 in the previous year. The difference of EUR k 836,697 was due primarily to the development of equity driven by the takeover of WCM AG, the capital increases and the high net income.

EPRA Triple Net Asset Value (EPRA NNNAV)

in EUR k	31/12/2017	31/12/2016	Change	Change in %
EPRA Net Asset Value (EPRA NAV)	**2,228,512**	**1,252,131**	**976,381**	**78.0**
Fair value of derivative financial instruments	−1,813	−18,089	16,276	−90.0
Fair value adjustment of liabilities due to financial institutions/bonds	−28,502	−22,613	−5,889	26.0
Deferred taxes[1]	−370,216	−220,145	−150,071	68.2
EPRA Triple Net Asset Value (EPRA NNNAV)	**1,827,981**	**991,284**	**836,697**	**84.4**
Number of shares in thousands	102,029	67,432		
EPRA NNNAV per share in EUR	17.92	14.70		

[1] For reasons of simplicity, the net total of all deferred tax assets and liabilities was balanced out in the 2016 annual report. The calculation is now closely based on the specifications of the EPRA and only neutralises deferred tax assets and liabilities attributable to investment property, derivative financial instruments and liabilities due to financial institutions. The EPRA NNNAV for 2016 has also been adjusted in the same way.

EPRA NET INITIAL YIELD (EPRA NIY) AND EPRA "TOPPED-UP" NET INITIAL YIELD

The EPRA Net Initial Yield (EPRA NIY) is a figure which reflects the yield of the property portfolio. It is calculated as the ratio between rental income as at the reporting date less property outgoings and the gross market value of the property portfolio.

Rent-free periods are adjusted in the rent calculation for the EPRA "topped-up" NIY.

EPRA NET INITIAL YIELD (EPRA NIY) AND EPRA "TOPPED-UP" NET INITIAL YIELD

in EUR k	31/12/2017	31/12/2016	Change	Change in %
Investment property	3,383,259	2,215,228	1,168,031	52.7
Inventories	762	1,103	−341	−30.9
Properties classified as held for sale	9,698	19,174	−9,476	−49.4
Property portfolio (net)	**3,393,719**	**2,235,505**	**1,158,214**	**51.8**
Estimated transaction costs	244,613	160,047	84,566	52.8
Property portfolio (gross)	**3,638,332**	**2,395,552**	**1,242,780**	**51.9**
Annualised cash passing rental income	212,498	154,511	57,987	37.5
Property outgoings	−22,617	−17,994	−4,623	25.7
Annualised net rents	**189,881**	**136,517**	**53,364**	**39.1**
Notional rent for ongoing rent-free periods	1,558	764	794	103.9
Annualised "topped-up" net rent	**191,439**	**137,281**	**54,158**	**39.5**
EPRA Net Initial Yield (EPRA NIY) in %	**5.2**	**5.7**	**−0.5 pp**	
EPRA "topped-up" Net Initial Yield in %	**5.3**	**5.7**	**−0.4 pp**	

EPRA VACANCY RATE

The EPRA Vacancy Rate is the ratio between the market rent for vacant properties and the market rent for the overall portfolio as at the reporting date. The market rents used in this calculation were calculated by Savills Advisory Services Germany GmbH & Co. KG for the properties of TLG IMMOBILIEN (without WCM) and by Cushman & Wakefield LLP for the properties of WCM as part of the measurement of each portfolio's fair value. At 3.6% in the 2017 reporting year, the EPRA Vacancy Rate for the portfolio as a whole decreased slightly (previous year 3.8%). Considered on a like-for-like basis, i.e. without consideration for the acquisitions and disposals in 2017, the portfolio shows a considerable 1.6 percentage point reduction in the EPRA Vacancy Rate to just 2.2%. The higher EPRA Vacancy Rate for the portfolio as a whole is due to the higher vacancy rates of 7.1% of the properties acquired in 2017, including the takeover of WCM.

EPRA Vacancy Rate

in EUR k	31/12/2017	31/12/2016	Change	Change in %
Market rent for vacant properties	8,055	6,052	2,003	33.1
Total market rent	226,278	159,728	66,550	41.7
EPRA Vacancy Rate in %	**3.6**	**3.8**	**−0.2 pp**	

EPRA COST RATIO

The EPRA Cost Ratio is the ratio between the total operative and administrative expenses and rental income, in order that the expenditure of the overall real estate platform as a percentage of rental income can be compared between various real estate companies. The relevant operative and administrative costs reported in the EPRA Cost Ratio include all expenses resulting from the operational management of the property portfolio that cannot be recovered or passed on, excluding changes in carrying amount, borrowing costs and tax expenditure. It includes one-off effects and non-recurring costs.

In the 2017 financial year, the transaction costs in connection with the takeover of WCM resulted in an extraordinary increase in other operating expenses and in turn the EPRA Cost Ratio.

No internally produced services in connection with construction measures or property management were capitalised in the reporting year or in the previous year. With regard to construction measures, the role of TLG IMMOBILIEN is limited to that of a client. Any further services are normally subcontracted to third parties.

EPRA Cost Ratio

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016	Change	Change in %
Costs persuant to the consolidated statement of comprehensive income under IFRS				
Expenses relating to letting activities	54,728	42,474	12,254	28.9
Personnel expenses	12,001	11,261	740	6.6
Depreciation and amortisation	466	561	–95	–16.9
Other operating expenses	17,997	7,140	10,857	152.1
Income from recharged operating costs	–37,693	–23,662	–14,031	59.3
Income from other goods and services	–1,730	–3,842	2,112	–55.0
Other operating income from reimbursements	–169	–33	–136	412.1
Ground rent	–8	–8	0	0.0
EPRA costs (including direct vacancy costs)	**45,592**	**33,891**	**11,701**	**34.5**
Direct vacancy costs	–1,792	–1,583	–209	13.2
EPRA costs (excluding direct vacancy costs)	**43,800**	**32,308**	**11,492**	**35.6**
Rental income	168,310	140,464	27,846	19.8
EPRA Cost Ratio (including direct vacancy costs) in %	**27.1**	**24.1**	**3.0 pp**	
EPRA Cost Ratio (excluding direct vacancy costs) in %	**26.0**	**23.0**	**3.0 pp**	

CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE GOVERNANCE

In this declaration, TLG IMMOBILIEN AG (also referred to as the "company") reports on the principles of management according to Sec. 289f of the German Commercial Code (HGB) and on corporate governance according to Sec. 161 of the German Stock Corporation Act (AktG) and recommendation 3.10 of the German Corporate Governance Code (the "Code"). In addition to a declaration of compliance with the Code, the declaration contains information on management practices as well as the composition and methods of the Management Board and Supervisory Board and Supervisory Board committees.

IMPLEMENTATION OF THE CODE

Corporate governance denotes the responsible management and control of a company with a view to generating value over the long term. The management and the corporate culture of TLG IMMOBILIEN AG comply with the statutory provisions and – with a few exceptions – the supplementary recommendations of the Code. The Management Board and Supervisory Board feel committed to ensuring good corporate governance, and all divisions of the company adhere to this objective. The company focuses on values such as expertise, transparency and sustainability.

In the 2017 financial year, the Management Board and Supervisory Board worked carefully to meet the requirements of the Code. They factored in the recommendations of the Code from 7 February 2017 and, according to Sec. 161 AktG, they issued their declaration of compliance with the recommendations of the Code for the 2017 financial year accompanied by statements regarding the few deviations. The declaration is published on the company's website at *https://ir.tlg.eu/declaration-of-compliance*.

DECLARATION OF COMPLIANCE

In November 2017, the Management Board and Supervisory Board of the company issued the following joint declaration of compliance according to Sec. 161 of the German Stock Corporation Act (AktG):

The Management Board and Supervisory Board of TLG IMMOBILIEN AG declare that TLG IMMOBILIEN AG (the "company") has fulfilled the recommendations of the amended German Corporate Governance Code (the "Code") dated 5 May 2015 (published in the Federal Gazette (Bundesanzeiger) on 12 June 2015) (the "Code 2015") since the last declaration of compliance in March 2017, with the exceptions of recommendation 4.2.1 sentence 1 of the Code 2015 (no spokesperson for the Management Board), recommendation 5.1.2 (2) sentence 3 of the Code 2015 (no age limit for members of the Management Board) and recommendation 5.4.1 (2) sentence 1 of the Code 2015 (regular limit of length of membership for members of the Supervisory Board).

Additionally, the Management Board and Supervisory Board declare that the company fulfils the recommendations of the amended German Corporate Governance Code dated 7 February 2017 (published on 24 April 2017 and corrected on 19 May 2017) (the "Code 2017"), subject to the following exceptions, and intends to fulfil all of the recommendations in the future.

RECOMMENDATION 4.2.1 SENTENCE 1 OF THE CODE 2017: THE MANAGEMENT BOARD SHALL HAVE A CHAIR OR SPOKESPERSON

Recommendation 4.2.1 (1) sentence 1 of the Code 2017 recommends that the Management Board have a chair or spokesperson.

The company does not believe that it would be advisable to appoint a Management Board chair or spokesperson in light of the corporate governance system in place within the company. As the Management Board consists of just two members, and given their long-term, collegial collaboration, the members of the Management Board are able to work together closely and productively and allocate fields of responsibility properly even without a chair or spokesperson.

RECOMMENDATION 5.1.2 (2) SENTENCE 3 OF THE CODE 2017: THE SUPERVISORY BOARD SHALL SPECIFY AN AGE LIMIT FOR THE MEMBERS OF THE MANAGEMENT BOARD

According to recommendation 5.1.2 (2) sentence 3 of the Code 2017, the Supervisory Board shall specify an age limit for the members of the Management Board.

The company does not consider the specification of a general age limit a reasonable criterion for the selection of suitable Management Board members. An age limit is not currently an issue between the persons currently appointed to the Management Board. Additionally, with regard to decisions affecting the composition of a functional, effective Management Board, the appointment of a member with many years of experience can be in the interest of the company, rendering the specification of a general age limit – regardless of the candidate in question – unreasonable in the eyes of the company.

RECOMMENDATION 5.4.1 (2) SENTENCE 2 OF THE CODE 2017: REGULAR LIMIT OF LENGTH OF MEMBERSHIP FOR THE MEMBERS OF THE SUPERVISORY BOARD

According to recommendation 5.4.1 (2) sentence 2 of the Code 2017, the Supervisory Board should specify a regular limit of the term of office for the members of the Supervisory Board.

The company does not consider such a regular limit appropriate. For the Supervisory Board to be functional and effective, it must consist of a healthy mixture of experienced and newly appointed members. Experienced, long-standing members of the Supervisory Board lose neither their independence nor their access to new ideas through the passage of time alone. The general diversity for which recommendation 5.4.1 calls must also apply in terms of the term of office of members of the Supervisory Board and therefore the experience of its members. The specification of a regular limit of length of membership contradicts this recommendation.

RECOMMENDATION 5.4.1 (2) SENTENCE 1 OF THE CODE 2017: THE SUPERVISORY BOARD SHALL PREPARE A PROFILE OF SKILLS AND EXPERTISE

According to recommendation 5.4.1 (2) sentence 1 of the Code 2017, the Supervisory Board should prepare a profile of skills and expertise.

Generally speaking, the company considers the preparation of an additional profile of skills and expertise a reasonable instrument for the selection of suitable members of the Supervisory Board. The Supervisory Board intends to prepare a profile of skills and expertise over the course of 2018 and examine an expansion of the diversity criteria.

Furthermore, the company voluntarily fulfils the recommendations of the Code 2017 with the following exception:

According to recommendation 2.3.3 of the Code 2017, the company should make arrangements to allow shareholders to follow the general meeting using modern means of communication (e.g. the Internet). In order to preserve the character of the general meeting as a personal meeting of its shareholders, the company has decided not to follow this recommendation. Instead, the results of votes and the presentation of the Management Board are published on the company's website.

MANAGEMENT PRACTICES

TLG IMMOBILIEN AG is managed in the following way:

METHODS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

As an Aktiengesellschaft (stock corporation) incorporated under German law, TLG IMMOBILIEN AG has a dual management system consisting of the Management Board and the Supervisory Board. They work closely together to further the interests of the company. The Management Board runs the company whilst the Supervisory Board advises and monitors it. The shareholders of TLG IMMOBILIEN AG exercise their rights in the general meeting.

MANAGEMENT BOARD

The Management Board is responsible for the management of the company in accordance with the statutory provisions, the Articles of Association and the rules of procedure for the Management Board. It is obliged to serve the interests of the company. The Management Board develops the strategy of the company, coordinates it with the Supervisory Board and ensures that it is implemented. It is also responsible for reasonable risk management and control and for submitting regular, prompt and comprehensive reports to the Supervisory Board.

The Management Board performs its management duties as a collegial body. The Board's overall responsibility for management notwithstanding, the members of the Management Board manage the divisions to which each has been assigned by the Management Board on their own authority. The divisions are divided between the members of the Management Board as set out in the rules of procedure for the Management Board. Mr Peter Finkbeiner is responsible for finance, controlling, accounting, investor relations, legal, IT, organisation and human resources. Mr Niclas Karoff is responsible for investments, disposals, portfolio/asset management, marketing/public relations, acquisitions and sales, property management and project development. Both members of the Management Board are jointly responsible for the auditing division.

The work of the Management Board is governed in more detail by rules of procedure which the Supervisory Board most recently updated in February 2018. The rules of procedure stipulate that the strategic orientation of the company and the strategic allocation of resources are determined by the entire Management Board. Additionally, measures and transactions which are of extraordinary significance to the company and/or Group companies, or which involve an extraordinarily high economic risk, require the prior approval of the entire Management Board. Furthermore, the rules of procedure and Articles of Association require certain transactions of fundamental significance to be approved by the Supervisory Board or one of its committees in advance.

The Management Board provides the Supervisory Board with regular, prompt and comprehensive reports on all relevant matters of strategy, planning, business development, risk, risk management and compliance.

SUPERVISORY BOARD

The Supervisory Board monitors and advises the Management Board. It works closely with the Management Board to further the interests of the company and is involved in all decisions of fundamental importance.

Its rights and duties are determined by the statutory provisions, the Articles of Association, the rules of procedure for the Supervisory Board of 10 August 2017 and the rules of procedure for the Management Board. It appoints and dismisses the members of the Management Board and, together with the Management Board, ensures long-term succession planning.

It works both in plenary sessions and in committees (more details below). The committees work to improve the efficiency of the Supervisory Board's activities. The chairpersons of the committees regularly report to the Supervisory Board on the work of their committees. In line with its rules of procedure, the Supervisory Board must convene at least twice every six months. Otherwise, it convenes whenever the interests of the company require it. Four Supervisory Board meetings are currently scheduled for the 2018 calendar year.

In particular, the members of the Supervisory Board are selected by virtue of their expertise, abilities and professional suitability. In its rules of procedure, the Supervisory Board has set itself the objective of taking the following into consideration with regard to its composition and as part of the specific situation of the company: shareholder structure, current and potential conflicts of interest and competitive relationships, other professional activities, the number of independent members, an age limit of 75 and the diversity of the members of the Supervisory Board. In addition to the statutory requirements (Sec. 100 AktG), the proposals of the Supervisory Board regarding the appointment of members of the Supervisory Board adhere to the regulations of the German Corporate Governance Code as amended concerning the personal requirements of Supervisory Board members and the composition targets set by the Supervisory Board. At least one member of the Supervisory Board must be an expert in either accounting or auditing (Sec. 100 (5) clause 1 AktG). According to Sec. 100 (5) clause 2 AktG, all of the members of the Supervisory Board must also be familiar with the sector in which the company operates. The company has followed the specific recommendations of recommendation 5.4.1 (2) and (3) of the Code which concern the composition of the Supervisory Board under certain criteria, the inclusion of these objectives in the recommendations of the Supervisory Board and the publication of the objectives and their implementation status in the corporate governance report, with the exception that there is no regular limit of length of membership for the Supervisory Board as recommended by 5.4.1 (2) sentence 1 of the Code.

PROPORTION OF WOMEN

In its meeting on 25 September 2015, the Supervisory Board set the target proportion of women on the Supervisory Board of TLG IMMOBILIEN AG at 16.67%, which must be met continuously until 30 June 2017. The company adhered to this target.

In its meeting on 23 May 2017, the Supervisory Board set the target proportion of women on the Supervisory Board at 16.67%, which must be met continuously until 30 June 2022. Due to the resignation of Ms Elisabeth Talma Stheeman with effect from 29 January 2018 and the judicial appointment of Mr Stefan E. Kowski as a new member of the Supervisory Board, this target is currently not being met by the Supervisory Board.

The minimum target proportion of women on the Management Board of TLG IMMOBILIEN AG is zero. These targets are to be met continuously until 30 June 2022.

With regard to the minimum proportion of women on the first and second levels of management beneath the Management Board and according to Sec. 76 (4) AktG, the targets were set at 11.11% for the first level beneath the Management Board and 30% for the second level beneath the Management Board until 30 June 2017 in the meeting held on 30 September 2015. The company met this target with regard to the first management level and only fell short slightly in the first six months of 2017 (10%). Otherwise, the targets were met.

In its meeting on 29 June 2017, the Management Board set the minimum proportion of women on the first management level below the Management Board at 10% and the minimum proportion of women on the second management level below the Management Board at 30%; the proportion of women on these management levels may not fall below this target before 30 June 2022.

COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Pursuant to the Articles of Association, the Management Board consists of at least two people. The Supervisory Board specifies the number of members. In the 2017 financial year, the Management Board consisted of two equal members, each of whom was responsible for the divisions to which they had been assigned.

Pursuant to the Articles of Association, the Supervisory Board consists of six members. It is not subject to any employee participation. All of the members are elected by the general meeting as representatives of the shareholders. Mr Alexander Heße resigned from his position as a member of the Supervisory Board with effect from the end of the 2016 general meeting. On 10 February 2017, the local court of Berlin Charlottenburg appointed Mr Frank D. Masuhr as a new member of the Supervisory Board; he was then elected by resolution of the general meeting on 23 May 2017.

Additionally, Ms Elisabeth Talma Stheeman resigned from her position on the Supervisory Board with effect from 29 January 2018. Mr Stefan E. Kowski was appointed as a new member of the Supervisory Board by the local court of Berlin Charlottenburg on 21 February 2018 until the end of the general meeting in 2018.

Finally, Mr Frank D. Masuhr resigned from the Supervisory Board with effect from 31 January 2018. On 5 March 2018, Mr Sascha Hettrich was appointed to the Supervisory Board by the local court of Berlin Charlottenburg until the end of the general meeting in 2018.

All of the members of the Supervisory Board are also familiar with the commercial real estate sector.

The company currently has no specific diversity concept in place in the sense of Sec. 289f (2) no. 6 HGB beyond the diversity-related targets for the composition of the Management Board and Supervisory Board described in the declaration on corporate governance. The Supervisory Board intends to prepare a profile of skills and expertise over the course of 2018 and examine an expansion of the diversity criteria at the same time.

According to Sec. 285 no. 10 HGB, more information on the members of the Management Board and Supervisory Board can be found in the notes to the annual financial statements of TLG IMMOBILIEN AG (*pages 10 and 11*).

COLLABORATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board and Supervisory Board work closely together to further the interests of the company. The intensive and continuous dialogue between the two Boards serves as the basis of efficient and strategic corporate management. The Management Board develops the strategy of TLG IMMOBILIEN AG, coordinates it with the Supervisory Board and ensures that it is implemented.

The Management Board discusses the progress of the implementation of its strategy with the Supervisory Board at regular intervals. The Chairperson of the Supervisory Board is in regular contact with the Management Board and provides it with guidance on matters of strategy, planning, business development, the risk situation, risk management and compliance. The Management Board reports immediately to the Chairperson of the Supervisory Board on significant events that are of key relevance to an assessment of the situation and developments and to the management of the company and its Group companies. The Chairperson of the Supervisory Board then notifies the Supervisory Board and, if necessary, convenes an extraordinary meeting of the Supervisory Board.

In accordance with the Articles of Association and rules of procedure of the Management Board, transactions of fundamental significance are subject to the consent of the Supervisory Board.

The members of the Management Board must report any conflicts of interest to the Supervisory Board and their fellow Management Board members immediately. Significant transactions between members of the Management Board or related parties and the company require the approval of the Supervisory Board, as does any secondary employment outside of the company.

A D&O group insurance policy has been taken out for the members of the Management Board and Supervisory Board. This policy contains an excess that meets the requirements of Sec. 93 (2) sentence 3 AktG and recommendation 3.8 of the Code.

COMMITTEES OF THE SUPERVISORY BOARD

In the 2017 financial year, the Supervisory Board had four committees: the presidential and nomination committee, the audit committee, the capital market and acquisitions committee and the project development committee. Other committees can be formed if necessary.

PRESIDENTIAL AND NOMINATION COMMITTEE

The presidential and nomination committee provides advice on its areas of expertise and prepares resolutions for the Supervisory Board, especially concerning the following matters:

a) Appointing and dismissing members of the Management Board;
b) Concluding, amending and terminating the employment contracts of members of the Management Board;
c) The structure of the remuneration system for the Management Board, including the key contractual elements and the total remuneration for each member of the Management Board;
d) Supervisory Board recommendations for the general meeting in connection with the election of suitable members of the Supervisory Board;
e) Principles of financing and investments, including the capital structure of TLG Group companies and dividend payments;
f) Principles of acquisition and disposal strategies, including the acquisition and disposal of individual shareholdings of strategic significance.

In consultation with the Management Board, the presidential and nomination committee regularly advises on long-term succession planning for the Management Board.

As at March 2018, the presidential and nomination committee consisted of Mr Michael Zahn, Dr Michael Bütter and Dr Claus Nolting. The Chairperson of the Supervisory Board is also the Chairperson of the presidential and nomination committee.

AUDIT COMMITTEE

The audit committee predominantly monitors the accounting process, the effectiveness of the internal control and audit systems, the audit of the financial statements – especially the independence of the auditor – the additional services rendered by the auditor, the selection of an auditor, the identification of main audit points, the auditor's fee and compliance.

The audit committee prepares the resolutions of the Supervisory Board on the annual financial statements (and, if necessary, the consolidated financial statements), i.e. it is primarily responsible for the preliminary audit of the documents of the annual financial statements and consolidated financial statements, the preparation of their approval and adoption and the proposed appropriation of profits by the Management Board. Furthermore, the audit committee prepares the agreements with the auditor (especially the awarding of the audit contract, the definition of focal points for the audit and the agreed fees) as well as the appointment of the auditor by the general meeting. This also involves the verification of the necessary degree of independence, in which regard the audit committee takes reasonable steps to determine and monitor the independence of the auditor. In lieu of the Supervisory Board, the audit committee approves contracts with auditors for additional consultancy services if such contracts require consent. The audit committee discusses the principles of compliance, risk documentation, risk management and the suitability and effectiveness of the internal control system with the Management Board. Four audit committee meetings are currently scheduled for the 2018 calendar year.

As at March 2018, the audit committee consisted of Mr Helmut Ullrich (Chairperson) and Dr Claus Nolting. The Chairperson of the audit committee is independent and has particular knowledge and experience in the application of GAAP and internal control processes, and therefore meets the requirements of Sec. 100 (5) clause 1 AktG. The members of the audit committee are experts in accounting and auditing, and the composition of the committee meets all independence requirements in terms of the European Commission Regulation of 15 February 2005 on the role of non-executive directors or supervisory board members of listed companies and on the committees of the (supervisory) board (2005/162/EC), as well as the recommendations of the Code.

CAPITAL MARKET AND ACQUISITIONS COMMITTEE

The committee advises the Management Board on transactions relating to the capital markets and acquisitions. It grants any necessary approvals in lieu of the plenary session.

The market and acquisitions committee consists of Mr Michael Zahn (Chairperson), Dr Michael Bütter and Mr Helmut Ullrich.

PROJECT DEVELOPMENT COMMITTEE

The Supervisory Board formed a project development committee on 29 November 2017. The committee advises the Supervisory Board on development projects.

The committee consists of Dr Michael Bütter and Mr Helmut Ullrich.

COMMITTEES OF THE MANAGEMENT BOARD

The Management Board has not formed any committees. The Management Board performs its management duties as a collegial body, although the individual members of the Management Board are responsible for their own divisions.

GENERAL MEETING AND SHAREHOLDERS

The shareholders of TLG IMMOBILIEN AG can exercise their rights in the general meeting, including their voting rights. Every share in the company grants one vote.

The general meeting takes place annually, within the first eight months of the financial year. The agenda of the general meeting and the reports and documents required for the general meeting are published on the company's website at *https://ir.tlg.eu/agm*.

Fundamental resolutions are passed in general meetings. These include resolutions on the appropriation of profits, the exoneration of Management Board and Supervisory Board, the election of members to the Supervisory Board, the appointment of the auditor, amendments to the Articles of Association and capital measures. The general meeting is an opportunity for the Management Board and Supervisory Board to come face to face with the shareholders and discuss the future course of the company.

In order to make it easier for them to exercise their rights, TLG IMMOBILIEN AG provides its shareholders with a proxy who is bound to follow their instructions; the proxy remains available during the general meeting. The invitation to the general meeting explains how instructions can be issued in the run-up to the general meeting. Additionally, the shareholders are free to have an authorised representative of their choice represent them in the general meeting.

OTHER MATTERS OF CORPORATE GOVERNANCE

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration system for the Management Board is regularly the subject of consultation, examination and revision in the plenary sessions of the Supervisory Board.

The contracts of the members of the Management Board of TLG IMMOBILIEN AG contain fixed and variable remuneration components. For all members of the Management Board, the variable remuneration is adapted to the requirements of Sec. 87 (1) sentence 3 AktG. It is contingent on the achievement of economic targets and is predominantly based on multi-year assessment principles. The variable remuneration is only payable if the course of business was sufficiently positive. The remuneration structure has been designed to ensure sustainable corporate development, which optimises the effects of risks and rewards of the variable remuneration.

The detailed Remuneration Report of TLG IMMOBILIEN AG for the 2017 financial year is published on the company's website at *https://ir.tlg.eu/remuneration-report*.

REMUNERATION OF (EXECUTIVE) EMPLOYEES

In January 2015, a long-term incentive programme was introduced for executives and other individual employees whose incentives – like a share option scheme – are based on the development of external factors (e.g. the FTSE EPRA/NAREIT Europe Index) over a period of four years. The calculations and defined targets of this programme comply with the long-term incentive regulations of the Management Board, which are set out in the Remuneration Report.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is set out in Sec. 13 of the Articles of Association. In accordance with Sec. 13, the members of the Supervisory Board receive fixed annual remuneration of EUR 40,000. The Chairperson of the Supervisory Board receives three times this amount and the Vice-chairperson receives one and a half times this amount. The sum of all remuneration per member of the Supervisory Board may not exceed EUR 150,000 (excluding VAT) per calendar year.

Additionally, members of the audit committee receive fixed annual remuneration of EUR 10,000 and members of other committees of the Supervisory Board receive fixed annual remuneration of EUR 7,500. The Chairperson of each committee receives double this fixed amount.

Additionally, the expenses of the members of the Supervisory Board are reimbursed. The company has also added the members of the Supervisory Board to a D&O group insurance policy for corporate bodies. This policy features an excess for the members of the Supervisory Board according to recommendation 3.8 of the Code.

No performance-based remuneration is paid to the members of the Supervisory Board. The Remuneration Report contains a breakdown of the remuneration of each member of the Supervisory Board.

REPORTABLE SECURITY TRANSACTIONS AND SHAREHOLDINGS OF THE MANAGEMENT AND SUPERVISORY BOARDS

Under Article 19 (1) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), the members of the Management Board and Supervisory Board of TLG IMMOBILIEN AG, including related parties, are obliged to disclose transactions involving shares of TLG IMMOBILIEN AG or financial instruments relating to said shares immediately, or within three working days of the date of the transaction at the latest. Pursuant to Article 19 (2) of the Market Abuse Regulation, the company immediately publishes these transactions after having been informed of them, or within three working days of the transaction at the latest. The disclosures are available on the company's website at *https://ir.tlg.eu/directors-dealings*.

COMPLIANCE AS A SIGNIFICANT MANAGERIAL RESPONSIBILITY

In order to ensure adherence to the code of conduct of the Code, as well as the statutory provisions, TLG IMMOBILIEN AG has appointed a compliance officer and a capital market compliance officer. The former informs the management and employees of any relevant legal requirements. The latter maintains the insider list of the company and informs the management, employees and business partners of the consequences of breaches of insider trading regulations.

REASONABLE RISK AND OPPORTUNITY MANAGEMENT

For TLG IMMOBILIEN AG, responsible conduct in the face of opportunities and risks is of fundamental importance. This is ensured by comprehensive opportunity and risk management which identifies and monitors significant opportunities and risks. The system is continuously enhanced and adapted based on the changing general conditions.

More detailed information on the risk monitoring system of the company is available in the management report: The risk management of TLG IMMOBILIEN AG is presented from *page 71*, strategic opportunities are described on *page 81* and risks are presented on *page 74*. Information on Group accounting can be found on *page 102* of the notes.

COMMITTED TO TRANSPARENCY

As part of ongoing investor relations, at the start of the year, all dates of importance to shareholders, investors and analysts are marked in the financial calendar for the duration of each financial year. The financial calendar, which is updated continuously, is published on the company's website at *https://ir.tlg.eu/financial-calendar*.

The company provides information to shareholders, analysts and journalists in line with holistic criteria. The information is transparent and consistent for all market participants. Ad hoc announcements, press releases and presentations of press and analysts' conferences are published on the company's website immediately.

Insider information (ad hoc publicity), voting rights notifications and security transactions involving members of the Management and Supervisory Boards or their related parties (directors' dealings) are published by TLG IMMOBILIEN AG in line with the statutory provisions. They are also available on the company's website at *https://ir.tlg.eu/directors-dealings*.

FINANCIAL REPORTING

Once again, the Berlin office of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed auditor and Group auditor for 2017 by the general meeting. Before the general meeting, the auditor issued a declaration that there were no business, financial, personal or other relationships between the auditor, its bodies or audit managers and the company or the members of its bodies which could bring the impartiality of the auditor into question.

MORE INFORMATION

More information on the activities of the Supervisory Board and its committees, and on its collaboration with the Management Board, is available in the report of the Supervisory Board.

REPORT ON THE POSITION OF THE COMPANY AND THE GROUP

REPORT ON THE POSITION OF THE COMPANY AND OF THE GROUP IN 2017

1. COMPANY FUNDAMENTALS

1.1 BUSINESS MODEL, OBJECTIVES, STRATEGY

The business model and the corporate strategy of TLG IMMOBILIEN are based on the following pillars:

- Portfolio management
  Thanks to a deep understanding of local markets and real estate, strategic services such as strategic portfolio management and monitoring, valuation and portfolio planning are rendered centrally.

- Asset management
  TLG IMMOBILIEN covers significant links in the real estate value chain internally. With the engineering and letting units, asset management is responsible for all measures on the level of the property that influence the value of a property.

- Transaction management
  With its many years of expertise, TLG IMMOBILIEN is exceptionally well connected in its core markets. This generates attractive opportunities for the company to grow and chances to sell properties for the best possible prices in line with its portfolio optimisation strategy.

- Property management
  Property management bears a decentralised responsibility for the commercial management of the properties, including tenant relations, and is in charge of external facility management.

The objective of the business activities is – in addition to the efficient management and development of the high-quality property portfolio – the continued expansion of the portfolio through profitable acquisitions of office, retail and hotel properties. Targeted acquisition of properties with potential for increased rents or moderate vacancy rates and the subsequent active asset management results in the potential to increase profitability via optimised letting and management. In addition to growth through acquisitions, the company remains focused on the disposal of non-strategic properties. Its objective is to ensure the high overall quality and profitability of its portfolio in the long term.

1.2 CONTROL SYSTEMS

The objective of TLG IMMOBILIEN's control system is the permanent and stable further development of the property portfolio as well as the generation of high and sustainable earnings from its management in the interests of the shareholders, employees and business partners. The fully integrated business plan, which has to be prepared annually and which covers a medium-term planning horizon of three years, serves as the basis. The key components of the business plan are rental income, management, investments and disposals, administrative costs and finance. The sub-plans are reflected in the income, asset and financial planning of the Group.

Monthly reports on a corporate and portfolio level guarantee internal transparency with regard to the performance of the company during the year, e.g. by means of the key performance indicators. In particular, the main key performance indicators are the funds from operations (FFO), Net Loan to Value ratio (Net LTV) and the EPRA Net Asset Value (EPRA NAV), which are also disclosed in the quarterly reports. The drivers of these three key performance indicators, such as rental income, weighted average lease term (WALT), vacancy rates and investments, are monitored and reported on every month in the controlling reports. Monthly performance analyses serve to evaluate the current performance of the company and facilitate the punctual implementation of controlling measures.

The formula for calculating the key performance indicators of the company is illustrated in the section concerning financial performance indicators in this report on the position of the company and the Group.

The management of TLG IMMOBILIEN is the responsibility of the Management Board. The Supervisory Board monitors and advises the Management Board on its managerial activities in line with the internal regulations of the company and the expectations of its shareholders. As at the reporting date, the Supervisory Board consisted of six members.

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS AND PROPERTY MARKETS

2.1.1 General economic situation

Economic developments in Germany in 2017 were once again characterised by solid, steady economic growth. According to the calculations of the Federal Statistical Office, the average real gross domestic product (GDP) in 2017 was 2.2% higher than in the previous year. This means that the German economy has grown for the eighth year in a row. The GDP already grew by 1.7% in 2015 and 1.9% in 2016. Private consumption was the most significant driver. Private consumption expenditure, adjusted for price, was 2.0% higher than in the previous year, although government consumption expenditure increased at a below-average rate of 1.4%. In particular, gross capital investments increased at an above-average rate in 2017 compared to the previous year (3.0%). In terms of the generation of the gross domestic product, almost all economic sectors were able to make a positive contribution to the economic developments in 2017. The information and communication service sectors performed exceptionally well with growth of 3.9%, as well as retail, traffic and hospitality with growth of 2.9%. Industry – which generates around one quarter of the total gross added value without factoring in the construction industry – experienced similar growth of 2.5%. Compared to the previous year, the construction industry grew by 2.2%.

According to the Federal Statistical Office, an annual average of 44.3 m workers in Germany contributed to the country's economic output in 2017. This is the highest volume since the reunification of Germany. In 2017, around 638,000 more people were in gainful employment than in the previous year (an increase of 1.5%). This is the highest increase since 2007 and is due to an increase in employment subject to social security contributions. The higher labour participation and inflow of workers from abroad are balancing out age-related demographic effects. In 2017, for the fourth time in a row, the state generated a surplus of EUR 38.4 bn.

The general economic calculations for the first six months of 2017 reveal a strong increase in construction investments. The financing conditions remain exceptionally favourable. Additionally, demand remains high in light of the still positive economic situation and job market. Construction companies are finding it increasingly difficult to fill vacant positions. For one, construction price growth is slightly dampening demand for construction services.

The general conditions in the German market for investments in commercial properties remained thoroughly positive in 2017: strong lettings markets, a booming economy, low, stable interest rates and a still significant disparity between the yields of properties compared to government bonds. According to Jones

Lang LaSalle (JLL), the volume of transactions in the German commercial property market was around EUR 56.8 bn. This means that the record set in 2015 has not only been matched, but surpassed by EUR 1.7 bn. This represents an increase of 7% over 2016. Scarcity of supply and price growth have yet to cause the market to slow. However, investors in the markets are more and more frequently avoiding the seven largest German investment markets. They are increasingly focused on development projects, especially in A-rated cities.

Overall, according to JLL, around EUR 31.0 m was attributable to the investment markets in Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich and Stuttgart by the end of 2017 – an increase of 5% over the previous year. Berlin remains in first place with a transaction volume in excess of EUR 7.7 bn and a 56% increase over the previous year, followed by Frankfurt/Main with EUR 7.1 bn. Almost half (45%) of the commercial transaction volume is attributable to foreign investors. Meanwhile, yields remained under pressure: The net initial yield for office properties in 1A-rated locations in the seven metropolises has decreased by 29 basis points to 3.27%.

2.1.2 Development of the office property market

The healthy job market is ensuring growing demand for space and directly affecting the office letting markets in the service sector. According to JLL, the volume of turnover in the seven largest markets in 2017 was around 4.2 million sqm, surpassing the record level of the previous year by 7%. According to JLL, two markets passed the 900,000 sqm mark for the first time: Berlin with around 955,000 sqm and Munich with around 995,000 sqm.

Meanwhile, net absorption in the seven metropolises remains at a high level. According to JLL, the volume of occupied office space has increase by more than 1 million sqm. The demand is being driven by providers of flexible office workspaces in particular. New offices were rented out by traditional business centres as well as providers of co-working space.

In the meantime, the volume of available space continues to shrink dramatically: Vacancy rates in the A-rated cities were 4.7% at the end of 2017, which is their lowest level in 15 years. Overall, in absolute terms, just 4.3 million sqm of office space was still available at short notice in the metropolises at the end of 2017. As a result, the volume of vacant space has almost reached the same level as the turnover. Bottlenecks have appeared in some sub-markets of the seven largest cities – there are vacancy rates of only around 1% in Munich, Stuttgart and Berlin. The volume of construction was around 860,000 sqm and therefore around 22% lower than in the previous year. With the exception of Düsseldorf, the completion rates in each of the top seven cities decreased compared to 2016. The relative decreases ranged between 13% in Munich and 53% in Berlin. With the exception of Cologne, the top rents had increased in all seven metropolises by the end of 2017. The fastest growth took place in Berlin (11%), Stuttgart (5%), Munich and Hamburg (4% each).

2.1.3 Development of the retail property market

Consumer confidence in Germany was high at the end of 2017. According to the market research institute GfK, expectations as to the economy and income levels improved, although propensity to buy suffered slightly. The volume of retail turnover may have increased by around 3% in 2017. Between January and November, the nominal increase was 4.6% and the real increase was 2.7%. In this period, food turnover increased by 4.2% and non-food turnover by 4.7%. Despite these highly positive economic circumstances, the retail letting market did not end 2017 with a surge. With a total of 448,200 sqm over 1,055 new rental agreements, the volume of space declined by 7% compared to 2016. The number of new agreements decreased by 2%. Ordered by shop size, the new rental agreements signed over the past three years are consistently spread within the six size categories. Three quarters of the new rental agreements were for small and mid-sized spaces of up to 1,000 sqm. The textile segment was once again the most successful in 2017, although it has lost some of its dynamism and market dominance. This is also reflected in the volume of turnover.

2.1.4 Development of the hotel property market

According to the Federal Statistical Office, the number of overnight stays by guests in Germany between January and November 2017 increased by 3% compared to the same period in the previous year, reaching 431 m. This figure includes 78 m overnight stays by international guests (an increase of 4%) and 353 m overnight stays by German guests (an increase of 2%). Overall, the number of overnight stays in 2017 is likely to have reached a new record of around 459 m (an increase of 3%). This preliminary figure is a forecast based on the information available for the period between January and November 2017 and the December statistics for 2007 to 2016.

According to the German Hotel and Restaurant Association (DEHOGA), this positive trend is also reflected in the turnover of the hotel and restaurant industry. 79.1% of businesses were able to increase or maintain their turnover, whereas 20.9% experienced declines in turnover. Overall, DEHOGA expects turnover growth of 2% for 2017.

According to BNP Paribas Real Estate, at EUR 4.2 bn, the volume of investments therefore surpassed the EUR 4 bn mark for the third time in a row. However, as expected, it fell short of the record level of the previous year by around one fifth. However, this decrease is limited to portfolio transactions. Here, at less than EUR 1.1 bn, the volume is around half of the volume in the previous year. German buyers are slightly in front, making up 52%. They are followed by European investors (22%), North American investors (12%) and Asian investors (7%). Whereas real estate corporations and investment trusts were at the top of the list of the largest buyers in the previous year as a result of large-scale portfolio transactions, special funds were in first place in 2017 with 29%.

2.2 COURSE OF BUSINESS

General statement

In the 2017 financial year, TLG IMMOBILIEN was able to continue implementing its growth strategy successfully. Following the takeover of WCM Beteiligungs- und Grundbesitz Aktiengesellschaft (WCM) and the acquisition of other high-quality properties in connection with successful portfolio management, the property portfolio of TLG IMMOBILIEN was as follows as at 31 December 2017:

Key figures	Total	Office	Retail	Hotel	Other
Property value (EUR k)[1]	3,400,582	1,610,158	1,453,416	285,899	51,108
Annualised in-place rent (EUR k)[2]	214,057	91,215	101,810	16,276	4,756
In-place rental yield (%)	6.3	5.7	7.0	5.6	9.2
EPRA Vacancy Rate (%)	3.6	5.0	2.1	2.3	8.0
WALT (years)	6.3	5.2	6.3	12.2	8.2
Properties (number)	426	68	301	7	50
Lettable area (sqm)	**1,875,072**	**745,542**	**920,394**	**109,519**	**99,617**

[1] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5
[2] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date – not factoring in rent-free periods.

As at 31 December 2017, the property portfolio of TLG IMMOBILIEN comprised 426 properties (previous year 404) with a fair value (IFRS) of around EUR 3.401 bn (previous year around EUR 2.242 bn). Besides market-related adjustments, this 51.7% increase is due primarily to the takeover of WCM in the 2017 financial year as well as other new additions to the portfolio. At EUR 1.003 bn, the acquisitions in 2017 and the addition of WCM make up 29.5% of the property portfolio. The fair value of the acquisitions between 2014 and 2017, including WCM, has therefore increased by 53.3% to EUR 1.812 bn.

As at 31 December 2017, the acquisitions in 2017 plus WCM were as follows, broken down by asset class:

Asset class	TLG/WCM acquisition	Properties (number)	Property value (EUR m)[1]	Annualised in-place rent (EUR m)	WALT (years)	EPRA Vacancy Rate (%)
Office	TLG	1	95.9	5.1	4.4	22.6
Office	WCM	11	359.4	17.8	7.2	9.2
Office acquisitions in 2017		**12**	**455.4**	**22.9**	**6.6**	**12.6**
Retail	TLG	28	106.8	7.2	6.6	1.0
Retail	WCM	45	440.7	29.2	7.8	3.7
Retail acquisitions in 2017		**73**	**547.6**	**36.4**	**7.5**	**3.2**
Total acquisitions in 2017		**85**	**1,002.9**	**59.3**	**7.2**	**7.1**

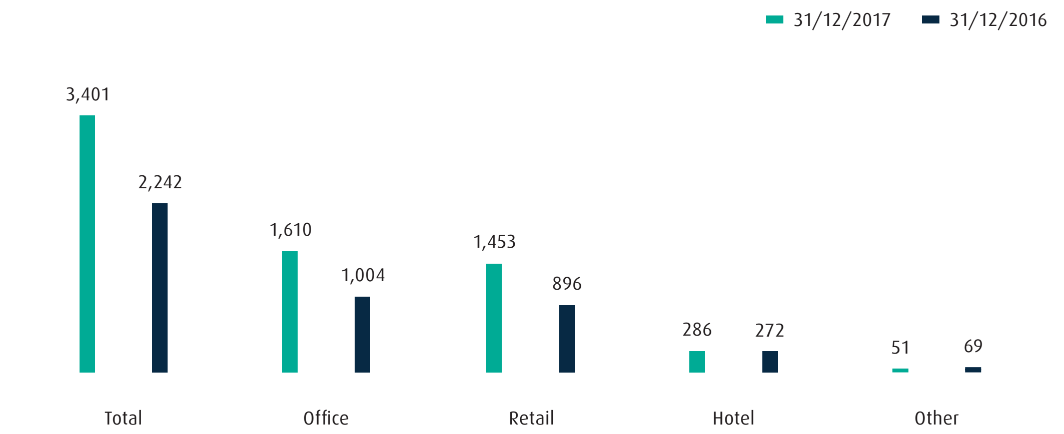
[1] In line with values disclosed according to IAS 40.
[2] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date – not factoring in rent-free periods.

Rounding differences possible

Alongside further acquisitions, the 2017 financial year was characterised by the takeover of WCM. Based on their fair values, the properties of WCM made up 79.8% of the acquisitions as at 31 December 2017. Including the takeover of WCM, only office and retail properties were acquired in 2017, with retail slightly dominant at 54.6%. Representing 67.3% of the total acquisition volume, the focus was on western Germany, with Frankfurt/Main making up the largest share with 26.3% of the acquisitions.

The property values in the individual asset classes developed as follows:

in EUR m



The value of the overall portfolio increased by EUR k 1,158,968 in the reporting year, of which 86.5% is due to acquisitions including the takeover of WCM. On a like-for-like basis, i.e. without factoring in the acquisitions and disposals in 2017, its value increased by 10.6% due to the positive market developments, especially in Berlin, and the asset management of TLG IMMOBILIEN. As a result, the office properties increased by 60.4% to EUR k 1,610,158 (previous year EUR k 1,004,110) and retail properties increased by 62.2% to EUR k 1,453,416 (previous year EUR k 896,198). With a 47.3% share of the value of the portfolio (previous year 44.8%), office properties are the strongest asset class followed by retail properties with 42.7% (previous year 40.0%) and hotels with 8.4% (previous year 12.1%).

In the reporting year, the acquisitions combined with asset management led to a 37.9% increase in annualised in-place rent to EUR k 214,057 (previous year EUR k 155,276). A like-for-like comparison reveals a total increase of 4.1% resulting from rental growth in all asset classes, with office properties experiencing the strongest growth at 6.3% followed by retail properties with 2.8%. At 3.6% for the entire portfolio (previous year 3.8%), the EPRA Vacancy Rate decreased slightly, although a comparison on a like-for-like basis reveals almost full occupancy following the 1.6 percentage point reduction in the EPRA Vacancy Rate to just 2.2%. The weighted average lease term (WALT) of the temporary rental agreements increased slightly from 6.1 years to 6.3 years. On a like-for-like basis, the reduction of the WALT by 0.2 years to 6.0 years was stabilised by new rental agreements and extensions of rental agreements.

2.3. NET ASSETS, FINANCIAL POSITION AND CASH FLOWS, FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.3.1 Financial performance

The positive net income of TLG IMMOBILIEN was EUR k 284,373 in the 2017 financial year, reflecting the positive development of the overall Group. In line with the growth strategy of the company, the takeover of WCM was announced in October 2017 and its rapid integration into the TLG IMMOBILIEN Group was initiated, leading to the consolidation of WCM with TLG IMMOBILIEN.

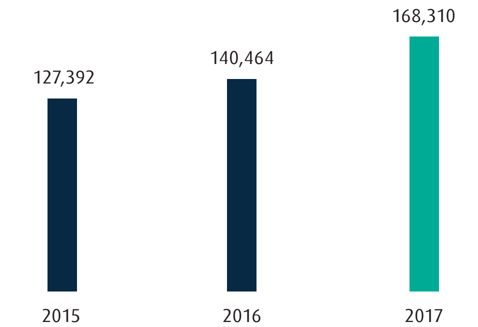
The income was EUR k 190,264 higher than in the previous year, due mainly to the positive influence of the EUR k 178,749 higher result from the remeasurement of investment property. Additionally, the EUR k 27,960 increase in rental income had a positive effect. The table below presents the financial performance:

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016	Change	Change in %
Net operating income from letting activities	**153,548**	**125,588**	**27,960**	**22.3**
Result from the remeasurement of investment property	218,609	39,860	178,749	448.4
Result from the disposal of investment property	2,681	6,381	−3,700	−58.0
Result from the disposal of real estate inventories	−120	10	−130	n/a
Other operating income	1,909	777	1,132	145.7
Personnel expenses	−12,001	−11,261	−740	6.6
Depreciation and amortisation	−466	−561	95	−16.9
Other operating expenses	−17,997	−7,140	−10,857	152.1
Earnings before interest and taxes (EBIT)	**346,163**	**153,654**	**192,509**	**125.3**
Financial income	117	313	−196	−62.6
Financial expenses	−44,617	−25,650	−18,967	73.9
Result from the remeasurement of derivative Financial instruments	5,664	299	5,365	n/a
Earnings before taxes	**307,327**	**128,616**	**178,711**	**138.9**
Income taxes	−22,955	−34,507	11,552	−33.5
Net income	**284,373**	94,109	190,264	202.2
Other comprehensive income (OCI)	8,207	−2,044	10,251	n/a
Total comprehensive income	**292,580**	**92,065**	**200,515**	**217.8**

In 2017, the net operating income from letting activities was EUR k 153,548 which represents an increase of EUR k 27,960 compared to the previous year, due primarily to the new investments and the consolidation of WCM in the fourth quarter. Additionally, significantly more operating costs were recharged to tenants than originally expected. Rental income developed as follows:

Rental income

in EUR k



In the 2017 financial year, the result from the remeasurement of investment property was EUR k 178,749 higher than in the same period in 2016, reaching EUR k 218,609. The excellent measurement gains are essentially the result of the favourable market conditions and are largely attributable to Berlin and the office asset class.

Compared to the same period in the previous year, the result from the disposal of properties decreased by EUR k 3,830 to EUR k 2,561.

Other operating income was EUR k 1,909; EUR k 1,132 higher than in the previous year. Essentially, it was influenced by EUR k 781 from the reversal of allowances resulting from rent receivable and income of EUR k 432 from prior periods.

In the 2017 financial year, personnel expenses increased by EUR k 740 to EUR k 12,001, due primarily to the takeover of WCM.

Compared to the same period in the previous year, other operating expenses increased by EUR k 10,857 to EUR k 17,997. Of the increase, EUR k 8,043 was due to transaction costs in connection with the takeover of WCM. In line with expectations, other items of administrative expenditure have also increased compared to the previous year due to the growth strategy of the company.

In 2017, financial expenses increased by EUR k 18,967 compared to the previous year, reaching EUR k 44,617. The cause of this was expenses of EUR k 19,198 for the premature repayment of loans and interest rate hedges in connection with liability structure optimisation measures, as well as for the premature repayment of loans in the context of disposals of properties.

In the 2017 financial year, there was income of EUR k 5,664 from the remeasurement of derivative financial instruments (previous year EUR k 299) due primarily to current market developments and the interest rates in 2017, as well as the discontinuation of hedge accounting at the start of the second quarter of 2017.

The income taxes comprise ongoing income taxes of EUR k 4,222, items for actual income taxes of EUR k 3,066 from other periods and deferred taxes of EUR k 21,799. The significant decrease in income taxes despite the significantly higher earnings before taxes is due to the conclusion of the audit for 2012 to 2015 which led to the reassessment of a forfeiture of losses in previous years. The items for actual income taxes from other periods are essentially the result of tax claims due to the new loss carryforwards for 2016. Deferred tax claims have been formed for the remaining and as yet unused tax losses; deferred tax income of EUR k 70,094 was therefore recognised in the 2017 financial year. Otherwise, please see the income tax reconciliation (section F.9 of the notes to the consolidated financial statements).

EBITDA calculation

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016	Change	Change in %
Net income	**284,373**	**94,109**	**190,264**	**202.2**
Income taxes	22,955	34,507	–11,552	–33.5
EBT	307,327	128,616	178,711	138.9
Net interest	44,500	25,337	19,163	75.6
Result from the remeasurement of derivative financial instruments	–5,664	–299	–5,365	n/a
EBIT	346,163	153,654	192,509	125.3
Depreciation and amortisation	466	561	–95	–16.9
Result from the remeasurement of investment property	–218,609	–39,860	–178,749	448.4
EBITDA	**128,020**	**114,355**	**13,665**	**11.9**

In the 2017 financial year, TLG IMMOBILIEN generated EBITDA of EUR k 128,020. This represents an increase of EUR k 13,665 over the previous year, due primarily to the higher net operating income from letting activities.

2.3.2 Financial position

Cash flow statement

Due primarily to the capital increases and issuance of a bond in 2017, the following cash flows caused the cash and cash equivalents to increase overall by the end of the year:

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016	Change	Change in %
1. Net cash flow from operating activities	**46.052**	**88.044**	**– 41.992**	**–47.7**
2. Cash flow from investing activities	–128,637	–414,107	285,470	–68.9
3. Cash flow from financing activities	215,646	210,744	4,902	2.3
Net change in cash and cash equivalents	**133,061**	**–115,321**	**248,382**	**n/a**
Cash and cash equivalents at beginning of period	68,415	183,736	–115,321	–62.8
Cash and cash equivalents at end of period	**201,476**	**68,415**	**133,061**	**194.5**

The net cash flow from operating activities decreased by EUR k 41,992 compared to the previous year and was EUR k 46,052 in the 2017 financial year, due primarily to higher payments to creditors, especially in the context of refinancing, and transaction costs in connection with the takeover of WCM. The increase in rental income had the opposite effect.

The negative cash flow from investing activities of EUR k 128,637 essentially reflected the cash paid for the acquisition of properties and investments in the properties totalling EUR k 241,767. WCM was acquired by means of a share swap. The proceeds from the disposal of properties, which increased by EUR k 55,621 over the previous year to reach EUR k 87,597, had the opposite effect.

The cash flow from financing activities was driven by the issuance of a bond with a nominal value of EUR k 400,000 and the capital increases of January and November 2017 which generated gross proceeds of EUR k 262,109. While loans were taken out as part of the ongoing financing activities, refinancing measures made it possible to repay a number of loans prematurely. The payment of a dividend of EUR k 59,340 to the shareholders surpassed the dividend of EUR k 48,551 in the previous year.

Overall, due to the aforementioned cash flows in 2017, cash and cash equivalents increased by EUR k 133,061 to EUR k 201,476.

Cash and cash equivalents consisted entirely of liquid funds. In the reporting year, the liquidity of TLG IMMOBILIEN was secure at all times.

2.3.3 Net assets

The following overview summarises the asset and capital structure. Liabilities and receivables due after more than one year have all been categorised as non-current.

in EUR k	31/12/2017	31/12/2016	Change	Change in %
Investment property/advance payments	3,400,784	2,215,321	1,185,463	53.5
Deferred tax assets	0	2,652	−2,652	−100.0
Other non-current assets	188,671	18,067	170,604	n/a
Financial assets	14,914	4,800	10,114	210.7
Cash and cash equivalents	201,476	68,415	133,061	194.5
Other current assets	29,903	35,508	−5,605	−15.8
Total assets	**3,835,748**	**2,344,763**	**1,490,985**	**63.6**
Equity	1,936,560	1,009,503	927,057	91.8
Non-current liabilities	1,556,459	1,009,406	547,053	54.2
Deferred tax liabilities	272,736	217,713	55,023	25.3
Current liabilities	69,993	108,141	−38,148	−35.3
Total equity and liabilities	**3,835,748**	**2,344,763**	**1,490,985**	**63.6**

At EUR k 3,400,784, the asset side is dominated by investment property as well as advance payments made towards them. Compared to the previous year, the proportion of investment property in the total assets decreased from 94% to 89%, due primarily to the goodwill resulting from the WCM transaction and higher cash and cash equivalents.

The development of investment property is the result of fair value adjustments (EUR k 218,610), acquisitions (EUR k 204,931), additions from the takeover of WCM (EUR k 799,948), the capitalisation of construction activities (EUR k 16,018) and reclassifications as assets held for sale (EUR k 71,025). The increase in other non-current assets compared to the previous year is due largely to the derivative goodwill from the WCM transaction.

Cash increased by EUR k 133,061 to EUR k 201,476 in the reporting period, due primarily to the issuance of the bond in November 2017 and the other capital measures in 2017.

Compared to the previous year, the equity of the Group has increased by EUR k 927,057 to EUR k 1,936,560. The increase in equity is due to the issuance of new shares as part of the takeover of WCM, the capital increases in January and November 2017 (which generated gross proceeds of EUR k 262,109) and the net income of EUR k 284,373, although the payment of a dividend of EUR k 59,340 had the opposite effect.

in EUR k	31/12/2017	31/12/2016	Change	Change in %
Equity	1,936,560	1,009,503	927,057	91.8
Total equity and liabilities	3,835,748	2,344,763	1,490,985	63.6
Equity ratio in %	**50.5**	**43.1**	**7.4 pp**	

Compared to the previous year, the equity ratio increased by 7.4 percentage points to 50.5%, due primarily to the increase in equity.

Overall, the liabilities of the TLG IMMOBILIEN Group have increased by EUR k 563,928 or 42%.

Non-current liabilities, including deferred taxes, increased by EUR k 602,076 in the 2017 financial year and represent 96% of liabilities. This is essentially due to the issuance of the bond with a nominal value of EUR k 400,000 and the consolidation of WCM. The loan repayments carried out as part of the refinancing measures had the opposite effect.

Current liabilities decreased by EUR k 38,148, largely as a result of the current liabilities due to financial institutions and the changes to the maturity structure of the liabilities due to financial institutions.

All liabilities due to financial institutions are secured by mortgages.

2.3.4 Financial performance indicators

FFO development

in EUR k	01/01/2017–31/12/2017	Previous calculation methods 01/01/2017–31/12/2017	01/01/2016–31/12/2016	Change	Change in %
Net income	**284,373**	**284,373**	**94,109**	**190,264**	**202.2**
Income taxes	22,955	22,955	34,507	−11,552	−33.5
EBT	307,327	307,327	128,616	178,711	138.9
Result from the disposal of investment property[1]	−2,681	−2,681	−6,103	3,422	−56.1
Result from the disposal of real estate inventories	120	120	−10	130	n/a
Result from the remeasurement of investment property	−218,609	−218,609	−39,860	−178,749	448.4
Result from the remeasurement of derivative financial instruments	−5,664	−5,664	−299	−5,365	n/a
Depreciation and amortisation	466	111	145	321	221.4
Attributable to non-controlling interests	−729	−729	0	−729	0
Other effects[2]	25,076	25,076	747	24,329	n/a
Income taxes relevant to FFO	−2,633	−3,005	−6,359	3,726	−58.6
FFO	**102,673**	**101,946**	**76,877**	**25,796**	**33.6**
Average number of shares outstanding in thousands[3]	79,681	79,681	67,432		
FFO per share in EUR	**1.29**	**1.28**	**1.14**	**0.15**	**13.2**

[1] Including the expenses from the adjustment of the proceeds of EUR k 278 from the disposal of Gewerbepark Grimma in 2016, held as an investment; recognised in other operating income in the consolidated statement of comprehensive income.
[2] The other effects include:
(a) personnel restructuring expenses (EUR k 375; previous year EUR k 477),
(b) transaction costs (EUR k 8,043; previous year EUR k 957),
(c) refinancing costs / repayment of loans (EUR k 19,198; previous year EUR k 0),
(d) income from the liquidation of the subsidiary Wirkbau (EUR k 82; previous year EUR k 0),
(e) income from operating costs (statement surplus) in the previous year (EUR k 2,458; previous year EUR k 0),
(f) the reversal of provisions for reclaimed subsidies (EUR k 0; previous year EUR k 404),
(g) the reversal of the provision for liabilities arising from purchase agreements (EUR k 0; previous year EUR k 283).
[3] Total number of shares as at 31 December 2016: 67.4 m, as at 31 December 2017: 102.0 m. The weighted average number of shares was 67.4 m in 2016 and 79.7 m in 2017.

Funds from operations (FFO) are a key performance indicator for the TLG IMMOBILIEN Group.

FFO is a key indicator used by companies with properties in the real estate sector to judge their long-term profitability. The figure is essentially the result of the net income for the period adjusted for the result from disposals, property measurement and the measurement of derivative financial instruments, deferred taxes and extraordinary items.

In January 2018, the tax office made TLG IMMOBILIEN AG aware of significant trade and corporation tax loss carryforwards. As a result, TLG IMMOBILIEN considers the influence of the income tax burden negligible in the event of changes to FFO. For this reason, the FFO calculation for 2017 was adapted in order to simplify the inclusion of taxes on income in particular. Now, the income tax burden on FFO can be calculated using a fixed percentage rate derived from historical data as well as the average expected tax burden in a future five-year planning period. This rate is currently 2.5%. Besides simplifying the calculation and making it easier to understand, an important objective is to ensure that the figure remains comparable regardless of fluctuations caused by tax legislation or special items.

Furthermore, depreciation and amortisation as recognised in the statement of profit or loss will now be treated as entirely separate from net income in the FFO calculation, instead of the current practice of only balancing out depreciation of owner-occupied properties. In doing so, TLG IMMOBILIEN is following the practices in the market.

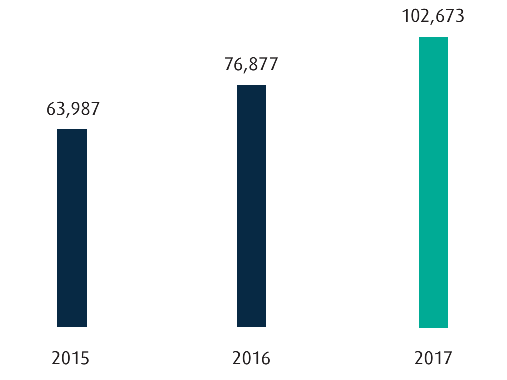
FFO was EUR k 102,673 in 2017 and was therefore 33.6% or EUR k 25,796 higher than the comparable value for 2016. FFO per share was EUR 1.29 and therefore significantly higher than in the same period in the previous year despite the increased number of shares resulting from the capital increases in 2017.

In the 2016 annual report, TLG IMMOBILIEN predicted that its FFO in 2017 would be between EUR 84 m and EUR 86 m. This forecast was last revised upwards to between EUR 90 m and EUR 92 m plus the proportionate gains of approximately EUR 5 m from the consolidation of WCM. As a result, the FFO forecast for 2017 was surpassed. This was essentially caused by the income tax loss carryforwards identified for TLG IMMOBILIEN AG and the unexpectedly high net operating income from letting activities. The latter was largely the result of the unexpectedly high proportion of operating costs that could be recharged to tenants.

FFO has developed as follows compared to the last three years:

Funds from operations (FFO)

in EUR k



FFO is an important indicator for the performance of the company going forward.

Net Loan to Value (Net LTV)

in EUR k	31/12/2017	31/12/2016	Change	Change in %
Investment property (IAS 40)	3,383,259	2,215,228	1,168,031	52.7
Advance payments on investment property (IAS 40)	17,525	93	17,432	n/a
Owner-occupied property (IAS 16)	6,868	6,109	759	12.4
Non-current assets classified as held for sale (IFRS 5)	9,698	19,174	−9,476	−49.4
Inventories (IAS 2)	762	1,103	−341	−30.9
Real estate assets	**3,418,112**	**2,241,708**	**1,176,404**	**52.5**
Interest-bearing liabilities	1,541,692	1,040,412	501,280	48.2
Cash and cash equivalents	201,476	68,415	133,061	194.5
Net debt	**1,340,216**	**971,997**	**368,219**	**37.9**
Net Loan to Value (Net LTV) in %	**39.2**	**43.4**	**−4.2 pp**	

As a ratio between net debt and real estate assets, the Net LTV is a key performance indicator for the company. It was 39.2% in the Group as at the reporting date. The long-term ceiling of 45% for the Net LTV announced most recently in the 2016 annual report was adhered to. The main reasons for the 4.2 percentage point decrease in spite of the successful growth were the capital increases in exchange for cash contributions and the highly positive result from the remeasurement of investment property.

EPRA Net Asset Value (EPRA NAV)

in EUR k	31/12/2017	31/12/2016	Change	Change in %
Equity of the shareholders of TLG IMMOBILIEN	1,897,636	1,009,503	888,133	88.0
Fair value adjustment of fixed assets (IAS 16)	8,807	5,327	3,480	65.3
Fair value adjustment of real estate inventories (IAS 2)	1,174	1,443	−269	−18.6
Fair value of derivative financial instruments	1,813	18,089	−16,276	−90.0
Deferred taxes[1]	367,983	218,933	149,050	68.1
Goodwill from deferred taxes	−48,901	−1,164	−47,737	n/a
EPRA Net Asset Value (EPRA NAV)	**2,228,512**	**1,252,131**	**976,381**	**78.0**
Number of shares in thousands	102,029	67,432		
EPRA NAV per share in EUR	**21.84**	**18.57**		
Adjustment of remaining goodwill	−115,823	0	−115,823	0
Adjusted EPRA Net Asset Value (EPRA NAV)	**2,112,689**	**1,252,131**	**860,558**	**68.7**
Number of shares in thousands	102,029	67,432		
Adjusted EPRA NAV per share in EUR	20.71	18.57		

[1] For reasons of simplicity, the net total of all deferred tax assets and liabilities was balanced out in the 2016 annual report. The calculation is now closely based on the specifications of the EPRA and only neutralises deferred tax assets and liabilities attributable to investment property and derivative financial instruments. The EPRA NAV for 2016 has also been adjusted in the same way.

The EPRA Net Asset Value (EPRA NAV) is another key performance indicator of TLG IMMOBILIEN. It discloses a net asset value on a consistent basis that can be compared with other companies.

TLG IMMOBILIEN is also reporting an adjusted EPRA NAV for the first time in 2017. The difference is that all recognised goodwill is neutralised instead of just the goodwill attributable to deferred taxes.

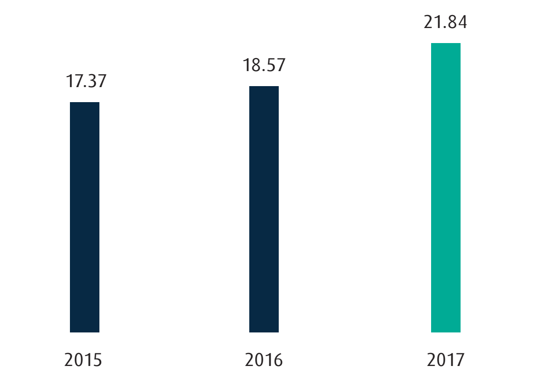
The EPRA NAV was EUR k 2,228,512 at the end of 2017, which equates to an EPRA NAV per share of EUR 21.84. The EPRA NAV has increased by EUR k 976,381 compared to 31 December 2016.

The increase was essentially due to the increase in equity (largely through the takeover of WCM AG), the capital increases in exchange for cash contributions carried out in 2017 and net income of EUR k 284,373. The net income was largely influenced by the successful course of business, the positive development of the value of the property portfolio and the recognition of income tax loss carryforwards by TLG IMMOBILIEN AG. The payment of a dividend of EUR k 59,340 to the shareholders had the opposite effect.

The EPRA NAV per share developed as follows compared to the last three years:

EPRA NAV per share

in EUR



2.3.5 Non-financial performance indicators

TLG IMMOBILIEN does not directly use non-financial performance indicators to manage the company. However, the management is aware that the satisfaction of the company's staff and clients as well as its good reputation as a reliable partner in the real estate sector is extremely important for long-term success in the market.

As at 31 December 2017, TLG IMMOBILIEN had 137 employees (previous year 111), not including trainees or inactive contracts. The increase in the number of staff is due primarily to the takeover of WCM and the recruitment of new employees. The average length of service at TLG IMMOBILIEN is 12.5 years.

As a modern, attractive company with a clear growth strategy, it is the stated objective of the company to qualitatively and quantitatively strengthen its team by recruiting specific personnel. In 2017, the company recruited 14 new members of staff.

The further professional and personal development of staff is a key component of personnel management. In order to expand the knowledge and skills of its personnel, the company promotes advanced training courses and occupational studies, and regularly organises specialised workshops designed to refresh its employees' knowledge.

TLG IMMOBILIEN AG also trains its staff for its own requirements. In the future, the company will continue to provide cooperative education in business administration, with a particular focus on the real estate sector, and apprenticeships.

In addition to a corporate culture that favours rapid decision-making processes, the company provides optimal working conditions at modern locations with flexible working hours and attractive benefits, such as a job ticket, food allowance or accident insurance.

In 2017, TLG IMMOBILIEN AG carried out an employee survey for the third time in a row. The outstanding level of participation once again signals the interest of the staff in continuing to help shape the development of TLG IMMOBILIEN AG. The majority of its employees see TLG IMMOBILIEN AG as an extremely attractive employer and are proud of their company. Almost all employees are aware of how they are contributing to the overall success of the company. Overall, the perceived attractiveness of TLG IMMOBILIEN has increased further compared to the previous year.

TLG IMMOBILIEN traditionally maintains good long-term relationships with its tenants. This is reflected in long-term rental agreements with stable rental income. Thanks to the offices of TLG IMMOBILIEN in Berlin, Frankfurt/Main, Dresden, Erfurt, Leipzig and Rostock, the company has outstanding regional networks. The staff in these branches have solid market experience and close relations with a number of private and institutional market participants. This allows TLG IMMOBILIEN to present itself as a reliable long-term partner to commercial tenants, investors and local authorities.

TLG IMMOBILIEN is aware of the political significance of the real estate sector. It is therefore an active member of the German Property Federation (ZIA), Germany's leading property federation and the only one to be represented in the Federation of German Industry (BDI). Additionally, Niclas Karoff is the spokesperson for the regional board of the ZIA in eastern Germany.

TLG IMMOBILIEN remains a member of the European Public Real Estate Association (EPRA) in order to support the promotion, development and representation of the European public real estate sector. Peter Finkbeiner is a member of the advisory board of this European association.

Additionally, TLG IMMOBILIEN has been a member of the German Corporate Governance Initiative of the real estate sector (Initiative Corporate Governance der deutschen Immobilienwirtschaft e.V.) since 2016. Its objective is to boost professionalism with regard to transparency and the quality of corporate development and regulation.

3. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

3.1. REPORT ON RISKS AND OPPORTUNITIES

3.1.1 Risk management system

TLG IMMOBILIEN is exposed to constantly changing general economic, technical, political, legal and societal conditions that could impede the achievement of its targets or the implementation of its long-term strategies. However, business opportunities can also arise. TLG IMMOBILIEN AG has a risk management system in place to enable early detection, monitoring and assessment of the risks typical for the industry. This meets the legal requirements (AktG, KonTraG) as well as the requirements of the Corporate Governance Code.

This system continuously assesses and monitors risks in order to counter ominous developments before they occur. The risk management system monitors and assesses the risks in processes, and the internal auditors monitor and assess the general risks. Suitable adjustments are made when the general situation changes. The auditor also audits the early risk detection system together with the annual financial statements in accordance with Sec. 317 (4) HGB.

There were no significant changes in the organisation and processes of the risk management system in 2017.

TLG IMMOBILIEN has been the owner of approximately 85.9% of the share capital and voting rights of WCM Beteiligungs- und Grundbesitz-AG since 6 October 2017. On 9 February 2018, a domination agreement between the two companies was registered in the commercial register of Frankfurt/Main, with TLG IMMOBILIEN AG as the controlling entity.

In this context, the estimated risks of WCM as at 31 December 2017 were compiled with the risks of TLG IMMOBILIEN AG in its risk management system in order to produce an overall assessment for the Group.

The risk management systems of WCM and TLG IMMOBILIEN are due to be fully integrated and unified in 2018.

As an integral component of all corporate processes, the risk management system follows an iterative cycle with the following processes:

- Risk identification
- Risk analysis and quantification
- Risk communication
- Risk management
- Risk control

Risk identification

Risks are identified in the departments of TLG IMMOBILIEN using the “bottom-up” method. The risk situation from the perspectives of the various departments and to which TLG IMMOBILIEN as a whole is exposed, is assessed, discussed and summarised by risk management and the risk officers.

Using the summarised information provided by the risk officers, risk management of TLG IMMOBILIEN then compiles an inventory of risk by grouping the individual risks into risk types.

In terms of organisation and human resources in the field of controlling, the risk management is based at the main offices of TLG IMMOBILIEN. However, the various departments of the Group are also involved due to the expertise required to deal with the major risk factors on a daily basis.

Besides the risk officers, all employees of the company can and are obliged to immediately submit an urgent risk report – together with substantial proposed measures – to the risk managers and Management Board if they should become aware of any extraordinary circumstances.

Risk analysis and quantification

All risks were assessed on a quarterly basis, with a risk horizon of twelve months and on the basis of the potential loss and probability of occurrence. The probability of occurrence was quantified as follows:

- Negligible: 0 to 10%
- Low: > 10 to 25%
- Medium: > 25 to 50%
- High: > 50%

The potential losses were categorised as follows:

- Negligible: up to EUR 0.3 m
- Low: > EUR 0.3 m to EUR 1.0 m
- Medium: > EUR 1.0 m to EUR 5.0 m
- High: > EUR 5.0 m to EUR 10.0 m
- Very high: > EUR 10.0 m

The reference values for the estimation of each loss were derived from the business plan.

The loss categories and probabilities of occurrence produce a 16-field matrix. This matrix converts the analysis into a specific amount of damage, i.e. the value at risk. The value at risk of TLG IMMOBILIEN is calculated by the risk management by aggregating the various risk types. Risks with an extremely high potential loss in excess of EUR 10.0 m are outside of the 16-field matrix and are monitored particularly closely.

The changes to the aggregate total risk of TLG IMMOBILIEN (the value at risk) are measured in line with IFRS based on the equity of the TLG IMMOBILIEN Group, on a quarterly basis and relative to the last quarterly or annual financial statements. Covenant agreements, which are a component of many loan agreements of TLG IMMOBILIEN, are taken into consideration. These agreements normally set out a minimum equity ratio which the company must maintain.

The aggregate value at risk was always lower than its reference value in the financial year. The existence of the company was not in jeopardy during the financial year.

Risk communication
Besides an annual risk report on the development of each risk in the financial year ended, the Management Board of TLG IMMOBILIEN receives quarterly reports on the risk situation of the company. These reports cover all risk types. Any urgent risk reports that were filed are brought to the attention of the Management Board immediately and documented in the monthly control report.

The quarterly report contains information on the aggregate value at risk as well as key changes in significant risks. Significant risks include risks with medium, high or very high potential losses and probabilities of occurrence.

Risk management
Measures designed to avoid, prepare for, limit, reduce, pass on or compensate for risks are an active component of the risk management system.

The conception of risk-reducing measures is an important component of the risk management system of TLG IMMOBILIEN. These measures and their degree of success are documented.

Risk control
The plausibility of changes to the estimated risks is examined by risk management. On an annual basis, the risk management checks the suitability of the existing risk management system for the business model of TLG IMMOBILIEN. If necessary, conceptual changes and developments take place.

The internal auditors ensure that the documentation, assessment and reporting processes of the risk management system are effective and in order. If any process should prove to be unsatisfactory, recommendations are made on how to proceed.

A scheduled audit of the risk management system was carried out in the 2017 reporting year.

3.1.2 Risk report and individual risks

The business activity of TLG IMMOBILIEN has intrinsic risks of a general economic nature as well as risks specific to the real estate sector. TLG IMMOBILIEN has no control over the risks of economic fluctuations or the risks of the capital and property markets. These are dependent on a range of factors such as interest rates, inflation, the general legal situation, rents and changes in demand in the transaction market. This can result in far-reaching effects on, among other aspects, property values, the letting situation, transaction volumes and liquidity.

In the following, individual risks will be described as a part of the risk management system which can have significant influence on the net assets, financial position and cash flows of the Group. The risks have been separated into property-specific and company-specific risks.

Property-specific risks

Transaction risk

Besides the efficient operational management and development of the property portfolio, active portfolio management entails the expansion of the portfolio through attractive acquisitions and the disposal of properties that no longer fit in with the company's strategy. Disposals make a significant contribution to the optimisation of the company's financial and portfolio structures. If planned property disposals do not come to pass, there is a risk of additional management or unplanned consequential costs. Additionally, a risk can arise if purchase agreement obligations are not fulfilled or prove disadvantageous in sales processes. Purchase agreements can give rise to a bad debt risk when, for example, procedural costs are incurred in connection with unwinding or interest losses occur due to the delayed receipt of capital.

Risks can arise as part of property acquisitions if concealed defects in the property are not identified or contractual agreements are entered into that lead to additional expenditures. Likewise, if the acquisition falls through, the costs incurred by the acquisition process so far are at risk of being wasted.

To avoid or reduce marketing risks, the Group carries out real estate transactions using standard general process steps. These include the removal of obstacles preventing sales, the procurement of permits and the identification of contaminated sites and pollution, as well as reasonable due diligence during acquisitions. The transaction teams have standard contracts at their disposal to use as a basis for purchase contract negotiations. Acquisitions are subject to a predefined framework of strategic acquisition criteria and operative implementation requirements, for example in the form of due diligence processes. As at the reporting date, the potential loss of transaction risks was considered medium and the probability of occurrence low.

Loss of rent

TLG IMMOBILIEN endeavours to minimise the risk of bad debt by carefully selecting its contractual partners. Additionally, standard hedging instruments such as guarantees, fixed charges, suretyships, letters of comfort, deductions and deposits are used when necessary. Structured claims management is used to counter potential bad debt.

TLG IMMOBILIEN has a high-quality portfolio of properties and generates stable cash flows from rental income. Significant impairment of the cash flows, and thus also the financial position and financial performance of the company, can arise from a loss of payments from anchor tenants or insolvency on their part. Factoring in the risks of WCM, the bad debt risk from sales and leasing is considered to have a very high potential loss and a low probability of occurrence.

Vacancy risk
The vacancy risk is when a property cannot be leased or sub-leased at a reasonable price or at all. It is subject to economic fluctuations and market cycles which affect market rents and demand for space in particular. Such a development can have a negative effect on the letting situation and consequently on the planned development of the net operating income from letting activities as well as the funds from operations. TLG IMMOBILIEN minimises this risk by closely monitoring the market with extensive analyses of renting statistics (the preparation of market reports), continuously monitoring expiring rental agreements, regularly consulting real estate brokers, entering into long-term rental agreements and maintaining a presence on various media. The avoidance and reduction of risk also involves the timely identification and fulfilment of tenant requirements. In collaboration with tenants, areas of buildings are therefore converted regularly as part of new rental agreements or rental agreement extensions so as to meet the tenants' requirements. As the majority of the properties in the portfolio of TLG IMMOBILIEN are managed by employees of the Group, the company is in close contact with its tenants. Risk can also be reduced by the selective disposal of properties that no longer fit in with the strategy of TLG IMMOBILIEN. Factoring in the WCM risks causes the potential loss to increase from low to medium, yet the probability of occurrence remains low as at the reporting date.

Environment and contaminated sites
The risk of contaminated sites and the environmental risk are of significance in terms of the potential loss. For example, properties which prove to have contaminated sites – which were previously unknown – will lead to unexpected additional expenses in connection with removing any danger to public order and safety in line with the current laws and regulations. This also includes the risk under Sec. 4 (6) of the German Federal Soil Protection Act (BBodSchG). Under the Federal Soil Protection Act, as the previous owner of a plot of land, TLG IMMOBILIEN is obliged to redevelop the land if ownership thereof was transferred after 1 March 1999 and if TLG IMMOBILIEN was or had to have been aware of harmful soil changes or contamination (eternal liability). This is also the case if the current owner cannot be called on to redevelop the land due to a lack of assets. In general, there are public declarations of exemption for environmental contamination of land in the portfolio of TLG IMMOBILIEN caused before 1 July 1990; therefore, the company is not exposed to any significant risks. Environmental contamination caused after 1 July 1990 has either been factored into the measurement of the property (thus reducing its value) or is not considered significant. If an environmental or pollution risk should arise, this could potentially have a significant influence on the net assets, financial position and financial performance of the company. The potential loss of the environmental risk and the risk of contaminated sites is still considered extremely high, yet the probability of occurrence is considered negligible.

Operational management
Operational management encompasses the risks resulting from operating costs to be borne by TLG IMMOBILIEN, from maintenance and from failure to maintain safety in the properties.

By continuously analysing changes in vacancy rates and contractual conditions with suppliers and service providers, TLG IMMOBILIEN strives to counter the potential risk of operating costs. Factoring in the risks of WCM, the potential loss has been upgraded from low to high due to the partially insufficient records for recently acquired properties. The probability of occurrence is considered low.

The risk that necessary maintenance measures cannot be completed on time, thus resulting in unforeseen disruptions to technical or structural equipment, is always a factor. If defects are identified late or not at all or if the need for maintenance is inaccurately gauged, this can result in higher expenses than expected, which will affect the cash flows of the company. To minimise this risk, the properties are regularly inspected by employees or technicians who can promptly identify any defects and hold a regular dialogue with each tenant. As at the reporting date, the potential loss of this risk was still negligible and its probability of occurrence had fallen from medium to negligible.

The risk from failure to maintain safety arises if the owner of the property fails to fulfil its duty to secure local sources of danger that might illegally damage the life, health, freedom or property of another person. The regular inspections also allow TLG IMMOBILIEN to fulfil its duty to maintain safety on the premises. The potential loss has increased from negligible to medium due to ongoing technical measures, yet the probability of occurrence has fallen from medium to negligible due to constant inspections, prompt service and repairs and the safety inspections.

Investments

TLG IMMOBILIEN pursues an investment strategy which continuously optimises and increases the value of its property portfolio through renovations for tenants, modernisation measures and, to a certain extent, new builds. Such investment activities can involve risks of overspending, delayed completion, structural defects and the loss of construction crew contractors. TLG IMMOBILIEN counters these risks by continuously checking the creditworthiness and reliability of construction companies and business partners and by hedging with guarantees. The implementation entails extensive project management, regular inspections on site, consistent follow-up management and strict deadline management.

The opportunity to claim subsidies (e.g. investment subsidies and grants) occasionally arises as part of the real estate business. If a subsidy is accepted but its conditions are not met, repayment claims can be filed against the recipient of a subsidy in subsequent years. Therefore, TLG IMMOBILIEN regularly checks to ensure that it is meeting the conditions of ongoing subsidy agreements. If such a risk arises, it can have a negative impact on the net assets, financial position and cash flows of the company.

If insufficient investments are made, this can have a negative impact on the net assets, financial position and cash flows of the company as well as on its growth strategy. The probability of occurrence is still considered low and the potential loss is considered medium.

Property measurement

The fair value of the property portfolio is subject to fluctuations caused by external and property-specific factors. Key external factors with significant influence over measurement gains and losses are the market rent and interest rates, as well as the general demand for properties as an asset class. Property-specific factors are primarily the rental situation and the condition of the property. Even a small deviation from the previous market value of the property portfolio represents a high potential loss and can have a considerable impact on the statement of comprehensive income and significantly impair the net assets of the company.

The properties of the Group are regularly and systematically evaluated by independent external experts in order to identify problematic developments as quickly as possible. In order to reduce the measurement risk, TLG IMMOBILIEN also carries out tenant-oriented property management, performs necessary renovations and other technical measures for tenants and implements consistent portfolio optimisation in line with its strategy. In the 2017 financial year, the fair value calculation found no indications of a significant decrease in the value of the property portfolio.

Due to the currently good letting situation and the persistently favourable market conditions, the probability of occurrence of the property measurement risk – also including WCM – remains medium.

Company-specific risks

Investment risk

The investment risk encompasses all risks resulting from not fully consolidated interests. It also encompasses risks in connection with fully consolidated interests of TLG IMMOBILIEN, provided that they cannot be allocated to any other risk type. This includes, for example, risks posed by complex investment structures which require increased transparency and management in order to preclude negative effects on the course of business of the Group. Additionally, risks can arise if administration or management services are rendered externally or if corrections need to be made to the statement of financial position, especially as a result of share deals. This can significantly affect the net assets and financial position of the company. TLG IMMOBILIEN can counter these risks by defining external management services and integration risks with clear processes. Comprehensive due diligence can minimise the likelihood of the statement of financial position requiring correction.

Through the takeover of WCM AG, TLG IMMOBILIEN generated goodwill, the long-term value of which is considered risky. The long-term value of the goodwill is essentially dependent on adherence to plans for future years, the general market and sector developments, interest rates and the markets. Annual impairment tests are carried out in order to verify the value of the goodwill. The potential loss of the risk is considered very high, although the probability of occurrence is considered low due to the currently positive market assessments.

Financing

The growth strategy of TLG IMMOBILIEN will require additional loans in the future. The conditions and the availability of financing depend significantly on the changes in interest rates and the general banking and market environments. Thus, higher financing costs may arise for the company in connection with external financing instruments if, for example, fixed interest rates are agreed at the wrong time or not at all. Financial risks can also result from the transaction costs of equity and external financial instruments if, in spite of preparations, they fail to materialise or if the actual transaction costs are higher than expected (e.g. with capital market measures). Likewise, if the markets in which the banks operate begin to slow down, this could make banks more cautious about providing credit or cause them to increase their rates. These changes in the general conditions could negatively affect the financial position and cash flows of the company.

Other financing risks might arise if the contractual terms of finance agreements (e.g. covenants), terms and conditions of capital market measures or ratings figures are not adhered to. The company covers the risk of a breached covenant by regularly inspecting the covenants and, if necessary, taking steps to adhere to the covenants. No significant covenants were breached in 2017.

In light of WCM, the potential loss has been upgraded from negligible in the previous year to medium, whereas the probability of occurrence has been downgraded from high to medium.

Due to the moderate debt ratio with regard to the fair value of the properties, TLG IMMOBILIEN continues to consider itself fully eligible for financing, even for more restrictive loan conditions.

Liquidity

The management of the Group pays special attention to liquidity in order to ensure that TLG IMMOBILIEN AG is always able to meet its payment obligations on time. In order to analyse future changes in liquidity, a liquidity forecast for at least six months is created for the expected cash flows and updated on a weekly basis. In the reporting year, the liquidity of TLG IMMOBILIEN was secure at all times. However, future liquidity shortages – e.g. due to unfavourable developments of macroeconomic factors – cannot be completely ruled out, which could result in negative effects on the financial position and cash flows of the company. In the context of the cash received from capital market measures, the probability of occurrence of the risk is considered low, although its potential loss is medium as unexpected losses of liquidity in the context of WCM cannot be ruled out.

Tax risk

The tax risk is the danger that unforeseen matters or incorrect tax documents affect the tax burden and thus the results and liquidity of the company. This applies to turnover and income tax in particular and includes the potential impact of the risk of changes to tax laws. During past audits, the financial authorities have never detected any omitted matters which could increase the tax burden of the company. The risk of significant changes to tax laws is considered low. The utilisation of a tax option requires that TLG IMMOBILIEN meet certain legal requirements in future periods as well so as to profit from the positive tax effects. If these statutory requirements are not met, the potential loss of the tax risk, including the potential loss from changes to the German Real Estate Transfer Tax Act (GrEStG), was considered high as at the end of the financial year. The probability of occurrence has increased from negligible to medium.

Legislative risk

The business activities of TLG IMMOBILIEN are affected by changes in the legal framework and to regulations. Fundamental changes in the legal framework, e.g. in landlord and tenant legislation, can lead to financial risks or increased expenses and therefore affect the financial position and cash flows of the company. These changes could negatively affect the image, the business activities and the financial position and cash flows of the Group. As there is no recognisable concrete, quantifiable risk from impending and/or expected changes to legislation or regulations, this risk has not been changed compared to the previous year and has been classified as negligible with a medium potential loss.

Personnel

Competent and motivated employees in an attractive working environment are essential to the success of TLG IMMOBILIEN. TLG IMMOBILIEN strengthens its attractiveness as an employer and counters any potential risk from insufficient personnel with measures such as performance and potential analyses to illustrate development perspectives, a performance-based remuneration system and additional benefits, as well as professional development opportunities. Another risk is that additional direct or indirect personnel expenses occur, in particular if employees do not meet expectations in terms of quality or quantity or are absent for extended periods due to illness. If skilled, committed and motivated employees and managers cannot be found, trained and retained, this can have a negative effect on the development of the company. In the context of the takeover of the staff of WCM, risks might arise due to insufficient qualitative or quantitative capacities or due to staff turnover, resulting in the potential loss having been upgraded from negligible to low and the probability of occurrence from negligible to medium.

Costs of litigation and deadlines

TLG IMMOBILIEN generally faces the risk that the costs of legal disputes, legal advice, contract reviews and comparisons will increase more than expected. Additionally, it faces the risk that deadlines are not adhered to. Provisions have been established against risks from ongoing litigation. Deadlines are documented in a litigation database and in a separate calendar. These deadlines are monitored regularly.

Due to the takeover of WCM, there is a risk of a legal challenge in connection with the domination agreement entered into with WCM. Therefore, the potential loss and probability of occurrence increased from negligible in the previous year to medium.

Press and image

The business activities of TLG IMMOBILIEN can be impeded by negative representations in the media to such an extent that the revenue of the company is jeopardised. This can damage the TLG IMMOBILIEN brand and lower the price of its shares. The public image of TLG IMMOBILIEN is to be strengthened and improved, predominantly by means of media communication and transparency in the market, i.e. with regard to property transactions and increased leasing. Due to the positive image of TLG IMMOBILIEN on the capital market and the careful preparation of documents due to be published, the probability of damage to the image of the company continues to be considered negligible, although the potential loss is very high.

Data and IT risks, risks from force majeure

All aspects of business require the careful use of data. As data are entered into a variety of IT systems, the data can be falsified, deleted or wrongly interpreted due to application errors, the failure to follow bookkeeping and/or work instructions, interference by third parties or external influences. Even an IT system migration can lead to significant defects in data and in turn inaccurate conclusions for internal and external reports when the data are processed. This can lead to massive disruptions in the course of business and cause unfavourable conclusions to be drawn and decisions to be made. Likewise, the data in databases are at risk of falling into the wrong hands and being misused to the detriment of TLG IMMOBILIEN. This can lead to negative effects on the business activities of the company. The risk concerns both internal confidentiality and protection against external third parties. The risk therefore concerns the entirety of the data protection regulations, both technical and organisationally, as well as the general misuse of data.

In order to reduce this risk, access privileges are regularly inspected and regular plausibility checks are carried out. The company also has detailed procedures and guidelines. The IT system used for accounting purposes is audited by the auditor on an annual basis as part of the audit of the consolidated financial statements and annual financial statements.

Following the takeover of WCM, the data quality risk has been upgraded to very high in terms of the potential loss due to the provision of some data by third-party service providers. As a result, the probability of occurrence has increased from negligible to medium.

Both aspects of the data protection risk are still considered negligible as an information security management system (ISMS) is in place. The preservation of confidentiality is a major component of this system. Other data protection measures such as secure passwords and a structured access privilege assignment and revocation process are in place as part of the ISMS and are applied consistently.

Another risk is that force majeure (e.g. natural disasters, fire or burglars) could cause structural damage or disruptions and damage, destroy or steal office equipment, resources or documents – and the company is not sufficiently covered by its insurance. In order to counter this risk, the company actively implements fire and theft prevention measures at all business locations by means of secure access, alarms, regular data backups and security guards. As in the previous year, the risk is considered negligible as the company normally has sufficient insurance cover.

Internal and external offences

Internal and external offences lead directly to financial damage and/or losses through image damage. The damage ranges from damage caused by internal manipulation (e.g. fraud, embezzlement, theft of cash) to external cases of fraud such as the manipulation of sales, invitations to tender and the awarding of contracts. This also includes offences in connection with the company's position on the market (insider trading). The inclusion of WCM has caused the potential loss to increase from negligible to medium as processes and structures still have to be adapted to meet Group standards. Due to the dual-control principle which is applied to all transactions and the company's internal approval and control system, this risk is still considered negligible. Employees are regularly trained in issues of compliance.

3.1.3 Internal control and risk management system for the accounting process

The Management Board of TLG IMMOBILIEN is responsible for the proper preparation of the consolidated financial statements and the annual financial statements. To ensure their proper preparation, an accounting-related internal controlling and risk management system is required. The internal control and risk management system is designed to ensure that business events are correctly and completely accounted for and disclosed in accordance with legal requirements, generally accepted accounting principles, the International Financial Reporting Standards (IFRS) as well as internal guidelines, in order to give the readers of the consolidated financial statements and annual financial statements an accurate representation of the company. TLG IMMOBILIEN has set up an internal control system under observance of decisive legal guidelines and standards typical for the industry and a company of its size. The system comprises a variety of control mechanisms and is an essential component of the business processes. The control mechanisms are subdivided into integrated mechanisms and downstream controls. The integrated mechanisms include, for example, technical controls secured by the system, internal guidelines, the dual-control principle for high-risk business processes and the documentation of all business transactions. Moreover, regular downstream checks are carried out in the form of, among others, monthly internal reporting, analyses of significant items in the statement of profit or loss or the statement of financial position and budget checks.

All of the responsibilities as part of the accounting process are clearly defined. The accounting department is an expert partner for specialised issues and complex accounting matters, and it consults external expert advisers on individual issues if necessary. The dual-control principle – which features a clear separation of the roles of approval and execution – is a central element of the accounting process. The accounting process is supported by IT software which controls the privileges of the users in accordance with the requirements of the internal guidelines. The Group has central accounting and central controlling. The internal accounting and allocation regulations of the Group are regularly examined and, if necessary, adjusted.

The Group auditing department is an independent organisational unit and is not involved in the operative business activities. It monitors the compliance of processes and the effectiveness of the internal control and risk management system. This includes accounting processes and the operative business activities being examined in topic-oriented checks.

The auditor of the financial statements audits the risk management system and internal control system as part of the audit of the consolidated financial statements and annual financial statements. Amongst other things, the Supervisory Board and its audit committee are involved with the accounting process, the internal control system and the risk management system. They use the results of the auditor of the annual financial statements and the auditing department as a basis for monitoring the effectiveness of the internal control and risk management system, especially with regard to the accounting process.

3.1.4 Risk management in relation to the use of financial instruments

Dealing with risks as regards the use of financial instruments is regulated by guidelines at TLG IMMOBILIEN. In accordance with these guidelines, derivative financial instruments are used exclusively for hedging loans with variable interest rates and not for trading purposes. There is generally an economic hedging relationship between the underlying transaction and the hedging transaction.

For the purpose of risk monitoring and limitation, the market values of all interest rate hedges are assessed on a monthly basis. The risk of bad debt on the part of the banks with which the interest rate hedges were created is considered low, as all of the banks have a sufficiently high credit standing. The recognition of valuation units in the statement of financial position was discontinued in 2017.

As it is safely hedged against the variable cash flows, TLG IMMOBILIEN is exposed to a negligible liquidity risk.

3.1.5 General risk situation

The Management Board of TLG IMMOBILIEN considers the aggregate value at risk over the course of the 2017 financial year as typical. Compared to the previous year, the risk situation has remained stable. Suitable preventive and, if necessary, countermeasures were taken whenever risks with a medium, high or very high potential loss and probability of occurrence were identified. None of the risks described above threaten the portfolios of the individual companies or the overall Group, either individually or in their entirety.

3.1.6 Opportunity report

Thanks to its profound understanding of local markets, TLG IMMOBILIEN has a strong, highly diversified portfolio in the property market throughout Germany. As an active portfolio manager, the company has an excellent network in the property market. Additionally, TLG IMMOBILIEN has decades of expertise which present attractive opportunities for the company to grow and opportunities for it to dispose of properties in line with its portfolio optimisation strategy.

The takeover of WCM by TLG IMMOBILIEN will present opportunities in the accelerated expansion of the established business model of TLG IMMOBILIEN, the strengthening of its existing portfolio and the expansion of its regional coverage in Germany. Essentially, opportunities might continue to arise from the expected synergies as well as the size-related increases in the efficiency of a combined company. The proven purchasing power of both companies and the excellent access of TLG IMMOBILIEN to growth capital can enable the combined entity to continuously increase the size of its portfolio throughout Germany.

Due to the persistently low interest rates, new financing and refinancing opportunities alike are available at favourable rates. At the same time, opportunities to issue financial instruments such as bonds – making it possible to pursue a flexible growth strategy – can be created through an active dialogue with the market and high transparency with regard to investors and analysts.

With regard to renting, TLG IMMOBILIEN ensures that demand from long-term, creditworthy tenants remains high by managing its property portfolio with a focus on its clients. This involves structural upgrades, for example by applying higher technological standards, which in turn can present new opportunities in terms of vacant space. Likewise, modernisation measures and renovations for tenants in the portfolio serve to increase client satisfaction and preserve the attractiveness of properties to the tenants. The long-term rental agreements in the portfolio of TLG IMMOBILIEN have an average remaining term of approx. 6.3 years.

Furthermore, some land could potentially be developed with building expansions or new buildings to add more space, which would increase the net income from letting activities of TLG IMMOBILIEN.

3.2 FORECAST REPORT

The forecasts in the forecast report are based on expectations. The development of TLG IMMOBILIEN depends on a number of factors, some of which cannot be controlled by the company. The forecasts of the forecast report represent the current expectations of the company. These forecasts are therefore subject to risk and uncertainty. The actual performance of TLG IMMOBILIEN may vary, either positively or negatively.

3.2.1 General economic conditions and property markets

Overall economy

As it forecast in autumn, the German government expects the economy to grow by 1.9% in 2018. The protracted formation of a government ever since the Bundestag elections on 24 September 2017 has not yet had a negative impact. The strong development of the global economy has been providing support by causing German exports of goods and services to grow by 4% in 2018, according to the forecast of the government. The stability in the job market has ensured that buyer confidence remains high. In light of the economic developments and persistently low interest rates, the general conditions remain positive for the real estate sector. Jones Lang LaSalle (JLL) therefore expects the volume in the transaction market to equal that of the previous year.

Office property market

JLL forecasts strong growth in space in 2018. It expects around 1.3 million sqm to be built or comprehensively renovated. The projects will be centred in Berlin and Munich with around 230,000 sqm and 293,000 sqm respectively. This increase in the supply of new buildings coincides with strong user demand: Of the total volume of all seven metropolises, around 62% is currently pre-let, rented out or owner-occupied. Around 38% or 490,000 sqm of new building space is still available for businesses in need of it. Therefore, rents will continue to rise in most cities.

Retail property market

Consumer confidence, measured on the GfK consumer climate index, had increased again by the start of 2018. According to Savills, growing actual wages, low unemployment and low interest rates were the key drivers and will remain so in 2018. Some elements of bricks-and-mortar retail are still being influenced by growing online retail, although food retail is hardly affected at all. As before, demand for German retail properties remains high on the part of investors, even if they are being more selective. Savills expects the volume of the transaction market to be EUR 14.1 bn (an increase of 2%) in 2018; roughly at the same level as in the previous year.

Hotel property market

According to the experts at BNP Paribas Real Estate, the general economic and political conditions have created a stable environment for investments in hotel properties. However, the supply remains bottlenecked. The high demand is currently being met with development projects and forward deals in particular: Around one quarter of the volume is attributable to projects and hotels under construction. Additionally, many hotels have been completed recently. The experts at BNP Paribas Real Estate expect the EUR 4 bn mark to be reached again in 2018.

3.2.2 Expected business developments

Assuming that the German economy and property markets on which TLG IMMOBILIEN is active remain stable or experience positive growth, the company expects its performance to remain positive.

Therefore, the company will continue to operatively manage its property portfolio with a view to generating value. Unless any major unforeseen circumstances occur, the company expects property-related expenses that must be borne by the owner to develop in relation to rental income as in 2017.

As an active portfolio manager, in 2018 TLG IMMOBILIEN plans to take advantage of the positive market environment and its strong position in its core markets to add new acquisitions that meet its quality and yield standards to its own property portfolio and dispose of non-strategic properties when the opportunities arise on the market.

The solid financing structure of the company and the historically low interest rates make it reasonable to expect TLG IMMOBILIEN to remain capable of obtaining debt at attractive rates in 2018. In 2018, there is little need to refinance; as a result, most debt obtained will be for the purposes of growth. TLG IMMOBILIEN intends to continue with its defensive approach to finance and expects a net LTV of up to 45% (previous year 39.2%).

Taking into consideration the currently contractually secured acquisitions, TLG IMMOBILIEN expects its funds from operations (FFO) in the 2018 financial year to be between EUR 125 m and EUR 128 m (EUR 102.7 m in 2017). This will make it possible to pay an attractive dividend to the shareholders. Potential acquisitions in 2018 could also increase the FFO for 2018.

TLG IMMOBILIEN expects the EPRA Net Asset Value, which is largely influenced by changes in the value of the property portfolio, to increase slightly by the end of the 2018 financial year. This will require the company to not incur any significant unforeseen expenses.

4. CORPORATE GOVERNANCE

4.1. DECLARATION ON CORPORATE GOVERNANCE

The declarations on corporate governance to be issued according to Sec. 289f and Sec. 315d HGB and the corporate governance report are available online at *https://ir.tlg.eu/corporategovernance* and *https://ir.wcm.de/en/#corporate-governance*. According to Sec. 317 (2) sentence 4 HGB, the disclosures under Sec. 289f and Sec. 315d HGB are not included in the audit carried out by the auditor.

4.2 PROPORTION OF WOMEN AND DIVERSITY

Following the entry into force of the German act on equal participation of women and men in executive positions in the private and public sector on 1 May 2015, listed companies are obliged to set future targets for the proportion of women on their management and supervisory boards as well as on the two management levels below the management board, and to set implementation deadlines within which they intend to reach their target proportion of women (targets and implementation deadlines).

Therefore, under Sec. 111 (5) AktG, the Supervisory Board must set the targets and implementation deadlines for the Management and Supervisory Boards of the company. With regard to the maximum duration of the deadlines, the first deadline to be set may not extend beyond 30 June 2017.

In its meeting on 25 September 2015, the Supervisory Board decided the following:

The minimum proportion of women on the Supervisory Board of TLG IMMOBILIEN AG is 16.67% and the proportion of women may not fall below this target before 30 June 2017. The company adhered to this target.

In its meeting on 23 May 2017, the Supervisory Board set the target proportion of women on the Supervisory Board at 16.67%. Due to the resignation of Ms Elisabeth Talma Stheeman with effect from 29 January 2018 and the judicial appointment of Mr Stefan E. Kowski as a new member of the Supervisory Board, this target is currently not being met by the Supervisory Board.

Initially, the minimum proportion of women on the Management Board of TLG IMMOBILIEN AG shall remain at 0% for the implementation deadline ending on 30 June 2022. Both members of the Management Board are male.

In line with Sec. 76 (4) AktG, the Management Board must set the targets and implementation deadlines for the proportion of women on the first and second management levels beneath the Management Board.

With regard to the minimum proportion of women on the first and second levels of management beneath the Management Board and according to Sec. 76 (4) AktG, the targets were set at 11.11% for the first level beneath the Management Board and 30% for the second level beneath the Management Board in the meeting held on 30 September 2015. The company met this target with regard to the first management level and only fell short slightly in the first six months of 2017 (10%). Otherwise, the targets were met.

In its meeting on 29 June 2017, the Management Board decided the following:

In line with Sec. 76 (4) AktG, the minimum proportion of women on the first management level below the Management Board is 10% and the minimum proportion of women on the second management level below the Management Board is 30%; neither may fall below this target before 30 June 2022.

At present, the company has no specific diversity concept in place in the sense of Sec. 289f (2) no. 6 HGB beyond the diversity-related targets for the composition of the Management Board and Supervisory Board described in the declaration on corporate governance. The Supervisory Board intends to prepare a profile of skills and expertise over the course of 2018 and examine an expansion of the diversity criteria at the same time.

4.3 REMUNERATION REPORT

The Remuneration Report explains the structure and the amount of remuneration allocated to the Management and Supervisory Boards. It complies with the statutory regulations and the recommendations of the German Corporate Governance Code.

4.3.1 Foreword

The Supervisory Board defines the total salary of each member of the Management Board and adopts the remuneration system for the Management Board and examines it regularly.

The remuneration system has not changed since 2014.

4.3.2 Management Board remuneration system

The remuneration system factors in the joint and personal work of the members of the Management Board to ensure sustainable corporate success. The remuneration system is based on performance and success, in which regard long-term orientation, suitability and sustainability are key criteria.

The remuneration of the Management Board comprises a fixed remuneration component (base remuneration), a variable remuneration component with a short-term incentive (STI) and a variable remuneration component with a long-term incentive (LTI), which was provided for the first time in 2015.

The Supervisory Board set out the initial levels of the LTI for 2017 in its meeting on 7 March 2017. It did the same for 2018 in its meeting on 21 March 2018.

in EUR k	**Peter Finkbeiner**	**Niclas Karoff**
Base remuneration	300	300
Short-term variable remuneration (STI)	200	200
Long-term variable remuneration (LTI)	250	250
Total remuneration	**750**	**750**

Fixed remuneration component

The base remuneration is paid out to the members of the Management Board in twelve equal monthly instalments.

On top of the base remuneration, the members of the Management Board receive contractually defined additional benefits[1]. Furthermore, the company has taken out industrial accident insurance which pays out benefits if a member of the Management Board should become ill or die (in which case the benefits are paid to the member's surviving dependants), pension insurance and financial loss liability insurance (D&O insurance). Under the German Corporate Governance Code, the D&O insurance policy features a statutory deductible which, if a claim is filed, consists of 10% of the claim, up to 1.5 times the fixed annual remuneration of the member of the Management Board in question.

Short-term incentive (STI)

The achievement rate, which is determined by comparing the progress of the member of the Management Board after one year, is the basis of the calculation of the short-term incentive.

[1] Due primarily to the non-cash benefit from private use of the company car and payments in connection with a dual household for business reasons.

The annual targets are defined by means of a joint agreement on objectives for the members of the Management Board; this agreement is to be proposed by the Supervisory Board for the current financial year by the time the financial statements for the financial year ended are prepared and agreed between the Supervisory Board, represented by its Chairperson, and the members of the Management Board.

The achievement rate for the short-term incentive must be at least 70% and is capped at 130%. The achievement rate increases on a straight-line basis between 70% and 130%. With a 100% achievement rate, the members of the Management Board each receive 100% of the bonus.

At the end of each financial year, the Supervisory Board determines the rate of joint achievement for the members of the Management Board.

The short-term incentive is payable in the salary statement issued for the month after the preparation of the financial statements.

Long-term incentive (LTI)

In addition to a short-term incentive, the members of the Management Board are entitled to a long-term incentive based on the long-term performance of the company. The achievement rate for the long-term incentive is based on the achievement of the agreed targets at the end of every four-year period and is determined by assessing the level of progress made towards the targets.

The key parameters for the long-term incentive are the performance of the EPRA NAV (per share and in euros) – as defined in the prospectus published for the IPO – of the company (NAV per share) from 1 January of the first of the four years to 31 December of the last of the four years (NAV development), as well as the performance of the company's shares in relation to the FTSE EPRA/NAREIT Europe Index (or a similar index) from 1 January of the first of the four years to 31 December of the last of the four years (relative strength index). The parameters are weighted against one another in a ratio of 50% (NAV development) and 50% (relative strength index).

The NAV development is defined in a corridor of between 100% (no increase in the NAV per share) and 250% (corresponds to a 150% increase in the NAV per share). With an achievement rate of 100%, the member of the Management Board will receive 100% of the portion of the bonus attributable to the NAV development. The achievement rate increases on a straight-line basis between 100% and 250%. Under 100%, the achievement rate of the member of the Management Board for the portion attributable to the NAV development will fall by the percentage by which the target was missed; the achievement rate is capped at 250%.

The relative strength index is defined in a corridor of between 100% (i.e. the shares of the company performed the same as the index) and 250% (i.e. the shares of the company performed 1.5 times better than the index) relative to the index. With an achievement rate of 100%, the member of the Management Board will receive 100% of the portion of the bonus attributable to the relative strength index. The achievement rate increases on a straight-line basis between 100% and 250%. Under 100%, the achievement rate of the member of the Management Board for the portion attributable to the relative strength index will fall by the percentage by which the target was missed; the achievement rate is capped at 250%.

The long-term incentive is paid to the member of the Management Board with the salary statement issued for the month after the preparation of the financial statements in the fourth financial year.

The Supervisory Board is entitled to award shares in the company in lieu of some or all of the cash payment. The company is entitled to introduce a share options programme – which has yet to be defined and which is of the same economic value to the member of the Management Board – to replace the long-term incentive.

Total remuneration for the Management Board in 2017 and 2016

In the 2017 and 2016 financial years, the members of the Management Board did not receive any advances or credit.

Benefits received	**Peter Finkbeiner**		**Niclas Karoff**	
in EUR k	**2017**	**2016**	**2017**	**2016**
Fixed remuneration	300	300	300	300
Fringe benefits	87	86	30	27
Subtotal of fixed remuneration	**387**	**386**	**330**	**327**
Bonus	0	0	0	0
Short-term variable remuneration (STI)	260	260	260	260
Subtotal of variable remuneration	**260**	**260**	**260**	**260**
Total remuneration	**647**	**646**	**590**	**587**

Bonuses paid	**Peter Finkbeiner**				**Niclas Karoff**			
in EUR k	**2017**	**2017 min.**	**2017 max.**	**2016**	**2017**	**2017 min.**	**2017 max.**	**2016**
Fixed remuneration	300	300	300	300	300	300	300	300
Fringe benefits	87	87	87	86	30	30	30	27
Subtotal of fixed remuneration	**387**	**387**	**387**	**386**	**330**	**330**	**330**	**327**
Short-term variable remuneration (STI)	200	0	260	200	200	0	260	200
Long-term variable remuneration (LTI)	297	0	625	299	297	0	625	299
Subtotal of variable remuneration	**497**	**0**	**885**	**499**	**497**	**0**	**885**	**499**
Total remuneration	**884**	**387**	**1,272**	**885**	**827**	**330**	**1,215**	**826**

Total earnings from the company according to the German Commercial Code (HGB)	**Peter Finkbeiner**		**Niclas Karoff**	
in EUR k	**2017**	**2016**	**2017**	**2016**
Fixed remuneration	300	300	300	300
Fringe benefits	87	86	30	27
Subtotal of fixed remuneration	**387**	**386**	**330**	**327**
Short-term variable remuneration (STI)	260	260	260	260
Total remuneration	**647**	**646**	**590**	**587**

Current pensions were paid to two former managing directors in 2016 and 2017. The expenses totalled EUR 0.153 m in 2016 and EUR 0.153 m in 2017.

Payments in the event of premature termination of employment

Exit compensation

If the contract of a member of the Management Board is terminated prematurely, payments to that member of the Management Board may not exceed the vale of two years' worth of remuneration (the exit compensation cap) or the value of the remuneration for the remaining term of the contract. The exit compensation cap is calculated on the basis of the total remuneration for the past full financial year and, if appropriate, also the expected total remuneration for the current financial year (see recommendation 4.2.3 of the German Corporate Governance Code). If a change of control should result in the termination of a Management Board member's contract, that member shall receive a settlement equal to 150% of the exit compensation cap.

Death benefits

If the member of the Management Board should die during the term of the contract, the remuneration – including STI and LTI – shall be determined up to the date of the termination of contract as a result of death and disbursed to the member's surviving dependants in line with the management contract. Furthermore, as joint creditors, the widow and children – up to the age of 25 – shall be entitled to the continued payment of all remuneration for the rest of the month in which the member died plus the three following months.

Remuneration system for the Management Board from the 2018 financial year onwards

On 5 January 2018, the Supervisory Board resolved to extend the contracts of both members of the Management Board until the end of 2022.

The structure of the remuneration system is still based on performance and success, in which regard long-term orientation, suitability and sustainability are key criteria. The key remuneration components are described below.

As before, the remuneration of the members of the Management Board consists of a fixed remuneration component (basic remuneration), a remuneration component based on annual performance which serves as a short-term incentive (STI) and a variable remuneration component which serves as a long-term incentive (LTI).

From the 2018 financial year onwards, the basic annual remuneration is EUR k 400.

The STI is based on proportional target achievement in each financial year starting in the 2018 financial year. The Supervisory Board has defined the FFO per share as at the end of a financial year (the target FFO per share) and managerial targets set for each department at the start of the financial year as the decisive criteria for the STI. The STI is calculated based on the progress towards these targets as determined by the Supervisory Board. The annual STI may not exceed EUR k 375. No STI will be paid if the FFO per share is below 75% of the target FFO per share.

The members of the Management Board are entitled to an LTI based on the sustainable development of the company. The LTI from the 2018 financial year onwards will be paid in the form of virtual shares (performance shares) that will be converted to cash and paid out at the end of each LTI performance period with consideration for the targets.

The performance shares map the real development of the price of the shares of the company and serve as a variable in the calculation of the remuneration. The LTI performance period is a period of four years starting on the financial year in question. The number of performance shares to be awarded each financial year is based on the target LTI of EUR k 400 divided by the EPRA NAV per share in the financial statements of the previous year.

The key criteria of the LTI are the development of the EPRA NAV per share (target NAV per share) and the development of the returns of the shares of the company (TSR; total shareholder return) as at the end of the LTI performance period relative to the development of the TSR of the LTI reference index (TSR performance). The Supervisory Board defines the target NAV per share at the start of each financial year.

After approving the consolidated financial statements for the financial year in which an LTI performance period ends, the Supervisory Board will define the rate of progress as the basis of the calculation of the LTI. This may not exceed EUR k 800 per financial year (the LTI cap) yet is also limited by the fact that the total remuneration of a member of the Management Board for his work in each financial year may not exceed EUR k 1,500, including his basic remuneration and STI.

Supervisory Board remuneration system

The Supervisory Board was established on 5 September 2014. In line with the Articles of Association, all Supervisory Board remuneration is payable at the end of each financial year. Members of the Supervisory Board who have only been part of the Supervisory Board or one of its committees for the part of the financial year will receive proportional remuneration for that financial year.

The members of the Supervisory Board receive fixed basic annual remuneration of EUR k 40. The Chairperson of the Supervisory Board (Mr Michael Zahn) receives three times this amount and the Vice-chairperson (Dr Michael Bütter) receives one and a half times this amount. Members of the audit committee receive fixed annual remuneration of EUR 10,000 and members of other committees of the Supervisory Board receive fixed annual remuneration of EUR 7,500. The Chairperson of each committee receives double this fixed amount. The members of the Supervisory Board are members of the following committees:

in EUR k	Presidential and nomination committee	Audit committee	Capital market and acquisitions committee	Project development committee
Michael Zahn	C		C	
Dr Michael Bütter	M		M	M
Frank D. Masuhr*				C
Dr Claus Nolting	M	M		
Elisabeth Talma Stheeman**		M		
Helmut Ullrich		C	M	M

* until 31 January 2018 ** until 29 January 2018 C = Chairperson M= Member

The sum of all remuneration plus the remuneration for membership on the supervisory boards and similar managerial bodies of Group companies may not exceed EUR k 150 (excluding VAT) per calendar year per member of the Supervisory Board, regardless of the number of committee memberships and roles.

Supervisory Board remuneration in detail

Remuneration paid or to be paid to the members of the Supervisory Board for the 2017 financial year:

in EUR k	Supervisory Board	Presidential and nomination committee	Audit committee	Capital market and acquisitons committee	Project development committee*	VAT	Total
Michael Zahn	120,000.00	15,000.00	0.00	15,000.00	0.00	28,500.00	178,500.00
Dr Michael Bütter	60,000.00	7,500.00	0.00	7,500.00	1,250.00	14,487.50	90,737.50
Frank D. Masuhr**	36,666.67	0.00	0.00	0.00	2,500.00	7,441.67	46,608.34
Dr Claus Nolting	40,000.00	7,500.00	10,000.00	0.00	0.00	10,925.00	68,425.00
Elisabeth Talma Stheeman	40,000.00	0.00	10,000.00	0.00	0.00	0.00	50,000.00
Helmut Ullrich	40,000.00	0.00	20,000.00	7,500.00	1,250.00	13,062.50	81,812.50

** Proportional remuneration 2/12 ** Proportional Supervisory Board remuneration 11/12*

A D&O group insurance policy has also been taken out for the members of the Management and Supervisory Boards; this policy contains a deductible that meets the requirements of Sec. 93 (2) sentence 3 AktG and recommendation 3.8 (3) in conjunction with (2) of the German Corporate Governance Code.

5. DISCLOSURES RELEVANT TO ACQUISITIONS

5.1 COMPOSITION OF SUBSCRIBED CAPITAL

As at 31 December 2017, the share capital was EUR 102,028,821.00, comprised of 102,028,821 no-par-value bearer shares with a value of EUR 1.00 per share. The share capital is fully paid-in. There are no other share types. All shares provide the same rights and duties. Every no-par value share grants one vote in the general meeting. This does not include any treasury shares held by the company; these do not grant the company any rights.

5.2 MAJOR SHAREHOLDINGS

As reported on 5 December 2017, Julius Baer Group Ltd., Zurich, Switzerland, holds 5.72% of the voting rights of the company through its subsidiaries, Kairos International Sicav.

As reported on 30 November 2017, Prof. Gerhard Schmidt holds 15.13% of the voting rights of the company through his interests in the third-party companies DIC Real Estate Investments GmbH & Co. Kommanditgesellschaft auf Aktien and DIC OF RE 2 GmbH.

As reported on 13 October 2017, the Government of Singapore Investment Corporation, Singapore, holds 9.25% of the voting rights of the company through its subsidiary GIC Private Limited. On that date, the total number of voting rights was 94,611,266. The number of voting rights reported to the company by the Government of Singapore Investment Corporation as at 13 October 2017 would correspond to 8.57% of the voting rights as at 31 December 2017.

As reported on 24 May 2017, ADAR Capital Partners Ltd., Grand Cayman, Cayman Islands, holds 13.72% of the voting rights of the company through its subsidiary ADAR Macro Fund Ltd. On that date, the total number of voting rights was 74,175,558. The number of voting rights reported to the company by ADAR Capital Partners Ltd. as at 24 May 2017 would correspond to 10% of the voting rights as at 31 December 2017.

Please note that the last disclosed number of voting rights might since have changed within the thresholds without the shareholders being obliged to inform the company.

5.3 APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Members of the Management Board are appointed and dismissed in accordance with Sec. 84 AktG. There are no significant supplementary or deviating provisions in the Articles of Association or rules of procedure. Amendments are made to the Articles of Association in accordance with the Stock Corporation Act (AktG). There are no significant supplementary or deviating provisions in the Articles of Association or rules of procedure.

5.4 AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE NEW SHARES

By resolution of the extraordinary general meeting on 22 November 2017 and with the consent of the Supervisory Board, the Management Board is authorised to increase the share capital of the company by up to EUR 20,405,764.00 in exchange for cash contributions by issuing up to 20,405,764 new shares by 21 November 2022 (Authorised Capital 2017/II).

The shareholders must always be granted subscription rights, although under the circumstances set out for the Authorised Capital 2017/II, the subscription rights of the shareholders can be excluded.

Furthermore, the share capital has been conditionally increased by up to EUR 20,405,764.00 by the issuance of 20,405,764 new shares (Contingent Capital 2017/II). The contingent capital increase will enable the company to issue new shares to the creditors of any convertible bonds or similar instruments that might be issued by 21 November 2022.

Furthermore, the share capital was increased by up to EUR 5,000,000.00 through the issuance of up to 5,000,000 new shares (Contingent Capital 2017/III). The contingent capital increase will enable the company to provide the departing shareholders of WCM Beteiligungs- und Grundbesitz- Aktiengesellschaft with exit compensation consisting of shares in the company according to the provisions of the domination agreement concluded with WCM AG.

More details on the authorised and contingent capital can be found in the Articles of Association of the company.

5.5 AUTHORITY OF THE MANAGEMENT BOARD TO ACQUIRE AND UTILISE TREASURY SHARES

On 25 September 2014, the general meeting of TLG IMMOBILIEN AG authorised the Management Board to acquire treasury shares up to the value of 10% of the share capital as at the date of the resolution. This authorisation is effective until 24 September 2019. In the interests of equality, at the discretion of the Management Board the shares can be acquired on the stock exchange or by means of either a public purchase offer or a public invitation to tender sent to all shareholders.

Furthermore, the Management Board was authorised to utilise the shares acquired in this manner – subject to other conditions – as follows: (i) to withdraw shares, (ii) to resell the shares on the stock exchange, (iii) as a subscription offer to the shareholders, (iv) to sell the shares in a way other than via the stock exchange or in the form of an offer to all shareholders if the acquired shares are sold for cash at a price that is not significantly lower than the quoted price in the sense of Sec. 186 (3) sentence 4 AktG.

5.6 CHANGE-OF-CONTROL CLAUSES AND COMPENSATION AGREEMENTS IN THE EVENT OF A TENDER OFFER

The main agreements of TLG IMMOBILIEN AG which are contingent on a change of control concern financing agreements. The main financing agreements of TLG IMMOBILIEN AG contain standard provisions in the event of a change of control. In particular, these agreements contain the obligation of TLG IMMOBILIEN AG to report the change of control to the bank and the right of the creditor to terminate the loan with immediate effect and render it payable in the event of a change of control.

The contracts of the members of the Management Board also contain provisions in the event of a change of control. If a member's contract is terminated prematurely following a change of control, that member is entitled to receive payments which meet the requirements of recommendation 4.2.3 of the German Corporate Governance Code by adhering to the exit compensation cap provided for by the Code.

6. RESPONSIBILITY STATEMENT ACCORDING TO SEC. 264 (2) SENTENCE 3 HGB, SEC. 289 (1) SENTENCE 5 HGB AND SEC. 315 (1) SENTENCE 5 HGB

To the best of our knowledge and in accordance with the applicable reporting principles for financial reporting, the annual and consolidated financial statements give a true and fair view of the net assets, financial position and cash flows of the company and of the Group, and the report on the position of the company and the Group includes a fair review of the development and performance of the business and the position of the company and of the Group, together with a description of the principal opportunities and risks associated with the expected development of the company and of the Group.

Berlin, 7 March 2018

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

7. ADDITIONAL INFORMATION IN ACCORDANCE WITH HGB

In addition to the report on the TLG IMMOBILIEN Group, you can find information on the development of TLG IMMOBILIEN AG below. TLG IMMOBILIEN AG is the parent company of the TLG IMMOBILIEN Group and is based in Berlin.

The business model and the corporate strategy of TLG IMMOBILIEN are based on the following pillars:

- **Portfolio management**
  Thanks to a deep understanding of local markets and real estate, strategic services such as strategic portfolio management and monitoring, valuation and portfolio planning are rendered centrally.
- **Asset management**
  TLG IMMOBILIEN covers significant links in the real estate value chain internally. With the engineering and letting units, asset management is responsible for all measures on the level of the property that influence the value of a property.
- **Transaction management**
  With its many years of expertise, TLG IMMOBILIEN is exceptionally well connected in its core markets. This generates attractive opportunities for the company to grow and chances to sell properties for the best possible prices in line with its portfolio optimisation strategy.
- **Property management**
  Property management bears a decentralised responsibility for the commercial management of the properties, including tenant relations, and is in charge of external facility management.

The objective of the business activities is – in addition to the efficient management and development of the high-quality property portfolio – the continued expansion of the portfolio through profitable acquisitions of office, retail and hotel properties. Targeted acquisition of properties with potential for increased rents or moderate vacancy rates and the subsequent active asset management results in the potential to increase profitability via optimised letting and management. In addition to growth through acquisitions, the company remains focused on the disposal of non-strategic properties. Its objective is to ensure the high overall quality and profitability of its portfolio in the long term.

The annual financial statements of TLG IMMOBILIEN AG are prepared in accordance with GAAP in Germany. The consolidated financial statements meet the International Financial Reporting Standards (IFRS). As a result, the accounting and measurement methods differ. These differences primarily concern properties, provisions, financial instruments, revenue and deferred taxes.

The key Group figures according to IFRSs – FFO, net LTV and EPRA NAV – are the key performance indicators of TLG IMMOBILIEN AG.

7.1 SEPARATE FINANCIAL STATEMENTS – FINANCIAL PERFORMANCE

The results of the GAAP financial statements of TLG IMMOBILIEN AG are as follows:

	01/2017–12/2017		01/2016–12/2016		Change	
	EUR m	%	EUR m	%	EUR m	%
Revenue	249.0	97	186.2	99	62.8	34
Change in portfolio	8.0	3	2.3	1	5.7	248
Total	**257.0**	**100**	**188.5**	**100**	**68.5**	**36**
Operating expenses	176.5	69	135.2	72	41.3	31
Operating profit	**80.5**	**31**	**53.3**	**28**	**27.2**	**51**
Income from investments	1.0		3.3		−2.3	−70
Financial result	−47.2		−26.8		−20.4	76
Other operative effects	1.2		2.1		−0.9	−43
Operative result	**35.5**		**31.9**		**3.6**	**12**
Non-operative result	5.7		3.1		2.6	84
Earnings before taxes	**41.2**		**35.0**		**6.2**	**18**
Income taxes	−55.6		4.9		−60.5	−1,235
Annual profit	**96.8**		**30.1**		**66.7**	**222**

In the 2017 financial year, the company generated an annual profit of EUR 96.8 m, which greatly surpasses the forecast made in the 2016 annual report. The change in net income for the year compared to the previous year was largely due to the income from income taxes of EUR 55.6 m in connection with the audit for 2012 to 2015 that started in the reporting year and was completed by the time the financial statements were prepared, as well as the resulting tax loss carryforwards. Additionally, the increase in revenue more than balanced out the higher expenses in connection with capital increases and refinancing measures.

The increase in revenue was due essentially to higher revenue from operational management and higher proceeds from disposals. The former was essentially the result of acquisitions.

Operating expenses increased by EUR 41.3 m compared to the previous year, due primarily to higher depreciation and amortisation, significantly higher write-downs in connection with property disposals, higher maintenance measures and expenses in connection with the capital increases carried out in 2017. Expenses related to letting activities increased in light of the acquisitions made in 2016 and 2017.

Operating profits increased by EUR 27.2 m compared to the previous year, due primarily to higher revenue from letting activities as well as disposals of properties.

Financing costs increased by EUR 20.4 m in the 2017 financial year, due primarily to repayment fees as part of the refinancing measures.

Income taxes (EUR 55.6 m) comprise ongoing income taxes (EUR 1.7 m), tax revenue from prior periods (EUR 3.0 m) and the reversal of deferred tax liabilities in 2017 (EUR 54.2 m).

7.2 SEPARATE FINANCIAL STATEMENTS – FINANCIAL POSITION

The following condensed cash flow statement from the GAAP financial statements of TLG IMMOBILIEN AG shows the changes in cash and cash equivalents (cash in hand and bank balances) and the underlying movements of cash:

in EUR k	31/12/2017	31/12/2016	Change
Cash flow from operating activities	48.2	72.2	−24.0
Cash flow from investing activities	−338.1	−399.6	61.5
Cash flow from financing activities	411.8	210.9	200.9
Change in cash and cash equivalents	121.9	−116.6	238.5
Cash and cash equivalents at the beginning of the financial year	63.8	180.4	−116.6
Cash and cash equivalents at the end of the financial year	**185.7**	**63.8**	**121.9**

The cash flow from operating activities was EUR 48.2 m in 2017, and therefore EUR 24.0 m lower than in the previous year. The primary cause was the repayment fees in connection with refinancing measures.

The decrease in the negative cash flow from investing activities of EUR 61.5 m to EUR 338.1 m essentially reflects the decreased scale of cash paid for investments in newly acquired and existing properties. The investments in properties totalled EUR 136.0 m. Furthermore, loans totalling EUR 240.6 m were provided to WCM and other affiliated companies. The shares in WCM were acquired by means of a share swap.

The proceeds from the disposal of properties increased by EUR 57.4 m due to a higher volume of disposals.

The cash flow from financing activities of EUR 411.8 m is due primarily to the new loans taken out in 2017 as well as the issued bond and the two capital increases in exchange for cash contributions. The payment of a dividend of EUR 59.3 m in the 2017 financial year had the opposite effect (previous year EUR 48.6 m), as did the repayment of loans in the amount of EUR 410.0 m.

Overall, due to the aforementioned items, cash and cash equivalents increased by EUR 121.9 m to EUR 185.7 m. Cash and cash equivalents consist entirely of liquid funds.

7.3 SEPARATE FINANCIAL STATEMENTS – NET ASSETS

The net assets of the GAAP financial statements of TLG IMMOBILIEN AG are as follows, with receivables and liabilities due in more than one year being treated as non-current:

	31/12/2017		31/12/2016		Change	
	EUR m	%	EUR m	%	EUR m	%
Fixed assets	2,449.2	91.4	1,721.6	94.6	727.6	42.3
Non-current receivables	0.2	0.0	0.2	0.0	0.0	0.0
Inventories	28.1	1.0	20.4	1.1	7.7	37.7
Current receivables	9.1	0.3	6.6	0.4	2.5	37.9
Cash and cash equivalents	185.7	6.9	63.8	3.5	121.9	191.1
Other assets	6.6	0.2	6.5	0.4	0.1	1.5
Total assets	**2,678.8**	**100.0**	**1,819.1**	**100.0**	**859.7**	**47.3**
Equity*	1,346.8	50.3	650.6	35.8	696.2	107.0
Non-current liabilities	1,246.7	46.5	1,040.4	57.2	206.3	19.8
Current liabilities	85.3	3.2	128.1	7.0	−42.8	−33.4
Total equity and liabilities	**2,678.8**	**100.0**	**1,819.1**	**100.0**	**859.7**	**47.3**

* Including the special item for investment subsidies and grants totalling EUR 11.2 m (previous year EUR 11.6 m)

The assets side is dominated by fixed assets. The carrying amount of the fixed assets increased by EUR 727.6 m to EUR 2,449.2 m.

In the 2017 financial year, a total of EUR 825.8 m was added to the fixed assets through the acquisition of properties, the acquisition of shares in WCM and other affiliates and loans to these companies, although this was offset by write-downs totalling EUR 51.5 m. Additionally, depreciation, amortisation and write-downs (EUR 48.6 m) took place.

The current receivables increased by EUR 2.5 m, due primarily to receivables from affiliated companies under profit transfer agreements.

Compared to the previous year, cash has increased by EUR 121.9 m. The reason for the change is described in the notes to the financial position in accordance with HGB.

With consideration for the special item for investment subsidies and grants, TLG IMMOBILIEN AG is financed by equity at 50.3% (previous year 35.8%) and by non-current liabilities at 46.5% (previous year 57.2%), with the remainder attributable to current liabilities.

Compared to 2016, non-current liabilities have increased by EUR 206.3 m due to the issuance of a bond and the settlement and repayment of liabilities due to financial institutions.

Furthermore, the non-current liabilities were influenced by the EUR 54.2 m decrease in deferred tax liabilities as, due to the recognition of trade and corporation tax loss carryforwards, there is a net total of deferred tax assets.

7.4 SEPARATE FINANCIAL STATEMENTS – RISKS AND OPPORTUNITIES

TLG IMMOBILIEN AG has a dominant weight within the Group. It therefore faces the same opportunities and risks as the Group. The risks faced by the subsidiaries affect TLG IMMOBILIEN AG in line with each shareholding. The individual risks of the Group are disclosed in the risk report (see section 3.1.2).

7.5 SEPARATE FINANCIAL STATEMENTS – FORECAST REPORT

Assuming that the German economy and property markets on which TLG IMMOBILIEN AG is active remain stable or experience positive growth, the company expects its performance to remain positive.

Due to the completed acquisitions and planned disposals, the company expects its earnings before taxes in 2018 to be slightly higher than in 2017.

Berlin, 7 March 2018

Peter Finkbeiner	Niclas Karoff
Member of the Management Board	Member of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2017

in EUR k	Reference	01/01/2017–31/12/2017	01/01/2016–31/12/2016
Net operating income from letting activities	F.1	**153,548**	**125,588**
Income from letting activities		208,276	168,062
a) Rental income		168,310	140,464
b) Income from recharged operating costs		37,693	23,662
c) Income from other goods and services		2,273	3,936
Expenses relating to letting activities		–54,728	–42,474
d) Expenses from operating costs		–41,569	–29,979
e) Maintenance expenses		–7,968	–6,618
f) Other services		–5,191	–5,877
Result from the remeasurement of investment property	**F.2**	**218,609**	**39,860**
Result from the disposal of investment property	**F.2**	**2,681**	**6,381**
Result from the disposal of real estate inventory		**–120**	**10**
a) Proceeds from the disposal of real estate inventory		95	11
b) Carrying amount of real estate inventory disposed		–215	–1
Other operating income	F.3	1,909	777
Personnel expenses	F.4	–12,001	–11,261
Depreciation and amortisation	F.5	–466	–561
Other operating expenses	F.6	–17,997	–7,140
Earnings before interest and taxes (EBIT)		**346,163**	**153,654**
Financial income	F.7	117	313
Financial expenses	F.7	–44,617	–25,650
Gain/loss from the remeasurement of derivative financial instruments	F.8	5,664	299
Earnings before taxes		307,327	128,616
Income taxes	F.9	–22,955	–34,507
Net income		**284,373**	**94,109**
Other comprehensive income (OCI):	**E.9**		
thereof will not be reclassified to profit or loss			
Actuarial gains and losses after taxes		214	–263
thereof will be reclassified to profit or loss			
Gain/loss from remeasurement of derivative financial instruments in hedging relationship, net of taxes		7,993	–1,781
Total comprehensive income for the year		**292,580**	**92,065**
Of the consolidated net income for the period, the following is attributable to:			
Non-controlling interests		576	111
The shareholders of the parent company		283,797	93,998
Earnings per share (undiluted) in EUR	**F.10**	**3.56**	**1.39**
Earnings per share (diluted) in EUR	**F.10**	**3.56**	**1.39**
Of the total comprehensive income for the year, the following is attributable to:			
Non-controlling interests		576	111
The shareholders of the parent company		292,004	91,954

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

Assets

in EUR k	Reference	31/12/2017	31/12/2016
A) Non-current assets		**3,604,369**	**2,240,840**
Investment property	E.1	3,383,259	2,215,228
Advance payments on investment property		17,525	93
Property, plant and equipment	E.2	8,245	6,672
Intangible assets	E.2	165,923	1,413
Other non-current financial assets	E.3	14,914	4,800
Other assets	E.5	14,503	9,982
Deferred tax assets	E.13	0	2,652
B) Current assets		**231,379**	**103,923**
Inventories	E.6	762	1,103
Trade receivables	E.4	10,188	5,997
Receivables from income taxes	E.13	1,913	1,239
Other current financial assets	E.3	2,016	864
Other receivables and assets	E.5	5,326	7,131
Cash and cash equivalents	E.7	201,476	68,415
Non-current assets classified as held for sale	E.8	9,698	19,174
Total assets		**3,835,748**	**2,344,763**

Equity and liabilities

in EUR k	Reference	31/12/2017	31/12/2016
A) Equity	**E.9**	**1,936,560**	**1,009,503**
Subscribed capital		102,029	67,432
Capital reserves		1,061,087	440,267
Retained earnings		739,603	515,094
Other reserves		−5,083	−13,290
Equity attributable to shareholders of the parent company		1,897,636	1,009,503
Non-controlling interests		38,924	0
B) Liabilities		**1,899,188**	**1,335,260**
I.) Non-current liabilities		**1,829,195**	**1,227,119**
Non-current liabilities due to financial institutions	E.10	1,120,901	975,164
Corporate bonds	E.10	395,975	0
Pension provisions	E.11	7,858	8,347
Non-current derivative financial instruments	H.1	4,924	20,370
Other non-current liabilities	E.14	26,801	5,525
Deferred tax liabilities	E.13	272,736	217,713
II.) Current liabilities		**69,993**	**108,141**
Current liabilities due to financial institutions	E.10	24,816	65,248
Trade payables	E.14	17,169	21,178
Other current provisions	E.12	4,049	1,828
Tax liabilities		1,376	4,512
Other current liabilities	E.14	22,583	15,375
Total equity and liabilities		**3,835,748**	**2,344,763**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2017

in EUR k	Reference	01/01/2017–31/12/2017	01/01/2016–31/12/2016
1. Cash flow from operating activities			
Net income before taxes		307,327	128,616
Depreciation of property, plant and equipment and amortisation of intangible assets	E.2	465	561
Result from the remeasurement of investment property	F.2	−218,609	−39,860
Result from the remeasurement of derivative financial instruments	F.8	−5,664	−299
Increase/decrease (–) in provisions	E.12	−5,217	−321
Other non-cash income/expenses		147	757
Gain (–)/loss from disposal of property, plant and equipment and intangible assets		−2,681	−6,382
Increase (–)/decrease in inventories	E.6	341	1
Financial income	F.7	−425	−313
Financial expenses	F.7	44,583	25,650
Increase (–)/decrease in trade receivables and other assets	E.4/5	−1,259	4,964
Increase/decrease (–) in trade payables and other liabilities		−18,330	8,082
Cash flow from operating activities		**100,679**	**121,455**
Interest received		426	255
Interest paid		−48,762	−28,413
Income tax paid/received		−6,291	−5,253
Net cash flow from operating activities		**46,052**	**88,044**
2. Cash flow from investing activities			
Cash received from disposals of investment property	G.	87,597	31,976
Cash received from disposals of property, plant and equipment		−83	210
Cash paid for acquisitions of investment property	E.1	−241,767	−445,621
Cash paid for acquisitions of property, plant and equipment		−1,212	−537
Cash paid for investments in intangible assets		−961	−136
Cash paid for corporate acquisitions less cash received	C.2	27,789	0
Cash flow from investing activities		**−128,637**	**−414,107**
3. Cash flow from financing activities			
Cash received from the issuance of corporate bonds	E.10	398,924	0
Cash received from equity contributions	E.9	257,670	0
Dividend payment	E.9	−59,340	−48,551
Cash distribution to non-controlling interests		0	−119
Cash received from bank loans	E.10	220,098	292,500
Repayments of bank loans	E.10	−601,707	−33,086
Cash flow from financing activities		**215,646**	**210,744**
4. Cash and cash equivalents at end of period			
Change in cash and cash equivalents (subtotal of 1–3)		133,061	−115,321
Changes in the value of cash and cash equivalents caused by exchange rates		0	0
Cash and cash equivalents at beginning of period		68,415	183,736
Changes to cash and cash equivalents due to scope of consolidation		0	0
Cash and cash equivalents at end of period		**201,476**	**68,415**
5. Composition of cash and cash equivalents			
Cash		201,476	68,415
Cash and cash equivalents at end of period		**201,476**	**68,415**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 31 December 2017

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income (OCI): Reserve for hedge accounting	Other comprehensive income (OCI): Actuarial gains/losses	Non-controlling interests	Equity
01/01/2016	**67,432**	**439,510**	**469,369**	**−9,347**	**−1,899**	**2,809**	**967,874**
Net income	0	0	93,998	0	0	111	94,109
Other comprehensive income (OCI)	0	0	0	−1,781	−263	0	−2,044
Total comprehensive income for the year	**0**	**0**	**93,998**	**−1,781**	**−263**	**111**	**92,065**
Adjustment for non-controlling interests	0	0	278	0	0	−2,920	−2,642
Dividend payment	0	0	−48,551	0	0	0	−48,551
Capital contribution in connection with share-based remuneration	0	757	0	0	0	0	757
Change during the period	**0**	**757**	**45,725**	**−1,781**	**−263**	**−2,809**	**41,629**
31/12/2016	**67,432**	**440,267**	**515,094**	**−11,128**	**−2,162**	**0**	**1,009,503**
01/01/2017	**67,432**	**440,267**	**515,094**	**−11,128**	**−2,162**	**0**	**1,009,503**
Net income	0	0	283,797	0	0	576	284,373
Other comprehensive income (OCI)	0	0	0	7,993	214	0	8,207
Total comprehensive income for the year	**0**	**0**	**283,797**	**7,993**	**214**	**576**	**292,580**
Change in scope of consolidation	0	0	52	0	0	38,348	38,400
Dividend payment	0	0	−59,340	0	0	0	−59,340
Share capital increase in exchange for cash contributions	14,161	247,948	0	0	0	0	262,109
Share capital increase in exchange for contributions in kind	20,436	376,630	0	0	0	0	397,066
Transaction costs relating to the share capital increase, after taxes	0	−4,439	0	0	0	0	−4,439
Capital contribution in connection with share-based remuneration	0	681	0	0	0	0	681
Change during the period	**34,597**	**620,820**	**224,509**	**7,993**	**214**	**38,924**	**927,057**
31/12/2017	**102,029**	**1,061,087**	**739,603**	**−3,135**	**−1,948**	**38,924**	**1,936,560**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS OF TLG IMMOBILIEN AG

A.1 INFORMATION ON THE COMPANY

TLG IMMOBILIEN AG, Berlin, is an Aktiengesellschaft (stock corporation) in Germany with its headquarters at Hausvogteiplatz 12, 10117 Berlin, entered in the commercial register of Berlin under the number HRB 161314 B, and is – together with its subsidiaries, the TLG IMMOBILIEN Group (short: TLG IMMOBILIEN) – one of the largest providers of commercial real estate in Germany.

The main activities consist of the operation of real estate businesses and transactions of all types in connection with this, as well as the letting, management, acquisition, disposal and development of office, retail and hotel properties, either itself or via companies of which the company is a shareholder.

A.2 PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with Sec. 315e HGB with consideration for the supplementary commercial regulations and in conjunction with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as adopted by the European Union.

The consolidated financial statements comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements. The individual items are explained in the notes.

The currency of the consolidated financial statements is the euro.

Unless stated otherwise, all amounts are given in thousands of euros (EUR k). In tables and references – for reasons of calculation – there can be rounding differences to the mathematically exactly determined figures.

The financial statements of TLG IMMOBILIEN AG and its fully consolidated subsidiaries form the basis of the consolidated financial statements prepared for the 2017 financial year. The financial statements of the subsidiaries are prepared using uniform accounting and measurement methods as at the same reporting date as the financial statements of the parent company. The consolidated financial statements were prepared by the Management Board by 7 March 2018. The Supervisory Board is expected to approve the consolidated financial statements in its meeting on 21 March 2018.

The compilation of the consolidated financial statements is generally carried out on the basis of assets and debts entered in the statement of financial position at amortised or historical cost. In particular, this does not apply to investment properties or derivative financial instruments that are measured at fair value on the reporting date.

The consolidated financial statements as well as the report on the position of the company and the Group will be published in the electronic version of the German Federal Gazette (Bundesanzeiger).

B. NEW ACCOUNTING STANDARDS

B.1 PUBLISHED IFRS WHOSE APPLICATION IS NOT YET OBLIGATORY

IFRS 9 – Financial Instruments

The International Accounting Standards Board (IASB) published the final version of IFRS 9 (Financial Instruments) in July 2014, replacing IAS 39 (Financial Instruments: Recognition and Measurement) and all previous versions of IFRS 9. IFRS 9 merges the three project phases – classification and measurement, impairment and recognition of hedges – for recognising financial instruments. This standard was adopted by the EU on 22 November 2016. IFRS 9 applies to financial years starting on or after 1 January 2018.

TLG IMMOBILIEN AG has been applying IFRS 9 since 1 January 2018, the date on which the new standard came into effect. The comparison periods have not been adjusted. A qualitative and quantitative assessment of the effects produced the following results:

- **Classification and measurement:** The new classification and measurement regulations have not had a quantitative effect on TLG IMMOBILIEN AG as the instruments recognised at amortised cost in accordance with IAS 39 are also allocated to the “amortised cost” category under IFRS 9. Derivative financial instruments that are not used for hedge accounting do not undergo any changes from the transition from IAS 39 to IFRS 9.

- **Impairment:** The financial assets of TLG IMMOBILIEN AG that are measured at amortised cost fall under the new impairment regulations of IFRS 9; the expected credit loss model which replaces the incurred loss model of IAS 39. TLG IMMOBILIEN AG will apply the simplified impairment approach to trade receivables, whereby a risk provision in the amount of the expected losses must be recognised over the remaining term for all instruments, regardless of their credit quality. The general impairment method of IFRS 9 is applied to the other financial instruments to which the expected credit loss model applies. The initial application of the expected credit loss model on 1 January 2018 resulted in an approx. EUR k 215 reduction in the provision for risks. In subsequent years, the introduction of the new impairment models might lead to generally higher income fluctuation in the statement of comprehensive income.

- **Recognition of hedges:** TLG IMMOBILIEN AG does not currently carry out hedge accounting, therefore the initial application of IFRS 9 has not had any effect in this context.

In summary, the effects of the application of IFRS 9 for the first time have proved negligible for TLG IMMOBILIEN AG. In accordance with the transition requirements of IFRS 9, the opening balance as at 1 January 2018 is adjusted by the aforementioned amounts, which will ultimately result in an approx. EUR k 215 increase in the retained earnings of the Group.

IFRS 15 – Revenue from Contracts with Customers

The International Accounting Standards Board published the final version of IFRS 15 (Revenue from Contracts with Customers) in May 2014.

IFRS 15 defines a comprehensive framework for determining if, to what extent and at what point revenue must be recognised. It replaces existing guidelines on recognising revenue including IAS 18 (Revenue), IAS 11 (Construction Contracts), IFRIC 13 (Customer Loyalty Programmes) and IFRIC 15 (Agreements for the Construction of Real Estate).

IFRS 15 becomes mandatory in the first reporting period of a financial year beginning on or after 1 January 2018, although early adoption is permitted. The Group intends to apply IFRS 15 from 1 January 2018.

The Group has carried out an initial assessment of the potential effects of applying IFRS 15 on its consolidated financial statements and, more comprehensive disclosures on the revenue of the Group from contracts with customers notwithstanding, expects the financial statements to experience negligible changes overall.

The Group generates revenue in the following fields

- Rental income
- Income from operating costs
- Proceeds from property disposals

Additionally, the company recognises a negligible amount of other income. Essentially, this income is attributable to recharging to third parties, insurance reimbursements and other reimbursements allocated to net operating income from letting activities.

The application of IFRS 15 for the first time has not affected rental income as it is subject to lease agreements in the sense of IAS 17 and (in the future) IFRS 16.

The income from operating costs must be divided into separate lease components and non-lease components. Lease components are elements of the consideration for the rental relationship and therefore increase rental income. This applies to land tax and building insurance as types of operating costs. In accordance with IFRS 15, all other operating costs must be recognised. In this regard, the company believes that, overall, it has taken on the role of principal for the other types of operating costs as the inventory risk is always borne by TLG IMMOBILIEN, especially in the event of vacancies.

In rare cases in the past, TLG IMMOBILIEN has also agreed to contingent purchase price payments when disposing of properties. Such agreements might also be concluded in the future. Due to a lack of experience from similar transactions and various relevant criteria in the agreements in question, the date and amount of the recognition of these proceeds are a decision to be made from case to case on the basis of the criteria set out by IFRS 15. As no agreements involving contingent purchase price payments existed as at 31 December 2017, there have been no changes in recognition.

The company intends to apply the standard retrospectively in a modified way.

IFRS 16 – Leases

The International Accounting Standards Board published the final version of IFRS 16 (Leases) in January 2016.

IFRS 16 replaces the previous classification of leases by lessees as operating or finance. Instead, IFRS 16 introduces a single lessee accounting model requiring lessees to recognise assets (for the right of use) and liabilities for all leases unless the lease term is twelve months or less. This means that leases which were not previously recognised must now be recognised in the statement of financial position – largely similar to the current recognition of financial leases.

However, the approach of IAS 17 (Leases) which differentiates between operating and finance leases continues to apply to lessors. The list of criteria for assessing a finance lease has been adopted as is from IAS 17.

Additionally, the disclosure obligations of lessees and lessors have become significantly more extensive in IFRS 16 compared to IAS 17. The purpose of the disclosure obligations is to provide readers of the financial statements with information that gives them a better understanding of the effects leases have on the net assets, financial position and cash flows.

The standard applies to the first reporting period of a financial year starting on or after 1 January 2019. Entities may adopt the standard early if they also apply IFRS 15 (Revenue from Contracts with Customers) from or before the first application of IFRS 16. The Group intends to apply the standard retrospectively from 1 January 2019 in a modified way.

Following a preliminary assessment taking its existing agreements as a lessee into account, the company does not expect any significant changes. The company expects to have to recognise up to EUR 4 m in assets and liabilities by 1 January 2019 and up to EUR k 500 in depreciation and amortisation in 2019 as a result. Until now, these costs have been recognised in various items of expenditure.

Costs incurred in connection with leases are incurred in order to successfully concluded rental agreements (especially commission for brokers). Such costs are currently spread over the term of the rental agreement, and will continue to be in accordance with IFRS 16.

C. PRINCIPLES OF CONSOLIDATION

C.1 METHODS OF CONSOLIDATION

Subsidiaries

TLG IMMOBILIEN AG and all significant subsidiaries of which TLG IMMOBILIEN AG could have direct or indirect control were included in the consolidated financial statements of the TLG IMMOBILIEN Group. Subsidiaries are fully consolidated from the time TLG IMMOBILIEN AG gains control of them. Control is gained from the time the following conditions have been cumulatively fulfilled for TLG IMMOBILIEN AG:

(1) TLG IMMOBILIEN AG has power of disposition to control the relevant activities of the subsidiary.
(2) TLG IMMOBILIEN AG is subject to variable return flows from this subsidiary.
(3) TLG IMMOBILIEN AG has the ability to influence the variable return flows through its power of disposition.

Inclusion in the consolidated financial statements ends as soon as the parent company no longer has control.

The financial statements of the subsidiaries are prepared using uniform accounting and measurement methods as the financial statements of TLG IMMOBILIEN AG.

The consolidation of capital is carried out using the acquisition method, whereby the acquisition costs at the time of acquisition are offset against the equity capital corresponding to the amount of the shareholding. In this process, the equity capital of acquired subsidiaries at the time of acquisition is determined using the acquisition method under observance of the fair value of the identifiable assets, debts and contingent liabilities, deferred taxes and the possible goodwill at this point in time.

Non-controlling interests represent the portion of the result and the net assets which is not attributable to the shareholders of TLG IMMOBILIEN AG. Non-controlling interests are disclosed separately in the consolidated statement of comprehensive income and in the consolidated statement of financial position. Disclosure in the consolidated statement of financial position occurs under equity, separately from equity attributable to shareholders of the parent company.

All intra-Group receivables and payables and income and expenses, as well as profit and loss from intra-Group transactions, are eliminated.

For the shareholding list, please see section H.14.

C.2 CHANGES IN THE GROUP

Number of fully consolidated subsidiaries

	2017	2016
As at 01/01	**9**	**3**
Additions	46	6
Disposals	−3	0
As at 31/12	**52**	**9**

The changes in the reporting period are due primarily to the acquisition of WCM Beteiligungs- und Grundbesitz-AG (WCM).

In addition to WCM, the company obtained control over two other subsidiaries in 2017 (TLG EH1 GmbH and TLG EH2 GmbH). In one portfolio transaction, 27 retail properties were acquired through the acquisition of shares in companies in possession of real estate. The purchase price of EUR 94.4 m which was paid in cash reflects the purchased property assets (EUR 94.0 m) as well as the net total of other assets and liabilities (EUR 0.4 m), including cash and cash equivalents (EUR 0.4 m).

For the shareholding list, please see section H.14.

C.3 MERGERS

By publishing an ad hoc announcement on 10 May 2017, TLG IMMOBILIEN AG announced that it had submitted a voluntary public takeover offer to the shareholders of WCM AG. TLG IMMOBILIEN AG was aiming to conclude a business combination agreement. TLG IMMOBILIEN AG obtained control over WCM by registering the capital increase carried out on 6 October 2017 in connection with the acquisition. As at that date, 85.89% of the shareholders of WCM had accepted the voluntary offer made by TLG IMMOBILIEN AG. Therefore, the minimum acceptance rate of 50% plus one share was greatly surpassed and TLG IMMOBILIEN AG successfully gained control. The transaction was an acquisition in the sense of IFRS 3.

The transferred consideration or purchase price is based on the consideration provided by the buyer (TLG IMMOBILIEN AG) for the shares representing 85.89% of the share capital of WCM AG in connection with the first acceptance deadline ending on 5 September 2017 and the extended acceptance deadline ending on 26 September 2017.

The consideration for the acquisition of the shares was a swap of four TLG IMMOBILIEN AG shares for every 23 WCM AG shares as part of a capital increase in exchange for contributions in kind. This equates to a ratio of 5.75 shares in WCM AG for one share in TLG IMMOBILIEN AG.

By the end of the extended acceptance deadline, TLG IMMOBILIEN AG had acquired 117,505,327 shares in WCM AG. In line with the swap ratio, TLG IMMOBILIEN AG provided 20,435,709 of its own shares. The value of the swapped shares amounts to around EUR 397.1 m (at an XETRA closing rate of EUR 19.43 per TLG IMMOBILIEN share on 6 October 2017). This value corresponds to the purchase price and consideration for 85.89% of the shares in WCM.

in EUR m	06/10/2017
Share purchase price	397.1
Consideration for the share acquisition	**397.1**

Besides the generation of cost synergies, the key objective of the takeover of WCM was the addition of properties from the WCM portfolio that complement one another geographically to the portfolio of TLG IMMOBILIEN. TLG IMMOBILIEN is expanding its portfolio in terms of growth markets in western Germany with the takeover, and is strengthening its regional presence in the Rhine-Main area by taking over the WCM office in Frankfurt/Main. Additionally, TLG IMMOBILIEN will strengthen its position in its current portfolio locations: Berlin, Dresden, Leipzig and Frankfurt/Main.

The preliminary values of the transferred assets and liabilities measured at fair value and categorised by main groups were as follows as at 6 October 2017:

in EUR m	06/10/2017
Investment property	800.1
Other non-current assets	11.0
Trade receivables	1.7
Other receivables and current assets	3.7
Cash and cash equivalents	27.8
Total assets	**844.3**
Non-current liabilities	480.5
Provisions	7.1
Deferred tax liabilities	32.0
Trade payables	8.6
Other current liabilities	44.3
Total liabilities	**572.4**
Acquired net assets	**271.9**
Non-controlling interests (14.1%)	38.4
Acquired net assets of TLG	**233.5**
Consideration for the acquisition of the shares	397.1
Goodwill according to the partial goodwill method	**163.6**

The partial goodwill method was applied to the goodwill calculation. Applying this method produces goodwill of EUR 163,6 m. The goodwill is essentially the product of personnel and financing cost synergies.

The division of the purchase price is essentially preliminary for the following items, as not all matters could be resolved completely before the preparation of the IFRS consolidated financial statements of the TLG IMMOBILIEN Group:

- Legal disputes
- Operating costs
- Property measurement
- Minorities
- Contingent liabilities
- Deferred taxes

The transaction costs of the merger amounted to EUR k 8,043 and essentially consisted of legal fees, consultancy fees and audit fees.

Had the company been fully consolidated as at 1 January 2017, additional rental income of EUR k 34,647 and additional net income for the period of EUR k 16,990 would have been recognised in the consolidated financial statements of TLG IMMOBILIEN AG as at the date of the initial consolidation.

D. EXPLANATION OF ACCOUNTING AND MEASUREMENT METHODS

D.1 INVESTMENT PROPERTY

TLG IMMOBILIEN identifies investment properties as those properties which are held with the objective of rental income and/or value increases and not for its own use or sale within the framework of the typical business activities.

TLG IMMOBILIEN holds properties which are partially owner-occupied and partially occupied by third parties, i.e. rented. These mixed-use properties are entered separately in the statement of financial position as long as a legal means of dividing the property exists and neither the owner-occupied nor the rented portion is negligible.

A transfer of properties from the portfolio of investment properties occurs if a change in use is on hand, which is documented by the commencement of owner occupation or the commencement of development with the intention to sell.

At the time of inclusion, the investment properties are entered in the statement of financial position with their acquisition or production costs. The properties are subsequently entered in the statement of financial position at their fair value according to their voting right provided for by IAS 40 in connection with IFRS 13. Pursuant to IFRS 13.9, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This means that the fair value generally implies the sale of an asset (the exit price). It corresponds to the (theoretical) price paid to the seller upon the (hypothetical) price paid to the seller upon the (hypothetical) sale of a property on the measurement date, regardless of any company-specific intention or ability to sell the asset.

The measurement of the fair value is carried out in principle on the basis of the highest and best use of the property ("Concept of the highest and best use"; IFRS 13.27 et seq.). This implies the maximisation of the use and/or value of the property to the greatest extent technically possible, allowable by law and financially feasible.

All changes in the fair values of investment properties are recognised in profit or loss for the period.

The measurement of the fair value of the investment properties was carried out on the basis of property valuations (not including the property portfolio acquired from WCM) performed by Savills Advisory Services Germany GmbH & Co. KG at the end of 2017/beginning of 2018 as well as the end of 2016/beginning of 2017 as at 31 December 2017 and 31 December 2016 respectively. The properties acquired from WCM were valued by Cushman & Wakefield LLP at the end of 2017/beginning of 2018 as at 30 September 2017 and 31 December 2017.

As investment properties, development projects are measured at their fair values so far as the fair value can be reliable measured. The fair value of properties can usually be determined when building permits are obtained.

The market values of properties which are held over the long term for the purpose of rental income or for the purpose of increasing value were determined in accordance with international standards by using the discounted cash flow (DCF) method. Using this method, the market value of a property results from the sum of the discounted cash flow of a – determined by practical experience – planning period of ten years plus the residual value of the property discounted on the valuation date at the end of the planning period, which is determined on the basis of the sustainable net cash flows from the property's management.

Properties with negative net cash flows (e.g. continuously vacant properties) were valued using the liquidation value method (land value minus removal expenses and, possible, plus remaining net income).

The valuation of undeveloped plots of land (in E.1 represented under the asset class "Other") was carried out using the comparable value method with consideration for official land values of the local property value committees. If necessary, the residual value method was also used to check the plausibility of land values.

Due to the limited availability of data and valuation parameters directly observable on the market, the complexity of property valuation as well as the degree of specificity of properties, the valuation at fair value of investment properties is allocated to Level 3 of the fair value hierarchy of IFRS 13.86 (valuation on the basis of significant unobservable input factors).

In particular, the following significant non-observable input factors were considered for the valuation:

- Future rental agreements, based on the individual location, type, size and quality of the property, under consideration of the conditions of existing rental relationships, other contracts or external indicators such as normal market rents for comparable properties
- Estimates on vacancy rates, based on current and expected future market conditions after the expiry of existing rental relationships
- Discounted interest rates for the planning period of ten years reflect the current market estimations regarding uncertainty of the amount and the timing of the inflow of future cash flows
- Capitalisation rates, based on the individual location, type, size and quality of the property, with consideration for market information available on the date in question
- Residual values, in particular based on assumptions on future maintenance and reinvestment costs, vacancy rates and normal market rents and growth rates

D.2 PROPERTY, PLANT AND EQUIPMENT

Assets included in property, plant and equipment are recognised at their acquisition or production costs and amortised on a linear schedule according to their presumable useful life. Subsequent recognition occurs if this is associated with an increase in the useful value of the tangible asset. The useful life of an asset is audited annually, along with any residual value, and adjusted if necessary.

Subsidies received are deducted during calculation of the historical costs.

Depreciation and amortisation is carried uniformly across the Group pursuant to the following useful lives:

Useful life of property, plant and equipment in years

	2017	2016
Owner-occupied properties	50–60	50–60
Technical equipment and machinery	8–15	8–15
Other furniture and fixtures	3–13	3–13

Impairment tests are carried out on the carrying amounts of the property, plant and equipment as soon as there are indicators that the carrying amount of an asset has exceeded its recoverable amount. Property, plant and equipment is removed from the books either when disposed or when no economic benefit can be expected from its continued use or sale. The gain or loss resulting from the removal of the asset from the books is recognised through net profit or loss in the consolidated statement of comprehensive income.

D.3 INTANGIBLE ASSETS

Intangible assets are capitalised at their historical cost.

The goodwill is the positive difference between the acquisition costs of the shares and the fair value of the individual assets acquired and liabilities and contingent liabilities assumed.

The goodwill resulting from the allocation of the purchase price is allocated to cash-generating units which will most likely derive value from the merger.

The goodwill is not subject to amortisation; it undergoes an annual impairment test instead. See section D.4 for details on the premise and execution of the impairment test by TLG IMMOBILIEN.

D.4 IMPAIRMENTS OF NON-FINANCIAL ASSETS

In accordance with IAS 36, the Group carries out annual tests on intangible assets and property, plant and equipment to see whether or not unscheduled depreciation is necessary. These tests determine if there are indicators of a possible impairment. If such indicators exist, the recoverable amount is calculated for the asset in question. This corresponds to the higher of the fair value less costs of disposal or the value in use. If the recoverable amount of an asset is lower than the carrying amount, a valuation allowance is immediately carried out on the asset through net profit or loss.

In the financial year, it was not necessary to carry out an impairment test on property, plant and equipment or intangible assets with a certain useful life as no indicators of impairment existed.

For goodwill acquired through the acquisition of companies and businesses, TLG IMMOBILIEN AG carries out the impairment test annually and also whenever there are indicators of possible impairment.

In the impairment test, the goodwill obtained from a merger is allocated to every individual cash-generating unit that is likely to profit from the synergies generated by the merger. If the carrying amount of the cash-generating unit including the goodwill allocated to it exceeds its recoverable amount, the difference must be deducted from the goodwill allocated to that cash-generating unit. The write-downs of the goodwill may not be reversed at a later date. If the impairment of the cash-generating unit exceeds the carrying amount of the goodwill allocated to it, the additional impairment must be recognised by proportionately impairing the carrying amounts of the assets allocated to the cash-generating unit. However, the carrying amount of an asset may not fall below its fair value less costs of disposal, its value in use (if this can be determined) or zero.

The preliminary goodwill of EUR 163.6 m resulting from the acquisition of WCM was tested for impairment in accordance with the regulations of IAS 36. On a preliminary basis, 19.6% of the goodwill has been allocated to the group of cash-generating units of WCM and 80.4% has been allocated to the group of cash-generating units of TLG IMMOBILIEN.

As at the measurement date, the carrying amount of the group of cash-generating units of WCM was around EUR 798 m and the carrying amount of the group of cash-generating units of TLG IMMOBILIEN was around EUR 2.283 m.

The impairment test was carried out on the basis of the net disposal value of the group of cash-generating units of WCM and TLG IMMOBILIEN, in which regard the group of cash-generating units of WCM represents the business of WCM AG and the group of cash-generating units of TLG IMMOBILIEN represents the current business of TLG IMMOBILIEN. The net disposal value was derived from estimated future cash flows. These are based on the CGU-specific ten-year detailed planning phase of TLG IMMOBILIEN AG and a related accumulated value. In particular, the estimates are based on contractually fixed cash flows, planned investments, experience from previous years and external forecasts regarding the development of the property market.

A sustainable annual EBITDA increase of 1.0% – which TLG IMMOBILIEN AG believes will not exceed the forecast average market growth rate – was assumed in order to estimate the accumulated value for the development of the net cash flows after ten years. Furthermore, the investments were adjusted at a sustainable level.

CGU-specific weighted capital costs (the "after-tax WACC") of 3.4% for the group of cash-generating units of WCM and 3.4% for the group of cash-generating units of TLG IMMOBILIEN were used to determine the net disposal value. The after-tax interest rates equate to input tax interest rates of 4.2% for the group of cash-generating units of WCM and 4.2% for the group of cash-generating units of TLG IMMOBILIEN. Disposal costs of 1.0% were assumed. The WACC was derived from suitable peer groups for both groups of cash-generating units.

The following assumptions on which the calculation of the value in use is based are inherently uncertain:

- Forecast cash flows: The plan is based on contractually fixed cash flows, experience from previous years, the investment plans of the cash-generating units and external forecasts regarding the development of the property market, with consideration for the specific circumstances of each cash-generating unit. If the long-term net cash flows (free cash flows) decrease by 6.4% for the WCM cash-generating units and 19.2% for the TLG IMMOBILIEN cash-generating units, the net disposal value will correspond to the net carrying amount.
- Discount rate: The discount rate was calculated based on assumed weighted average capital costs that would be typical for the sector. If the discount rate after taxes increases to 3.54% for WCM or 3.88% for TLG IMMOBILIEN, the net disposal value will correspond to the net carrying amount.
- Long-term growth rate: The estimate regarding the forecast long-term growth rate is based on external sector-specific market research. If the growth rate decreases to 0.82% for the cash-generating units of WCM or 0.35% for the cash-generating units of TLG IMMOBILIEN, the net disposal value will correspond to the net carrying amount.

In contrast, the goodwill of TLG FAB is due entirely to the fact that, as at the initial consolidation of TLG FAB, deferred tax liabilities (for temporary differences concerning real estate assets on the liabilities side) exceeded the lower fair values of the corresponding tax liabilities. An impairment was not required because temporary differences on the liabilities side still exceed goodwill.

D.5 OTHER FINANCIAL ASSETS

Generally, the Group accounts for financial assets on the trading day. Available-for-sale financial assets are measured at fair value on the reporting date or, if the fair value cannot be reliably determined, at cost.

D.6 RECOGNITION OF LEASES BY THE LESSEE

Leased assets, which are the economic property of the TLG IMMOBILIEN Group (finance leases in the sense of IAS 17), are capitalised under fixed assets at the lower of the present value of the lease instalments or the fair value of the leased property and are subject to straight-line depreciation. The depreciation period is the shorter of the term of the lease or economic useful life.

Whenever ownership of the asset transfers to TLG IMMOBILIEN at the end of the contractual term, the depreciation period corresponds to the useful life. A liability is recognised in the amount of the present value of the payment obligations arising from the future lease instalments. In subsequent periods, it is reduced by the redemption component in the lease instalments.

Leases where the TLG IMMOBILIEN Group has no economic ownership are categorised as operating leases. The expenses resulting from such contracts are recognised through profit or loss when the leased objects are used.

D.7 RECOGNITION OF LEASES BY THE LESSOR

Under IAS 17, rental agreements for the properties are to be categorised as operating leases as the significant risks and opportunities in connection with the property remain with the TLG IMMOBILIEN Group.

The income from operating leases is recognised as net operating income from letting activities in the statement of comprehensive income across the term of each contract.

D.8 INVENTORIES

Inventories include land and buildings intended to be sold as part of the normal course of business. This can exceed a period of twelve months. Upon acquisition, inventories are measured at historical cost. On the reporting date, inventories are measured at the lower of historical cost or net realisable value.

The net realisable value comprises the estimated sale proceeds that can be achieved in the normal course of business, less the estimated costs accrued until completion and the estimated necessary selling expenses.

See section D.22 for the treatment of borrowing costs.

D.9 RECEIVABLES AND OTHER ASSETS

Trade receivables and other assets are recognised at fair value plus transaction costs when they are first added to the statement of financial position. The subsequent measurement is at amortised cost.

Past experience and individual risk evaluations are used to factor in potential risks of default by means of reasonable allowances with consideration for the expected net cash flows.

D.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits and other current, highly liquid financial assets with an original term of up to three months, as well as overdrafts. Exploited overdrafts are recognised in the statement of financial position under current liabilities due to financial institutions.

Restricted credit is recognised under financial assets if it cannot be recognised under cash and cash equivalents.

D.11 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The item "Assets classified as held for sale" can contain individual non-current fixed assets as well as groups of assets (disposal groups) or corporate components (discontinued operations) if a disposal is considered highly probable within the next twelve months. Furthermore, assets are only classified in line with IFRS 5 if, in their present condition, they can be immediately disposed of at a standard and acceptable price for the sale of such assets. In practice, these criteria on individual investment properties are considered met if a notarised purchase contract exists on the reporting date, even if the transfer of benefits and encumbrances is due to take place in a subsequent period.

Liabilities which are being disposed of together with the planned sale are a component of the disposal group or discontinued operation, and are also disclosed separately.

In accordance with IFRS 5, the assets classified as held for sale are measured at the lower of their carrying amount or fair value. Investment property recognised under assets classified as held for sale is measured at fair value in line with IAS 40.

D.12 LIABILITIES DUE TO FINANCIAL INSTITUTIONS AND CORPORATE BONDS

When first included in the statement of financial position, liabilities due to financial institutions are recognised at fair value less the transaction costs directly linked to the loan. After initial recognition, interest-bearing loans are valued by using the effective interest rate method at amortised cost. Gains and losses are recognised in the statement of financial position at the time the liabilities are written off as well as during amortisation.

Changes to rates in terms of the amount and/or date of interest and repayments will result in the recalculation of the carrying amount of the liability in the amount of the cash value and on the basis of the originally determined effective interest rate. The difference between this and the previous carrying amount of the liability is recognised through net profit or loss.

If changes to rates lead to significantly different contractual conditions according to IAS 39.AG 62, the original liability is treated, in accordance with IAS 39.40, as though it were completely repaid. Subsequently, a new liability is then recognised at fair value.

D.13 PENSION PROVISIONS

Pension provisions result from obligations towards employees. The pension scheme in the Group involves both defined contributions and defined benefits.

The expenses for the benefits provided through the defined benefit schemes are determined using the projected unit credit method. This method factors in the known pensions and earned credits towards future pension payments on the reporting date, as well as the expected future increases in salaries and pensions. An actuarial valuation is carried out for each measurement date.

The Company Pension Act (BetrAVG) forms the regulatory framework in Germany; pension increases are therefore based on inflation. Some commitments have a guaranteed interest rate of 1.0% p.a., in which case no other trend is recognised. TLG IMMOBILIEN bears the actuarial risks such as the longevity risk, the interest risk and the inflation risk. TLG IMMOBILIEN is not exposed to any other plan-specific risks.

Actuarial gains and losses are entered in the statement of financial position in full within the period of their origination and listed separately under other reserves. The actuarial gains and losses are no longer entered in the statement of financial position in subsequent periods.

The amount of pension benefits promised under the defined benefit plans is based on the allowable length of service and the agreed pension component.

The interest rate effect contained in the pension expenses is recognised under interest expenses in the consolidated statement of comprehensive income. The service cost is recognised under personnel expenses.

In line with the statutory regulations, TLG IMMOBILIEN pays contributions to statutory pension schemes under defined benefit plans. The ongoing contributions are recognised under personnel expenses as social security contributions. Once the contributions are paid, the Group has no further payment obligations.

D.14 SHARE-BASED PAYMENTS

As compensation for work performed, the Management Board and selected managers of the Group receive equity-settled share-based payments which are entered in the statement of financial position in accordance with IFRS 2.

Using an appropriate valuation model, the costs of equity-settled share-based payment transactions are measured at their fair value at the time they were granted.

Together with a corresponding increase in capital reserves, these costs are recognised in personnel expenses over the vesting period.

D.15 OTHER PROVISIONS

Other provisions are recognised when a legal or factual obligation of the TLG IMMOBILIEN Group consists of a past event, and the outflow of resources is probable and a reliable estimation of the amount of the obligation is possible. Provisions are discounted if this results in a significant effect. Effects from discounting provisions over time are recognised in interest expenses. The discount rate corresponds to a rate, before taxes, which reflects the current market expectations as well as the risks specific to the debt.

D.16 DERIVATIVE FINANCIAL INSTRUMENTS

In the TLG IMMOBILIEN Group, derivative financial instruments are used to cover interest rate risks from real estate financing. Derivative financial instruments are recognised at fair value. Changes in the fair values of the derivative financial instruments are recognised through profit or loss as long as there is no hedging relationship in the sense of IAS 39.

All hedging relationships were discontinued at the start of the second quarter of 2017. Ever since, all changes in market values are presented through the item "Result from the remeasurement of derivative financial instruments". The changes in market value that have been presented as other comprehensive income and allocated to an equity reserve in prior periods will be reversed on a pro rata basis over the remaining term of each underlying transaction. If the underlying transaction ceases to exist, the amounts that are still in other comprehensive income are immediately recognised through profit or loss.

By the first quarter of 2017, derivative financial instruments intended to secure future, uncertain cash flows were recognised as hedging instruments. The TLG IMMOBILIEN Group is exposed to a risk in connection with the amount of future cash flows, especially with regard to liabilities due to financial institutions with variable interest rates. Therefore, changes to the fair value were broken down into an effective and an ineffective part. Effectiveness was determined using the dollar offset method. The effective part was the part of the measurement gain or loss which represented an effective hedge against the cash flow risk in the statement of financial position. The effective part was recognised directly to equity in other reserves (under other comprehensive income), after accounting for deferred taxes. The ineffective part of the measurement gains and losses was recognised through profit or loss in the statement of comprehensive income.

TLG IMMOBILIEN only hedges against cash flows resulting from future interest payments.

D.17 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of the financial instruments are determined on the basis of corresponding market values or measurement methods. For cash and cash equivalents and other current primary financial instruments, the fair values correspond approximately to the carrying amounts in the statement of financial position on each key date.

With regard to non-current receivables and other assets and liabilities, the fair value is determined on the basis of the expected cash flows using the applicable reference interest rates on the date of the statement of financial position. The fair values of the derivative financial instruments are calculated on the basis of the reference interest rates plus their own risks and the counterparty risk on the accounting date.

For financial instruments to be recognised at their fair value, the fair value is generally calculated using the corresponding market and stock exchange rates. If no market or stock exchange rates are available, the fair value is measured using standard measurement methods with consideration for instrument-specific market parameters. The fair value is calculated using the discounted cash flow method, whereby individual credit ratings and other market conditions are taken into account in the form of conventional liquidity spreads when calculating the present value.

The relevant market prices and interest rates observed on the reporting date – and obtained from recognised external sources – are used as input parameters for the measurement models when calculating the fair value of derivative financial instruments.

D.18 DETERMINATION OF FAIR VALUE

Under IFRS 13, the fair value is the price obtained from selling an asset or paid for transferring a liability on the principal market or, where no principal market exists, the most advantageous market. The fair value is to be calculated using measurement parameters as inputs which are as close to the market as possible. The fair value hierarchy categorises the inputs used in valuation techniques into three levels, based on their proximity to the market:

- Level 1: The (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. the price) or indirectly (i.e. derived from the price)
- Level 3: Measurement parameters based on unobservable inputs for the asset or liability

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

The company checks for transfers between the levels at the end of each financial year. In the 2017 financial year, just as in the previous year, there were no transfers between individual input levels.

The fair value calculation of investment property is categorised under Level 3 of the measurement hierarchy of IFRS 13.86 (measurement on the basis of unobservable input factors). We refer to the explanations on the measurement of investment property in sections D.1 and E.1. See sections D.16 and H.1 in connection with the measurement of derivative financial instruments.

In summary, the fair value hierarchy is as follows:

	Level 2	Level 3
Other non-current financial assets	x	
Investment property		x
Liabilities due to financial institutions	x	
Derivative financial instruments	x	

D.19 RECOGNITION OF INCOME AND EXPENSES

Income from letting activities where the property's rental agreement or lease is classified as an operating lease is recognised as a straight line over the term of the contract. Rental concessions are recognised in net loss, under total revenue from letting activities, over the term of the rental agreement or lease.

Furthermore, the net operating income from letting activities contains income from the recharging of operating costs, in so far as the rechargeable costs and the amount of income can be reliably determined and the services have been rendered.

Income from the disposal of property is recognised once the significant risks and opportunities associated with the property have transferred to the purchaser. The economic transfer of ownership can generally be implied once the essential ownership and operational management rights, as well as the power of disposal, have transferred to the purchaser. Turnover is not realised as long as there are still major performance obligations, yield guarantees or a right to return on the part of the purchaser.

Operating expenses are recognised through net loss when the services is rendered or on the due date of their accrual.

Interest is recognised as a gain or loss on an accrual basis.

D.20 GOVERNMENT GRANTS

Government grants are recognised only when there is sufficient certainty that the grant will be received and that the entity will comply with the conditions attached to the grant. The grant is recognised as income over the period necessary to match it with the related costs, which it is intended to compensate for, on a systematic basis.

Investment subsidies are grants intended to facilitate the acquisition or creation of an asset. The TLG IMMOBILIEN Group deducts them from the historical cost of the asset on the assets side of the statement of financial position. The grants are recognised pro rata by means of a reduced depreciation amount over the useful life of the asset, provided that the asset is subject to depreciation or amortisation.

Ongoing subsidies intended to cover maintenance, rental and expenditure are recognised in net profit. They are recognised under other operating income.

D.21 CURRENT AND DEFERRED TAXES

Income taxes represent the sum of current and deferred taxes.

Current tax expenses are determined on the basis of the taxable income for the year. The taxable income differs from the net income from the consolidated statement of comprehensive income due to income and expenses which are tax-deductible, untaxable or taxable in later years. The liabilities and provisions of the Group for current taxes are calculated on the basis of the current tax rates.

Deferred taxes are recognised for the differences between the carrying amounts of the assets and liabilities in the consolidated financial statements and the corresponding taxable values as part of the calculation of taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences; deferred tax claims are recognised in so far as it is likely that taxable gains exist for which the deductible temporary differences can be used. Deferred tax claims also include reductions in tax resulting in subsequent years from the expected use of existing taxable loss carryforwards (or similar items) and whose realisation is ensured with a sufficient degree of certainty. Furthermore, deferred taxes are recognised for outside basis differences if the criteria are met.

Deferred tax liabilities and claims are calculated on the basis of the tax rates (and tax legislation) which will probably be in force when the liability is settled or the asset is realised. The tax regulations passed by the German Bundestag and Bundesrat and those in force on the reporting date are used as a reference. The measurement of deferred tax claims and liabilities reflects the tax consequences which could result from the way the Group expects to settle the liability or realise the asset on the reporting date.

Current or deferred taxes are recognised in profit or loss in the consolidated statement of profit or loss unless they are being recognised in connection with items of other comprehensive income or equity. In such a case, the current and deferred taxes are also to be recognised in other comprehensive income or directly in equity.

Deferred tax claims and deferred tax liabilities are offset if the Group has an enforceable legal claim to offset actual tax refund claims against its actual tax liabilities and if the deferred tax claims and liabilities concern income tax which will be collected by the same tax office and which concerns the same tax subject.

Naturally, the calculation of actual and deferred taxes is subject to certain unknown factors which require estimates and discretionary decisions. New information might become available in future periods which incites the Group to examine the appropriateness of discretionary decisions; such a change can affect the amount of tax liabilities and future tax expenses.

D.22 BORROWING COSTS

If qualifying assets exist, borrowing costs are capitalised if they are significant.

D.23 MAJOR DISCRETIONARY DECISIONS AND ESTIMATES

The application of accounting and measurement methods requires the management to make assumptions and estimates which will influence the carrying amounts of the recognised assets, liabilities, income and expenses, as well as the disclosure of contingent liabilities.

However, the inherent uncertainty of these assumptions and estimates could lead to events which will necessitate adjustments to the carrying amounts or disclosure of certain assets and liabilities in the future.

This applies to the following issues in particular:

- The measurement of investment property: The expected cash flows, the presumed vacancy rate, the discount rate and the capitalisation rate in particular represent significant measurement parameters. Items are measured using the discounted cash flow method, whereby future cash flows are discounted on the reporting date. These estimates contain assumptions as to the future. Given the number of properties in question and their geographical distribution, individual measurement uncertainties generally cancel one another out statistically. The measurements are made by an external valuation expert on the basis of publicly available market data (e.g. property market reports from committees of valuation experts, data published by the institute of housing, property, urban and regional development (InWIS)) as well as on the basis of the extensive knowledge of the TLG IMMOBILIEN Group in each regional sub-market.

- Whether or not deferred tax assets can be recognised: These are recognised if it is likely that future tax advantages can be realised. The actual amount of taxable income in future financial years and the actual usefulness of deferred tax assets might deviate from expectations as at the date on which the deferred assets were capitalised. Additionally, there is uncertainty with regard to unused tax losses due to future audits – in this context, deferred tax assets have only been recognised if it is overwhelmingly likely that they will exist.

- Goodwill impairment test: In order to determine whether or not goodwill is impaired, it is necessary to calculate the value in use of the cash-generating unit to which the goodwill has been allocated. The calculation of the value in use requires the estimation of future cash flows from the cash-generating unit as well as a suitable discount rate for the calculation of present value. If the actual expected future cash flows prove to be lower than previously estimated or the discount rates prove to be higher than previously estimated, a write-down might be required. Please see section D.4 for more details.

Likewise, please see section E.1.

Furthermore, the following general assumptions and estimates are of lesser significance:

- For assets which are to be disposed of, the company must determine whether they can be sold in their current condition and whether their disposal can be considered highly probable in the sense of IFRS 5. If this is the case, the assets and, if necessary, their related liabilities must be recognised and measured as assets or liabilities held for sale.

- Recognition and measurement of other provisions: With regard to recognition and measurement, there is uncertainty regarding future increases and the amount, date and probability of each provision being required.

- Share-based payments: According to IFRS 2, costs resulting from the provision of equity instruments must be measured at their fair value as at the date on which they were provided. For the purposes of the estimate, the most suitable estimation method must be determined; this method is partially based on assumptions.

- Operating cost account: There is uncertainty in the determination of operating cost accounts for properties newly added to the portfolio.

More detailed disclosures on estimates and assumptions can be found in the information on the individual items. All assumptions and estimates are based on the circumstances and judgements on the reporting date.

The estimate regarding future business developments also factored in the realistically expected future economic environment in the sectors and regions in which the TLG IMMOBILIEN Group operates. Although the management assumes that the assumptions and estimates it used are reasonable, any unforeseen changes to these assumptions can influence the net assets, financial position and cash flows of the Group.

D.24 DISCLOSURE OF BUSINESS SEGMENTS

The business activities of TLG IMMOBILIEN revolve around the letting and operational management of its portfolio of commercial real estate. Its business activities also involve the use of market forces by acquiring and disposing of properties in order to optimise its real estate portfolio.

As part of internal reporting, these activities are allocated to the segment on the letting and operational management of the company's real estate portfolio.

Therefore, in line with the criteria of IFRS 8, a single reportable segment which encompasses the operative activities of the Group was identified. Reports on this segment are regularly submitted to the main decision-makers. The main decision-makers only determine the allocation of resources for this one segment and are responsible for monitoring its profitability. The main decision-maker of TLG IMMOBILIEN AG is the Management Board.

Likewise, WCM does not represent a separate segment for TLG IMMOBILIEN as reports are only prepared within the aforementioned segment and the main decision-maker is the Chairperson (acting concurrently).

Revenue is generated by a large number of tenants. More than 10% of the total revenue was generated by one client. In the 2017 financial year, EUR k 22,167 of the total revenue was attributable to this client (previous year EUR k 19,519).

D.25 RECOGNITION OF NON-CONTROLLING INTERESTS

The limited liability capital of non-controlling shareholders is always recognised under other liabilities as liabilities to non-controlling interests in accordance with IAS 32.18b in conjunction with IAS 39.19.

The other non-controlling interests were analysed in order to determine whether, under IAS 1.54 q, they are to be presented within equity in accordance with their contracts, or whether they are to be recognised as liabilities in accordance with IFRS. In this regard, an analysis was carried out to determine the scope in which the non-controlling interests participate in the profit or loss of the company through their contractual structures (put options, guaranteed dividends etc.).

E. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

E.1 INVESTMENT PROPERTY

In the 2017 and 2016 financial years, the carrying amount of the investment property developed as follows:

in EUR k	2017	2016
Carrying amount as at 01/01	**2,215,228**	**1,739,474**
Company acquisition	799,948	0
Acquisitions	204,931	442,998
Capitalisation of construction activities and modernisation expenses	16,018	18,543
Reclassification as assets held for sale	−71,025	−28,857
Reclassification as property, plant and equipment	−451	
Reclassification from property, plant and equipment	0	3,211
Fair value adjustments	218,610	39,860
Carrying amount as at 31/12	**3,383,259**	**2,215,228**

The portfolio strategy of TLG IMMOBILIEN stipulates the concentration on the asset classes of office and retail, as well as selected hotels to a more limited extent.

The office portfolio focuses on promising A and B-rated locations. Hotel properties are situated in selected central locations and are leased to well-known operators on a long-term basis. The retail portfolio is more widely distributed and is characterised by retail properties in attractive micro-locations, most of which have anchor tenants operating in the field of food retail.

Decisions on acquisitions, sales and pending investments are subject to the principles of the portfolio strategy.

TLG IMMOBILIEN once again grew dynamically in the 2017 reporting year. In particular, this growth was driven by the takeover of WCM and its 56 properties. Besides the takeover of WCM, the acquisitions essentially concerned the office property "astropark" in Frankfurt/Main, a special retail centre in Unterwellenborn (Thuringia) and the Onyx retail portfolio comprising 27 neighbourhood shopping centres, supermarkets and discounters.

In 2017, the acquisitions were offset by EUR k 71,025 in reclassifications as investment property (previous year EUR k 28,857). The strategic acquisitions can be broken down by asset class as follows: 76% retail, 21% office and 3% other. The majority of disposals from the retail asset class concerned three retail packages with 49 properties in total. The reclassifications also contained all disposals throughout the year that were first reclassified and then disposed of from assets classified as held for sale.

In 2017, an adjustment of EUR k 218,610 (previous year EUR k 39,860) was made to the fair value due to highly dynamic market developments, especially in Berlin, as well as positive results from active asset management. On a like-for-like basis, the dormant portfolio of investment property experienced a EUR 6.0 m or 4.1% increase in annualised in-place rent in 2017 at the same time as a 1.6 percentage point reduction in the EPRA Vacancy Rate to just 2.2% and a weighted average lease term (WALT) of 6.0 years. The dormant portfolio contains the properties that were in the portfolio on both 1 January and 31 December 2017, i.e. not the acquisitions and reclassifications as assets held for sale carried out in 2017. Of the remeasurement, 97% was attributable to the dormant portfolio in 2017.

The capitalisation of construction activities totalling EUR k 16,018 (previous year EUR k 18,543) was almost entirely attributable to the office, retail and hotel asset classes. Of the capitalised costs, 33% were attributable to ongoing capital expenditure, 42% to tenant fit-outs and 25% to development measures. The development measures were essentially structural expansions of discounters.

The fair values of the investment properties are presented below by measurement method and asset class as at 31 December 2017. Prepayments made towards these properties are not included here, but rather are recognised separately in the statement of financial position.

Investment properties as at 31 December 2017
Portfolio overview by asset class

		Discounted cash flow method					Liquid-ation method	
As at 31/12/2017	**Unit**	**Office**	**Retail**	**Hotel**	**Other**	**Total**	**Total**	**Total**
Investment properties	EUR k	1,598,400	1,406,426	285,899	39,095	**3,329,820**	53,439	**3,383,259**
Discount rate, weighted average	%	4.69	5.11	4.60	7.58	**4.89**	3.89	**4.87**
Capitalisation rate, weighted average	%	5.73	6.61	5.64	8.67	**6.11**		**6.11**
EPRA Vacancy Rate	%	5.0	1.9	2.3	8.3	**3.5**	25.8	**3.6**
Average actual rent	EUR/sqm/ month	10.93	9.60	12.92	4.43	**10.07**	7.24	**10.06**
Proportion of temporary rental agreements	%	97.4	97.6	98.9	88.6	**97.4**	95.2	**97.4**
WALT of temporary rental agreements	Years	5.2	6.3	12.2	7.6	**6.3**	3.3	**6.3**

Investment properties as at 31 December 2016
Portfolio overview by asset class

		Discounted cash flow method					Liquid-ation method	
As at 31/12/2016	**Unit**	**Office**	**Retail**	**Hotel**	**Other**	**Total**	**Total**	**Total**
Investment properties	EUR k	997,771	882,399	272,029	41,126	**2,193,325**	21,904	**2,215,228**
Discount rate, weighted average	%	4.86	5.51	4.73	6.95	**5.14**	4.81	**5.14**
Capitalisation rate, weighted average	%	6.14	7.51	5.91	8.76	**6.67**		**6.67**
EPRA Vacancy Rate	%	5.3	2.0	2.4	8.2	**3.7**	57.3	**3.8**
Average actual rent	EUR/sqm/ month	9.64	9.97	12.67	4.34	**9.67**	12.69	**9.67**
Proportion of temporary rental agreements	%	95.9	97.4	99.0	90.0	**96.7**	89.9	**96.7**
WALT of temporary rental agreements	Years	5.0	5.4	13.1	8.2	**6.1**	3.2	**6.1**

As at the reporting date, TLG IMMOBILIEN assumes that future fluctuations in fair value will be largely due to factors that lie outside of the discretionary scope of TLG IMMOBILIEN. These factors essentially include the discount and capitalisation rates used in the measurement.

In addition to the calculation of market value, a sensitivity analysis was carried out when the discount and capitalisation rates changed. If the discount and capitalisation rates on which the measurement of the properties was based had increased or decreased by 0.5 percentage points, the values as at 31 December 2017 would have been the following:

Investment properties as at 31 December 2017 – sensitivity analysis

As at 31/12/2017	Investment properties		Discount rate	
Values in EUR k		−0.5%	0.0%	+0.5%
	−0.5%	3,722,450	3,577,050	3,434,717
Capitalisation rate	0.0%	3,519,513	**3,383,259**	3,250,092
	+0.5%	3,348,424	3,219,364	3,095,862

Investment properties as at 31 December 2016 – sensitivity analysis

As at 31/12/2016	Investment properties		Discount rate	
Values in EUR k		−0.5%	0.0%	+0.5%
	−0.5%	2,422,338	2,331,678	2,244,338
Capitalisation rate	0.0%	2,301,458	**2,215,228**	2,133,448
	+0.5%	2,198,158	2,117,188	2,040,138

The following receivables from minimum lease payments are expected in the next few years on the basis of the agreements in effect as at 31 December 2017:

in EUR k	Due within 1 year	Remaining term > 1 to 5 years	Remaining term > 5 years	Total
31/12/2017	205,646	602,402	520,025	**1,328,073**
31/12/2016	148,743	428,777	354,035	**931,555**

In the 2017 financial year, contingent rents in the amount of EUR k 830 (previous year EUR k 569) were collected.

The majority of the investment property is encumbered with collateral for the loans. The properties are generally freely disposable. Financed properties are normally secured by liens on property and are the subject of assignments of rights and claims arising from sales contracts. If a property is sold, the finance is settled by means of an unscheduled repayment if necessary.

E.2 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The property, plant and equipment and intangible assets are primarily attributable to owner-occupied properties (EUR k 6,868, previous year EUR k 6,109) and goodwill (EUR k 164,724, previous year EUR k 1,164). The goodwill is essentially the result of the takeover of WCM.

Due to an increase in owner-occupied area in 2017, the owner-occupied properties measured according to IAS 16 were reclassified from investment property.

E.3 OTHER FINANCIAL ASSETS

The other financial assets are classified as follows:

in EUR k	31/12/2017	31/12/2016
Other loans	11,527	2,519
Account balances with restricted access	1,516	606
Derivative financial instruments	3,111	2,281
Other financial assets	775	258
Total	**16,930**	**5,664**

The increase in other loans essentially concerns loans to non-controlling interests in WCM.

The account balances with restricted access are primarily cash pledged in connection with guarantees and loan agreements.

The other financial assets are non-current up to the value of the other loans, derivative financial instruments and other assets (in the amount of EUR k 276); the rest is current.

E.4 TRADE RECEIVABLES

The following table gives an overview of the Group trade receivables:

in EUR k	31/12/2017	31/12/2016
Trade receivables, gross	11,420	8,320
Applicable allowances	−1,232	−2,323
Total trade receivables	**10,188**	**5,997**
of which from letting activities	9,538	4,648
of which from disposals of properties	472	834
of which other trade receivables	178	514

All trade receivables are current.

For the development of allowances and the collateral received, please see section H.1.

E.5 OTHER RECEIVABLES AND ASSETS

Other receivables and assets can be broken down as follows:

in EUR k	31/12/2017	31/12/2016
Accruals and deferrals	5,809	4,169
Prepayments	24	26
Accruals and deferrals from rental incentives granted	10,531	10,357
Other assets	3,466	2,561
Total	**19,829**	**17,113**

The accruals and deferrals include negative start values from interest rate derivatives which are reversed over the term of the hedging instrument.

The accruals and deferrals from rental incentives essentially comprise rent-free periods and subsidies for original hotel equipment.

Of the other receivables and assets, EUR k 5,326 is current (previous year EUR k 7,131); the rest is non-current.

E.6 INVENTORIES

Inventories are subdivided as follows:

in EUR k	31/12/2017	31/12/2016
Land with completed buildings	120	411
Undeveloped land	642	692
Total	**762**	**1,103**

More information on the inventories can be found in the table below:

in EUR k	2017	2016
Inventories recognised as expenses in the reporting period	1	1
Inventories with a term of more than one year	761	1,102

E.7 CASH AND CASH EQUIVALENTS

As at the measurement dates, cash and cash equivalents are represented as follows:

in EUR k	31/12/2017	31/12/2016
Bank balances	201,469	68,411
Cash in hand	7	4
Total cash and cash equivalents	**201,476**	**68,415**

Bank balances are subject to variable interest rates for callable loans. Short-term deposits are made for various time periods of up to three months.

E.8 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The carrying amount of the assets held for sale includes properties for which the company had notarised purchase agreements as at the reporting date and developed as follows:

in EUR k	2017	2016
Carrying amount as at 01/01	**19,174**	**15,912**
Reclassification from investment property	71,025	28,857
Disposal through the sale of land and buildings	−80,500	−25,595
Carrying amount as at 31/12	**9,698**	**19,174**

The result from the disposal of assets held for sale is recognised in the statement of comprehensive income under the result from the disposal of investment property.

E.9 EQUITY

As at the reporting date, the subscribed capital of the company was EUR k 102,029 (previous year EUR k 67,432). The share capital is fully paid-in. There are no other share types.

Capital increase against cash contributions in January 2017

Following the capital increase against cash contributions passed by the Management Board on 30 January 2017, with the approval of the Supervisory Board and making partial use of the Authorised Capital 2016, the company's share capital of EUR k 67,432, divided into 67,432,326 ordinary bearer shares with a notional value of EUR 1.00, was increased by EUR k 6,743 to EUR k 74,176 by the issue of 6,743,232 no-par value bearer shares. The shares issued in January 2017 have a notional value of EUR 1.00 and entitlement to dividends from 1 January 2018. The gross proceeds were approximately EUR k 115,984.

Capital increase in exchange for contributions in kind in October 2017 as part of the takeover of WCM

On 27 June 2017, TLG IMMOBILIEN AG published the offer document for its voluntary public takeover offer to the shareholders of WCM AG to acquire all of the shares in WCM AG. The takeover offer was accepted for a total of 117,505,327 shares in WCM. This corresponds to around 85.89% of the share capital and voting rights of WCM AG.

Following the capital increase in exchange for contributions in kind as part of the voluntary public takeover offer, making partial use of the Authorised Capital 2014/II, the company's share capital of EUR k 74,176, divided into 74,175,558 ordinary bearer shares with a notional value of EUR 1.00, was increased by EUR k 20,436 to EUR k 94,611 by the issuance of 20,435,708 no-par value bearer shares.

The contributions in kind towards the new shares as part of the takeover capital increase were provided by contributing 117,505,321 WCM shares which were transferred to the exchange trustee for the shareholders of WCM AG. According to a contribution agreement dated 4 October 2017, the exchange trustee transferred the WCM shares to the company as contributions in kind upon the registration of the takeover capital increase. The company's consideration of four new shares of the company for every 23 shares of WCM corresponds to a consideration of around 0.174 new shares for each WCM share (4 divided by 23 and then rounded).

Capital increase in exchange for cash contributions in November 2017

Following the capital increase in exchange for cash contributions passed by the Management Board on 9 November 2017, with the approval of the Supervisory Board and making partial use of the Authorised Capital 2016, the company's share capital of EUR k 94,611, divided into 94,611,266 ordinary bearer shares with a notional value of EUR 1.00, was increased by EUR k 7,418 to EUR k 102,029 by the issuance of 7,417,555 no-par value bearer shares which were issued for institutional investors at a placement price of EUR 19.70 per share through accelerated book-building as part of a successful private placement. The shares issued in November 2017 have a notional value of EUR 1.00 and entitlement to dividends from 1 January 2017. The gross proceeds were approximately EUR k 146,126.

Development of other components of equity

The capital reserves amount to EUR k 1,061,087 (previous year EUR k 440,267). The change (EUR k 620,820) is largely the result of the capital increases.

The retained earnings of the Group have increased by EUR k 224,509 to EUR k 739,603 (previous year EUR k 515,094). This was due to the EUR k 283,797 in net income attributable to the shareholders of the parent company as well as the payment of a dividend of EUR k 59,340 to the shareholders in the financial year, which equates to EUR 0.80 per eligible no-par value share.

Other comprehensive income comprises actuarial gains and losses of EUR k 1,948 (previous year EUR k 2,162) as well as accumulated fair value adjustments of derivatives in cash flow hedges of EUR k 3,135 (previous year EUR k 11,128).

The deferred taxes are attributable to other comprehensive income as follows:

01/01–31/12/2017

in EUR k	Before deferred taxes	Deferred taxes	After referred taxes
Fair value adjustments for interest rate derivatives in cash flow hedges	11,756	−3,763	7,993
Actuarial gains and losses	306	−92	214

01/01–31/12/2016

in EUR k	Before deferred taxes	Deferred taxes	After referred taxes
Fair value adjustments for interest rate derivatives in cash flow hedges	−2,569	788	−1,781
Actuarial gains and losses	−379	116	−263

E.10 LIABILITIES DUE TO FINANCIAL INSTITUTIONS

Liabilities due to financial institutions have changed due to scheduled and unscheduled amortisation and due to refinancing.

Loans totalling EUR k 220,098 were taken out in the 2017 financial year (previous year EUR k 292,500).

As at 31 December 2017, one loan of EUR k 4,228 (previous year EUR k 47,940) due in 2018 and the scheduled repayments to be made in 2018 were recognised as due within one year.

The liabilities were generally secured by the provision of physical securities, the assignment of rights arising from the rental agreements and the pledging of shareholdings, with the exception of WCM. Generally, the overwhelming majority of the properties in the portfolio serve as collateral.

Liabilities due to financial institutions have the following remaining terms:

in EUR k	31/12/2017	31/12/2016
Due within 1 year	24,816	65,248
Due in more than 1 year	1,120,901	975,164

Corporate bonds

In November 2017, TLG IMMOBILIEN AG successfully issued an unsecured bond with a fixed interest rate, a total nominal value of EUR 400 m and a face value of EUR 100,000 (the "Bond"). The Bond was issued at an offering price of 99.735% with a term ending on 27 November 2024, a coupon of 1.375% p.a. and a total yield of 1.415% p.a.

E.11 PENSION PROVISIONS

There are pension obligations towards former executives and managing directors who began working for the company between 1991 and 2001.

As at 31 December 2017, EUR k 2,250 of the present value of the benefit obligation was attributable to the group of former scheme members and EUR k 5,608 was attributable to the group of pensioners and survivors. The average term of the obligations towards the managing directors is 13.58 years. The company accrued payments of EUR k 294 (previous year EUR k 270) under pension schemes in 2017.

The pension provisions for defined benefit plans are calculated on the basis of actuarial assumptions in accordance with IAS 19. The following parameters were applied in the financial years:

	2017	2016
Discount rate	1.60%	1.35%
Rate of pension progression*	2.00%	2.00%

* Some commitments have a guaranteed interest rate of 1% p.a., in which case no other trend is recognised.

The 2005G mortality tables published by Dr Klaus Heubeck were used for the biometric assumptions.

The present value of the pension provisions developed as follows in the corresponding periods:

in EUR k	2017	2016
Present value of the obligations as at 01/01	**8,347**	**8,080**
Interest expense	111	159
Pension payments rendered by the employer directly	−294	−270
Actuarial gains/losses	−306	379
Present value of the obligations as at 31/12	**7,858**	**8,347**

The actuarial gains and losses resulting from the adjustment of the discount rate were recognised in other comprehensive income. Of this amount, a gain/loss of EUR k −37 (previous year EUR k −340) is attributable to adjustments made in the current year based on past experience and a gain/loss of EUR k −269 (previous year EUR k 719) is attributable to changes to financial assumptions. Overall, other comprehensive income comprises actuarial losses before deferred taxes of EUR k 2,820 (previous year EUR k 3,126).

Expenses of EUR k 597 (previous year EUR k 662) for defined benefit plans arose in the current year. These essentially consist of contributions to the statutory pension scheme.

Based on the obligations accounted for on the reporting dates, a change to the individual parameters would have had the following impact on the present value of the obligation if the other assumptions had remained constant.

Sensitivity analysis 2017

in EUR k	Change in the assumption	Increase in the assumption	Decrease in the assumption
Discount rate	1.00%	6,908	9,026
Rate of pension progression*	0.50%	8,235	7,512

Sensitivity analysis 2016

in EUR k	Change in the assumption	Increase in the assumption	Decrease in the assumption
Discount rate	1.00%	7,280	9,669
Rate of pension progression*	0.50%	8,759	7,970

* Some commitments have a guaranteed interest rate of 1% p.a., in which case no other trend is recognised.

Increases and decreases in the discount rate, rate of pension progression or mortality do not cause the same absolute amount of difference in the calculation of the pension provisions. If several assumptions are changed at once, the total amount does not necessarily have to correspond to the sum of the individual effects resulting from changes to the assumptions. Furthermore, the sensitivities only reflect a change to the pension provisions for the specific magnitude of each change to the assumptions (e.g. 0.5%). If the assumptions on a different magnitude change, this will not necessarily have a linear impact on the amount of the pension provisions.

E.12 OTHER PROVISIONS

The other provisions developed as follows in the financial year:

in EUR k	As at 01/01/2017	Contribution	Utilisation	Reversals	Addition to scope of consolidation	As at 31/12/2017
Provisions for litigation risks	1,463	177	−295	−82	2,748	4,011
Other miscellaneous provisions	365	−326	0	0	0	39
Total	**1,828**	**−150**	**−295**	**−82**	**2,748**	**4,050**

The provisions for litigation risks concern the risks of losing ongoing court proceedings and were formed to match the expected claims. Some legal disputes were settled in the reporting year.

E.13 DEFERRED TAXES

The deferred tax assets and liabilities result from the following temporary differences and taxable loss carryforwards:

in EUR k	31/12/2017 Deferred tax assets	31/12/2017 Deferred tax liabilities	31/12/2016 Deferred tax assets	31/12/2016 Deferred tax liabilities
Investment property and owner-occupied property	562	369,009	1,252	225,734
Property, plant and equipment	0	0	43	0
Intangible assets	0	0	0	0
Other non-current financial assets	0	511	0	700
Other assets	136	2,977	489	3,182
Pension provisions	1,133	0	1,279	0
Financial liabilities	4,642	2,233	6,248	1,212
Other liabilities	538	0	1,068	534
Deferred taxes on taxable temporary differences	**7,011**	**374,730**	**10,379**	**231,362**
Loss/interest carryforwards	95,164	0	6,100	0
OBD	0	181	0	178
Total of deferred taxes before offsetting	**102,175**	**374,911**	**16,479**	**231,540**
Offsetting	102,175	102,175	13,827	13,827
Disclosure after offsetting	**0**	**272,736**	**2,652**	**217,713**

The deferred tax claims and liabilities before offsetting are expected to be realised as follows:

in EUR k	31/12/2017	31/12/2016
Deferred tax claims		
realised after more than 12 months	93,863	14,048
realised within 12 months	8,312	2,431
Total of deferred tax claims	**102,175**	**16,479**
Deferred tax liabilities		
realised after more than 12 months	374,692	231,005
realised within 12 months	219	535
Total of deferred tax liabilities	**374,911**	**231,540**

As at the end of the financial year, deferred tax liabilities for outside basis differences totalled EUR k 181 (previous year EUR k 178).

On the level of WCM, there are unused tax losses of around EUR 125 m for corporation tax and EUR 152 m for trade tax for which no deferred tax assets have been recognised as their usability is not sufficiently likely from a current perspective.

E.14 LIABILITIES

The liabilities are classified as follows:

in EUR k	31/12/2017	31/12/2016
Trade payables	**17,169**	**21,178**
Total of other liabilities	**49,384**	**20,900**
Liabilities to employees	1,754	1,801
Prepayments received	4,352	0
Other taxes	2,006	9,838
Investment grants	950	1,221
Liabilities to tenants	2,315	1,011
Accruals and deferrals from derivative financial instruments	2,164	2,053
Liabilities to non-controlling interests	22,088	2,522
Purchase price liabilities	5,192	0
Miscellaneous other liabilities	8,563	2,456
Total of liabilities	**66,553**	**42,078**

The liabilities have the following remaining terms:

in EUR k	31/12/2017	31/12/2016
Up to 1 year	39,509	40,992
1–5 years	243	604
More than 5 years	26,801	482
Total	**66,553**	**42,078**

The increase in liabilities to non-controlling interests is due primarily to the minority shareholders of the WCM subsidiaries as at the reporting date. The purchase price liabilities are attributable to the Mia portfolio.

The prepayments received resulted from disposals of properties.

The other taxes essentially concerned land transfer tax in the previous year and VAT liabilities in the current year.

The investment subsidies comprise received subsidies which are realised pro rata in net profit or loss over the term of the rental agreement. Of the EUR k 950 in investment subsidies, EUR k 679 is long term.

The liabilities to tenants include credit from the annual utility invoices and overpayments by tenants.

The accruals and deferrals from derivative financial instruments include positive start values from floor transactions which are reversed over the term of the hedging instrument.

F. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

F.1 NET OPERATING INCOME FROM LETTING ACTIVITIES

In the 2017 financial year, income from letting activities increased significantly; EUR 12.4 m is attributable to the acquisition of WCM and the other property acquisitions.

The ratio of expenses related to letting activities to income from letting activities has increased slightly.

In the financial year, rent guarantees totalling EUR k 1,221 (previous year EUR k 330) were accepted.

F.2 RESULT FROM THE REMEASUREMENT/ DISPOSAL OF INVESTMENT PROPERTY

The result from the remeasurement of investment property remained positive, due mainly to the persistently favourable market conditions in the 2017 financial year. The change in value was primarily driven by the positive market trends as well as, on a like-for-like basis, i.e. not factoring in the acquisitions and disposals in 2017, the reduction of vacancy rates and the continuous growth in effective rents.

In the 2017 financial year, notarised purchase agreements were signed for 65 properties. In the retail asset class, in addition to four individual properties, three retail portfolios comprising 49 properties overall were disposed of. Four other properties were disposed of from the office asset class and eight from the other asset class. Measurement gains of EUR k 8,648 are attributable to the disposals. As at the reporting date, the benefits and encumbrances of 58 properties had already been transferred.

See section E.1 for more details.

F.3 OTHER OPERATING INCOME

Other operating income developed as follows in the reporting periods in 2017 and 2016:

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016
Reversal of allowances	781	529
Insurance compensation	4	10
Purchase price adjustments	0	−278
Income from previous years	432	311
Other income	692	205
Total	**1,909**	**777**

F.4 PERSONNEL EXPENSES

Personnel expenses were as follows in the 2017 and 2016 financial years:

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016
Salaries	7,982	7,244
Social security contributions and pension expenses	1,423	1,316
Bonuses	1,540	1,418
Exit compensation	375	477
Share-based payment components under IFRS 2	681	807
Total	**12,001**	**11,261**

The slight increase in personnel expenses is due primarily to the slightly increased number of employees following the takeover of WCM.

F.5 DEPRECIATION, AMORTISATION AND WRITE-DOWNS

Depreciation, amortisation and write-downs developed as follows in the financial year and in the comparative period:

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016
Amortisation of intangible assets	188	289
Depreciation of land, land rights and buildings	61	145
Depreciation of technical equipment and machinery	216	6
Depreciation of other equipment and office and operating equipment	0	120
Total	**466**	**561**

F.6 OTHER OPERATING EXPENSES

Other operating expenses were recognised as follows in the 2017 and 2016 financial years:

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016
Impairments of receivables	922	607
Consultancy and audit fees	10,801	2,996
General IT and administrative expenses	2,401	1,618
Ancillary office costs	616	640
Corporate advertising	968	872
Vehicle and travel expenses	564	359
Other taxes	38	0
Other	2,192	887
Reversal of provisions/liabilities	−505	−840
Total	**17,997**	**7,140**

The increase in consultancy and audit fees is essentially linked to the takeover of WCM. They are transaction costs that are not capitalised in accordance with IFRS 3.

"Reversal of provisions/liabilities" contains accrued invoices and provisions from the previous year for other expenses which proved to be less costly than anticipated. These are attributable to the settlement of legal disputes in particular.

The item "Other" essentially comprises Supervisory Board remuneration, compensatory payments, non-deductible input tax and expenses in connection with court fees and litigation, and has increased due to, for example, the integration of WCM.

F.7 NET INTEREST

Net interest is broken down as follows:

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016
Net interest from bank balances	−17	−73
Net interest from default interest and deferrals	−28	−35
Other financial income	−72	−206
Total financial income	**−117**	**−313**
Interest expenses for interest rate derivatives	17,084	5,265
Interest on loans	18,807	18,042
Interest expenses from pension provisions	111	159
Other interest expenses	8,615	2,184
Total financial expenses	**44,617**	**25,650**
Financial result	**44,500**	**25,337**

The net interest is characterised by special items totalling around EUR k 19,198 in expenses for interest rate derivatives and other financial expenses resulting from the refinancing and loan repayments in the financial year.

F.8 RESULT FROM THE REMEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

In the 2017 financial year, there was income of EUR k 5,664 from the remeasurement of derivative financial instruments (previous year EUR k 299).

In 2017, the remeasurement gains are primarily due to non-existent hedging relationships.

F.9 INCOME TAXES

The tax expenses/income can be broken down as follows:

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016
Current income tax	2,258	5,986
Tax expenses from capital increase costs	1,964	0
Prior-period income taxes	−3,066	−1,577
Deferred taxes	21,799	30,098
Tax expenses/income	**22,955**	**34,508**

The significant decrease in income taxes despite the higher earnings before taxes is due to the conclusion of the audit for 2012 to 2015 which led to the reassessment of a forfeiture of losses in previous years. Specifically, the full forfeiture of tax loss carryforwards of previous years was initially assumed as part of a change of shareholder which took place in previous years. However, the audit successfully applied a statutory exemption clause (a silent reserve clause) and therefore prevented the loss forfeiture of around EUR k 239,824 for corporation and trade tax in 2013.

The items for actual income taxes from other periods are essentially the result of tax claims due to the new loss carryforwards for 2016. Deferred tax claims have been formed for the remaining and as yet unused tax losses; deferred tax income of EUR k 70,094 was therefore recognised in the 2017 financial year from the initial recognition of loss carryforwards.

The expected (notional) expenses for income taxes can be transferred to the income taxes in the statement of comprehensive income as follows:

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016
IFRS earnings before taxes	**307,327**	**128,616**
Group tax rate in %	30.67%	30.67%
Expected income taxes	**94,257**	**39,447**
Special trade tax regulations	848	164
Changes in tax rate in the financial year	0	−144
Deviating tax rates for subsidiaries	−1,045	−378
Actual taxes in previous years	−3,064	−1,577
Deferred taxes for previous years	0	−943
Initial recognition or carry-back of loss carryforwards	−70,094	−2,250
Tax-free income	16	0
Non-deductible operating expenses	2,195	186
Other tax effects	−159	3
Effective income taxes	**22,955**	**34,508**
Effective tax rate in %	7.47%	26.83%

The tax rate to be used to calculate the income tax computation accounts for the current and – given the current legal situation – probable corporation tax rates of 15.0% (previous year 15.0%) and the solidarity contribution of 5.5% (previous year 5.5%) of the defined corporation tax less any credit. The weighted trade tax rate for Berlin and the regions in which the parent company has business premises is approx. 424% for the financial year (previous year 424%). With consideration for the collection rate and the base amount of trade tax of 3.5% (previous year 3.5%), the trade tax rate is therefore 14.85% (previous year 14.85%).

The domestic tax rate on which the calculated deferred taxes and expected (notional) tax expenses of the Group are based was therefore 30.67% in the reporting year (previous year 30.67%).

The deferred tax assets and liabilities before offsetting developed as follows as at the reporting date:

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016
Deferred tax assets at the start of the reporting year	16,479	13,408
Change (in net profit or loss)	71,852	2,167
Change recognised in equity	−3,855	904
Change due to scope of consolidation	17,698	0
Deferred tax assets at the end of the reporting year	**102,175**	**16,479**
Deferred tax liabilities at the start of the reporting year	231,540	199,275
Change (in net profit or loss)	93,652	32,265
Change recognised in equity	0	0
Change due to scope of consolidation	49,719	0
Deferred tax liabilities at the end of the reporting year	**374,911**	**231,540**

Deferred tax claims which are recognised directly to equity result from actuarial losses for pension obligations and hedge accounting reserves.

For more details on the deferred taxes, see section E.13.

F.10 EARNINGS PER SHARE

The earnings per share are calculated by dividing the net income for the period attributable to the shareholders by the weighted average number of ordinary shares outstanding within the reporting period.

in EUR k	01/01/2017–31/12/2017	01/01/2016–31/12/2016
Net income attributable to the shareholders of the parent company, in EUR k	283,797	93,998
Weighted average number of shares outstanding in thousands	79,681	67,432
Basic earnings per share in EUR	**3.56**	**1.39**
Potential diluting effect of share-based payments in thousands	115	103
Number of shares with a potential diluting effect in thousands	79,796	67,535
Diluted earnings per share in EUR	**3.56**	**1.39**

The share-based payments to the Management Board and individual employees have a diluting effect based on employee services already received. The number of shares on the reporting date would increase by 115,000 shares to 79,796,000 in total. For more information on share-based payments, see section H.10 and the Remuneration Report.

G. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement reports the changes in the cash and cash equivalents recognised in the statement of financial position through cash inflows and outflows in accordance with IAS 7.

In this regard, cash flows are broken down into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. In line with IAS 7.18(b), the cash flow from operating activities is derived from earnings before taxes (EBT) using the indirect method. The cash flow from investing activities and cash flow from financing activities are determined based on cash receipts and payments.

Cash and cash equivalents contain the recognised cash and cash equivalents, and therefore also cash in hand and bank balances. Please see section E.7.

As an output of the calculation of the cash flow from operating activities, earnings before taxes (EBT) increased compared to the previous year. Overall, the net cash flow from operating activities decreased by EUR k 41,992. The significantly higher cash flows from the net operating income from letting activities were more than balanced out by significantly higher interest and tax payments as well as the transaction costs in connection with the integration of WCM.

The cash flow from investing activities mainly comprises cash acquisitions and disposals of properties. The lower amount of cash paid (EUR k 285,470) is essentially due to higher proceeds from the disposal of non-strategic properties and less cash paid for portfolio properties (EUR k 241,767 in 2017; EUR k −445,621 in the previous year). The WCM properties were acquired by means of a capital increase in exchange for contributions in kind. The acquisition of WCM resulted in EUR k 27,789 in cash received.

At EUR k 215,646, the cash flow from financing activities remained at the same level as in the previous year due to a slightly positive net total for refinancing from the issuance of the bond and the change of loans, as well as the capital increases in exchange for cash contributions in January and November 2017.

In 2017, the payment of a dividend reduced liquidity by EUR k 59,340 (previous year EUR k 48,551).

Financial liabilities developed as follows:

Reconciliation for financial liabilities

in EUR k	31/12/2016	Cash flows	Non-cash changes	31/12/2017
Non-current liabilities	975,164	53,547	488,165	1,516,876
Current liabilities	65,248	−40,432	0	24,816
Total liabilities	**1,040,412**	**13,115**	**488,165**	**1,541,692**

H. OTHER INFORMATION

H.1 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

H.1.1 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Explanation of measurement categories and classes

The following table presents the financial assets and liabilities by measurement category and class. Hedge derivatives are also accounted for, although they do not belong to any of the measurement categories of IAS 39. Additionally, with regard to the reconciliation of the statement of financial position, the non-financial liabilities are accounted for even though they are not subject to IFRS 7:

31/12/2017

in EUR k	Measurement category in accordance with IAS 39	Carrying amount as at 31/12/2017	Nominal value	Amortised cost	Fair value through net profit/loss	No measurement category according to IAS 39	No financial instrument according to IAS 32	Fair value as at 31/12/2017	Fair value hierarchy level
Other non-current financial assets (Other loans)	LaR	11,527	0	11,527	0	0	0	11,527	2
Other non-current financial assets	HfT	3,386	0	0	3,386	0	0	3,386	2
Trade receivables	LaR	10,188	0	10,188	0	0	0	10,188	2
Other current financial assets	LaR	2,016	0	2,016	0	0	0	2,016	2
Cash and cash equivalents	LaR	201,476	201,476	0	0	0	0	201,476	1
Total financial assets		**228,594**	**201,476**	**23,731**	**3,386**	**0**	**0**	**228,594**	**0**
Liabilities due to financial institutions	FLaC	1,145,717	0	1,145,717	0	0	0	1,174,706	2
Corporate bonds	FLaC	395,975	0	395,975	0	0	0	399,188	2
Trade payables	FLaC	17,169	0	17,169	0	0	0	17,169	2
Derivative financial instruments	FLHfT	4,924	0	0	0	0	0	4,924	2
Other liabilities	FLaC	49,384	0	0	27,837	0	21,547	49,384	2
Total financial liabilities		**1,613,169**	**0**	**1,558,861**	**27,837**	**0**	**21,547**	**1,645,371**	**0**
Of which aggregated by measurement category in accordance with IAS 39		0	0	0	0	0	0	0	0
Financial assets held for trading	HfT	3,386	0	0	3,386	0	0	3,386	0
Cash and receivables	LaR	225,207	201,476	23,731	0	0	0	225,207	0
Financial liabilities measured at amortised cost	FLaC	1,608,245	0	1,558,861	27,837	0	21,547	1,640,447	0
Financial liabilities held for trading	FLHfT	4,924	0	0	0	0	0	4,924	0

31/12/2016

in EUR k	Measurement category in accordance with IAS 39	Carrying amount as at 31/12/2016	Nominal value	Amortised cost	Fair value through net profit/loss	No measurement category according to IAS 39	No financial instrument according to IAS 32	Fair value as at 31/12/2016	Fair value hierarchy level
Other non-current financial assets (Other loans)	LaR	2,519	0	2,519	0	0	0	2,519	2
Other non-current financial assets (Derivative financial instruments)	HfT	1,331	0	0	1,331	0	0	1,331	2
Other non-current financial assets (Derivative financial instruments)	N/A	950	0	0	0	950	0	950	2
Trade receivables	LaR	5,997	0	5,997	0	0	0	5,997	2
Other current financial assets	LaR	864	0	864	0	0	0	864	2
Cash and cash equivalents	LaR	68,415	68,415	0	0	0	0	68,415	1
Total financial assets		**80,076**	**68,415**	**9,380**	**1,331**	**950**	**0**	**80,076**	**0**
Liabilities due to financial institutions	FLaC	1,040,412	0	1,040,412	0	0	0	1,063,025	2
Trade payables	FLaC	21,178	0	21,178	0	0	0	21,178	2
Derivative financial instruments	N/A	16,837	0	0	0	16,837	0	16,837	2
Derivative financial instruments	FLHfT	3,533	0	0	3,533	0	0	3,533	2
Other liabilities	FLaC	20,900	0	0	2,924	0	17,976	20,900	2
Total financial liabilities		**1,102,860**	**0**	**1,061,590**	**6,457**	**16,837**	**17,976**	**1,125,473**	**0**
Financial assets held for trading	HfT	1,331	0	0	1,331	0	0	1,331	0
Cash and receivables	LaR	77,795	68,415	9,380	0	0	0	77,795	0
Financial liabilities measured at amortised cost	FLaC	1,082,490	0	1,061,590	2,924	0	17,976	1,105,103	0
Financial liabilities held for trading	FLHfT	3,533	0	0	3,533	0	0	3,533	0

A loan assigned to the category LaR is recognised under other non-current assets. The fair value does not differ greatly from the amortised cost.

For the most part, the carrying amounts of cash and cash equivalents, trade receivables, other financial assets, trade payables and other liabilities have short remaining terms, with the exception of non-controlling interests. The carrying amounts correspond to the approximate fair values as at the reporting date.

H.1.2 NET RESULTS BY MEASUREMENT CATEGORY

Under IFRS 7.20 (a), the net gains and losses from financial instruments are to be disclosed for every measurement category of IAS 39. This does not include the effects on earnings of derivative financial instruments in hedging relationships as these must be disclosed under separate regulations and are therefore not attributable to any of the measurement categories of IAS 39.

The net results of financial instruments were as follows, broken down by the various measurement categories of IAS 39:

in EUR k		01/01/2017–31/12/2017	01/01/2016–31/12/2016
Loans and receivables	LaR	14	–246
Available-for-sale financial assets	AfS	0	278
Financial liabilities held for trading (at fair value through profit or loss)	FLHfT	–5,664	–1,132
Financial liabilities measured at amortised cost	FLaC	27,422	20,226
Total		**21,772**	**19,126**

The net result of the "Loans and receivables" measurement category comprises net interest from cash, allowances and reversals of write-downs resulting from the reversal of allowances for rent receivable and the amortisation of rent receivable. The net interest amounts to EUR k 117 (previous year EUR k 313).

The net result of the "Financial instruments held for trading" measurement category comprises the income expenses and income for derivative financial instruments (except those designated hedging instruments) and the results from the measurement of these derivative financial instruments at market value.

The net result of the "Financial liabilities measured at amortised cost" measurement category comprises interest expenses for ongoing debt service of EUR k 18,807 and refinancing costs which are also recognised under interest expenses.

H.2 PRINCIPLES OF FINANCIAL RISK MANAGEMENT

As part of its business activities, the TLG IMMOBILIEN Group is exposed to a variety of financial risks. In particular, these are the interest rate risk, the liquidity risk and the inherent risk of default in rental agreements and sales. These risks are independent types of risk which are under constant, systematic observation through the existing risk management system. They are assigned to executives in the various fields of the company who are responsible for their identification, monitoring, reporting, management and control. This method ensures a degree of congruence between the nature of the risk and the field of responsibility. A risk manual – which is updated continuously – governs the identification, monitoring, reporting, management and control of these and other corporate risks. Risk management is integrated into the central control office.

Capital management

Capital management at TLG IMMOBILIEN is intended to ensure the financial resources required for the continuation of the company and the preservation of liquidity. Furthermore, the financial policies of the Group are designed to generate income for the shareholders and allow for the annual distribution of a dividend. The Group strives to increase its overall value. This holistic capital management strategy has not changed since the previous year.

As is standard in the sector, capital management is based on the net loan-to-value (LTV) ratio. The net LTV is the ratio between net debt and the fair value of the investment property. The net debt is determined by subtracting cash and cash equivalents from liabilities due to financial institutions.

In the current financial year as in the previous years, the Group aims to continue securing access to debt at reasonable financing costs whilst not exceeding a reasonable proportion of debt. Additionally, a bond was issued for the first time in 2017.

As at 31 December 2017, the debt-to-equity ratio was as follows compared to the previous year:

in EUR k	31/12/2017	31/12/2016	Change	Change in %
Investment property (IAS 40)	3,383,259	2,215,228	1,168,031	52.7
Prepayments towards investment property (IAS 40)	17,525	93	17,432	n/a
Owner-occupied property (IAS 16)	6,868	6,109	759	12.4
Non-current assets classified as held for sale (IFRS 5)	9,698	19,174	−9,476	−49.4
Inventories (IAS 2)	762	1,103	−341	−30.9
Real estate assets	**3,418,112**	**2,241,708**	**1,176,404**	**52.5**
Interest-bearing liabilities	1,541,692	1,040,412	501,280	48.2
Cash and cash equivalents	201,476	68,415	133,061	194.5
Net debt	**1,340,216**	**971,997**	**368,219**	**37.9**
Net Loan to Value (Net LTV) in %	**39.2**	**43.4**	**−4.2 pp**	

In the table above, the assets classified as held for sale only concern investment property.

The net LTV in the Group is 39.2% and decreased by 4.2 percentage points compared to the previous year. The capital management goals were achieved in the reporting year.

H.3 DEFAULT RISKS

The risk that a contractual partner – essentially tenants and purchasers of property – will be unable to meet its contractual payment obligations, thus causing the TLG IMMOBILIEN Group to suffer a loss, is known as the risk of default. Credit checks are carried out in order to control the risks of default.

Default risks exist primarily for trade receivables. The TLG IMMOBILIEN Group does not consider itself exposed to a significant risk with any of its contractual partners. The concentration of the credit risk is limited by the broad, heterogeneous customer base. Bad debt risks are minimised by the careful selection of contractual partners supported by professional credit checks. Additionally, standard credit hedging instruments such as guarantees, fixed charges, suretyships, letters of comfort, deductions and deposits are used. If necessary, allowances are carried out for receivables.

The creditworthiness of contractual partners is monitored continuously. If a contractual partner's creditworthiness should deteriorate significantly, the company will endeavour to remove the corresponding items from the statement of financial position as quickly as possible. The company will then not enter into any new items with such contractual partners.

The bank balances of TLG IMMOBILIEN are fully protected against the risk of bank failure by the security measures of German banks. TLG IMMOBILIEN regularly checks its membership in, and the coverage of, the protection schemes.

The highest possible default risk is therefore the carrying amount of the financial assets, not including the value of received securities or other risk-reducing agreements. No guarantees were issued for subsidiaries or associated companies.

The following table shows the financial assets which were impaired on the reporting date:

31/12/2017

in EUR k	Carrying amount before impairment	Impairment	Residual carrying amount
Trade receivables	11,420	−1,232	10,188
Other financial assets	16,987	−57	16,930
Total	**28,407**	**−1,289**	**27,118**

31/12/2016

in EUR k	Carrying amount before impairment	Impairment	Residual carrying amount
Trade receivables	8,320	−2,323	5,997
Other financial assets	5,724	−60	5,664
Total	**14,044**	**−2,383**	**11,661**

Collateral exists for the gross trade receivables – essentially rent deposits of approx. EUR 3.4 m (previous year EUR 3.1 m) – which can be used to offset outstanding receivables if the legal requirements are met.

The allowances were as follows in the 2017 financial year:

31/12/2017

in EUR k	As at 01/01	Contribution	Utilisation	Reversals	Other change	As at reporting date
Trade receivables	2,323	245	−723	−778	164	1,232
Other financial assets	60	10	−11	−3	0	57
Total	**2,382**	**255**	**−734**	**−781**	**164**	**1,288**

The impairments were as follows in the same period in the previous year:

31/12/2016

in EUR k	As at 01/01	Contribution	Utilisation	Reversals	Other change	As at reporting date
Trade receivables	3,674	451	−1,281	−521	0	2,323
Other financial assets	59	15	−6	−8	0	59
Total	**3,733**	**466**	**−1,287**	**−529**	**0**	**2,382**

Additionally, the table below presents the age structure of the financial assets that were overdue but not individually impaired as at the reporting date.

31/12/2017

		Adjusted		Not adjusted			
				neither impaired nor overdue as at the reporting date	overdue but not impaired as at the reporting date		
in EUR k	Carrying amount	Gross amount	Allowance		< 90 days	90–180 days	> 180 days
Trade receivables	10,188	5,614	−1,232	4,584	79	439	704
Other financial assets	16,930	16,889	−57	0	2	0	96
Total	**27,118**	**22,503**	**−1,289**	**4,584**	**81**	**439**	**800**

31/12/2016

		Adjusted		Not adjusted			
				neither impaired nor overdue as at the reporting date	overdue but not impaired as at the reporting date		
in EUR k	Carrying amount	Gross amount	Allowance		< 90 days	90–180 days	> 180 days
Trade receivables	5,997	4,173	−2,323	2,944	880	95	228
Other financial assets	5,664	5,681	−60	1	3	2	38
Total	**11,661**	**9,854**	**−2,383**	**2,944**	**883**	**97**	**266**

H.4 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets and financial liabilities are subject to offsetting:

Financial assets

in EUR k	Gross amount of financial assets	Gross amount of financial liabilities offset in the statement of financial position	Net amount recognised in the statement of financial position under financial assets
31/12/2017			
Trade receivables	43,930	−42,512	2,915
31/12/2016			
Trade receivables	22,307	−26,139	921

Financial liabilities

in EUR k	Gross amount of financial liabilities offset in the statement of financial position	Gross amount of financial assets	Net amount recognised in the statement of financial position under financial assets
31/12/2017			
Prepayments received towards operating costs	−42,512	43,930	−1,811
31/12/2016			
Prepayments received towards operating costs	−26,139	22,307	−4,753

The offsetting concerns the prepayments made towards the operating costs of the tenants, which are offset against the corresponding receivables from operating costs per tenant.

H.5 LIQUIDITY RISKS

The risk that a company will be unable to meet its payment obligations on a contractually agreed date is known as the liquidity risk.

The treasury continuously monitors and plans the liquidity requirements of the Group in order to ensure its liquidity. Enough cash to meet the obligations of the Group for a given period of time is always kept available.

Additionally, the Group has a short-term credit line of EUR k 500 which, if necessary, can be utilised. The credit line is unsecured.

The following table contains the contractually agreed (undiscounted) interest payments and repayments of the primary financial liabilities of the TLG IMMOBILIEN Group with a negative fair value. The maturities are based on the contractually defined fixed interest rates of the financial liabilities.

31/12/2017

		Maturities		
in EUR k	Carrying amount	< 1 year	1–5 years	> 5 years
Liabilities due to financial institutions	1,145,717	35,341	483,360	750,081
Corporate bonds	395,975	5,500	22,015	410,986
Derivative financial instruments	4,924	6,225	6,605	−11,528
Trade payables	17,169	17,169	0	0
Other liabilities	49,384	22,340	243	26,801
Total	**1,613,169**	**86,576**	**512,223**	**1,176,340**

31/12/2016

		Maturities		
in EUR k	Carrying amount	< 1 year	1–5 years	> 5 years
Liabilities due to financial institutions	1,040,412	81,129	579,404	467,417
Derivative financial instruments	20,370	6,715	16,237	−2,805
Trade payables	21,178	21,178	0	0
Other liabilities	20,900	19,814	604	482
Total	**1,102,860**	**128,837**	**596,245**	**465,093**

All instruments for which payments were contractually agreed as at the reporting date have been included. Planned figures for new liabilities in the future are not included. The variable interest payments from financial instruments are determined on the basis of the last specific interest rates before the reporting date. Financial liabilities that can be repaid at any time are always allocated to the earliest repayment date.

The financial liabilities either have fixed interest rates or are safeguarded by interest rate hedges. Both variants combined make up 100% of the financial liabilities (around 99.81% in the previous year).The average effective interest rate is around 1.90% (previous year around 2.56%). The future prolongation structure for the loans and bonds on the basis of the current residual debt is as follows:

in EUR k	Carrying amount	Nominal value	Up to 1 year	1–5 years	More than 5 years
Prolongation structure 2017	1,541,692	1,540,357	74,400	380,444	1,085,513
Prolongation structure 2016	1,040,412	1,044,400	65,469	527,362	451,569

Some financing contracts provide for financial covenants (essentially the Group's equity ratio, LTV, interest coverage ratio, debt service coverage ratio and vacancy and WALT covenants) whereby the bank could exercise a right of termination without notice if the covenants are not adhered to. The company covers the risk of a breached covenant by regularly inspecting the covenants and, if necessary, taking steps to adhere to the covenants. A breached covenant can also be remedied by means of unscheduled repayments, for example. No significant covenants were breached in 2017.

H.6 MARKET RISKS

Increased interest rates can result in growing financing costs. The company accounts for this interest rate risk by creating interest rate hedges for loans with variable interest rates and by concluding agreements with fixed interest rates and terms spanning a number of years. The interest rate hedges consist of interest rate derivatives such as interest rate swaps and floors. The use of such interest rate derivatives is governed by guidelines. Under the guidelines, derivative financial instruments are only used for the purposes of hedging and never for trading. In general, there is a hedge for every loan with a variable interest rate.

The TLG IMMOBILIEN Group is not exposed to any foreign exchange risks as its major transactions are carried out in euros.

As at 31 December 2017, the portfolio contained the following derivative financial instruments whose maturity periods are as at the reporting date.

Derivative financial instruments

in EUR k	Fair value	< 1 year
Derivative assets held for trading	**3,111**	**0**
of which interest rate swaps	1,901	0
of which floors	1,210	0
Derivative liabilities held for trading	**4,924**	**0**
of which interest rate swaps	4,924	0

As at the reporting date in the previous year, the portfolio contained the following derivative financial instruments:

Derivative financial instruments

in EUR k	Fair value	< 1 year
Derivative assets held for trading	**1,331**	**0**
of which interest rate swaps	579	0
of which floors	752	0
Derivative liabilities held for trading	**3,533**	**0**
of which interest rate swaps	3,533	0
Hedge derivatives	**17,787**	**0**
of which floors	950	0
of which interest rate swaps with a negative market value	16,837	0

The derivative financial instruments were used as hedging instruments under IAS 39 until the end of March 2017, provided that they met the hedge accounting requirements.

Hedge accounting for derivative financial instruments was discontinued at the start of the second quarter of 2017. Ever since, all changes in market values are presented through the item "Result from the remeasurement of derivative financial instruments".

The changes in market value that have been presented as other comprehensive income and allocated to an equity reserve in prior periods will be reversed on a pro-rata basis over the remaining term of each underlying transaction.

The following table shows the amount recognised directly in other comprehensive income during the reporting period. This corresponds to the effective part of the change in fair value.

in EUR k	2017	2016
Opening balance as at 01/01	**−16,041**	**−13,472**
Recognition in other comprehensive income in the reporting period	5,355	−7,369
Reversal from equity into the statement of profit or loss	6,401	4,800
Closing balance as at 31/12	**−4,285**	**−16,041**

H.7 SENSITIVITIES

Under IFRS 7, interest rate risks are represented by sensitivity analyses. These analyses determine the impact of a change in market interest rates on the net interest and exchanges, trading profit and losses, and on the equity on the reporting date.

The sensitivity analysis also factors in the impacts on equity and the statement of comprehensive income of TLG IMMOBILIEN that would result from a simultaneous fluctuation in the euro yield curve by +/−50 basis points (previous year +/−50 basis points). If the yield curve were to decline by 50 basis points, the interest rate would fall to 0.0% at the lowest, provided that this has been contractually agreed. The cash flow effects from fluctuations in the yield curve merely concern the interest income and expenses for the next reporting period.

Based on the financial instruments held or issued by TLG IMMOBILIEN as at the reporting date, a hypothetical change – quantified by sensitivity analyses – in the interest rates on which each instrument was based on the reporting date would have had the following effects (before taxes).

Financial instruments

	Effect on OCI		Effects on income	
in EUR k	+ 50 BP	− 50 BP	+ 50 BP	− 50 BP
31/12/2017				
Financial liabilities	0	0	−2,248	2,248
Interest rate derivatives	0	0	24,221	−25,415
Floors	0	0	−782	1,557

Financial instruments

	Effect on OCI		Effects on income	
in EUR k	+ 50 BP	− 50 BP	+ 50 BP	− 50 BP
31/12/2016				
Financial liabilities	0	0	−2,805	2,021
Interest rate derivatives	7,998	−21,306	2,504	−2,008
Floors	−918	1,523	0	0

H.8 NUMBER OF EMPLOYEES

As at 31 December 2017, 137 people were employed by the Group (111 as at 31/12/2016).

	31/12/2017	Average number of employees in 2017	31/12/2016	Average number of employees in 2016
Permanent employees	134*	113	105	105
Temporary employees	3	3	6	5
Total	**137**	**116**	**111**	**110**

* 26 employees with WCM

As in the previous year, the full-time employees are not reported due to the low proportion of part-time employees.

H.9 TOTAL AUDITOR'S FEE

The following fees have been recognised as expenses for the services rendered by the auditor of the consolidated financial statements in the financial year:

in EUR k	2017	2016
Audit services	253	183
Other assurance services	635	380
Tax consulting services	3	0
Other services	0	16
Total fee	**891**	**579**

The increase is due primarily to the other assurance services. These concern the preparation of various comfort letters for prospectuses in connection with a capital increase against cash contributions, the issuance of a bond, the conclusion of a domination agreement and a takeover offer.

H.10 IFRS 2 PROGRAMME

H.10.1 SHARE-BASED PAYMENTS TO EMPLOYEES

In the 2017 financial year, expenses for a share-based payment component for certain employees were recognised under IFRS. The grant date fair value of the previous schemes is EUR k 547.

With regard to its targets and payment criteria, this remuneration component shares its structure with the long-term incentive scheme for the Management Board, which is described below.

H.10.2 LTI MANAGEMENT BOARD CONTRACTS

The new employment contracts for the members of the Management Board, which were concluded in late September 2014, include a long-term incentive programme for each financial year from 2015 to 2018 (hereinafter referred to as the LTI tranche). An LTI tranche covers a four-year period. Completion of the defined objectives is determined at the end of the fourth year by means of a comparison between current progress and the target.

The amount of LTI remuneration is contingent on the completion of certain objectives. In this regard, the major objectives are the improvement of the net asset value and the TLG IMMOBILIEN AG share price compared to the relevant EPRA Europe Index.

The contracts of the members of the Management Board cannot be duly terminated. The contract will end if a member of the Management Board becomes permanently unable to work during the term of the contract. The member of the Management Board will receive 100% of his LTI if he was actively employed during the calendar year in which the LTI commitment existed. If the member of the Management Board was not employed for the full calendar year, the LTI shall be disbursed at a proportional rate.

The programme contains an option as to the type of settlement for the company and is treated as a share-based payment settled in equity instruments in accordance with IFRS 2.

Based on the estimations of the Management Board as to the completion of performance hurdles, personnel expenses of EUR k 519 were recognised for the LTI in the 2017 financial year (previous year EUR k 608).

The fair value on the settlement date was EUR k 2,465. An achievement rate of 123% was assumed. For more information on the Management Board contracts, see the disclosures in the Remuneration Report.

H.11 RELATED PARTIES

Related companies and parties are defined as companies and persons which have the ability to control or exercise significant influence over the TLG IMMOBILIEN Group, or which the TLG IMMOBILIEN Group controls or exercises significant influence over.

Accordingly, the members and close relatives of the Management and Supervisory Boards of TLG IMMOBILIEN AG and the TLG IMMOBILIEN Group's subsidiaries are considered related parties and companies.

Additionally, DIC Asset AG counts as a related party according to IAS 24.9 (b) (ii).

Related companies

In the 2017 financial year, the company entered into domination agreements with its subsidiaries:

- Hotel de Saxe an der Frauenkirche GmbH, Dresden
- TLG CCF GmbH, Berlin
- TLG Fixtures GmbH, Berlin
- TLG MVF GmbH, Berlin
- TLG Sachsen Forum GmbH, Berlin
- WCM Beteiligungs- und Grundbesitz- Aktiengesellschaft, Berlin

The agreement will only become effective once entered into the commercial register of each company (in 2018 for WCM).

On 21 December 2017, a loan agreement for EUR k 194,100 was signed by TLG IMMOBILIEN AG as the lender and WCM AG as the borrower. The loan is payable by 31 October 2024 and will bear interest at a rate of 1.98% p.a. over its term. As at 31 December 2017, EUR k 190,920 had been drawn down to repay bank loans of WCM AG.

Additionally, TLG IMMOBILIEN AG and WCM AG signed an employee transfer contract for one employee of WCM from 4 September 2017 to 31 March 2018.

All outstanding balances with the parent company were agreed at standard market rates. None of the balances is secured. No expenses were recognised as irrecoverable or doubtful receivables with regard to the amounts owed by the parent company in the current year or in the previous year.

On 21 December 2017, a loan agreement for EUR k 19,000 was signed by TLG IMMOBILIEN AG as the lender and TLG EH1 GmbH as the borrower. The loan is payable by 31 October 2024 and will bear interest at a rate of 2.25% p.a. over its term.

On 21 December 2017, a loan agreement for EUR k 32,000 was signed by TLG IMMOBILIEN AG as the lender and TLG EH2 GmbH as the borrower. The loan is payable by 31 October 2024 and will bear interest at a rate of 2.25% p.a. over its term.

Related parties

No transactions of particular significance took place with related companies in the 2017 financial year.

The composition of the Management Board has not changed since the previous year.

However, the composition of the Supervisory Board has changed. Mr Alexander Heße stepped down from the Supervisory Board with effect from 31 May 2016. On 10 February 2017, the local court of Berlin Charlottenburg appointed Mr Frank D. Masuhr as a new member of the Supervisory Board; he was then appointed by the general meeting on 23 May 2017.

After the reporting date, Ms Elisabeth Talma Stheeman resigned from her position on the Supervisory Board with effect from 29 January 2018. Mr Stefan E. Kowski was appointed as a new member of the Supervisory Board by the local court of Berlin Charlottenburg on 21 February 2018 until the end of the general meeting in 2018.

Finally, Mr Frank D. Masuhr resigned from the Supervisory Board with effect from 31 January 2018. On 5 March 2018, Mr Sascha Hettrich was appointed to the Supervisory Board by the local court of Berlin Charlottenburg until the end of the general meeting in 2018.

The remuneration paid by TLG IMMOBILIEN AG to the members of the Management Board was as follows in the 2017 financial year:

in EUR k	2017	2016
Fixed remuneration	600	600
Fringe benefits	117	113
Subtotal of fixed remuneration	**717**	**713**
Short-term variable remuneration (STI)	520	520
Long-term variable remuneration (LTI)	0	0
Subtotal of variable remuneration	**520**	**520**
Total remuneration	**1,237**	**1,233**

See the Remuneration Report, which is part of the report on the position of the company and the Group, for more disclosures on the remuneration of the Management Board.

Remuneration paid to previous members of the management totalled EUR 0.2 m in 2017 (previous year EUR 0.2 m). In 2017, EUR 2.9 m was placed into reserves for pension obligations to past members of the management (previous year EUR 2.8 m).

In line with the Articles of Association, all Supervisory Board remuneration is payable at the end of each financial year. The remuneration paid pro rata to the members of the Supervisory Board for the 2017 financial year totalled EUR 0.5 m (previous year EUR 0.3 m).

In summary, this resulted in the following recognised expenses for the remuneration of the Management and Supervisory Boards in line with IAS 24.17:

in EUR k	2017	2016
Benefits due in the short term	1,642	1,412
Other benefits due in the long term	117	113
Share-based payments	519	608
Total	**2,279**	**2,132**

The Supervisory Board of TLG IMMOBILIEN AG consists of the following members:

Michael Zahn (Chairperson of the Supervisory Board)	Member since 05/09/2014 Chairperson since 08/09/2014
Chairperson of the presidential and nomination committee of the Supervisory Board of TLG IMMOBILIEN AG, Berlin	since 01/10/2014
Chairperson of the capital market and acquisitions committee of the Supervisory Board of TLG IMMOBILIEN, Berlin	since 10/11/2016
CEO of Deutsche Wohnen AG, Berlin	since June 2015
Chairperson of the Supervisory Board of GSW Immobilien AG, Berlin	since June 2015
Chairperson of the Advisory Board of G+D Gesellschaft für Energiemanagement GmbH, Magdeburg	
Chairperson of the Supervisory Board of Funk Schadensmanagement GmbH, Berlin	
Member of the Supervisory Board of Scout24 AG, Munich	
Member of the Advisory Board of DZ Bank AG, Frankfurt/Main	
Member of the Advisory Board of Füchse Berlin Handball GmbH, Berlin	since 15/09/2016
Member of the Real Estate Advisory Board of GETEC Wärme & Effizienz AG, Magdeburg	since 08/11/2016
Dr Michael Bütter (Vice-chairperson)	Member since 25/09/2014 since 07/03/2017 Vice-chairperson
Member of the presidential and nomination committee of TLG IMMOBILIEN AG, Berlin	since 01/10/2014
Member of the capital market and acquisitions committee of the Supervisory Board of TLG IMMOBILIEN, Berlin	since 10/11/2016
Member of the project development committee of TLG IMMOBILIEN, Berlin	since 29/11/2017
Member of the Executive Committee and Group General Counsel, Scout 24 AG, Berlin	since 01/10/2015
Member of the Board of Directors, ADO Properties S.A., Luxembourg	
Chairperson of the Audit Committee, ADO Properties S.A., Luxembourg	
Member of the Investment and Finance Committee, ADO Properties S.A., Luxembourg	
Member of the Advisory Board of Corestate Capital Holding S.A., Luxembourg	since 01/01/2017
Member of the Supervisory Board of Assmann Beraten + Planen AG, Berlin	since 01/04/2016

Sascha Hettrich	Member since 05/03/2018
CEO INTOWN Group, Berlin	since January 2017
Managing director of INTOWN Property Management GmbH, Berlin	since January 2017
Managing director of Hettrich Tomorrow GmbH, Managing director of Management Consulting & Venture Capital, Berlin	since 2011

Stefan E. Kowski	Member since 21/02/2018
Partner at Novalpina Capital LLP, London	since February 2017

Frank D. Masuhr*	Member since 10/02/2017
Chairperson of the project development committee of TLG IMMOBILIEN, Berlin	since 29/11/2017
Vice-chairperson of the Supervisory Board of WCM Beteiligungs- und Grundbesitz-AG	since 20/02/2018
Vice-chairperson of the Supervisory Board of Assmann Beraten und Planen AG,	
Co-founder and Managing Partner of Vermont Partners AG, Baar (Switzerland)	since 2016

** until 31 January 2018*

Dr Claus Nolting	Member since 05/09/2014
Member of the audit committee of TLG IMMOBILIEN AG, Berlin	since 25/09/2015
Member of the presidential and nomination committee of TLG IMMOBILIEN AG, Berlin	since 07/03/2017
Lawyer and consultant	
Vice-chairperson of the Supervisory Board of IKB Deutsche Industriebank, Düsseldorf	
Chairperson of the risk and audit committee of IKB Deutsche Industriebank, Düsseldorf	since 25/02/2016
Member of the nomination committee of IKB Deutsche Industriebank, Düsseldorf	
Member of the remuneration management committee of IKB Deutsche Industriebank, Düsseldorf	
Member of the Supervisory Board of Hamburg Trust Real Estate Management GmbH, Hamburg	
Member of the Supervisory Board of LEG Immobilien AG, Düsseldorf	since 19/05/2016
Chairperson of the Supervisory Board of MHB-Bank AG, Frankfurt/Main	since 22/12/2016

Elisabeth Talma Stheeman*	Member since 25/09/2014
Member of the audit committee of the Supervisory Board of TLG IMMOBILIEN AG, Berlin	since 01/10/2014
Independent Non-Executive Board Director, London	
Governor of the London School of Economics (LSE), London	
Member of the audit committee of the London School of Economics (LSE), London	until 31/07/2016
Vice-chairperson of the financial committee of the London School of Economics (LSE), London	since 01/08/2016
Senior Advisor, Bank of England / Prudential Regulation Authority (PRA), London	
Member of the Supervisory Board of Aareal Bank AG, Wiesbaden	
Vice-chairperson of the risk committee of Aareal Bank AG, Wiesbaden	
Member of the technology and innovation committee of Aareal Bank AG, Wiesbaden	

** until 29 January 2018*

Helmut Ullrich	Member since 23/07/2015
Chairperson of the audit committee of the Supervisory Board of TLG IMMOBILIEN AG, Berlin	since 13/08/2015
Member of the capital market and acquisitions committee of the Supervisory Board of TLG IMMOBILIEN, Berlin	since 10/11/2016
Member of the project development committee of TLG IMMOBILIEN, Berlin	since 29/11/2017
Chairperson of the Supervisory Board of WCM Beteiligungs- und Grundbesitz-AG	since February 2018 Member since November 2017
Member of the Supervisory Board of GSW Immobilien AG, Berlin	
Chairperson of the audit committee of GSW Immobilien AG, Berlin	

H.12 CONTINGENT LIABILITIES

There are the following contingent liabilities for items for which the Group has issued guarantees to various contractual partners:

in EUR k	31/12/2017	31/12/2016
Land charges	1,136,395	1,041,033
	1,136,395	**1,041,033**

H.13 OTHER FINANCIAL OBLIGATIONS

As at the reporting rate, the other financial obligations of the Group consisted of EUR k 1,303 (previous year EUR k 1,842) in future payments (net) resulting from operating leases and a commitment of EUR k 6,625 (previous year EUR k 5,823) for investment property and property,plant and equipment.

The company has diverse service contracts for IT services, building cleaning, reception staff and security services with a payment obligation of EUR k 924 (previous year EUR k 1,169), as well as vehicle lease contracts for its fleet of vehicles with a payment obligation of EUR k 235 (previous year EUR k 275). There are also rental agreements on the leasing of space for archiving purposes with a payment obligation of EUR k 105 (previous year EUR k 397).

These operating leases serve the company's ongoing business operations and are advantageous in that intensive investment measures and the corresponding outflow of cash are not necessary. The operating leases are not considered risky.

The expenses for minimum lease instalments in the 2017 financial year totalled EUR k 271 (previous year EUR k 195).

H.14 SHAREHOLDING LIST

As at 31 December 2017, TLG IMMOBILIEN holds interests in the following fully consolidated companies:

	Name and registered offices of the company	Shareholding	Equity as at 31/12/2017 in EUR k	Results of the 2017 financial year in EUR k	Shareholding Direct/indirect
1	Aschgo GmbH & Co. KG, Berlin[1]	94.00%	6,748	−62	Indirect
2	Barisk GmbH & Co. KG, Berlin[1]	94.00%	3,624	2	Indirect
3	Berkles GmbH & Co. KG, Berlin[1]	94.00%	3,312	−148	Indirect
4	Greenman 1D GmbH, Berlin[2, 4]	94.00%	5,286	0	Indirect
5	Hotel de Saxe an der Frauenkirche GmbH, Dresden[2, 3]	100.00%	22,200	0	Direct
6	Main Triangel Gastronomie GmbH, Berlin[2]	100.00%	13	−101	Indirect
7	TLG EH1 GmbH Berlin (formerly PEREF Priscus S.á. r.l., Luxembourg)	94.90%	16,230	2,527	Direct
8	TLG EH2 GmbH, Berlin (formerly PEREF Verus S.á r.l., Luxembourg)	94.90%	27,278	6,313	Direct
9	River Berlin Immobilien GmbH & Co. KG, Berlin[1]	94.90%	2,025	118	Indirect
10	River Bonn Immobilien GmbH & Co. KG, Berlin[1]	94.90%	2,242	−13	Indirect
11	River Düsseldorf Immobilien GmbH & Co. KG, Berlin[1]	94.90%	1,121	−83	Indirect
12	River Frankfurt Immobilien GmbH & Co. KG, Berlin[1]	94.90%	14,301	−5	Indirect
13	TLG CCF GmbH, Berlin[2, 3, 5]	100.00%	94,025	0	Direct
14	TLG FAB S.à r.l., Luxembourg	94.90%	29,648	1,765	Direct
15	TLG Fixtures GmbH, Berlin[2, 3]	100.00%	359	0	Direct
16	TLG MVF GmbH, Berlin[2, 3, 5]	100.00%	73,025	0	Direct
17	TLG Sachsen Forum GmbH, Berlin[2, 3]	100.00%	24,104	0	Direct
18	Triangel Frankfurt Immobilien GmbH & Co. KG, Berlin[1]	94.90%	14,519	−2,161	Indirect
19	WCM Besitzgesellschaft mbH & Co. KG, Berlin[1]	100.00%	19	−6	Indirect
20	WCM Beteiligungs- und Grundbesitz-AG, Berlin	85.89%	243,286	−7,025	Direct
21	WCM Beteiligungsgesellschaft mbH & Co. KG, Berlin[1]	100.00%	−1,057	−1,082	Indirect
22	WCM Handelsmärkte I GmbH, Berlin[2]	94.90%	208	−289	Indirect
23	WCM Handelsmärkte II GmbH, Berlin[2]	94.90%	709	220	Indirect
24	WCM Handelsmärkte III GmbH & Co. KG, Berlin[1]	88.00%	195	444	Indirect
25	WCM Handelsmärkte IV GmbH & Co. KG, Berlin[1]	94.90%	17,859	2,094	Indirect
26	WCM Handelsmärkte IX GmbH & Co. KG, Berlin[1]	94.80%	6,409	−127	Indirect
27	WCM Handelsmärkte V GmbH & Co. KG, Berlin[1]	100.00%	82	−11	Indirect
28	WCM Handelsmärkte VI GmbH & Co. KG, Berlin[1]	100.00%	82	−11	Indirect
29	WCM Handelsmärkte VII GmbH & Co. KG, Berlin[1]	94.90%	6,344	−474	Indirect
30	WCM Handelsmärkte VIII GmbH & Co. KG, Berlin[1]	94.00%	−191	52	Indirect
31	WCM Handelsmärkte X GmbH & Co. KG, Berlin[1]	94.80%	6,004	113	Indirect
32	WCM Handelsmärkte XI GmbH & Co. KG, Berlin[1]	94.80%	4,598	227	Indirect
33	WCM Handelsmärkte XII GmbH & Co. KG, Berlin[1]	94.80%	2,188	−26	Indirect
34	WCM Handelsmärkte XIII GmbH & Co. KG, Berlin[1]	94.00%	1,798	−529	Indirect
35	WCM Handelsmärkte XIV GmbH & Co. KG, Berlin[1]	94.00%	4,962	−133	Indirect
36	WCM Handelsmärkte XV GmbH & Co. KG, Berlin[1]	94.00%	5,593	210	Indirect
37	WCM Handelsmärkte XVI GmbH & Co. KG, Berlin[1]	94.00%	1,056	−220	Indirect
38	WCM Handelsmärkte XVII GmbH, Berlin[2]	94.90%	1,020	−481	Indirect
39	WCM Office I GmbH, Berlin[2]	94.90%	3,622	−65	Indirect
40	WCM Office II GmbH & Co. KG, Berlin[1]	94.90%	2,683	−854	Indirect
41	WCM Office III GmbH, Berlin[2]	94.90%	617	−471	Indirect
42	WCM Office IV GmbH & Co. KG, Berlin[1]	94.90%	2,117	53	Indirect
43	WCM Technical Services GmbH, Berlin[2]	100.00%	22	0	Indirect
44	WCM Technical Services II GmbH, Berlin[2]	100.00%	37	3	Indirect
45	WCM Vermögensverwaltung GmbH & Co. KG, Berlin[1]	100.00%	33,848	−62	Indirect
46	WCM Verwaltungs GmbH, Berlin[2]	100.00%	81	27	Indirect
47	WCM Verwaltungs II GmbH, Berlin[2]	100.00%	28	−1	Indirect
48	WCM Verwaltungs III GmbH & Co. KG, Berlin[1]	100.00%	−2,381	−2,372	Indirect
49	WCM Verwaltungs IV GmbH & Co. KG, Berlin[1]	100.00%	−203	−215	Indirect
50	WCM Verwaltungs V GmbH, Berlin[2]	100.00%	29	4	Indirect
51	WCM Verwaltungs VI GmbH, Berlin[2]	100.00%	26	1	Indirect
52	WCM Verwaltungs VII GmbH, Berlin[2]	100.00%	35	10	Indirect

[1] According to Sec. 264b HGB, companies are exempted from their obligation to prepare financial statements
[2] According to Sec. 264 (3) HGB, companies are exempted from their obligation to prepare financial statements
[3] Profit transfer agreement with TLG IMMOBILIEN AG
[4] Profit transfer agreement with WCM Beteiligungsgesellschaft mbH & Co. KG
[5] Financial year that differs from the calendar year; latest financial statements available as at 30/06/2017

Compared to the previous year, 43 companies were added to the portfolio of fully consolidated companies. For more information, see sections C.2 and C.3.

The financial statements have not yet been ratified in each case. The equity and net income are based on German GAAP or local GAAP of the country in which each company is based.

The portfolio of fully consolidated companies was as follows as at 31 December 2016:

	Name and registered offices of the company	Shareholding	Equity as at 31/12/2016 in EUR k
1	TLG Vermögensverwaltungs GmbH, Berlin i. L.	100%	75
2	TLG FAB S.à r.l., Luxembourg	94.9%	33,665
3	Hotel de Saxe an der Frauenkirche GmbH, Dresden[1]	100%	22,200
4	TLG Sachsen Forum GmbH, Berlin[1]	100%	24,104
5	TLG Fixtures GmbH, Berlin[1]	100%	359
6	TLG CCF GmbH, Berlin[1, 2]	100%	
7	TLG CCF S.C.S, Luxembourg[3]	100%	25,158
8	TLG MVF GmbH, Berlin[1, 2]	100%	
9	TLG MVF S.C.S, Luxembourg[3]	100%	2,929

[1] *According to Sec. 264 (3) HGB, companies are exempted from their obligation to prepare financial statements*
[2] *Different financial year (30/06). As it was established in the 2016 financial year, it has not yet been necessary to prepare annual financial statements.*
[3] *Financial statements for the 2014 financial year*

H.15 SUBSEQUENT EVENTS

On 9 February 2018, the domination agreement signed by TLG IMMOBILIEN AG and WCM AG on 6 Oktober 2017, was entered into the commercial register of the local court of Frankfurt/Main. The domination agreement with TLG IMMOBILIEN as the controlling entity and WCM AG as the controlled entity has therefore come into effect. Instead of on 9 February 2018, according to Sec. 10 HGB, the entry of the domination agreement in the electronic information and communication system at *www.handelsregister.de* determined by the state judiciary administration took place on 16 February 2018. Therefore, the deadline of the offer would have expired at midnight on 16 April 2018 (CEST). Due to a pending legal challenge at the district court of Frankfurt/Main, the deadline has now been extended in accordance with Sec. 305 (4) AktG to a date at least two months after the date on which the decision regarding the last motion in the proceedings has been published in the Federal Gazette. The general meetings of TLG IMMOBILIEN AG and WCM AG had each approved the agreement with a wide majority on 22 November 2017 and 17 November 2017 respectively.

Settlement offer to the outside shareholders of WCM AG

Under the domination agreement, TLG IMMOBILIEN AG undertook that upon request by outside shareholders of WCM AG, it will acquire their shares in WCM AG in exchange for new no-par value bearer shares of TLG IMMOBILIEN AG, each with a notional value of EUR 1.00, at an exchange ratio of four shares of TLG IMMOBILIEN AG for 23 shares of WCM AG. The outside shareholders of WCM AG may accept this exit compensation starting on the date of publication of the offer. Instead of on 9 February 2018, according to Sec. 10 HGB, the entry of the domination agreement in the electronic information and communication system at *www.handelsregister.de* determined by the state judiciary administration took place on 16 February 2018. Therefore, the deadline of the offer would have expired at midnight on 16 April 2018 (CEST). Due to a pending legal challenge at the district court of Frankfurt/Main, the deadline has now been extended in accordance with Sec. 305 (4) AktG to a date at least two months after the date on which the decision regarding the last motion in the proceedings has been published in the Federal Gazette.

Fair compensation for outside shareholders of WCM AG

TLG IMMOBILIEN AG guarantees outside shareholders of WCM AG who do not wish to accept the exit compensation a fixed annual payment in the form of a guaranteed dividend as fair compensation for the duration of the domination agreement. The guaranteed dividend for each financial year of WCM AG and each bearer share of WCM AG representing a notional value of EUR 1.00 in the share capital of WCM AG amounts to a gross amount of EUR 0.13 per share (the "Gross Compensation Amount"), less any corporate income tax and solidarity surcharge at the prevailing rate for the relevant financial year (the "Net Compensation Amount"). Based on the circumstances at the time of the entering into force of the domination agreement, corporate income tax at a rate of 15.0%, plus 5.5% solidarity surcharge thereon (i.e. EUR 0.02 for each no-par value share of WCM AG) are deducted from the Gross Compensation Amount. Based on the circumstances at the time of the entering into force of the domination agreement, this results in a Net Compensation Amount of EUR 0.11 for each no-par value share of WCM AG for every full financial year of WCM AG.

H.16 DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SEC. 161 AKTG

The Management and Supervisory Boards have fulfilled the recommendations of the German Corporate Governance Code as set out in the corporate governance report. The declarations of compliance will be made available to the shareholders when the annual report for 2017 is published in the Investor Relations section of the company's website *www.tlg.eu* as well as at *www.wcm.de/en/*.

Berlin, 7 March 2018

Peter Finkbeiner
Member of the
Management Board

Niclas Karoff
Member of the
Management Board

INDEPENDENT AUDITOR'S REPORT

TO TLG IMMOBILIEN AG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE REPORT ON THE POSITION OF THE COMPANY AND THE GROUP

OPINIONS

We have audited the consolidated financial statements of TLG IMMOBILIEN AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2017, the consolidated statement of financial position as at 31 December 2017, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the report on the position of the Company and the Group of TLG IMMOBILIEN AG for the fiscal year from1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the responsibility statement included in the section "Responsibility statement required by § 264 (2) Line 3 HGB, § 289 (1) Line 5 HGB, § 315 (1) Line 5 HGB" of the report on the position of the Company and the Group.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its financial performance for the fiscal year from1 January to 31 December 2017, and

- the accompanying report on the position of the Company and the Group as a whole provides an appropriate view of the Group's position. In all material respects, this report on the position of the Company and the Group is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the report on the position of the Company and the Group does not cover the responsibility statement included in the section "Responsibility statement required by § 264 (2) Line 3 HGB, § 289 (1) Line 5 HGB, § 315 (1) Line 5 HGB" of the report on the position of the Company and the Group.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the report on the position of the Company and the Group.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the report on the position of the Company and the Group in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the report on the position of the Company and the Group" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the report on the position of the Company and the Group.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. MEASUREMENT OF INVESTMENT PROPERTY

Reasons why the matter was determined to be a key audit matter

The measurement of investment property, which is of material significance for the Group's assets and liabilities, involves the use of numerous valuation inputs requiring considerable judgments and assumptions by the Management Board. These are in particular assumptions about the future development of realizable rents, the future development of the vacancy rate, the discount and capitalization rates and future repairs and investments. These assumptions entail significant uncertainty.

In light of the large number of properties, the complexity of the valuation methods and the assumptions requiring the use of judgment by the executive directors, we consider the measurement of investment property to be a key audit matter.

Auditor's response

We assessed and tested the process and internal controls in relation to the correctness of the input data (such as rental space, term of rental agreement, agreed current rent, rent adjustment clause, relevant repairs and investments) used to measure investment property.

In light of the real estate-specific assumptions to be made, we included internal real estate experts (MRICS – Professional Member of the Royal Institution of Chartered Surveyors) in the audit team.

For a sample, we obtained an understanding of and assessed the method used to value properties by reference to valuation methods customary in the industry. Together with our internal real estate experts, we then questioned the Company's external expert about the valuation model and the assumptions (such as realizable rents, vacancy rate, discount and capitalization rates and relevant repairs and investments). We also assessed the qualifications and objectivity of the external expert and the suitability of their work as audit evidence for the measurement of investment property.

As part of our procedures, we reconciled a sample of the agreed rents which were available to the expert for the valuation with the underlying rental agreements. We also compared the significant assumptions concerning market rents and the capitalization and discount rates for real estate with the information available to us from external databases.

In addition, we performed analytical procedures relating to the change in the market values of each property for a sample of properties, analyzing whether the development of the value drivers (e.g., annual basic rent, useable space, vacancy rate, discount and capitalization rates, gross multiplier) is consistent with the development of the market value of the respective property.

Our audit procedures did not lead to any reservations relating to the measurement of investment property.

Reference to related disclosures

Please refer to the information provided by the Management Board on investment property in the notes to the consolidated financial statements (section E.1 "Investment property") and in the report on the position of the Company and the Group (section 2.2 "Course of business").

2. FIRST-TIME CONSOLIDATION OF WCM BETEILIGUNGS- UND GRUNDBESITZ-AKTIENGESELLSCHAFT, FRANKFURT AM MAIN

Reasons why the matter was determined to be a key audit matter

The first-time consolidation of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, Frankfurt am Main ("WCM"), is a significant transaction. The related purchase price allocation requires significant judgments and assumptions by the Management Board for the recognition and measurement of the acquired real estate assets and the other identifiable assets and liabilities. For the purposes of the provisional purchase price allocation the Management Board uses judgment which has a significant influence on the measurement of assets and liabilities.

In light of its materiality for the assets and liabilities of the TLG Group and the use of judgment for the purchase price allocation, we consider the first-time consolidation of WCM to be a key audit matter.

Auditor's response

As part of our procedures, we obtained an understanding of the cost of the acquisition of WCM by reference to the shares issued to the former shareholders of WCM in the capital increase.

Another aspect was the identification and measurement of the acquired assets (e.g., investment property, other assets, deferred tax assets) and liabilities (e.g., liabilities to banks, deferred tax liabilities, provisions, other liabilities) by the executive directors. On the basis of our knowledge about WCM's business and the explanations and plans of the Management Board, we examined the provisional identification of assets and liabilities. We then obtained an understanding of the method used to determine the provisional fair values of the acquired assets and liabilities and reperformed the calculation. We consulted our internal real estate experts in our audit procedures to examine the determination of fair values. We also obtained an understanding of the methodology and the first-time determination of goodwill, taking non-controlling interests into account. By inspecting contracts and invoices and reconciling them with the books and records, we obtained an understanding of whether the costs incurred in connection with the business combination were recognized as an expense and presented as other operating expenses. Our procedures relating to the identification and measurement of assets and liabilities also included an analysis and assessment of the possible expiry of tax loss carryforwards, the potential failure to meet the requirements for tax-neutral reorganizations and the recognition of real estate transfer tax liabilities and receivables.

We also assessed the information about the acquisition in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the first-time consolidation of WCM.

Reference to related disclosures

Please refer to the information provided by the Management Board in the notes to the consolidated financial statements on the acquisition of WCM in sections "C.1 Methods of consolidation," "C.2 Changes in the Group," "C.3 Business combinations," "D.3 Intangible assets," "E.2 Property, plant and equipment and intangible assets" and "H.14 Shareholding list" and on the judgments made in connection with the purchase price allocation in "D.23 Major discretionary decisions and estimates."

3. MEASUREMENT OF GOODWILL ARISING AS A RESULT OF THE ACQUISITION OF WCM

Reasons why the matter was determined to be a key audit matter

The Management Board of TLG Immobilien AG tests the recognized goodwill each year for impairment. The allocation of goodwill to the group of cash-generating units TLG IMMOBILIEN AG and WCM and the impairment test for each group of cash-generating unit are highly dependent on assessments and assumptions by the Management Board and are therefore subject to judgment.

In light of its materiality for the assets and liabilities of the TLG Group and the use of judgment with regard to impairment testing, we consider the measurement of the goodwill arising as a result of the acquisition of WCM to be a key audit matter.

Auditor's response

When analyzing the allocation of goodwill to the cash-generating units we obtained an understanding of whether the identifiable group of assets that generates cash inflows was used as a basis in accordance with IAS 36 *Impairment of assets*.

To assess the impairment of goodwill we obtained an understanding of the methodology used for impairment testing in relation to the requirements of IAS 36 *Impairment of assets*.

With regard to the determination of the recoverable amounts of each group of the cash-generating units using a discounted cash flow method, our procedures included a comparison of the expected cash flows with the five-year forecast prepared by the Management Board and an assessment of the planning data. Where a significant portion of the value in use from the cash flow projections for each group of the cash-generating units arises after the detailed planning period (perpetual annuity phase), we assessed the long-term growth rate for this phase by reference to industry-specific ratios.

With regard to the capitalization rate used, we analyzed the various inputs to determine whether they reflect industry-specific market expectations.

In addition, we assessed the information provided in the notes to the consolidated financial statements on the measurement of goodwill in the sections "Intangible fixed assets," "Impairments of non-financial assets" and "Business combinations" in terms of the requirements under IAS 36 *Impairment of assets*.

Our audit procedures did not lead to any reservations relating to the valuation of the goodwill arising as a result of the acquisition of WCM.

Reference to related disclosures

With regard to the recognition and measurement policies applied for goodwill, we refer to the information provided in the notes to the consolidated financial statements in section "C.3 Business combinations," "D.3 Intangible assets," "D.4 Impairments of non-financial assets" and "E.2 Property, plant, equipment and intangible assets" and to the related information on the use of judgment by the Management Board and sources of estimation uncertainty in section "D.23 Major discretionary decisions and estimates" in the notes to the consolidated financial statements.

4. RECOGNITION OF DEFERRED INCOME TAXES

Reasons why the matter was determined to be a key audit matter

The recognition of deferred taxes requires the assessment of the tax loss carryforwards still existing on the reporting date, taking into account the effect of changes in the Group's legal structures and the Management Board's budgets and forecasts regarding the future tax income situation. The assessments and budgets and forecasts are highly dependent on the Management Board's assumptions and estimates and are therefore subject to judgment.

In light of the use of judgment and the inherent uncertainty regarding the assessment of the tax loss carryforwards still existing on the reporting date and estimates about the future tax income situation, we consider the recognition of deferred income taxes to be a key audit matter.

Auditor's response

During our audit we assessed whether the method used to recognize and measure deferred tax assets and liabilities conforms to the requirements of IAS 12 *Income taxes*.

Our procedures relating to the recognition of the amounts recognized as deferred taxes included an assessment of the tax carrying amounts and the resulting temporary differences between these carrying amounts and the carrying amounts in the consolidated financial statements. We obtained an understanding of how the prior-year balances were rolled forward to the reporting date, including how deferred tax assets and deferred tax liabilities were netted, by reference to the tax computation. We analyzed the reconciliation between the expected income tax expense and the income taxes as stated in the consolidated statement of comprehensive income. Our analysis of the amount of the tax loss and interest carryforwards included an assessment of the results from the tax audit of the parent company concluded by the date of preparation and from tax assessment notices and other correspondence with the tax authorities.

We performed additional procedures in relation to the effect of the acquisition of WCM on the tax items. This also included analyzing and assessing the expiry of tax loss or interest carryforwards and the failure to meet the requirements for tax-neutral reorganizations.

With regard to the recoverability and adequacy of the deferred tax assets, we assessed the assumptions made by the Management Board to determine the probability that deferred tax assets recognized in the statement of financial position will be realized in future fiscal years and their netting with deferred tax liabilities. This also included an assessment of the adequacy of the assumptions used for the tax planning for the next five fiscal years by reference to the corporate planning for the WCM Subgroup prepared by the Management Board.

We also assessed the information provided by the executive director on deferred taxes in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the recognition of deferred income taxes.

Reference to related disclosures

We refer to the information provided by the Management Board on deferred taxes in the notes to the consolidated financial statements in the sections "D.21 Current and deferred taxes," "E.13 Deferred taxes" and "F.9 Income taxes."

Other information

The supervisory board is responsible for the report of the supervisory board. In all other respects, the executive directors are responsible for the other information.

The other information comprises the responsibility statement included in the section "Responsibility statement required by § 264 (2) Line 3 HGB, § 289 (1) Line 5 HGB, § 315 (1) Line 5 HGB" of the report on the position of the Company and the Group.

The other information also includes the other elements of the annual report, except for the audited consolidated financial statements and the report on the position of the Company and the Group and our auditor's report, in particular the sections "Values, growth, potential," "Report of the Supervisory Board," "EPRA key figures" and "Corporate governance report and declaration on corporate governance." We obtained a version of this other information before issuing our auditor's report.

Our opinions on the consolidated financial statements and on the report on the position of the Company and the Group do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the report on the position of the Company and the Group or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the report on the position of the Company and the Group

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the report on the position of the Company and the Group that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a report on the position of the Company and the Group that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the report on the position of the Company and the Group.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the report on the position of the Company and the Group.

Auditor's responsibilities for the audit of the consolidated financial statements and of the report on the position of the Company and the Group

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the report on the position of the Company and the Group as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the report on the position of the Company and the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this report on the position of the Company and the Group.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the report on the position of the Company and the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the report on the position of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the report on the position of the Company and the Group or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the report on the position of the Company and the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the report on the position of the Company and the Group with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the report on the position of the Company and the Group. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 23 May 2017. We were engaged by the supervisory board on 8 September 2017. We have been the group auditor of TLG IMMOBILIEN GMBH for the fiscal years 1999 to 2013 and group auditor of TLG IMMOBILIEN AG without interruption since fiscal year 2014.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Stefanie Kreninger.

Berlin, 21 March 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kreninger	Pilawa
Auditor	Auditor

FINANCIAL CALENDAR

15 MAY 2018
Publication quarterly financial report Q1/2018

25 MAY 2018
Annual general meeting

10 AUGUST 2018
Publication of quarterly financial report Q2/2018

9 NOVEMBER 2018
Publication quarterly financial report Q3/2018

CONTACT

PUBLISHER
TLG IMMOBILIEN AG

Hausvogteiplatz 12
10117 Berlin, Germany

Investor Relations
Sven Annutsch

Phone: + 49 30 2470 6089
Fax: + 49 30 2470 7446
Email: ir@tlg.de
Internet: www.tlg.eu

IMPRINT

CONCEPT, PROJECT MANAGEMENT AND DESIGN
GFD – Gesellschaft für Finanzkommunikation mbH,
Frankfurt/Main, Germany
www.gfd-finanzkommunikation.de

Ligaturas – Reportdesign, Berlin, Germany
www.ligaturas.de

PRINT
ARNOLD group, Großbeeren, Germany
www.arnoldgroup.de

PHOTOGRAPHY
Marina Castelli
Michael Fahrig
Kristina Geske
ISA
Felix Matthies
Andreas Nenninger
Andreas Pohlmann
Karsten Prauße
M. Reinhardt
C. Sommer
TLG IMMOBILIEN

ANNUAL PERFORMANCE

	Unit	2014	2015	2016	2017
Earnings indicators					
Rental income	in EUR k	114,776	127,392	140,464	168,310
Net operating income from letting activities (NOI)	in EUR k	100,263	114,096	125,588	153,548
Disposal profits	in EUR k	10,611	8,743	6,391	2,561
Net income	in EUR k	88,650	130,862	94,109	284,373
Funds from operations (FFO)	in EUR k	52,370	63,987	76,877	102,673
FFO per share[1]	in EUR	0.97	1.03	1.14	1.29

	Unit	31/12/2014	31/12/2015	31/12/2016	31/12/2017
Balance sheet metrics					
Investment property	in EUR k	1,489,597	1,739,474	2,215,228	3,383,259
Cash and cash equivalents	in EUR k	152,599	183,736	68,415	201,476
Total assets	in EUR k	1,738,000	1,999,461	2,344,763	3,835,748
Equity	in EUR k	747,964	967,874	1,009,503	1,936,560
Equity ratio	in %	43.0	48.4	43.1	50.5
Interest-bearing liabilities	in EUR k	770,447	782,688	1,040,412	1,541,692
Net debt	in EUR k	617,848	598,952	971,997	1,340,216
Net LTV[2]	in %	40.3	33.6	43.4	39.2
EPRA NAV[3]	in EUR k	914,008	1,171,594	1,252,131	2,228,512
EPRA NAV per share[3]	in EUR	14.91	17.37	18.57	21.84

	Unit	31/12/2014	31/12/2015	31/12/2016	31/12/2017
Key portfolio performance indicators					
Property value[4]	in EUR k	1,525,986	1,765,834	2,241,615	3,400,582
Properties	Number	460	418	404	426
Annualised in-place rent[5]	in EUR k	118,859	131,379	155,276	214,057
In-place rental yield	in %	7.8	7.4	6.9	6.3
EPRA Vacancy Rate	in %	3.9	3.7	3.8	3.6
WALT	in years	7.4	6.5	6.1	6.3
Average rent	EUR/sqm	8.38	9.23	9.67	10.05

[1] Before the company became an Aktiengesellschaft (stock corporation) on 5 September 2014, it was a limited liability company (GmbH). Therefore, for the purposes of comparison, the value of the issued shares is the value that would have existed if the company had always been an Aktiengesellschaft with the same number of shares.
Total number of shares as at 31 December 2014/2015/2016/2017: 52.0 m/61.3 m/67.4 m/67.4 m/102 m
Weighted average number of shares per year 2014/2015/2016/2017: 52.0 m/53.8 m/62.0 m/67.4 m/79.7 m
[2] Calculation: Net debt divided by real estate assets; for the composition see page 69
[3] The calculation has changed in accordance with the specifications of the EPRA. For more detailed information, see page 42.
[4] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5.
[5] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date – not factoring in rent-free periods.

QUARTERLY PERFORMANCE

	Unit	Q1 2017	Q1 2016	Q2 2017	Q2 2016	Q3 2017	Q3 2016	Q4 2017	Q4 2016
Earnings indicators									
Rental income	in EUR k	39,229	32,513	39,252	35,072	38,820	35,795	51,009	37,084
Net operating income from letting activities (NOI)	in EUR k	34,394	28,892	36,753	32,348	34,617	31,372	47,784	32,976
Disposal profits	in EUR k	0	619	169	−2	180	0	2,212	5,774
Net income	in EUR k	15,709	12,888	60,823	20,622	51,965	19,512	155,876	41,087
Funds from operations (FFO)	in EUR k	21,126	17,135	25,379	21,171	23,571	20,306	32,597	18,265
FFO per share[1]	in EUR	0.29	0.25	0.35	0.32	0.31	0.30	0.34	0.27

	Unit	31/12/2017	30/09/2017	30/06/2017	31/03/2017	31/12/2016
Balance sheet metrics						
Investment property	in EUR k	3,383,259	2,385,420	2,257,319	2,189,403	2,215,228
Cash and cash equivalents	in EUR k	201,476	50,269	31,000	184,300	68,415
Total assets	in EUR k	3,835,748	2,508,380	2,367,334	2,452,548	2,344,763
Equity	in EUR k	1,936,560	1,200,507	1,148,263	1,141,621	1,009,503
Equity ratio	in %	50.5	47.9	48.5	46.5	43.1
Interest-bearing liabilities	in EUR k	1,541,692	970,303	920,917	1,022,439	1,040,412
Net debt	in EUR k	1,340,216	920,034	889,917	838,139	971,997
Net LTV[2]	in %	39.2	37.9	38.7	37.5	43.4
EPRA NAV[3]	in EUR k	2,228,512	1,483,200	1,405,752	1,381,463	1,248,259
EPRA NAV per share[1, 3]	in EUR	21.84	20.00	18.95	18.62	18.51

[1] Total number of shares as at 31 December 2016: 67.4 m, as at 31 December 2017: 102.0 m. The weighted average number of shares was 67.4 m in 2016 and 79.7 m in 2017.
[2] Calculation: Net debt divided by real estate assets; for the composition see page 69
[3] The calculation has changed in accordance with the specifications of the EPRA. For more detailed information, see page 42.