FULLY ON TRACK

Annual Report 2015

TLG IMMOBILIEN

KEY FIGURES

KEY GROUP FIGURES ACCORDING TO IFRS

	Unit	01/01/2015–31/12/2015	01/01/2014–31/12/2014	Change in %
Results of operations				
Rental income	in EUR k	127,392	114,776	11.0
Net operating income from letting activities (NOI)	in EUR k	112,380	100,263	12.1
Disposal profits	in EUR k	8,743	10,611	-17.6
Net income	in EUR k	130,862	88,650	47.6
FFO	in EUR k	63,987	52,370	22.2
FFO per share [1]	in EUR	1.03	0.97	6.2

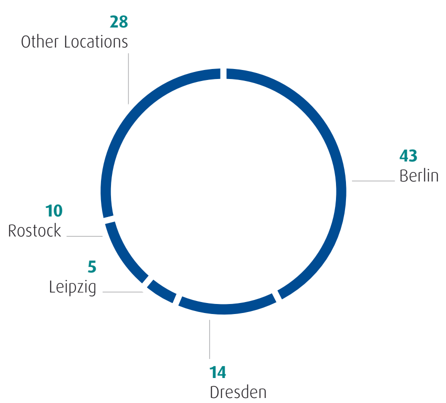
	Unit	31/12/2015	31/12/2014	Change in %
Balance sheet metrics				
Investment property	in EUR k	1,739,474	1,489,597	16.8
Cash and cash equivalents	in EUR k	183,736	152,599	20.4
Balance sheet total	in EUR k	1,999,461	1,738,000	15.0
Equity	in EUR k	967,874	747,964	29.4
Equity ratio	in %	48.4	43.0	5.4 pp
Liabilities to financial institutions	in EUR k	782,688	770,447	1.6
Net debt	in EUR k	598,952	617,848	-3.1
Net LTV [2]	in %	33.6	40.3	-6.7 pp
EPRA NAV	in EUR k	1,171,594	914,008	28.2
EPRA NAV per share [1]	in EUR	17.37	14.91	16.5

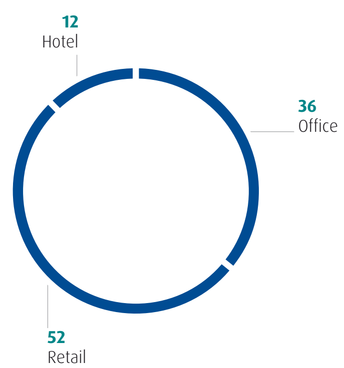
[1] Before the company became an Aktiengesellschaft (stock corporation) on 5 September 2014, it was a limited liability company (GmbH). Therefore, for the purposes of comparison, the number of shares used in all calculations is the number that would have existed if the company had always been an Aktiengesellschaft with the same number of shares. Total number of shares as at 31 December 2014: 61.3 million; as at 31 December 2015: 67.4 million. Due to the capital increases in October 2014 and November 2015, the average weighted number of shares per year was 53.8 million for 2014 and 62.0 million for 2015.

[2] Calculation: net debt divided by property value; for the composition see pages 81 and 157.

Core portfolio by region and asset class (fair value) as at 31 December 2015

in %





QUARTERLY OVERVIEW

QUARTERLY OVERVIEW FOR THE 2015 FINANCIAL YEAR

	Unit	Q4/2015	Q4/2014	Q3/2015	Q3/2014	Q2/2015	Q2/2014	Q1/2015	Q1/2014
Results of operations									
Rental income	in EUR k	33,580	29,420	32,752	28,359	30,686	28,551	30,374	28,446
Net operating income from letting activities (NOI)	in EUR k	29,932	24,285	28,505	25,957	27,492	25,505	26,451	24,516
Disposal profits	in EUR k	3,650	2,442	402	5,422	-1,099	-197	5,790	2,944
Net income	in EUR k	30,471	20,173	25,505	11,072	42,762	41,950	32,124	15,455
FFO	in EUR k	16,206	12,015	16,779	14,322	15,249	13,443	15,753	12,590
FFO per share [1]	in EUR	0.25	0.19	0.27	0.28	0.25	0.26	0.26	0.24

	Unit	**31/12/2015**	30/09/2015	30/06/2015	31/03/2015	**31/12/2014**
Balance sheet metrics						
Investment property	in EUR k	1,739,474	1,755,039	1,606,950	1,575,372	1,489,597
Cash and cash equivalents	in EUR k	183,736	48,550	54,177	145,546	152,599
Balance sheet total	in EUR k	1,999,461	1,847,068	1,798,197	1,779,403	1,738,000
Equity	in EUR k	967,874	835,794	811,885	778,561	747,964
Equity ratio	in %	48.4	45.2	45.1	43.8	43.0
Liabilities to financial institutions	in EUR k	782,688	775,304	758,250	762,055	770,447
Net debt	in EUR k	598,952	726,754	704,073	616,509	617,848
Net LTV [2]	in %	33.6	41.1	41.3	38.8	40.3
EPRA NAV	in EUR k	1,171,594	1,036,146	1,000,027	958,173	914,008
EPRA NAV per share [1]	in EUR	17.37	16.90	16.31	15.63	14.91

[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 number of shares used in all calculations is the number 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: 61.3 million; as at 31 December 2015: 67.4 million. Due to the capital increases in October 2014 and November 2015, the average weighted number of shares per year was 53.8 million for 2014 and 62.0 million for 2015.

[2] Calculation: net debt divided by property value; for the composition see pages 81 and 157.

WE UNDERSTAND OUR BUSINESS

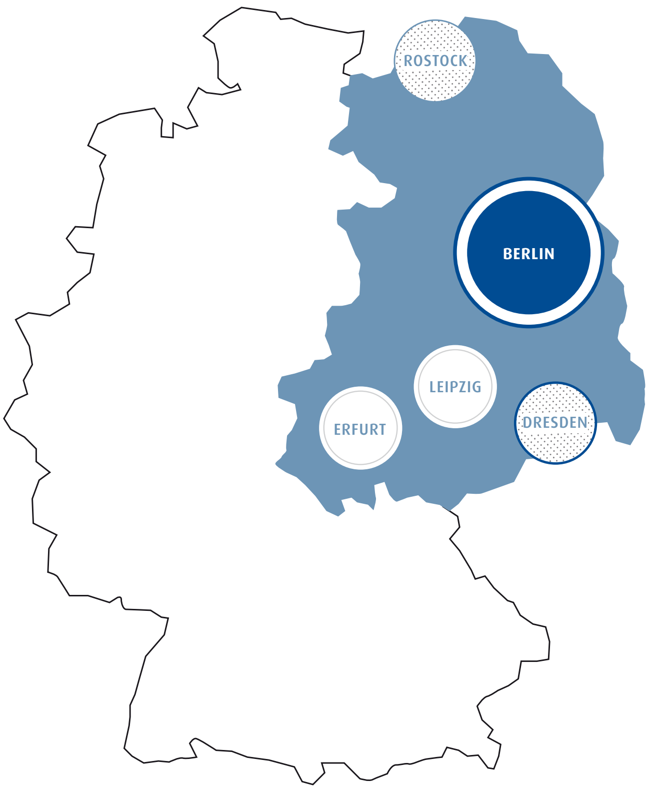
→ **Our high-quality portfolio generates stable cash flows.** Our portfolio strategy focuses on well-maintained properties in outstanding locations which generate sustainable rental income.

→ Thanks to our staff's years of experience in our core regions and our regional expertise, we are able to **quickly identify external opportunities for growth, soundly evaluate new acquisition opportunities and expand our portfolio through strategic acquisitions**.

→ Given our close proximity to the market, our properties and the needs of our tenants, we advise users of every size on how to find the right lettable area. With our regional branches and offices and **on the basis of our wide range of services, we are able to maintain long-standing relationships with our customers and possess excellent local connections**.

→ As an active portfolio manager, **we regularly give investors the opportunity to acquire attractive properties from our non-core portfolio.** With our expertise, we are able to support buyers throughout the transaction and ensure that decisions are made promptly.

→ Over the past 15 years we have built up extensive **internal expertise in project development and development-related activities**. Our range of services includes the construction, restoration and conversion of buildings, as well as the development of land, and is an important addition to the services we provide.



WE ARE ON-SITE

With two effective branches in Berlin and Dresden as well as three regional offices, TLG IMMOBILIEN AG has access to well-developed and established local networks in the growth regions of eastern Germany. The employees on-site stand for solid market experience and have long-term working relationships with a number of private and institutional market participants and decision-makers.

Location type

Headquarters · Branch · Regional office

Managed real estate assets

> EUR 500 m · EUR 100–300 m · < EUR 100 m

OUR ANCHOR TENANTS

OFFICE

SAP · Dresden. · Bundesanstalt für Immobilienaufgaben · DAIMLER · VHV VERSICHERUNGEN · Freistaat Thüringen · Die Bahn DB · ver.di · OstseeSparkasse Rostock · BARMER GEK

RETAIL

EDEKA · ALDI · OBI · REWE · ROSSMANN Mein Drogeriemarkt · Netto Marken-Discount · LIDL · KAISER'S · HELLWEG · PENNY.

HOTEL

MOTEL ONE · STEIGENBERGER HOTEL GROUP · RAMADA · WINTERS HOTEL

You can find more detailed information on the top 10 tenants on page 33 of this report.

- An excellent tenant structure paves the way for further organic growth.
- A large number of major tenants with good credit ratings allows for widespread risk diversification.
- A WALT of between five and six years for office and retail properties and of more than 15 years for hotel properties guarantees future cash flows.

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You can find more information by following these pictograms:

IMAGE INFORMATION

PAGE REFERENCE

WEB LINK

WE HAVE 25 YEARS OF EXPERIENCE IN REAL ESTATE

As an active portfolio manager, TLG IMMOBILIEN AG specialises in office and retail properties: in its high-quality portfolio, it primarily manages office properties in Berlin and other regional economic centres such as Dresden, Leipzig and Rostock, as well as a regionally diversified portfolio of retail properties in highly frequented micro-locations in eastern Germany. Additionally, its portfolio includes five hotels in Berlin, Dresden and Rostock. TLG IMMOBILIEN AG generates stable rental income and has low vacancy rates and well-maintained buildings. The portfolio is distinguished by properties in good and excellent locations with many long-term lease agreements.

Inside back cover:
Contents
Contact/Imprint/Financial calendar

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

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

We are pleased to present you with this report an extremely successful 2015 financial year, which was our first full year as a listed Aktiengesellschaft (stock corporation).

In 2015, our business activities focused primarily on expanding our real estate portfolio through specific acquisitions, concentrating on our core portfolio by disposing of non-strategic properties and our real estate portfolio enhancements.

We were greatly successful in this regard. Between January and December 2015, we concluded purchase agreements for 14 office, retail and hotel properties with a total investment volume of EUR 257 m. In the financial year ended, the value of our portfolio increased from EUR 1.5 bn to approx. EUR 1.8 bn as at 31 December 2015.

Given the favourable market situation, we were often able to dispose of non-strategic properties for more than their book value. We will invest the proceeds of EUR 57.3 m in further acquisitions and in the development of our properties.

In 2015, we added significant rental agreement successes and extensions to our portfolio, whilst our vacancy rate fell by 0.2 percentage points to 3.7% by the end of 2015. Our net operating income from letting activities was EUR 112.4 m at the end of the reporting period, which represents a 12.1% increase compared to the same period in the previous year.

Due to these operating successes, our funds from operations (FFO), one of our key performance indicators, also increased by 22.2% to EUR 64.0 m at the end of 2015 compared to the previous year. As a result we are slightly above the forecast, which was increased once more to EUR 63 m in mid 2015. These positive developments were mainly the result of acquisitions and rental agreements which contributed to net profit in 2015, as well as the reduction of operative costs.

As at 31 December 2015, the EPRA NAV per share was EUR 17.37 and was therefore 16.5% higher than at the end of the previous year. On the same date, the shares of TLG IMMOBILIEN AG closed at EUR 17.33, which represents a share price increase of 36.7% compared to 1 January 2015.

The positive performance of the shares and the unexpected admission of TLG IMMOBILIEN AG shares to the SDAX in early 2015 show us that the capital market has accepted and is interested in our business model. The successful capital increase in exchange for cash contributions by means of an accelerated book building in November 2015 also clearly underlines this fact in our view.

We would like to thank our shareholders for the confidence they placed in us in the 2015 financial year and want them to share in the success of the company as well. Therefore, at the general meeting on 31 May 2016 we will propose the payment of a dividend of EUR 48.6 m, which corresponds to EUR 0.72 per share.

We would also like to thank the staff of the TLG IMMOBILIEN Group, who have spurred on the growth of the company through their committed work. In 2015, they have realised the largest volume of acquisitions in the history of the company and have already integrated the majority of the acquired properties into our portfolio.

Dear business partners and tenants, we would like to thank you in particular for the pleasant, trusting work we have done together this past year and we look forward to continuing it in 2016 and beyond.

TLG IMMOBILIEN AG will turn 25 in the 2016 financial year. We want to build on the successes of last year and we remain determined to complete our stated objectives – and we will continue to measure ourselves by our success in this regard. We intend to add more office, retail and hotel properties to our portfolio in order to expand our current platform and increase its value. After the consolidated financial statements were prepared, we acquired an office property in central Leipzig on 11 March 2016, which is why, with consideration for the acquisitions we have made so far, we now expect funds from operations of between EUR 72 m and EUR 74 m by the end of 2016.

Berlin, 30 March 2016

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

Michael Zahn
Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

TLG IMMOBILIEN Group performed very well in the 2015 financial year and improved its key performance indicators yet again. Of particular note were our successful real estate acquisitions and the continued optimisation of our financing and capital structures through the issuance of new shares.

Our long-term successes are also reflected in the positive performance of our shares.

A TRUSTING PARTNERSHIP WITH THE MANAGEMENT BOARD

In the 2015 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 reports on business 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 explained 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 Chairman 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 direction 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 2015 financial year, the Supervisory Board convened five times – including once by way of a conference call – to discuss current business developments, important transactions and transactions requiring approval. Wherever necessary, the Supervisory Board granted its consent to each proposal after carrying out thorough examinations and holding detailed discussions in its meetings. In the reporting year, Mr Michael Zahn was unable to attend one meeting in person and Mr Axel Salzmann was unable to attend three meetings; otherwise, all members of the Supervisory Board were present.

In the reporting year, the work of the Supervisory Board focused on planning and developing the business of TLG IMMOBILIEN Group as well as the corporate strategy, property acquisitions and capital-related measures. The Supervisory Board regularly held in-depth consultations on the course of business in the office, retail and hotel segments, as well as on the financial and liquidity position of the Group. Additionally, the Supervisory Board inspected and consulted on the internal control and risk management system as well as compliance at TLG IMMOBILIEN Group.

In its **meeting on 24 February 2015**, the Supervisory Board approved the business plan for 2015, the medium-term plan, the intermediate result on the annual and consolidated financial statements for 2014 and the target agreement with the Management Board.

In its **meeting on 29 April 2015**, the Supervisory Board discussed the reports of the audit committee – namely on risk management within the company – and of the presidential and nomination committee, as well as the annual and consolidated financial statements for 2014, the recommended auditor for 2015 and matters of the Management Board. Representatives of the auditor attended the discussions on the annual financial statements for 2014 in order to provide explanations regarding line items and methods in the annual financial statements of the company and of the Group. Other key matters included the agenda for the annual general meeting, the adoption of the report of the Supervisory Board, the Corporate Governance Report and strategic considerations regarding the future growth of the company.

In its **meeting on 25 June 2015**, the Supervisory Board primarily addressed the reports of the audit and presidential and nomination committees as well as matters of the Supervisory Board and the development of the 2015 financial year, especially finance matters.

The **meeting held on 25 September 2015 (conference call)** focused on discussing further strategic considerations regarding growth. Furthermore, the Supervisory Board discussed the report of the audit committee as well as matters of the Supervisory Board, specifically composition objectives and the minimum number of women to be appointed to the Supervisory and Management Boards pursuant to § 111 (5) of the German Stock Corporation Act (AktG).

Besides the report of the audit committee, the **meeting held on 12 November 2015** addressed various acquisitions and considerations regarding the future growth of the company, including the capital increase in exchange for cash contributions that took place thereafter. Related agreements were also discussed in depth. Additionally, the Supervisory Board discussed the business plan for 2016 and the medium-term plan. The Supervisory Board approved the bestowal of commercial power of attorney to two agents ("Prokurists") and the revision of the rules of procedure for the Management Board, specifically the list of transactions requiring approval. Finally, it addressed the German Corporate Governance Code.

Furthermore, the Supervisory Board **passed several resolutions** by providing written consent in lieu of a meeting: the target agreement with the Management Board, the acquisition of two special retail centres in Bernau and Strausberg, the reappointment of the audit committee and its chairman, the conclusion of a loan agreement and various acquisitions, as well as the disposal of the subsidiary TLG Gewerbepark Grimma GmbH.

EFFICIENT WORK IN TWO 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 two committees existed in the reporting year:

- Presidential and nomination committee,
- Audit committee,

whose responsibilities are presented in more detail in the Corporate Governance Report available at http://ir.tlg.eu/corporategovernance.

Fundamentally, the committees prepare the resolutions of the Supervisory Board and matters to be addressed during meetings of the Supervisory Board. Where legally admissible, individual committees were granted decision-making powers by the rules of procedure or resolutions of the Supervisory Board. At the meetings of the Supervisory Board, the chairmen of the committees provided regular, detailed reports on the content and outcomes of committee meetings.

The **presidential and nomination committee** convened four times in the reporting year, three of which meetings were by phone, on 25 March, 21 April, 8 June and 18 November. The meetings primarily involved consultations and resolutions on matters of the Management Board (remuneration issues), strategic considerations of the company, matters of the Supervisory Board (proposal to fill a position on the Supervisory Board) and capital-related measures (a capital increase). Furthermore, the presidential and nomination committee approved the capital increase in exchange for cash contributions and the conclusion of a share placement agreement by providing written consent in lieu of a meeting.

The **audit committee** convened four times in the reporting year – on 29 April, 26 May, 25 August and 12 November – in order to address relevant matters of the work of the Supervisory Board. In particular, this involved a preliminary audit of the annual financial statements, consolidated financial statements and interim reports of TLG IMMOBILIEN AG as well as a discussion on the risk management system and compliance within the company. It provided the Supervisory Board with a recommendation on which auditor to appoint for the 2015 financial year, procured the independence declaration from the auditor and monitored the activities of the auditor. The members of the audit committee have particular knowledge and experience in the application of accounting principles and internal control processes. The Chairman of the committee Mr Axel Salzmann resigned from his position as a member of the Supervisory Board, and therefore also of the audit committee, effective from the end of the general meeting on 25 June 2015. Helmut Ullrich, the judicially appointed member of the Supervisory Board, was elected Chairman of the audit committee by the Supervisory Board on 13 August. The new Chairman of the committee, Mr Helmut Ullrich, meets all of the criteria of § 100 (5) AktG. On 25 August 2015, Mr Michael Zahn resigned from his position on the audit committee. Dr Claus Nolting was appointed to the audit committee in his place at the meeting of the Supervisory Board held on 25 September.

CORPORATE GOVERNANCE

The Supervisory Board continuously monitored and discussed the development of the corporate governance standards of the company. The Corporate Governance Report available at http://ir.tlg.eu/corporategovernance contains detailed information on corporate governance within the company, 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, as well as the implementation of these requirements. They issued their updated joint declaration of compliance pursuant to § 161 AktG and published it on the website of the company. The declaration of compliance is available at http://ir.tlg.eu/declaration-of-compliance.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS DISCUSSED IN DETAIL

The annual financial statements of TLG IMMOBILIEN AG as at 31 December 2015 and the consolidated financial statements, including the report on the position of the company and of the Group, prepared by the Management Board were examined by the auditor appointed by the annual general meeting on 25 June 2015 and engaged by the Supervisory Board, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, and given an unqualified opinion.

Once prepared, the annual financial statements of TLG IMMOBILIEN AG, the consolidated financial statements, the report on the position of the company and of the Group for TLG IMMOBILIEN AG and for the Group and the audit reports of the auditor were immediately issued to all members of the Supervisory Board. The auditor attended the audit committee meeting held on 29 March 2016, the purpose of which was the preparation of the Supervisory Board meeting on the annual financial statements. The auditor reported on the key results of the audit and provided supplementary information. After an in-depth discussion, the audit committee agreed with the results of the audit of the annual financial statements of the company, the consolidated financial statements and the report on the position of the company and of the Group.

The Chairman of the audit committee reported on the annual financial statements and the audit in detail at the meeting of the Supervisory Board held on **29 March 2016**. 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 consolidated financial statements, the report on the position of the company and of the Group, 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 2015 that had been prepared by the Management Board. The annual financial statements were therefore accepted.

The accepted 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 agenda of the annual general meeting will include a vote on the payment of a dividend of EUR 0.72 per eligible share.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Mr Axel Salzmann resigned from his position as a member of the Supervisory Board, effective from the end of the general meeting on 25 June 2015.

Mr Helmut Ullrich was appointed to the Supervisory Board by the local court (Amtsgericht) of Berlin on 23 July 2015. His position as a judicially appointed member of the Supervisory Board shall end at the end of the general meeting which resolves on dismissals for the 2015 financial year at the latest.

There were no changes to the composition of the Management Board.

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 2016
For the Supervisory Board

Michael Zahn
Chairman of the Supervisory Board

We grow and invest in our portfolio – these were the essential objectives we set before our IPO. In 2015, purchase agreements were concluded for 14 properties with a total investment volume of EUR 257 m and we have generated new capital through disposals and a successful capital increase. Our markets are growing and we will continue to invest in the optimisation of our properties.

The statements and forecasts we made over the past one and a half years were supported by actions, dates and facts over the course of the 2015 financial year – and we have created a broad platform for the growth of our company. We keep our word.

FULLY ON TRACK

SPREÉTAGE
KAISERIN-AUGUSTA-ALLEE 104–106
BERLIN

”

WE WILL USE THE **PROCEEDS** FROM THE IPO TO SUPPORT OUR FUTURE GROWTH THROUGH **VALUE ENHANCING ACQUISITIONS** AND **INVESTMENTS** IN OUR **CORE PORTFOLIO**.

“

PETER FINKBEINER → **Die Welt** → **Immobilienkonzern geht an die Börse [Real estate group goes public]** → **16/10/2014**

WE CONTINUE TO GROW WITH A TOP-QUALITY PORTFOLIO

In 2015, we signed purchase agreements for 14 properties with a total investment volume of EUR 257 m. These included office, retail and hotel properties.

JANUARY | **FEBRUARY** | MARCH | **APRIL**

03/02/2015

OFFICE AND COMMERCIAL BUILDING FERDINANDPLATZ, **DRESDEN**

TOTAL INVESTMENT *EUR 11.2 m*
CLOSING *March 2015*
FAIR VALUE *EUR 11.7 m*
TOTAL LETTABLE AREA *6,873 sqm*
ANNUALISED IN-PLACE RENT *EUR k 727*
EPRA VACANCY RATE *0.4%*
WALT *4.5 years*

29/04/2015

BAHNHOFS-PASSAGE BERNAU, **BERLIN AREA**

TOTAL INVESTMENT *EUR 50.3 m*
CLOSING *July 2015*
FAIR VALUE *EUR 51.2 m*
TOTAL LETTABLE AREA *27,356 sqm*
ANNUALISED IN-PLACE RENT *EUR k 3,967*
EPRA VACANCY RATE *0.0%*
WALT *4.1 years*

HANDELSCENTRUM STRAUSBERG, **BERLIN AREA**

TOTAL INVESTMENT *EUR 35.6 m*
CLOSING *July 2015*
FAIR VALUE *EUR 35.9 m*
TOTAL LETTABLE AREA *25,722 sqm*
ANNUALISED IN-PLACE RENT *EUR k 2,897*
EPRA VACANCY RATE *1.3%*
WALT *3.8 years*

An ideal expansion in Dresden

By acquiring the office and commercial building Ferdinandplatz in Dresden, TLG IMMOBILIEN AG is growing in one of its most important office locations. In the 2015 financial year, the WALT – which was low when the property was purchased – was significantly optimised from 2.5 years to 4.5 years as at 31 December 2015, through successful contractual extensions and new rental agreements. Besides the city of Dresden, the tenants include other tenants with good credit ratings such as HUK Coburg and Santander Bank.

A profitable combination in the Berlin area

Besides office properties in Berlin, Dresden, Leipzig and Rostock, retail properties in attractive micro-locations are a key component of the real estate portfolio of TLG IMMOBILIEN AG. By acquiring two well-established special retail centres in the Berlin area, TLG IMMOBILIEN AG was also able to expand its retail property portfolio in 2015.

Bahnhofs-Passage in Bernau and Handelscentrum in Strausberg have been well established in their locations for years and each has around 70 tenants which primarily operate in the retail sector. Both centres' anchor tenants include the retailers Edeka, Medimax, C&A and Rossmann.

SÜDSTADT CENTER (INCL. KOSMOS), ROSTOCK

TOTAL INVESTMENT *EUR 28.2 m*
CLOSING *August 2015*
FAIR VALUE *EUR 29.6 m*
TOTAL LETTABLE AREA *17,461 sqm*
ANNUALISED IN-PLACE RENT *EUR k 2,263*
EPRA VACANCY RATE *6.1%*
WALT *4.6 years*

BURGWALL SHOPPING CENTRE, WISMAR

TOTAL INVESTMENT *EUR 18.6 m*
CLOSING *September 2015*
FAIR VALUE *EUR 19.6 m*
TOTAL LETTABLE AREA *11,717 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,509*
EPRA VACANCY RATE *2.4%*
WALT *4.6 years*

13/05/2015 **23/06/2015**

MAY **JUNE** JULY AUGUST SEPTEMBER OCTOBER

DECEMBER

21/12/2015

HOTEL AND OFFICE BUILDING WIENER PLATZ, DRESDEN*

TOTAL INVESTMENT *EUR 28.2 m*
CLOSING *February 2016*
TOTAL LETTABLE AREA *12,270 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,660*
EPRA VACANCY RATE *5.4%*
WALT *9.4 years*

**Data status 21/12/2015 (signed)*

Central Rostock

By acquiring the Südstadt Center and the related adjacent property Kosmos, TLG IMMOBILIEN AG significantly expanded its portfolio of retail properties in Rostock in 2015. Both properties are located on Südring in the inner city and are invaluable sources of commodities to the residential areas in Südstadt. The anchor tenants are Rewe, Penny and Rossmann.

Highly frequented in Wismar

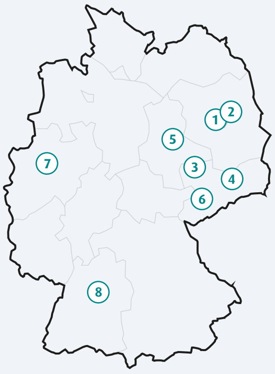
Likewise, the acquisition of the highly frequented Burgwall shopping centre in Wismar was a prudent addition to the retail property portfolio of the company. Wismar is the sixth-largest city in Mecklenburg-Western Pomerania and was added to the list of UNESCO World Heritage Sites in 2002. The shopping centre is conveniently located on a main road leading into the historic city centre. The port and the historic city centre are within walking distance. The anchor tenants in the property are Rewe, Norma, Deichmann and Rossmann.

Hotel at Dresden main station

The hotel and office property was acquired in December 2015 and is situated in an optimal location at Dresden main station, in direct proximity to Prager Strasse, Dresden's main shopping street. The 162-room InnerCityHotel is part of the Steigenberger Hotel Group and is the largest tenant in the complex.

OUR OBJECTIVE	MILESTONES IN 2015
INVEST PROCEEDS FROM THE IPO IN EXPANDING THE CORE PORTFOLIO	*Agreements concluded for acquisitions totalling* **EUR 257 m** *in 2015 (14 properties)* *Total portfolio value increased by* **17.1%** *to* **EUR 1.8 bn** *since the IPO*

Acquisition of an office property portfolio including a hotel property



12/11/2015

NOVEMBER

FACTS AND FIGURES*

TOTAL INVESTMENT
EUR 84.6 m

TOTAL LETTABLE AREA
70,337 sqm

ANNUALISED IN-PLACE RENT
EUR k 5,558

EPRA VACANCY RATE
12.5%

WALT
5.8 years

ANCHOR TENANTS
Bundesanstalt für Immobilienaufgaben (German Institute for Federal Real Estate), Gesellschaft für soziale Unternehmensberatung mbH, DAK, Marriott

Data status 12/11/2015 (signed)

8 PROPERTIES

OFFICE (7)

HOTEL (1)

1 – KRONENSTRASSE 5, **BERLIN**
2 – KRONENSTRASSE 6, **BERLIN**
3 – AM HALLISCHEN TOR 1, BRÜHL 33, RICHARD-WAGNER-STRASSE 9, **LEIPZIG**
4 – AM SCHIESSHAUS 1–3, **DRESDEN**
5 – GROSSE DIESDORFER STRASSE 228–229, SCHENKENDORFSTRASSE 1, **MAGDEBURG**
6 – ZWICKAUER STRASSE 16–16B, **CHEMNITZ**
7 – BISMARCKSTRASSE 36, FRIEDRICHSTRASSE 12, **ESSEN**
8 – INDUSTRIESTRASSE 48, **STUTTGART**

EIGHT PROPERTIES ADDED TO THE PORTFOLIO

84.6

EUR M
Total investment

TLG IMMOBILIEN AG acquires valuable properties

The portfolio consists predominantly of office properties and contains attractive properties in core office regions of TLG IMMOBILIEN AG. This includes two properties in Berlin-Mitte and one in Dresden. The portfolio also features a hotel property in Leipzig. The four other properties were not initially allocated to the strategic portfolio.

”

AS AN ACTIVE PORTFOLIO MANAGER, TLG IMMOBILIEN AG WILL CONTINUE TO WORK TO **OPTIMISE ITS REAL ESTATE PORTFOLIO** IN 2015.

“

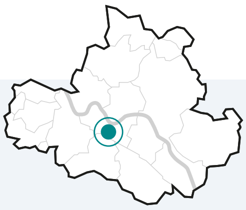
Annual Report 2014 → Forecast Report, page 82

WE ARE OPTIMISING OUR REAL ESTATE PORTFOLIO

Our operative business activities are focused on developing our portfolio both commercially and technically.

Key performance indicators in focus

By gauging and continuously optimising our key performance indicators, we can control the overall quality of our portfolio and keep it at a high level. The prompt identification of tenant requirements, the extension of expiring rental agreements and the reduction of vacancy rates by actively marketing available real estate are all fundamentally important. Likewise, the adjustment of contractual rents to keep them lucrative yet in line with market rates is an important driver of value.



BARMER GEK adds to rented area in Dresden

In April 2014, BARMER GEK initially signed a rental agreement for 1,950 sqm of space in Margonhaus in Dresden, and in October 2014 it added another 710 sqm to its rented area. By renting another approx. 710 sqm in August 2015, BARMER GEK increased its total space in this property to approx. 3,400 sqm in 2015. In early 2016, BARMER GEK rented another 230 sqm in the property, which means that it is currently using a total of 3,600 sqm of space in Margonhaus. Essentailly, the average WALT in the property increased from 4.8 years (31/12/2013) to 7.9 years as at 31 December 2015 through these rental agreements.

"In order to meet our well-known anchor tenant's need for space, we have successfully relocated other tenants and freed up owner-occupied space."

**FELIX FREIHERR VON BETHMANN,
TLG IMMOBILIEN AG, head of southern branch office**

Optimisation of office properties

Margonhaus, Dresden

TENANT
BARMER GEK

LETTABLE AREA
3,600 sqm

EXTRA SPACE RENTED
2014: 710 sqm
2015: 710 sqm
2016: 230 sqm

WALT IN THE PROPERTY
increased from 4.8 years to 7.9 years

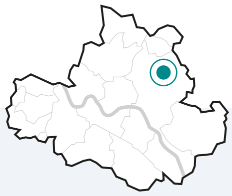
An effective core portfolio

OFFICE
RETAIL
HOTEL

	AS AT 31/12/2015 INCLUDING ACQUISITIONS	AS AT 31/12/2015 LIKE FOR LIKE	CHANGE COMPARED TO THE PREVIOUS YEAR LIKE FOR LIKE
ANNUALISED IN-PLACE RENT IN EUR M	123.4	107.5	↗ 1.1
AVERAGE RENT IN EUR/SQM PER MONTH	10.01	9.99	↗ 0.05
EPRA VACANCY RATE IN %	2.9	3.0	↘ 0.2 pp
WALT IN YEARS	6.6	6.9	↘ 0.7

Creating space and providing room

Conversions, renovations and changes of premises are invaluable ways to consistently meet the changing requirements of tenants in office and retail properties. For example, when new rental agreements are signed or existing agreements are extended, spaces are converted or – if possible – expanded in collaboration with the tenants in the office and retail properties. At suitable locations, minor property development projects are launched for selected retail properties.



A demand for space and space on demand

In 2015 a supermarket tenant prematurely vacated approx. 2,000 sqm of retail space in the Berlin property Marzahner Promenade 30. The supermarket Netto Marken-Discount that also occupied around 1,000 sqm in the property moved into the larger space and signed a new 15-year rental agreement. As part of the conclusion of the new rental agreement, the net rent was adjusted based on the standard market rent. The vacated space has already been leased to a creditworthy tenant operating in the non-food sector.

Extension lettable area

Marzahner Promenade, Berlin

TENANT
Netto Marken-Discount

EXTENSION
approx. 1,000 sqm

CONTRACTUAL TERM
15 years

OUR OBJECTIVE	MILESTONES IN 2015
REAL ESTATE PORTFOLIO OPTIMISATION (CORE PORTFOLIO)	*Rents increased by* **16%** *In-place rental yield decreases moderately by just* **-0.2 percentage points** *Vacancy rates even lower at* **0.3 percentage points**

"We are very happy with this central location which has enough room for us to develop our portals."

JOHANNES KOTTE, Managing Director of Visual Meta

8,100 SQM FOR VISUAL META ON ALEXANDERPLATZ

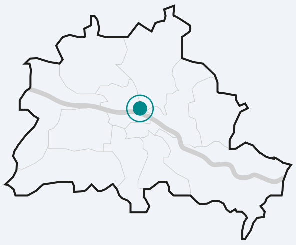
From May 2016, the e-commerce firm will have access to more than 8,100 sqm of office space at Alexanderstrasse 1, 3 and 5

In light of its rapid growth, Visual Meta GmbH is in need of a reliable partner that is able to provide large amounts of space and flexible partitioning if necessary – and TLG IMMOBILIEN AG can deliver. The subsidiary of Axel Springer SE can also look forward to spending the next few years in an absolutely central location. Before the shopping portal operator moves in, TLG IMMOBILIEN AG will reconstruct large areas of the property and optimise them to suit the specifications of the tenant.

"In Visual Meta, we are happy to have attracted another well-known company from the Internet sector as a tenant. This attests to the increasing attractiveness of Alexanderplatz and City Ost, especially to companies operating in the field of new media."

SVEN GRAVEN, TLG IMMOBILIEN AG, head of northern branch office

Alexanderstrasse 1, 3, 5, Berlin



FACTS AND FIGURES

↓

TENANT
Visual Meta

LETTABLE AREA
8,100 sqm

START OF RENTAL AGREEMENT
May 2016

↓

OFFICE

ADDITIONAL FUNDS FOR ACQUISITIONS ARE EXPECTED TO BE GENERATED **THROUGH THE GRADUAL DISPOSAL OF THE REMAINING NON-CORE PROPERTIES** IN THE PORTFOLIO OF TLG IMMOBILIEN AG. PROPERTIES WITH A VOLUME OF APPROXIMATELY EUR 100 M ARE STILL FOR SALE.

NICLAS KAROFF → **immobilienmanager newsletter**
→ **TLG: Lone Star gibt Mehrheit ab [Lone Star gives up majority]** → **16/10/2014**

PROFITABLE DISPOSALS GENERATE CAPITAL FOR FURTHER GROWTH

By disposals of 68 properties from its non-strategic portfolio in 2015, TLG IMMOBILIEN AG generated proceeds of EUR 57.3 m.

A focus on the core portfolio

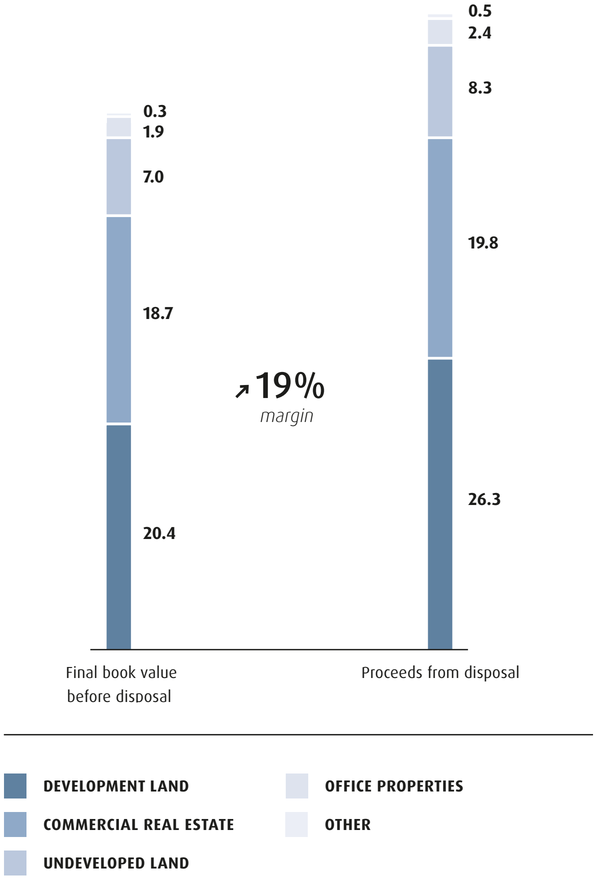
The core portfolio of TLG IMMOBILIEN AG currently includes office properties in Berlin and the eastern German growth centres of Dresden, Leipzig and Rostock in particular, as well as retail properties in highly frequented micro-locations in eastern Germany. The portfolio also contains hotels in Berlin, Dresden and Rostock.

However, the portfolio also contains a small proportion of non-strategic properties which cannot be incorporated into the core portfolio due, for example, to their location or utilisation. In particular, these include development land in Berlin and Dresden as well as commercial properties with predominantly long-term leases.

Disposals at attractive prices

Market demand and its extensive network allowed TLG IMMOBILIEN AG to dispose of non-strategic properties for more than their book values in the 2015 financial year. Overall, through our disposals in the 2015 financial year we generated proceeds of EUR 57.3 m.

Proceeds from disposals* (non-strategic portfolio)
IN EUR M

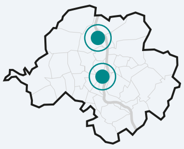


* *incl. the disposal of the associated company TLG Gewerbepark Grimma GmbH*

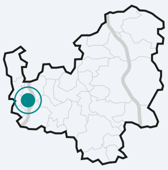
57.3

EUR M
Proceeds from disposals

Disposal of Wirkbau ① and Kiremun ② business parks, Chemnitz



as well as Grimma business park ③, Grimma



FACTS AND FIGURES (TOTAL)*

↓

TOTAL AREA
190,763 sqm

ANNUALISED IN-PLACE RENT
EUR 5.2 m

EPRA VACANCY RATE
20.1%

WALT
2.6 years

TOTAL PROCEEDS FROM DISPOSALS
EUR 26.6 m

** The portfolio figures concern the last reporting date (30/09/2015) before the notarised purchase agreements were signed.*

SUCCESSFUL DISPOSAL OF THREE BUSINESS PARKS

All business parks now removed from the TLG IMMOBILIEN portfolio

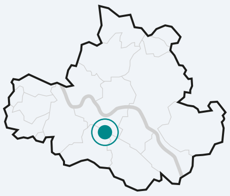
In the second half of 2015, purchase agreements were concluded for two business parks in Chemnitz as well as for the subsidiary TLG Gewerbepark Grimma GmbH with a total volume of EUR 26.6 m. All business parks essentially feature commercial and storage space, for which reason they have not been allocated to the core portfolio of TLG IMMOBILIEN AG which focuses on office, retail and hotel properties.

The sale of Kiremun business park in Chemnitz was signed in October 2015. The complex contains 25 buildings and generated proceeds of EUR 5.8 m. It was transferred to the buyer in January 2016; one employee left TLG IMMOBILIEN AG as a result of this.

In November 2015, TLG Gewerbepark Grimma GmbH was sold. The proceeds were around EUR 14 m. Through this transaction, nine employees and the managing director of the company left the Group as at 31 December 2015.

The disposal of Wirkbau business park in Chemnitz in December 2015 generated proceeds of EUR 6.8 m. The area, which features some historic buildings and approx. 42,600 sqm of lettable area, was added to the portfolio of the buyer in March 2016. Two employees left TLG IMMOBILIEN AG as a result of the disposal.

Disposal of residential plot, Dresden



FACTS AND FIGURES

↓

TOTAL LAND AREA
17,800 sqm

TYPE OF USE
Development land, housing

PROCEEDS FROM DISPOSAL
EUR 4.4 m

SALE OF A RESIDENTIAL PLOT ON THE ELBE IN DRESDEN

Non-strategic plot of land leaves the portfolio at an attractive price

In October 2015, a plot of development land in Dresden of around 17,800 sqm in size and with an unobstructed view of the Elbe was successfully disposed of. The land, which is currently occupied by a villa, has potential for additional new houses and generated proceeds of EUR 4.4 m. Planning permission has already been granted for the first stage of construction, which consists of four town houses with an underground car park.

Tapping potential

The non-strategic portfolio of TLG IMMOBILIEN AG currently represents 4.4% of its total portfolio. It consists of development land, undeveloped land and commercial properties with predominantly long-term leases.

"Overall, through our disposals in the 2015 financial year we generated revenue of EUR 57.3 m."

NICLAS KAROFF, member of the Management Board

OUR OBJECTIVE	MILESTONES IN 2015
INVESTING PROCEEDS FROM THE GRADUAL DISPOSAL OF NON-STRATEGIC PROPERTIES IN CONTINUED GROWTH	**68** *properties sold* *Proceeds of* **EUR 57.3 m** *The remaining non-strategic portfolio represents just* **4.4%** *of the entire portfolio* **(EUR 78 m)**

”

CONSIDERABLE POPULATION INCREASES, FALLING UNEMPLOYMENT RATES, **GREATER RETAIL PURCHASING POWER** AND INCREASED NUMBERS OF OVERNIGHT STAYS REFLECT THE **POSITIVE DYNAMICS** WHICH ARE INFLUENCING THE OFFICE, RETAIL AND HOTEL PROPERTY MARKETS. THE DYNAMIC DEVELOPMENT OF THE EASTERN GERMAN CITIES AND THE **BOOM IN BERLIN** ARE HAVING A SIGNIFICANT EFFECT ON THE PROPERTY MARKETS IN EASTERN GERMANY.

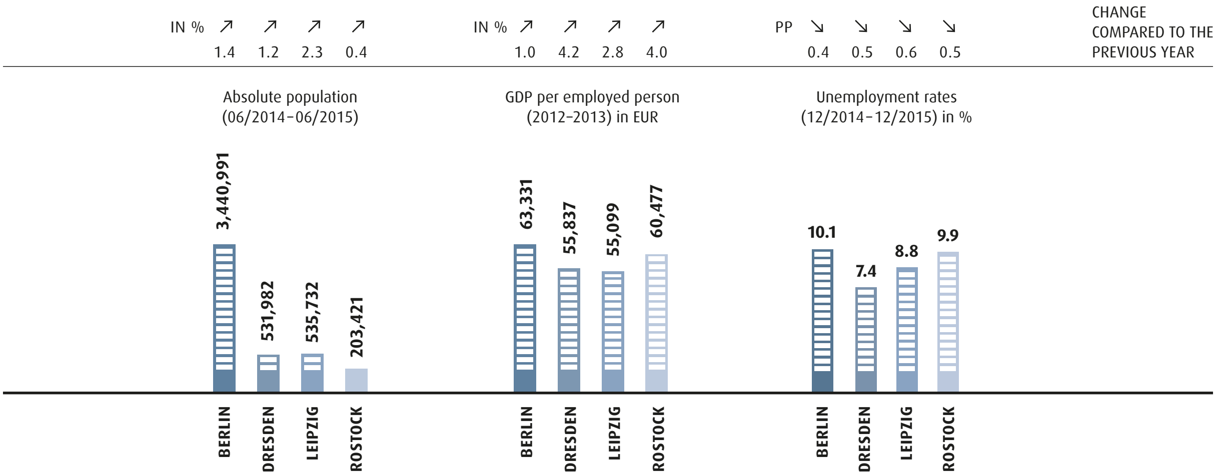
“

NICLAS KAROFF → Cash online, Gewerbeimmobilien → Märkte in Berlin und Ostdeutschland wachsen [Markets in Berlin and eastern Germany are growing] → 05/12/2014

THE EASTERN GERMAN REAL ESTATE MARKET: DYNAMICS, GROWTH, FUTURE

Socio-demographic data and market data reflect the consistently positive developments in the office, retail and hotel property markets in eastern German growth centres.

Demographics and economies in Berlin and selected eastern German cities



Source: Populations – statistical offices of the German states, all information from the 2011 census,
GDP per employed person – statistical offices of the German states: national accounts of the German states

Local expertise and proximity to our portfolio

We have known our local markets for 25 years now. In light of our long-standing presence in our core regions, we have reliable networks which allow us to develop on-site. As a result, our knowledge of the markets and potential in each location is unrivalled and we are able to apply it.

With branches in Berlin and Dresden, we are directly represented in our most significant markets. Our additional regional offices in Leipzig, Rostock and Erfurt also ensure that the properties and tenants in our core regions receive the best possible support. As part of purchase due diligence, all properties can be promptly inspected and evaluated by staff who are experts in both the market and real estate.

Excellent knowledge of markets is invaluable

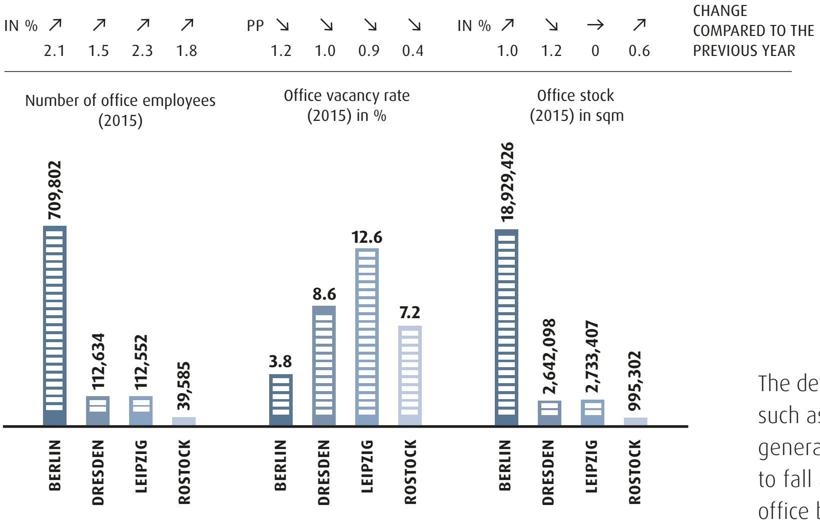
To effectively manage our portfolio, we regularly document and evaluate changing market parameters in our core regions in eastern Germany. As part of this, we continuously research and analyse relevant market data and, once per year ever since 1993, prepare a detailed market report for the office, retail and hotel asset classes in Berlin and the growth centres in eastern Germany.

Rostock

4.0

PER CENT
growth of GDP per employed person (2012/2013)

Development of vacancy and employment rates in office properties



Source: bulwiengesa AG

Falling vacancy rates in office property markets

In light of the positive economic developments in Berlin in previous years, the number of office employees is growing significantly, especially in the service sector. This growing demand for office space combined with relatively low space availability is causing the already low vacancy rate to fall and the average rents in Berlin to increase. The price levels in the German capital are therefore nearing those of other major office locations in Germany.

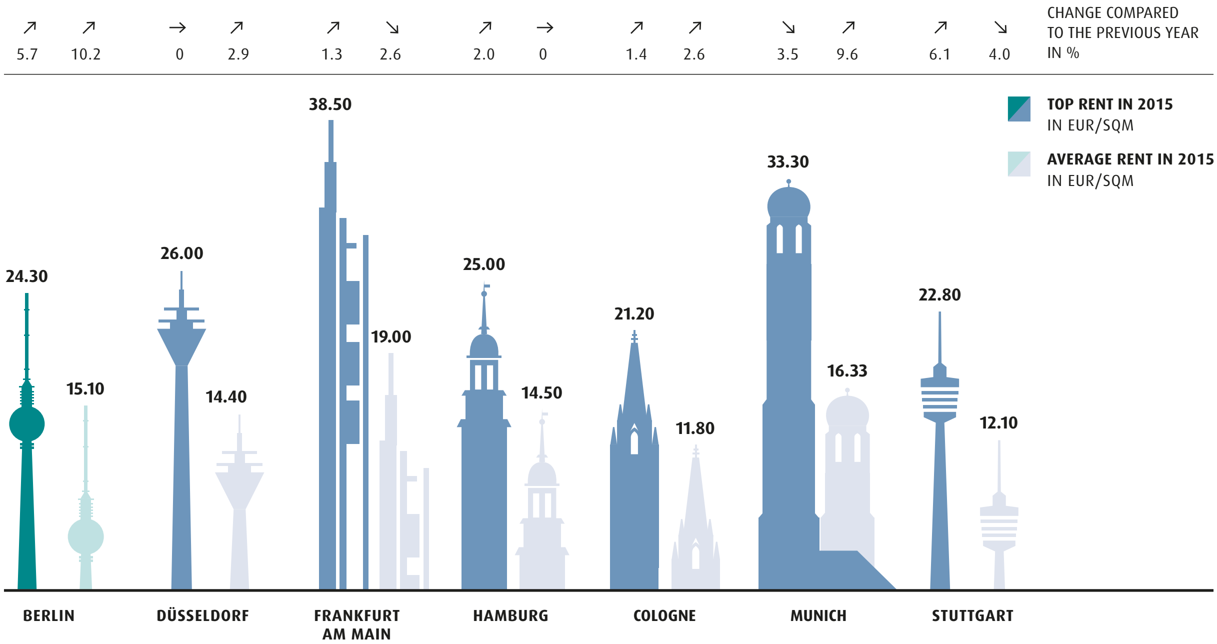
The developments in the eastern German office property centres such as Dresden, Leipzig and Rostock are similar. Favourable general economic conditions are causing unemployment rates to fall and the number of office employees to increase. As office building construction is not quite keeping pace with the increase in office employees, vacancy rates are also falling in these cities.

Greater purchasing power and increasing rents in retail

The retail sector remains driven by the increased retail purchasing power per head in 2014 and the high attractiveness of Berlin to tourists. Turnover increased by 1.3% in 2014. This positive trend is also having an effect on retail property rents in the German capital.

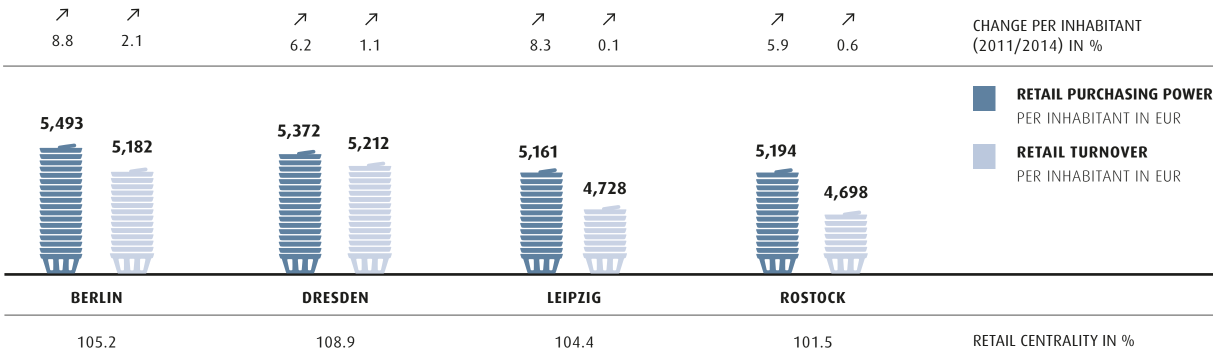
Growing purchasing power per head is also stimulating the retail property markets in Dresden, Leipzig, Rostock and Erfurt. With an increase of 8.3%, Leipzig is particularly noteworthy in this context. Likewise, rents are essentially matching the trend.

Berlin with above-average office average rent development of 10.2%*



Source: Germany's CITY SURVEY 2015/2016, "A complete overview of all of Germany's major office and investment markets," Colliers International Deutschland Holding GmbH
** The information for Berlin, Düsseldorf, Hamburg, Frankfurt, Cologne and Stuttgart relates to each metropolitan area. The information for Munich relates to the entire market.*

Retail KPIs



Source: GfK GeoMarketing, 2015

Tourism is driving hotel markets

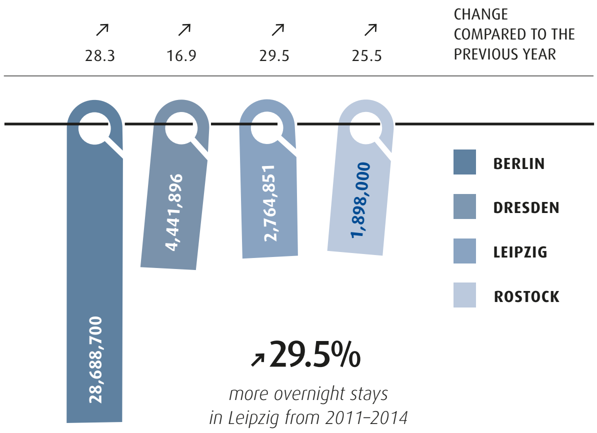
Around 12 million tourists spent 28.7 million nights in Berlin in 2014, which is a record. Room utilisation and revenue per room are therefore increasing, as did the average room price.

Besides Berlin, Leipzig and Rostock remain the most successful eastern German hotel markets. This is the result of their attractiveness to tourists by virtue of their numerous historical and cultural sites and attractive waterfront locations. The number of overnight stays continues to increase in all three cities, as do the key hotel statistics.

German real estate in demand – the transaction volume increases

According to BNP Paribas Real Estate, at EUR 8.28 bn in 2015 the investment turnover in Berlin almost doubled. Around EUR 56 bn was invested in commercial real estate throughout Germany, which represents an increase of approx. 40% compared to the previous year. Office (EUR 23.6 bn) and retail properties (EUR 18.5 bn) were the most popular investments.

Number of overnight stays in 2014



Source: Statistical offices of the German states, STR Global 2014

However, smaller markets such as Dresden and Leipzig are also benefiting from investment competition in the metropolises. For example, a study carried out by PwC in 2015 showed that with higher risks, the highest returns on rent compared to major cities can be generated in these cities. Therefore, investors are also looking to these so-called B-rated cities with more interest.

OUR OBJECTIVE	MILESTONES IN 2015
YEARS OF MARKET EXPERIENCE LEAD TO RELIABLE MARKET INTERPRETATION AND VALUABLE INVESTMENTS	*TLG IMMOBILIEN AG ensures a high level of turnover by investing in profitable growth centres.* *Its excellent market position allows it to rapidly conclude long-term rental agreements with tenants.* *Market expertise and local networks increase acquisition opportunities.* *Report: "Property Market in Berlin and eastern Germany 2015"*

THIS YEAR ALONE WE AIM TO INCREASE THE **FFO BY ANOTHER 10 PER CENT. "AT LEAST,"** SAYS PETER FINKBEINER.

PETER FINKBEINER → immobilienmanager Magazin 8/2015
→ Portrait: Peter Finkbeiner – der Stratege [Portrait: Peter Finkbeiner – the strategist]

KEY FINANCIAL AND PORTFOLIO PERFORMANCE INDICATORS SIGNIFICANTLY IMPROVED

The initially forecast 10% increase in the FFO for 2015 was considerably surpassed. Other key performance indicators also underline the successes achieved through operative business.

Key performance indicators improved again

One key performance indicator of TLG IMMOBILIEN Group is its funds from operations (FFO). Moreover, the EPRA key figures and other financial and real estate parameters are used in order to manage the Group.

The development of the key performance indicators in the 2015 financial year was predominantly positive. Besides the positive development of operative business, newly acquired properties which were integrated into the platform through net income in the 2015 financial year served as drivers of this development. New loans were also agreed at low rates, which will have a positive effect on the financial situation of the company.

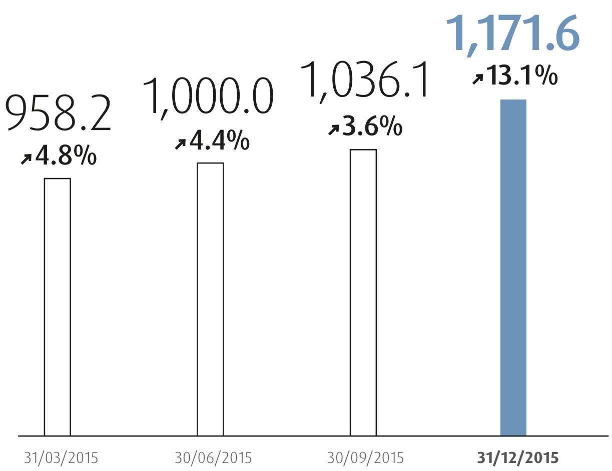
17.37

EPRA NAV
PER SHARE IN EUR
31/12/2015

Considerable increase in portfolio value

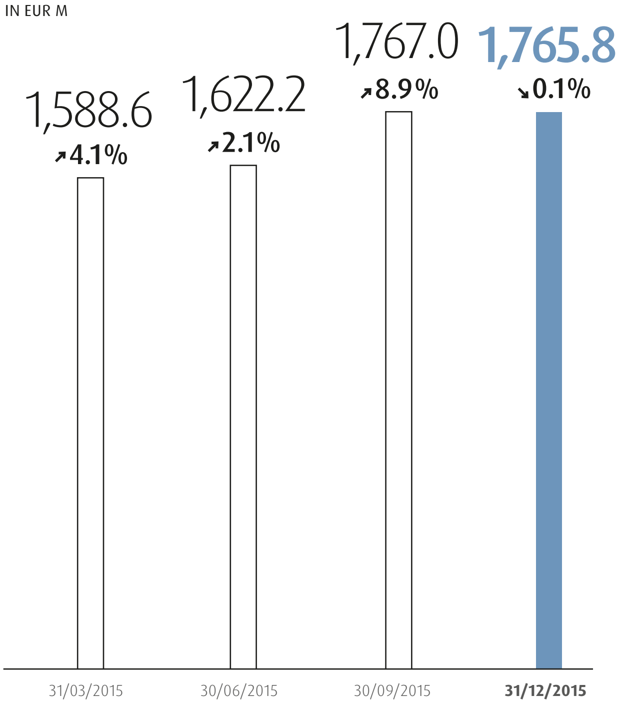
In line with its growth strategy, the company is striving to take another step and increase its portfolio to EUR 2 bn. Properties acquired and assumed in 2015 as well as positive measurement results due to the strong position of the company in the market have essentially contributed to the disproportionate increase in the value of the real estate portfolio in 2015.

EPRA Net Asset Value *
IN EUR M



* *Change since the previous quarter in %*

Fair Value *
IN EUR M



* *Change since the previous quarter in %*

Rental income

Rental income from newly acquired properties caused rental income to increase significantly compared to the previous year.

127.4

EUR M

↗11.0

PER CENT

EPRA Vacancy Rate remains low

Thanks to active property management and long-standing tenant relations, the portfolio continues to have a low vacancy rate.

3.7

PER CENT

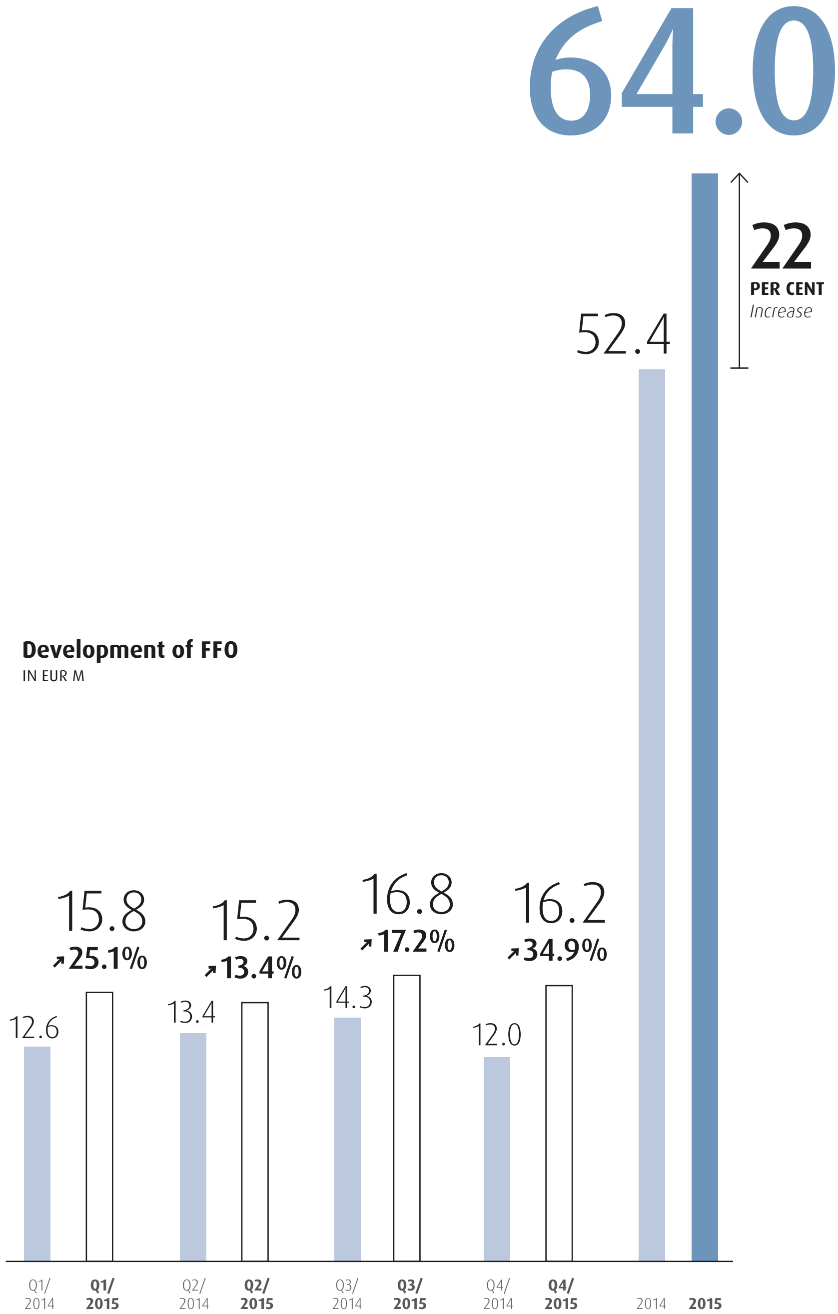
↘0.2

PERCENTAGE POINTS

FFO increased disproportionately

In particular, the FFO were positively influenced by additional income from acquired properties and the reduction of operating costs. The original forecast for the 2015 financial year expected the FFO to grow by at least 10% compared to 2014, which would have been equivalent to around EUR 58 m. The half-year financial report revised this forecast to EUR 63 m for the 2015 financial year, a target which was slightly exceeded.

Development of FFO
IN EUR M



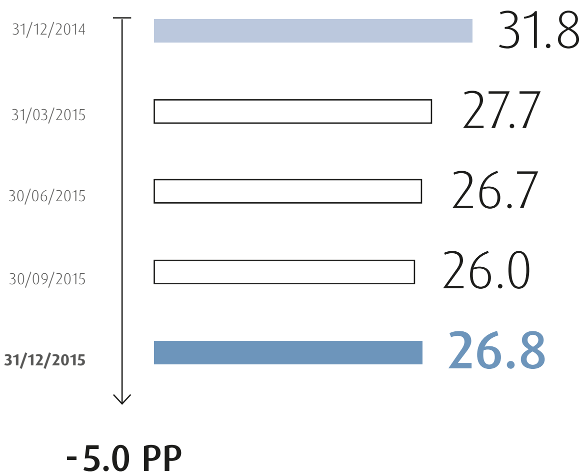
Net LTV significantly declined at the end of the year

The target corridor for the Net LTV of TLG IMMOBILIEN Group is between 45 and 50%. This means that the company is operating on the basis of a conservative financing structure. As at 31 December 2015, the average borrowing costs were 2.91%.

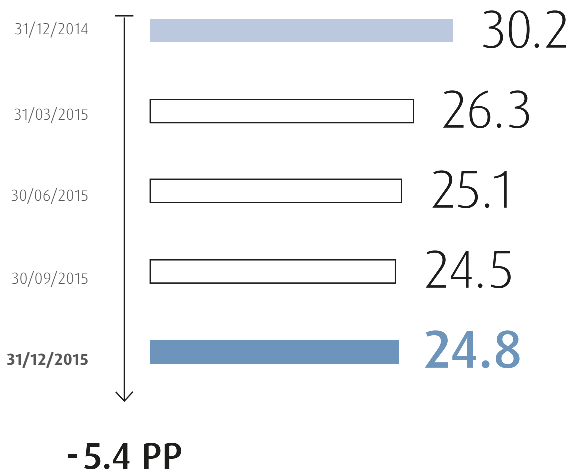
Constant reduction of the EPRA Cost Ratio

Increased rental income and lower personnel costs are having a positive effect on the EPRA Cost Ratio.

EPRA Cost Ratio (including direct vacancy costs)
IN %



EPRA Cost Ratio (excluding direct vacancy costs)
IN %



OUR OBJECTIVE	MILESTONES IN 2015
FFO INCREASED BY AT LEAST 10%	*Forecast increase in FFO revised upwards to* **EUR 63 m** *in the middle of the year* *FFO increased by* **22.2%** *overall*

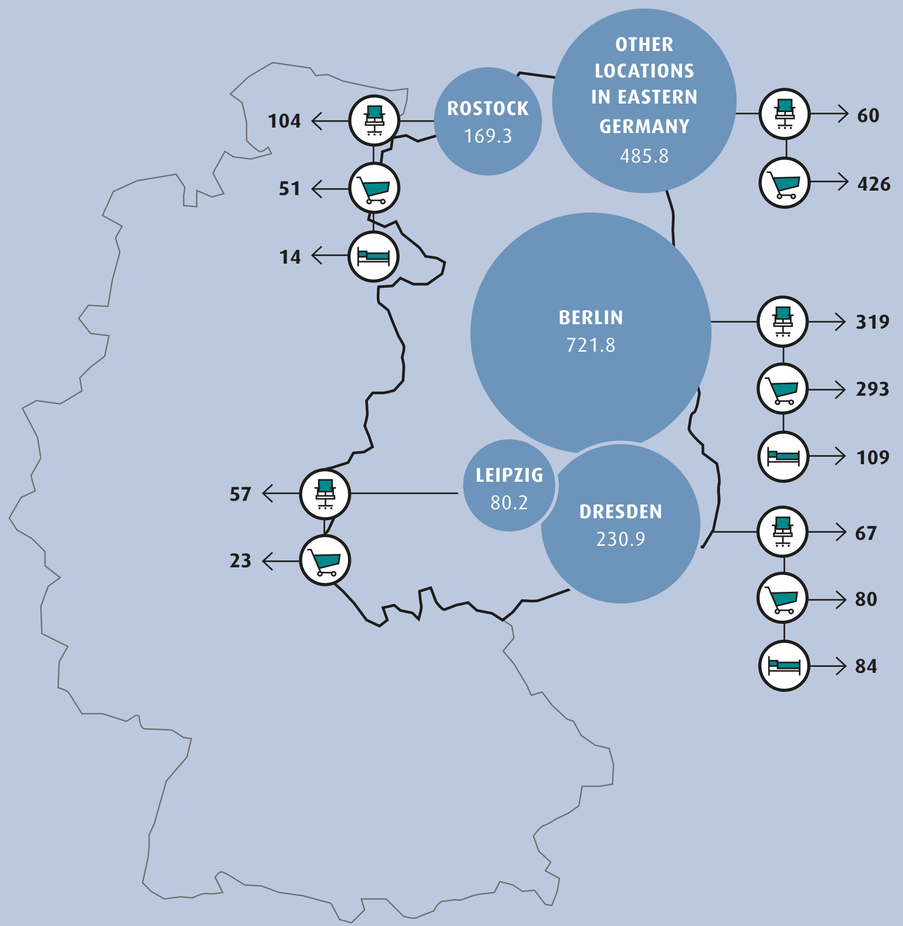
THE PORTFOLIO IN FOCUS

The strategic real estate portfolio of TLG IMMOBILIEN Group consists of office, retail and hotel properties. The retail property portfolio is illustrated in detail in the following pages, alongside a digression to the neighbourhood shopping centres in the portfolio.

Core portfolio

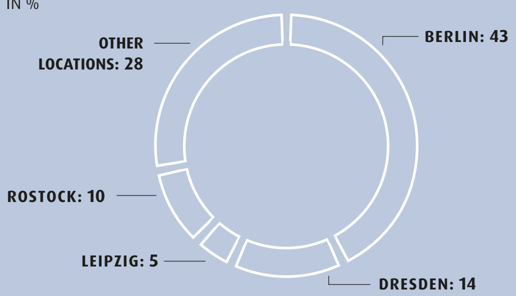
IN EUR M

Regional distribution of portfolio properties by asset class (fair value) as at 31 December 2015



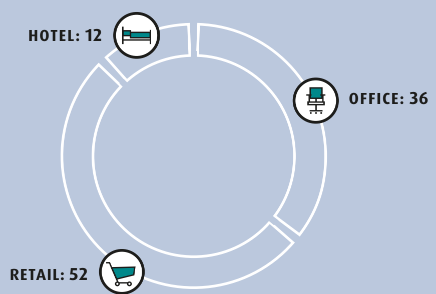
Core portfolio by region (fair value) as at 31 December 2015

IN %



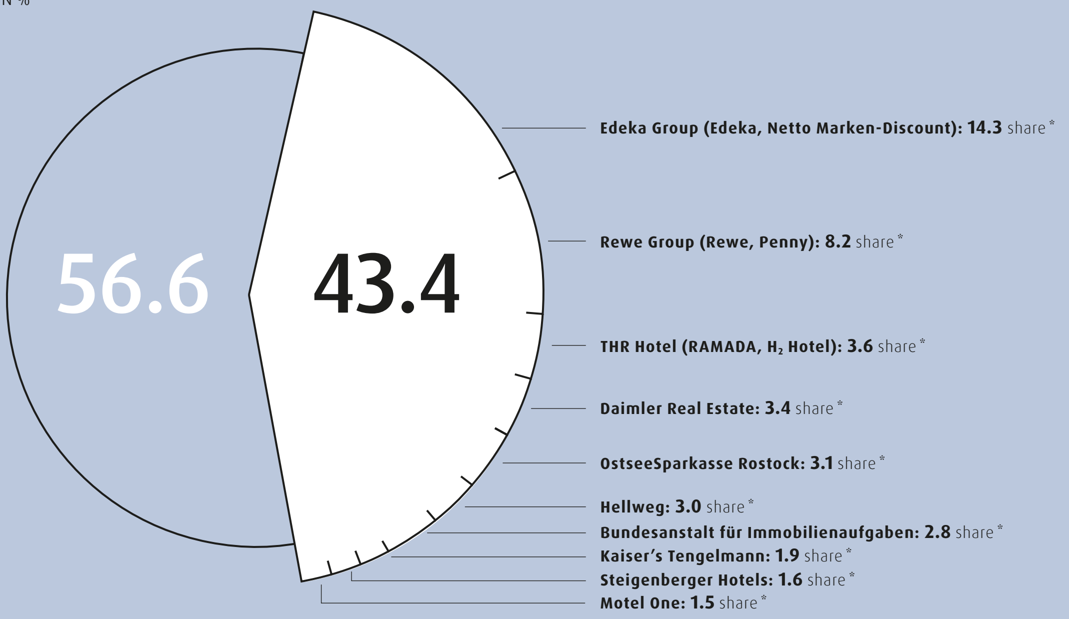
Core portfolio by asset class (fair value) as at 31 December 2015

IN %



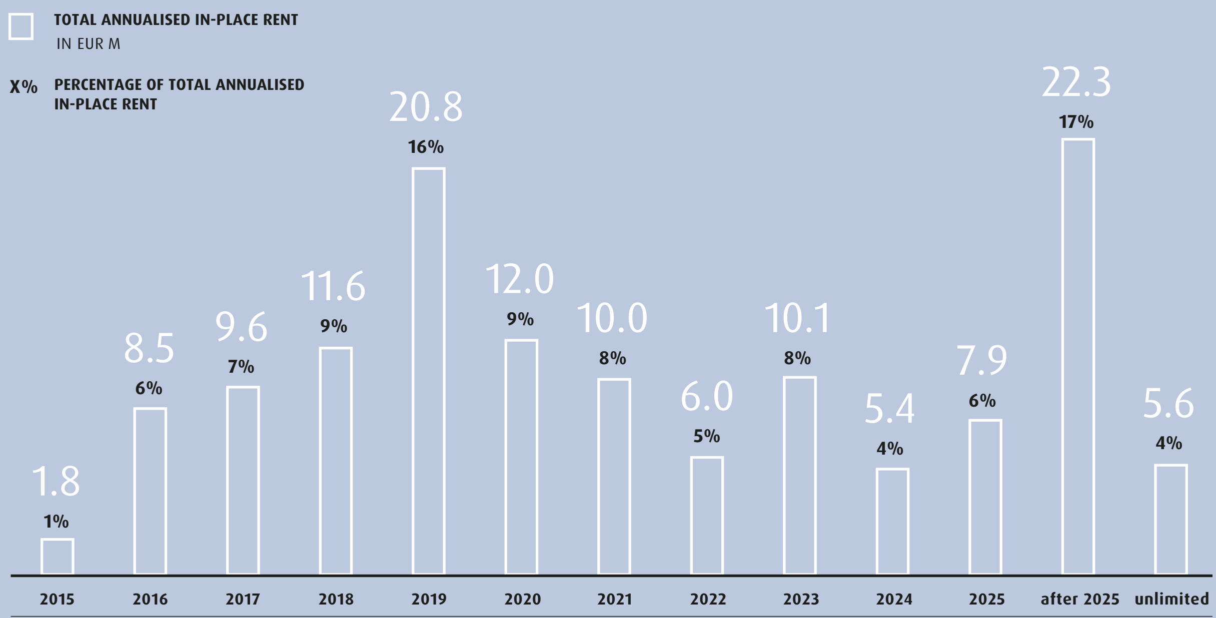
Top 10 tenants – total portfolio by annualised in-place rent as at 31 December 2015

IN %

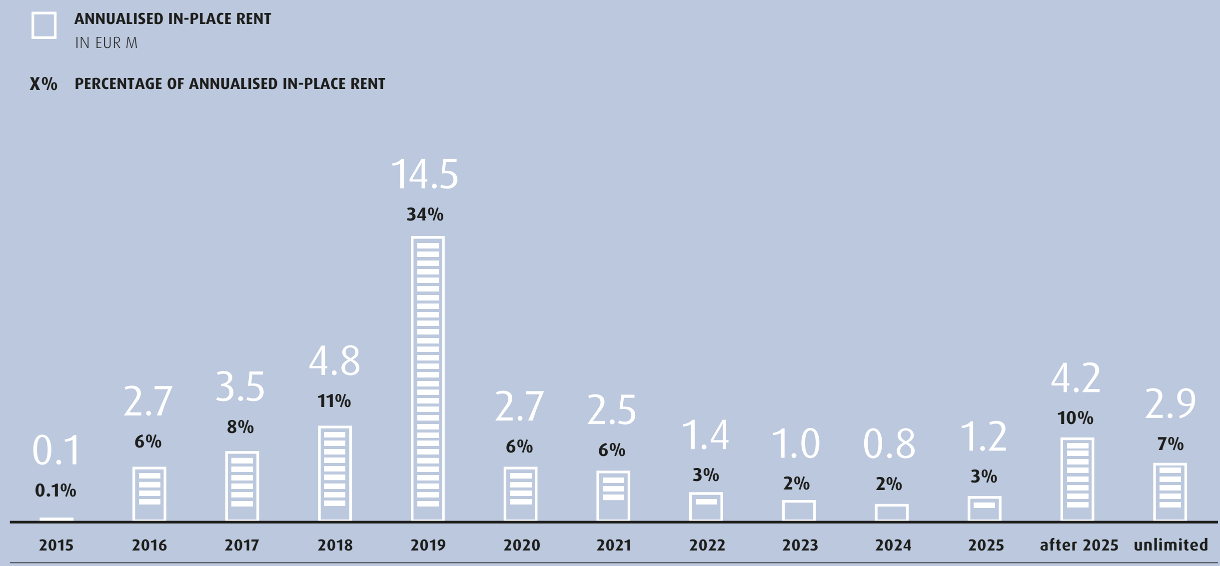


Share of the annualised in-place rent (total portfolio) in %

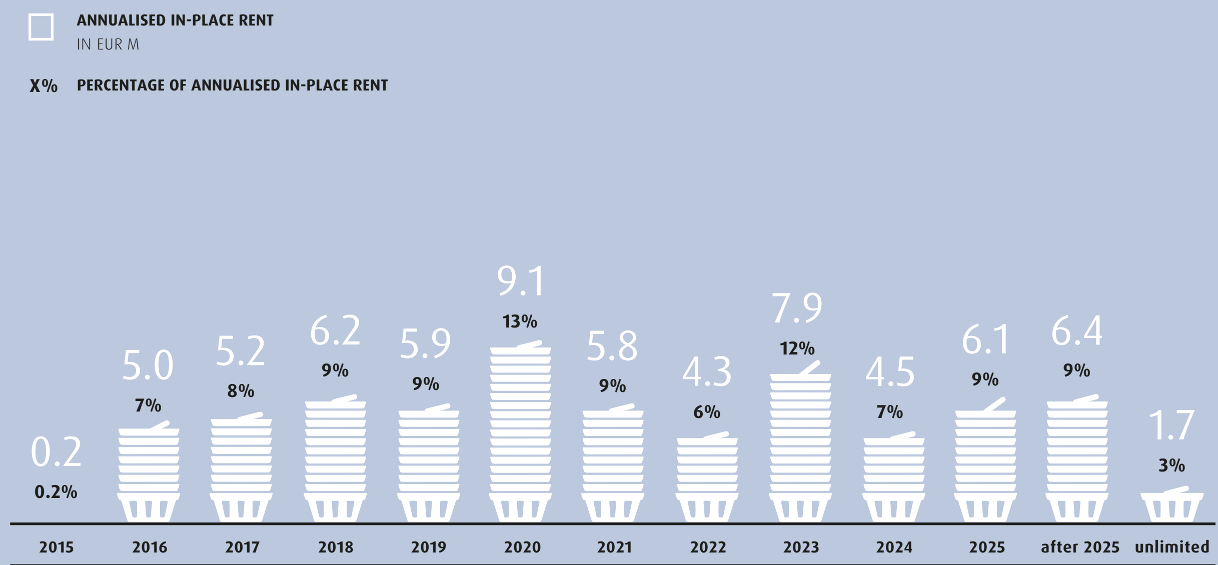
Remaining terms of rental agreements by year Total portfolio as at 31 December 2015



Remaining terms of rental agreements by year
Core portfolio: office asset class as at 31 December 2015



Remaining terms of rental agreements by year
Core portfolio: retail asset class as at 31 December 2015



OFFICE

Our largest office properties represent 83% of our retail property portfolio.

OFFICE BUILDING
ALEXANDERSTRASSE 1, 3, 5
BERLIN

FAIR VALUE *EUR 65.6 m*
TOTAL LETTABLE AREA *43,390 sqm*
ANNUALISED IN-PLACE RENT *EUR k 4,208*
EPRA VACANCY RATE *25.1%*
WALT *2.9 years*
MAIN TENANT *Deutsche Bank*

KULTURBRAUEREI
SCHÖNHAUSER ALLEE 36/
ECKE SREDZKI- UND KNAAKSTRASSE 97
BERLIN

FAIR VALUE *EUR 61.9 m*
TOTAL LETTABLE AREA *31,371 sqm*
ANNUALISED IN-PLACE RENT *EUR k 3,783*
EPRA VACANCY RATE *0.9%*
WALT *4.5 years*
MAIN TENANT *Greater Union Filmpalast*

FORUM AM BRÜHL
RICHARD-WAGNER-STRASSE 1, 2–3/
BRÜHL 65, 67
LEIPZIG

FAIR VALUE *EUR 53.0 m*
TOTAL LETTABLE AREA *26,443 sqm*
ANNUALISED IN-PLACE RENT *EUR k 3,329*
EPRA VACANCY RATE *1.3%*
WALT *4.1 years*
MAIN TENANT *Deutsche Bahn*

SPREESTERN
ENGLISCHE STRASSE 27, 28, 30
BERLIN

FAIR VALUE *EUR 50.7 m*
TOTAL LETTABLE AREA *17,815 sqm*
ANNUALISED IN-PLACE RENT *not specified**
EPRA VACANCY RATE *0.0%*
WALT *not specified**
TENANT *Daimler Real Estate*

OFFICE BUILDING
AM VÖGENTEICH 23
ROSTOCK

FAIR VALUE *EUR 48.6 m*
TOTAL LETTABLE AREA *19,470 sqm*
ANNUALISED IN-PLACE RENT *not specified**
EPRA VACANCY RATE *0.0%*
WALT *not specified**
TENANT *OstseeSparkasse Rostock*

OFFICE BUILDING
KARL-LIEBKNECHT-STRASSE 31.33/
KLEINE ALEXANDERSTRASSE
BERLIN

FAIR VALUE *EUR 45.7 m*
TOTAL LETTABLE AREA *24,449 sqm*
ANNUALISED IN-PLACE RENT *EUR k 3,255*
EPRA VACANCY RATE *0.8%*
WALT *3.6 years*
MAIN TENANT *Bundesanstalt für Immobilienaufgaben*

WILSDRUFFER KUBUS
POSTPLATZ 1/WILSDRUFFER STRASSE 24
DRESDEN

FAIR VALUE *EUR 30.6 m*
TOTAL LETTABLE AREA *10,537 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,982*
EPRA VACANCY RATE *0.1%*
WALT *3.8 years*
MAIN TENANT *SAP*

OFFICE BUILDING
KÖPENICKER STRASSE 30–31/
BONA-PEISER-WEG 2
BERLIN

FAIR VALUE *EUR 26.4 m*
TOTAL LETTABLE AREA *12,156 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,519*
EPRA VACANCY RATE *1.7%*
WALT *5.0 years*
MAIN TENANT *Ver.di*

HAUS ZUR BEROLINA
HAUSVOGTEIPLATZ 12
BERLIN

FAIR VALUE *EUR 22.2 m*
TOTAL LETTABLE AREA *7,871 sqm*
ANNUALISED IN-PLACE RENT *EUR k 637*
EPRA VACANCY RATE *6.1%*
WALT *3.3 years*
MAIN TENANT *unitB*

SPREÉTAGE
KAISERIN-AUGUSTA-ALLEE 104–106
BERLIN

FAIR VALUE *EUR 20.6 m*
TOTAL LETTABLE AREA *14,759 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,467*
EPRA VACANCY RATE *5.3%*
WALT *4.2 years*
MAIN TENANT *VHV Versicherung*

OFFICE BUILDING
DOBERANER STRASSE 114–116/
LOHMÜHLENWEG 1.2
ROSTOCK

FAIR VALUE *EUR 15.9 m*
TOTAL LETTABLE AREA *15,985 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,353*
EPRA VACANCY RATE *6.1%*
WALT *3.6 years*
MAIN TENANT *Betrieb für Bau und Liegenschaften M-V Geschäftsbereich Rostock*

OFFICE BUILDING
HERMANN-DRECHSLER-STRASSE 1
GERA

FAIR VALUE *EUR 14.8 m*
TOTAL LETTABLE AREA *28,052 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,497*
EPRA VACANCY RATE *3.7%*
WALT *2.8 years*
MAIN TENANT *Freistaat Thüringen*

CCW CITY-CENTER WARNOWALLEE
WARNOWALLEE 26–29
ROSTOCK

FAIR VALUE *EUR 11.9 m*
TOTAL LETTABLE AREA *6,329 sqm*
ANNUALISED IN-PLACE RENT *EUR k 958*
EPRA VACANCY RATE *5.4%*
WALT *7.5 years*
MAIN TENANT *OstseeSparkasse Rostock*

OFFICE AND COMMERCIAL BUILDING
FERDINANDPLATZ 1–2
DRESDEN

FAIR VALUE *EUR 11.7 m*
TOTAL LETTABLE AREA *6,873 sqm*
ANNUALISED IN-PLACE RENT *EUR k 727*
EPRA VACANCY RATE *0.4%*
WALT *4.5 years*
MAIN TENANT *Landeshauptstadt Dresden*

MARGONHAUS
BUDAPESTER STRASSE 3, 5
DRESDEN

FAIR VALUE *EUR 11.4 m*
TOTAL LETTABLE AREA *6,663 sqm*
ANNUALISED IN-PLACE RENT *EUR k 670*
EPRA VACANCY RATE *5.3%*
WALT *7.9 years*
MAIN TENANT *BARMER GEK*

PIRNAISCHES TOR
GRUNAER STRASSE 2/
ST. PETERSBURGER-STRASSE 9
DRESDEN

FAIR VALUE *EUR 11.2 m*
TOTAL LETTABLE AREA *18,123 sqm*
ANNUALISED IN-PLACE RENT *not specified**
EPRA VACANCY RATE *5.5%*
WALT *not specified**
TENANT *Landeshauptstadt Dresden*

* *Information not disclosed for reasons of competition*

HOTEL

Our hotel properties

HOTEL AND OFFICE BUILDING
DIE WELLE
KARL-LIEBKNECHT-STRASSE. 32, 32 A, 32 B5
BERLIN

FAIR VALUE *EUR 93.4 m*
TOTAL LETTABLE AREA *33,942 sqm*
ANNUALISED IN-PLACE RENT *EUR k 6,090*
EPRA VACANCY RATE *0.0%*
WALT *12.8 years*
MAIN TENANT *THR Hotel (RAMADA, H_2 Hotel)*

HOTEL DE SAXE
NEUMARKT 9
DRESDEN

FAIR VALUE *EUR 45.8 m*
TOTAL LETTABLE AREA *13,487 sqm*
ANNUALISED IN-PLACE RENT *EUR k 2,572*
EPRA VACANCY RATE *0.0%*
WALT *18.3 years*
MAIN TENANT *Steigenberger Hotels*

HOTEL AND OFFICE BUILDING
MOTEL ONE POSTPLATZ
POSTPLATZ 5.6/SCHWERINER STRASSE 1
DRESDEN

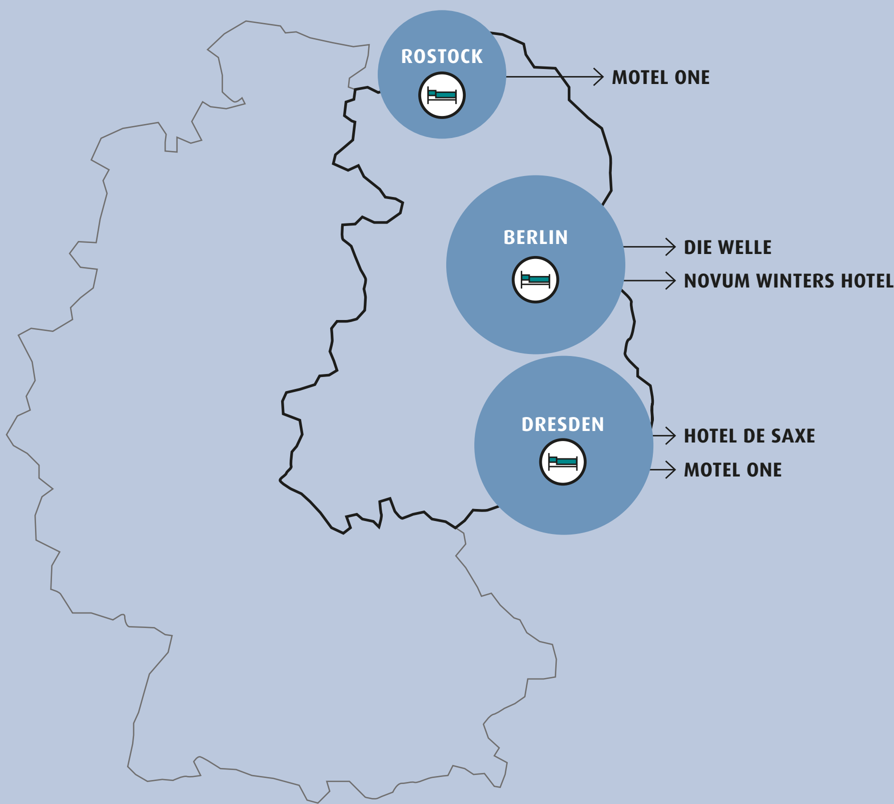
FAIR VALUE *EUR 38.0 m*
TOTAL LETTABLE AREA *14,646 sqm*
ANNUALISED IN-PLACE RENT *EUR k 2,071*
EPRA VACANCY RATE *5.9%*
WALT *15.8 years*
MAIN TENANT *Motel One*

NOVUM WINTERS HOTEL
ZIMMERSTRASSE 88
BERLIN

FAIR VALUE *EUR 15.9 m*
TOTAL LETTABLE AREA *7,158 sqm*
ANNUALISED IN-PLACE RENT *not specified**
EPRA VACANCY RATE *0.0%*
WALT *not specified**
TENANT *Novum Winters Hotel*

HOTEL AND OFFICE BUILDING
MOTEL ONE ROSTOCK
SCHRÖDERPLATZ 2/SCHRÖDERSTRASSE 25/
AM VÖGENTEICH 24
ROSTOCK

FAIR VALUE *EUR 14.4 m*
TOTAL LETTABLE AREA *6,619 sqm*
ANNUALISED IN-PLACE RENT *EUR k 896*
EPRA VACANCY RATE *0.1%*
WALT *19.5 years*
MAIN TENANT *Motel One*



* *Information not disclosed for reasons of competition*

RETAIL

Our retail properties with a fair value > EUR 10 m represent 41% of our retail property portfolio.

BAHNHOFS-PASSAGE BERNAU
BÖRNICKER STRASSE 1–2
BERNAU

FAIR VALUE *EUR 51.2 m*
TOTAL LETTABLE AREA *27,356 sqm*
ANNUALISED IN-PLACE RENT *EUR k 3,967*
EPRA VACANCY RATE *0.0%*
WALT *4.1 years*
MAIN TENANT *Edeka Gruppe*

SPECIAL RETAIL CENTRE
ADLERGESTELL 296, 299–305,
OTTO-FRANKE-STRASSE 105
BERLIN

FAIR VALUE *EUR 40.0 m*
TOTAL LETTABLE AREA *28,350 sqm*
ANNUALISED IN-PLACE RENT *EUR k 3,115*
EPRA VACANCY RATE *0.0%*
WALT *4.9 years*
MAIN TENANT *OBI*

HANDELSCENTRUM STRAUSBERG
HERRENSEEALLEE 15
STRAUSBERG

FAIR VALUE *EUR 35.9 m*
TOTAL LETTABLE AREA *25,722 sqm*
ANNUALISED IN-PLACE RENT *EUR k 2,897*
EPRA VACANCY RATE *1.3%*
WALT *3.8 years*
MAIN TENANT *Edeka Gruppe*

SÜDSTADT CENTER (INCL. KOSMOS)**
MAJAKOWSKISTRASSE 58,
NOBELSTRASSE 50–55, NOBELSTRASSE 50 A,B
ROSTOCK

FAIR VALUE *EUR 29.6 m*
TOTAL LETTABLE AREA *17,461 sqm*
ANNUALISED IN-PLACE RENT *EUR k 2,263*
EPRA VACANCY RATE *6.1%*
WALT *4.6 years*
MAIN TENANT *Rewe Gruppe*

QUARTIER 17
OSSENREYERSTRASSE 53–61
STRALSUND

FAIR VALUE *EUR 29.4 m*
TOTAL LETTABLE AREA *10,805 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,844*
EPRA VACANCY RATE *9.7%*
WALT *8.1 years*
MAIN TENANT *Edeka Gruppe*

MARKTPLATZ FRIEDRICHSHAGEN**
BÖLSCHESTRASSE 35–38
BERLIN

FAIR VALUE *EUR 28.4 m*
TOTAL LETTABLE AREA *12,923 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,729*
EPRA VACANCY RATE *0.5%*
WALT *12.3 years*
MAIN TENANT *ProCurand*

HELLWEG DIY SHOP
AN DER OSTBAHN 3
BERLIN

FAIR VALUE *EUR 25.3 m*
TOTAL LETTABLE AREA *17,883 sqm*
ANNUALISED IN-PLACE RENT *not specified**
EPRA VACANCY RATE *0.0%*
WALT *not specified**
TENANT *Hellweg*

BURGWALL SHOPPING CENTRE
LÜBSCHE STRASSE 146–148
WISMAR

FAIR VALUE *EUR 19.6 m*
TOTAL LETTABLE AREA *11,717 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,509*
EPRA VACANCY RATE *2.4%*
WALT *4.6 years*
MAIN TENANT *Rewe Gruppe*

HELLWEG DIY SHOP
SALVADOR-ALLENDE-STRASSE 115
BERLIN

FAIR VALUE *EUR 16.7 m*
TOTAL LETTABLE AREA *13,950 sqm*
ANNUALISED IN-PLACE RENT *not specified**
EPRA VACANCY RATE *0.0%*
WALT *not specified**
TENANT *Hellweg*

CINEMA CUBIX
RATHAUSSTRASSE 1
BERLIN

FAIR VALUE *EUR 14.7 m*
TOTAL LETTABLE AREA *10,842 sqm*
ANNUALISED IN-PLACE RENT *EUR k 1,167*
EPRA VACANCY RATE *0.0%*
WALT *2.9 years*
MAIN TENANT *Greater Union Filmpalast*

NEIGHBOURHOOD SHOPPING CENTRE
HELENE-WEIGEL-PLATZ 1.2
BERLIN

FAIR VALUE *EUR 14.6 m*
TOTAL LETTABLE AREA *5,978 sqm*
ANNUALISED IN-PLACE RENT *EUR k 921*
EPRA VACANCY RATE *0.0%*
WALT *6.0 years*
MAIN TENANT *Kaiser's Tengelmann*

HELLWEG DIY SHOP
ELLEN-EPSTEIN-STRASSE 1
BERLIN

FAIR VALUE *EUR 14.3 m*
TOTAL LETTABLE AREA *9,320 sqm*
ANNUALISED IN-PLACE RENT *not specified**
EPRA VACANCY RATE *0.0%*
WALT *not specified**
TENANT *Hellweg*

COMMERCIAL BUILDING
PRAGER STRASSE 4
DRESDEN

FAIR VALUE *EUR 12.3 m*
TOTAL LETTABLE AREA *2,751 sqm*
ANNUALISED IN-PLACE RENT *EUR k 678*
EPRA VACANCY RATE *0.0%*
WALT *2.4 years*
MAIN TENANT *MANGO Deutschland*

COMMERCIAL PROPERTY
LANDSBERGER STRASSE 4,6,7,8/ALT-MAHLSDORF 41,44,46
BERLIN

FAIR VALUE *EUR 12.2 m*
TOTAL LETTABLE AREA *20,053 sqm*
ANNUALISED IN-PLACE RENT *EUR k 834*
EPRA VACANCY RATE *19.8%*
WALT *5.1 years*
MAIN TENANT *kfzteile24*

KAISER'S MARKT
REVALER STRASSE 2/
HINTER MARCHLEWSKISTR. 101
BERLIN

FAIR VALUE *EUR 10.7 m*
TOTAL LETTABLE AREA *3,978 sqm*
ANNUALISED IN-PLACE RENT *not specified**
EPRA VACANCY RATE *0.0%*
WALT *not specified**
TENANT *Kaiser's Tengelmann*

* *Information not disclosed for reasons of competition*
** *Summary of the two-part building*

OUR RETAIL PROPERTY PORTFOLIO IN DETAIL

as at 31 December 2015

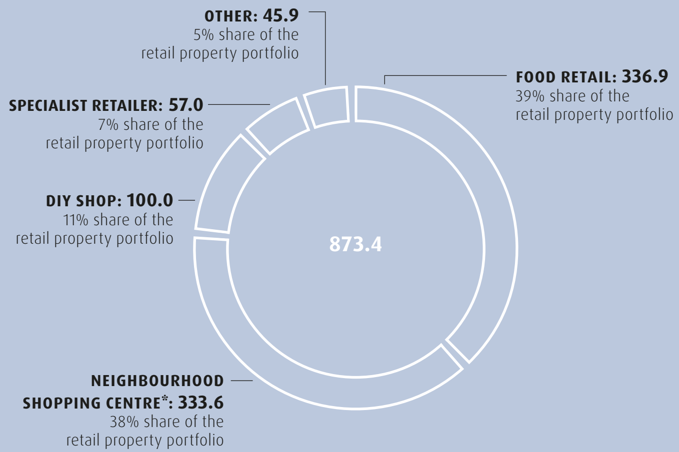
TOTAL

PROPERTIES NUMBER	*278*
FAIR VALUE IN EUR M	*873.4*
ANNUALISED IN-PLACE RENT IN EUR M	*68.4*
EPRA VACANCY RATE IN %	*1.4*
WALT IN YEARS	*5.9*

You can find more detailed information on the neighbourhood shopping centres on pages 40–41 of this report.

Core portfolio retail asset class (fair value) as at 31 December 2015

IN EUR M



** incl. special retail centres and residential and commercial buildings*

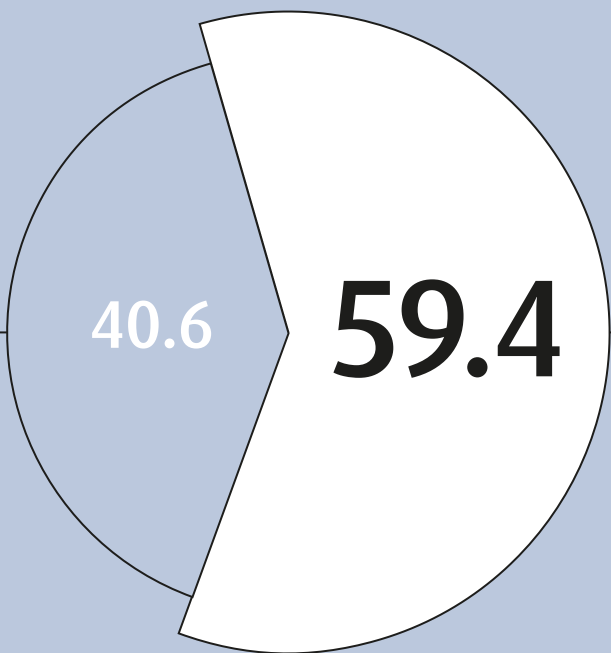
Core portfolio retail asset class (fair value) as at 31 December 2015

IN %

RETAIL PROPERTY PORTFOLIO WITH PROPERTIES > EUR 10 M

PROPERTIES NUMBER	*17*
FAIR VALUE IN EUR M	*354.9*
ANNUALISED IN-PLACE RENT IN EUR M	*25.2*
EPRA VACANCY RATE IN %	*2.4*
WALT IN YEARS	*5.9*

You can find more detailed information on the retail property portfolio > EUR 10 m on page 37 of this report.



RETAIL PROPERTY PORTFOLIO WITH PROPERTIES < EUR 10 M

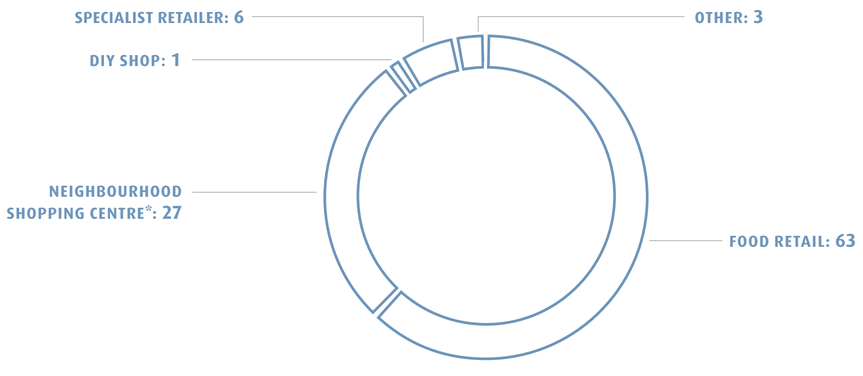
PROPERTIES NUMBER	*261*
FAIR VALUE IN EUR M	*518.5*
ANNUALISED IN-PLACE RENT IN EUR M	*43.2*
EPRA VACANCY RATE IN %	*0.8*
WALT IN YEARS	*5.8*

FACTS AND FIGURES

- Around two-thirds of these retail properties are located in a city with more than 50,000 inhabitants
- The EPRA Vacancy Rate for these retail properties is 0.8%
- These retail properties have a WALT of 5.8 years

Breakdown by specific use (fair value) as at 31 December 2015

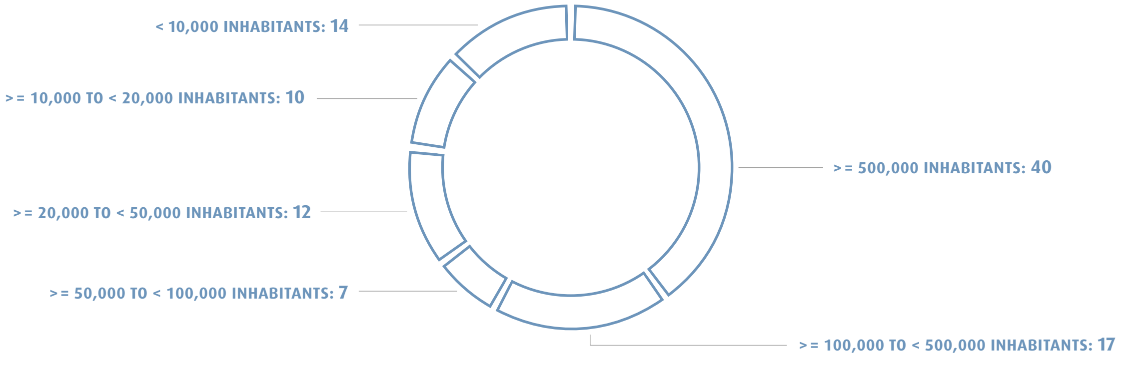
IN %



* *incl. special retail centres and residential and commercial buildings*

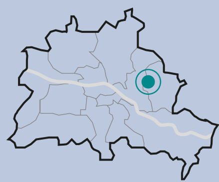
Breakdown by city population (fair value) as at 31 December 2015

IN %



DIGRESSION: NEIGHBOURHOOD SHOPPING CENTRES IN OUR PORTFOLIO

Neighbourhood shopping centres in highly frequented micro-locations in eastern Germany make up a considerable part of our retail property portfolio.



Portfolio property

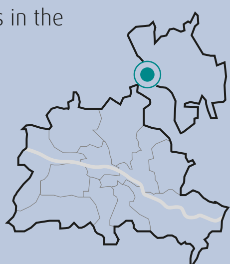
Neighbourhood shopping centre Helene-Weigel-Platz, Berlin

The shopping centre in north-eastern Berlin was developed by TLG IMMOBILIEN AG in 2011 and boasts excellent connections to public transport and roads. Situated in the heart of a large residential area, it is an important part of the centre of the district with its mixture of services comprising a convenience store and health centre on an area 6,000 sqm in size.

Acquisition

Bahnhofs-Passage Bernau, Brandenburg

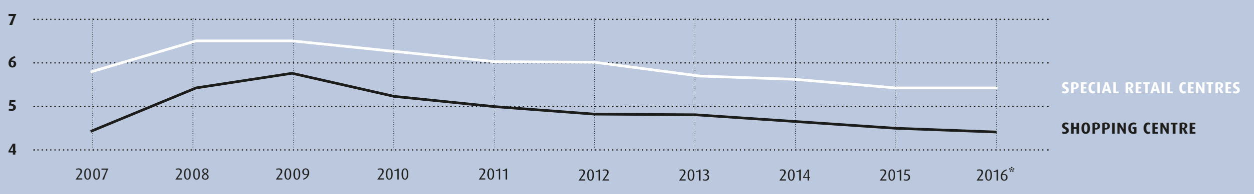
The purchase agreement for Bahnhofs-Passage in Bernau, near Berlin, was signed in April 2015, and with more than 70 tenants, the property has been part of the portfolio of TLG IMMOBILIEN AG since July 2015. The centrally situated shopping centre has a lettable area of approx. 27,300 sqm. The primary tenants in the property are Edeka, Medimax and C&A.



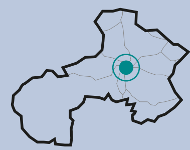
FACTS AND FIGURES

Top rents compared

IN %



*Source: Thomson Reuters, Savills/*Forecast*



Portfolio property

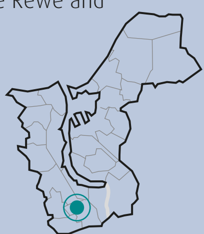
Neighbourhood shopping centre Schwalbe, Saxony

In 2009, the three buildings of the neighbourhood shopping centre were built on the site of the former spinning machine factory "Schwalbe" in Werdau, Saxony. The property is within walking distance of the city centre and has a lettable area of approx. 5,400 sqm. Major tenants are Rewe and Rossmann.

Acquisition

Südstadt Center Rostock, Mecklenburg-Western Pomerania

The Südstadt Center (incl. Kosmos) in Rostock was acquired in May 2015 and transferred to the portfolio of TLG IMMOBILIEN AG in August. The centre meets the daily needs of residents in the Südstadt district of Rostock. There are around 20 specialist shops on a sales floor of around 7,600 sqm, not including doctors or medical facilities. The anchor tenants include Rewe and Rossmann.



SIGHTS SET ON GROWTH: THE NEXT STEPS FOR TLG IMMOBILIEN AG

"Through the capital increase we have built up enough cash for more acquisitions, and the discount of just 3% on the previous closing price of the new shares show that investors were highly interested."

The acquisitions made in 2015 include two properties in western and southern Germany. Is this a sign of a change in position?

Niclas Karoff No. These properties were part of a portfolio transaction and will be allocated to our non-strategic portfolio; neither are the two office properties in Magdeburg and Chemnitz. However, we have not ruled out the option of setting up business in western Germany. At the moment we will remain focused on eastern Germany as our traditional core market continues to provide us with attractive investment opportunities.

How do you rate the broad 81% free float? Are your shares not appealing to major investors?

Peter Finkbeiner Lone Star had sold all of its shares by July 2015, which caused the free float to increase significantly. We rate the high interest amongst investors in acquiring the Lone Star shares as highly positive. There were even some big names amongst those investors. Additionally, a high free float percentage supports share liquidity, which is an important investment criterion for many investors. As analyses show, the rest of the shares are mainly held by institutional investors. Additionally, GIC and AGI are two long-term anchor investors, and we welcome this. You can see that we are able to thrive with our shareholder structure.

→

Peter Finkbeiner
is responsible for finance, controlling, accounting, investor relations, legal, IT/organisation and human resources

Just one year after the IPO and in November 2015 you tapped into the capital market once more. Your competitors have recently started investing in bonds. Is your financing also becoming more creative?

Peter Finkbeiner In light of the currently favourable interest rates, we are working even more with traditional financing by banks at the moment. Through the capital increase, however, we have also built up enough cash for more acquisitions. The discount of just 3% on the previous closing price of the new shares shows that investors were highly interested. We are of course examining all other possible means of finance, the number of which available to us has increased following the IPO. I do not know if that is particularly creative or not. However, we feel extremely comfortable with our current financing structure and one of the lowest Net LTV ratios in the sector.

What is on the TLG IMMOBILIEN to-do list for 2016?

Niclas Karoff To continue our growth in particular. This means more specific acquisitions in our core regions as well as optimisation measures designed to increase the value of our properties within our portfolio. When you have a platform like TLG IMMOBILIEN AG, you should make full use of it. Our shareholders can also profit from this and expect an attractive dividend.

What will your investors and analysts be saying about you at the end of 2016?

Peter Finkbeiner Ideally the same as now: TLG IMMOBILIEN AG is a company that keeps its promises. Oh, and ideally every analyst will of course rate our shares as "Buy".

"When you have a platform like TLG IMMOBILIEN AG, you should make full use of it. Our shareholders can also profit from this and expect an attractive dividend."

←

Niclas Karoff
is responsible for investments, disposals, portfolio/asset management, marketing/public relations and branches (acquisition and sale, property management, project development)

TLG IMMOBILIEN SHARES

Overall, the 2015 market year was volatile. Following the positive developments in the capital market environment in early 2015, stock markets faltered in the second quarter and the DAX registered negative growth in the second and third quarters. The performance of Germany's leading index was once again positive in the final quarter of 2015.

At the start of the 2015 financial year, the key drivers of the capital markets included the announcement and launch of the European Central Bank's (ECB) bond purchasing scheme. After this time, events such as the crisis in Greece and the slowed growth and turbulences on the Chinese market impacted further development. Other major factors influencing the stock markets were the uncertainty surrounding future US Federal Reserve policies, falling commodity prices and the VW emissions scandal. In the last quarter, the ECB's announcement of its intention to broaden its expansive policies, the first moderate change in interest rates by the US Federal Reserve and the reduction of interest rates by the Bank of China caused stock markets to recover. The stock market losses at the end of the quarter were caused in part by the terror attacks in Paris, the collapse of oil prices to an eleven-year low and persistently poor Chinese economic data.

Over the course of the year, the DAX increased by 8.9% compared to its opening price on 2 January 2015. The performance of the SDAX was considerably better, with growth of 26.4% in the same period. Likewise, 2015 was a positive year for real estate stocks. The FTSE EPRA/NAREIT Germany Index grew by 17.4% and the FTSE EPRA/NAREIT Europe Index grew by 14.6% over the course of 2015.

The shares of TLG IMMOBILIEN AG enjoyed a good start to 2015 and reached a peak of EUR 17.80 on XETRA on 18 December 2015. The shares closed the year at EUR 17.33, which represents an annual performance of 36.7% compared to the opening price of EUR 12.68 at the start of the year. This means that the performance of the share price surpassed the annual performance of the DAX and SDAX, as well as the FTSE EPRA/NAREIT Europe and FTSE EPRA/NAREIT Germany real estate indices.

TLG IMMOBILIEN share data

ISIN/WKN	DE000A12B8Z4/A12B8Z
Ticker symbol	TLG
Share capital in EUR as at 31/12/2015	67,432,326.00
Number of shares (no-par-value bearer shares as at 31/12/2015)	67,432,326
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
Yearly high on 18/12/2015 (XETRA) in EUR	17.80
Yearly low on 07/01/2015 (XETRA) in EUR	12.38
Closing price on 30/12/2015 (XETRA) in EUR	17.33
Market capitalisation in EUR m as at 31/12/2015	1,168.6

ADMISSION TO THE SDAX

After just four months of being listed on the stock exchange, on 19 February 2015 Deutsche Börse unexpectedly decided to admit TLG IMMOBILIEN AG to the SDAX as at 24 February 2015. This admission to the index signals that TLG IMMOBILIEN AG not only fulfils the high transparency requirements of the Prime Standard, but that the company's market capitalisation and liquidity fulfil institutional investors' criteria for larger equity investments.

GENERAL MEETING

The first annual general meeting of TLG IMMOBILIEN AG since the IPO was held on 25 June 2015 at Eventpassage on Kantstrasse 8 in 10623 Berlin. Overall, approximately 52% of the total share capital of the company was represented at the meeting. The proposals made by the management for all items on the agenda were approved by a large majority. In line with the resolution, a dividend of EUR 0.25 per share was distributed immediately on the following day (26 June 2015).

The 2016 general meeting will likely take place in Berlin on 31 May 2016.

CAPITAL INCREASE

In order to continue the successful growth strategy since the IPO in October 2014, on 17 November 2015 the Management Board approved, with the consent of the Supervisory Board, a capital increase in exchange for cash contributions, utilising some of the authorised capital from 2014/II. Excluding the subscription rights of the current shareholders, the share capital of the company was increased from EUR 61,302,326.00 to EUR 67,432,326.00 through the issuance of 6,130,000 new no-par-value bearer shares in exchange for cash contributions, which corresponds to approximately 10% of the previous share capital.

The new shares were made available to institutional investors at an issue price of EUR 16.60 per share by means of accelerated book building. The private offering started on 17 November 2015 after the market closed and ended on 18 November 2015.

Less bank commission, the company generated net proceeds of approximately EUR 100.7 m in fresh capital (gross proceeds of approx. EUR 101.8 m). TLG IMMOBILIEN AG intends to use these proceeds to pursue its successful growth strategy and acquire additional properties.

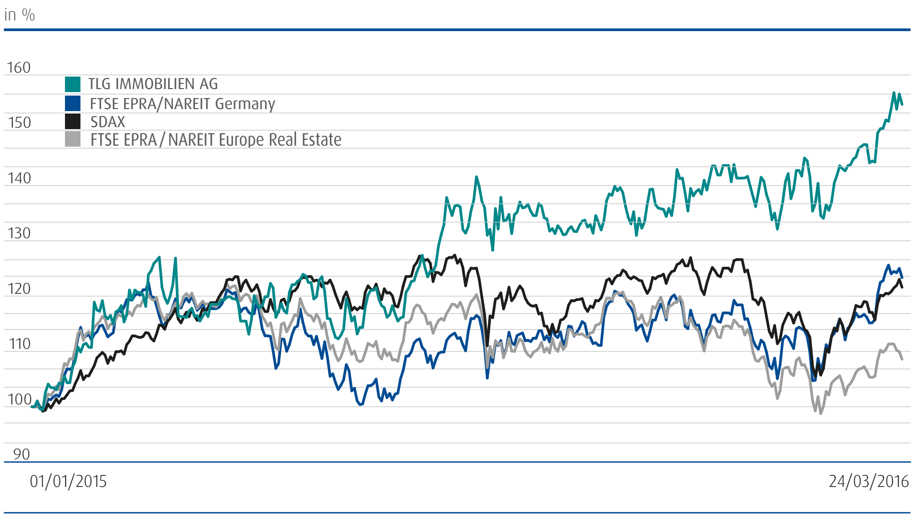
Reasons to invest in TLG IMMOBILIEN AG:

"Because TLG IMMOBILIEN AG has a clear strategy focusing on an interesting segment in which we see attractive long-term revenue opportunities. And because our company operates in a market whose growth may not be spectacular, but is constant."

PETER FINKBEINER → Nebenwerte-Journal 2/2015
→ Firmenlenker im Fokus [Managers in the spotlight]

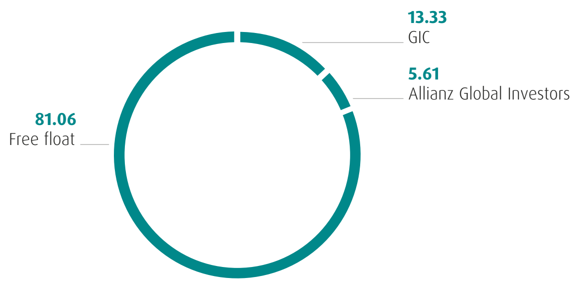
The new shares are fully entitled to a share of profits in 2015 and were approved for trading without a prospectus on 23 November 2015; they were added to the current listing in the section of the regulated market with additional admission follow-up duties (Prime Standard) at the Frankfurt Stock Exchange. The settlement/closing of the transaction was on 24 November 2015.

Performance of shares compared by index



Shareholder structure as at 31 December 2015*

in %



* Data based on the latest voting rights notifications.

GIC capital ownership as at 24 July 2015, as announced by GIC in writing on 28 July 2015. On that date, the total number of voting rights was 61,302,326.
Allianz Global Investors capital ownership as at 19 March 2015, as announced by Allianz Global Investors in writing on 20 March 2015. On that date, the total number of voting rights was 61,302,326.
Total free float as defined by Deutsche Börse.
The diagram shows the voting rights last disclosed by shareholders pursuant to § 21 and § 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 2015, there were 67,432,326 shares of TLG IMMOBILIEN AG outstanding.

Following the IPO of TLG IMMOBILIEN AG in October 2014, the original major shareholder LSREF II East AcquiCo S.à r.l. (Lone Star) sold all of its shares in the 2015 financial year. As at the end of the 2015 financial year, the new major shareholders are GIC and Allianz Global Investors. The rest of the shares are mainly held by institutional investors.

Coverage by analysts

Bank	Target price in EUR	Rating	Analyst	Date
Bankhaus Lampe	21.00	Buy	Georg Kanders	24/03/2016
J.P. Morgan	21.75	Overweight	Tim Leckie	22/03/2016
Berenberg	21.00	Buy	Kai Klose	21/03/2016
Kepler Cheuvreux	21.50	Buy	Thomas Neuhold	21/03/2016
Commerzbank	21.50	Buy	Thomas Rothäusler	01/03/2016
Kempen & Co.	17.50	Neutral	Remco Simon	29/01/2016
VICTORIAPARTNERS	16.10–18.00	n/a	Bernd Janssen	26/01/2016
HSBC	20.00	Buy	Thomas Martin	25/11/2015
UBS	17.50	Buy	Osmaan Malik	13/11/2015
Deutsche Bank	20.50	Buy	Markus Scheufler	12/11/2015

Source: Bloomberg (as at 29/03/2016) and broker research

Once the analysts at all of the banks involved in the IPO of the company had begun to cover the shares, three additional firms started to cover the shares of TLG IMMOBILIEN AG in the 2015 financial year: Bankhaus Lampe, Deutsche Bank and VICTORIAPARTNERS. Berenberg started to cover the shares in January 2016 and Kepler Cheuvreux in March 2016. The shares and the underlying yield potential of the company have been rated as thoroughly positive.

INVESTOR RELATIONS ACTIVITIES

Following our successful IPO in October 2014, we remained in close contact with our shareholders, analysts and potential investors in the 2015 financial year. TLG IMMOBILIEN AG attended the following national and international banking conferences:

- J.P. Morgan – European Real Estate CEO Conference, London
- UniCredit Kepler Cheuvreux – German Corporate Conference 2015, Frankfurt am Main
- Kempen & Co – European Property Seminar, New York
- HSBC Real Estate Conference 2015, Frankfurt am Main
- Kempen & Co – European Property Seminar, Amsterdam
- Morgan Stanley – Europe & EEMEA Property Conference, London
- EPRA Annual Conference, Berlin
- Bank of America Merrill Lynch – 2015 Global Real Estate Conference, New York
- Berenberg and Goldman Sachs Fourth German Corporate Conference, Munich
- Baader Investment Conference, Munich
- German Equity Forum 2015, Frankfurt am Main
- Commerzbank – German Commercial Property Forum, London
- UBS – Global Real Estate Conference, London

In addition, three roadshows were held in London as well as one in Vienna, one in Zurich and one in Frankfurt. Besides participating in conferences and road shows, we have organised a number of visits to our properties in Berlin, Dresden, Leipzig and Rostock for analysts and shareholders.

The Management Board presented the company at all the events and outlined the company's strategy and potential for future development during in-depth discussions with current shareholders and potential investors.

TLG IMMOBILIEN AG is committed to an active dialogue with the market. For example, when the preliminary figures for 2014 and the three quarterly reports were published, the numbers were discussed with investors and analysts in conference calls. Recordings of the conference calls are available in the Investor Relations section of our website, www.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 AG can also be found here. Likewise, the website clearly delineates the shareholder structure and provides essential share-related information.

EPRA BPR GOLD AWARD

Ever since the IPO, TLG IMMOBILIEN AG has been working to improve the quality of its reports for its readers. In September 2015, in recognition of the results of its work, the company was awarded the EPRA BPR Gold Award for its first annual report as a listed Aktiengesellschaft (stock corporation) in 2014.

EPRA KEY FIGURES

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 EPRA since November 2014 and, as a company listed on a stock exchange, publishes the key figures in line with the Best Practices Recommendations of EPRA for the sake of transparency and comparability.

Overview of key EPRA figures

in EUR k	31/12/2015	31/12/2014	Change	Change in %
EPRA NAV	1,171,594	914,008	257,586	28.2
EPRA NNNAV	931,029	699,941	231,088	33.0
EPRA Net Initial Yield (NIY) in %	6.1	6.6	-0.5 pp	
EPRA "topped-up" Net Initial Yield in %	6.1	6.6	-0.5 pp	
EPRA Vacancy Rate in %	3.7	3.9	-0.2 pp	

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014	Change	Change in %
EPRA Earnings	64,929	50,052	14,877	29.7
EPRA Cost Ratio (including direct vacancy costs) in %	26.8	31.8	-5.0 pp	
EPRA Cost Ratio (excluding direct vacancy costs) in %	24.8	30.2	-5.4 pp	

EPRA EARNINGS

EPRA Earnings is an indicator of the sustainable performance of a real estate platform and is therefore fundamentally similar to the FFO calculation. EPRA Earnings does not factor in income 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 do not exclude other non-cash or non-recurring effects.

The significant increase in EPRA Earnings compared to the same period in the previous year is due primarily to the higher rental income following successful acquisitions, cost reductions and lower interest expenses.

EPRA Earnings

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014	Change	Change in %
Net income	130,862	88,650	42,212	47.6
Result from the remeasurement of investment property	-87,856	-52,694	-35,162	66.7
Result from the disposal of investment property [1]	-8,088	-3,291	-4,797	145.8
Result from the disposal of real estate inventory	-771	-7,320	6,549	-89.5
Taxes on profits or losses on disposals/aperiodic tax	-4,407	-36,661	32,254	-88.0
Result from the valuation of derivative financial instruments	848	2,129	-1,281	-60.2
Acquisition costs of share deals	0	172	-172	-100.0
Deferred and actual taxes in respect of EPRA adjustments	34,583	59,129	-24,546	-41.5
Non-controlling interests	-242	-62	-180	290.3
EPRA Earnings	**64,929**	**50,052**	**14,877**	**29.7**
Average number of shares on issue (in thousands) [2]	62,041	53,794		
EPRA Earnings per share (in EUR)	1.05	0.93		

[1] Including the result from the disposal of TLG Gewerbepark Grimma GmbH in the amount of EUR k 116, held as an investment; disclosed in other operating income and other operating expenses (transaction costs)

[2] 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 and with all calculations, the number of shares is the number that would have existed if the company had always been an Aktiengesellschaft with the same number of shares. Total number of shares on 31 December 2014: 61.3 million, on 31 December 2015: 67.4 million. Due to the capital increases in October 2014 and November 2015, the average weighted number of shares per year amount to 53.8 million for 2014 and 62.0 million for 2015.

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.

The EPRA NAV increased by EUR k 257,586 to EUR k 1,171,594 compared to 31 December 2014, which corresponds to an EPRA NAV per share of EUR 17.37.

The increase was essentially due to the increase in equity, which in turn was primarily the result of the net income for the period subscribed to shareholders of TLG IMMOBILIEN AG of EUR k 130,620. The net income of EUR k 87,856 was mainly influenced by the positive development of the value of the property portfolio. Moreover, the successfully placed capital increase from 17 November 2015 of EUR k 101,041 had an effect.

In addition to the change in equity capital, which is primarily supported by the net income and the capital increase, the deferred tax liabilities contribute to the development of the EPRA NAV. The increase in deferred tax liabilities from EUR k 35,404 to EUR k 185,867 essentially results from the valuation of the investment properties.

EPRA Net Asset Value (EPRA NAV)

in EUR k	31/12/2015	31/12/2014	Change	Change in %
Equity [1]	965,065	745,395	219,670	29.5
Fair value adjustment of fixed assets (IAS 16)	5,572	3,918	1,654	42.2
Fair value adjustment of real estate inventory (IAS 2)	333	588	-255	-43.4
Fair value of financial instruments	15,921	17,814	-1,893	-10.6
Deferred tax assets	0	-3,006	3,006	-100.0
Deferred tax liabilities	185,867	150,463	35,404	23.5
Goodwill	-1,164	-1,164	0	0.0
EPRA Net Asset Value (EPRA NAV)	**1,171,594**	**914,008**	**257,586**	**28.2**
Number of shares (in thousands)	67,432	61,302		
EPRA NAV per share (in EUR)	17.37	14.91		

[1] Adjusted for non-controlling interests

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 2015, the EPRA Triple Net Asset Value was EUR k 931,029 compared to EUR k 699,941 in the previous year. The difference of EUR k 231,088 was caused primarily by the development of equity capital, which was driven by the capital increase and the net income.

EPRA Triple Net Asset Value (EPRA NNNAV)

in EUR k	31/12/2015	31/12/2014	Change	Change in %
EPRA Net Asset Value (EPRA NAV)	**1,171,594**	**914,008**	**257,586**	**28.2**
Fair value of financial instruments	-15,921	-17,814	1,893	-10.6
Fair value adjustment of liabilities to financial institutions	-38,777	-48,796	10,019	-20.5
Deferred tax assets	0	3,006	-3,006	-100.0
Deferred tax liabilities	-185,867	-150,463	-35,404	23.5
EPRA Triple Net Asset Value (EPRA NNNAV)	**931,029**	**699,941**	**231,088**	**33.0**

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

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

in EUR k	31/12/2015	31/12/2014	Change	Change in %
Investment property	1,739,474	1,489,597	249,877	16.8
Real estate inventory	1,104	1,477	-373	-25.3
Properties classified as held for sale	15,912	21,991	-6,079	-27.6
Property portfolio (net)	1,756,490	1,513,065	243,425	16.1
Estimated transaction costs	125,899	103,466	22,433	21.7
Property portfolio (gross)	1,882,389	1,616,531	265,858	16.4
Annualised cash passing rental income	131,097	118,832	12,265	10.3
Property outgoings	-16,533	-12,818	-3,715	29.0
Annualised net rents	114,564	106,015	8,549	8.1
Notional rent for ongoing rent-free periods	280	25	255	n/a
Annualised "topped-up" net rent	114,844	106,040	8,804	8.3
EPRA Net Initial Yield (NIY) in %	**6.1**	**6.6**	**-0.5 pp**	
EPRA "topped-up" Net Initial Yield in %	**6.1**	**6.6**	**-0.5 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 on the balance sheet date. The market rents used in this calculation were calculated by Savills Advisory Services Germany GmbH & Co. KG as part of the measurement of the real estate portfolio's fair value. The reduction of the EPRA Vacancy Rate from 3.9% to 3.7% in the 2015 reporting year is due in particular to new rents in the office asset class.

EPRA Vacancy Rate

in EUR k	31/12/2015	31/12/2014	Change	Change in %
Market rent for vacant properties	4,919	4,579	340	7.4
Total market rent	131,679	117,618	14,061	12.0
EPRA Vacancy Rate	**3.7**	**3.9**	**-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 real estate portfolio that cannot be recovered or passed on, excluding changes in the fair value of real estate properties or financial instruments, borrowing costs and tax expenditure. It includes one-off effects and non-recurring costs.

In the 2015 financial year, the increase in rental income combined with the reduction in costs, including through the reduction of personnel expenses due to the restructuring of the company in 2013 and 2014, caused the EPRA Cost Ratio to improve.

EPRA Cost Ratio

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014	Change	Change in %
Costs pursuant to the consolidated statement of comprehensive income under IFRS				
Expenses from letting activities	38,245	36,469	1,776	4.9
Personnel expenses	12,807	17,358	-4,551	-26.2
Depreciation	760	1,236	-476	-38.5
Other operating expenses	7,820	15,717	-7,897	-50.2
Income from recharged utilities and other operating costs	-22,870	-20,552	-2,318	11.3
Income from other reimbursements	-422	-1,324	902	-68.1
Other operating income from reimbursements	-2,234	-12,417	10,183	-82.0
Ground rent	-7	-26	19	-73.1
EPRA costs (including direct vacancy costs)	**34,099**	**36,461**	**-2,362**	**-6.5**
Direct vacancy costs	-2,457	-1,832	-625	34.1
EPRA costs (excluding direct vacancy costs)	**31,642**	**34,629**	**-2,987**	**-8.6**
Rental income	127,392	114,776	12,616	11.0
EPRA Cost Ratio (including direct vacancy costs) in %	**26.8**	**31.8**	**-5.0 pp**	
EPRA Cost Ratio (excluding direct vacancy costs) in %	**24.8**	**30.2**	**-5.4 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 pursuant to § 289a of the German Commercial Code (HGB) and on corporate governance pursuant to § 161 of the German Stock Corporation Act (AktG) and recommendation 3.10 of the German Corporate Governance Code ("the Code"). Besides a declaration of compliance with the Code, the declaration contains information on management practices, the composition and methods of the Management and Supervisory Boards and Supervisory Board committees, as well as information on other significant corporate governance structures.

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 and Supervisory Boards of TLG IMMOBILIEN AG feel committed to corporate governance; all divisions of the Company adhere to it. We focus on values such as expertise, transparency and sustainability.

In the 2015 financial year, the Management and Supervisory Boards worked carefully to meet the standards of the Code. They factored in the amendments to the Code from 5 May 2015 and, in March 2016, pursuant to § 161 AktG, they issued their declaration of compliance with the recommendations of the Code for the 2015 financial year accompanied by statements regarding the few deviations. The declaration is available to shareholders and interested investors alike at http://ir.tlg.eu/declaration-of-compliance.

DECLARATION OF COMPLIANCE

In March 2016, the Management and Supervisory Boards of the Company issued the following joint declaration of compliance pursuant to § 161 AktG:

The Management and Supervisory Boards of TLG IMMOBILIEN AG declare that TLG IMMOBILIEN AG has fulfilled the recommendations of the amended Code dated 5 May 2015, with the exceptions of recommendation 4.2.1 (no spokesperson for the Management Board), recommendation 5.4.1 (with regard to the limit on the term of membership of the Supervisory Board) and recommendation 7.1.2 line 4 (shorter publication deadlines for financial reports in the 2015 financial year). Furthermore, the Management and Supervisory Boards of TLG IMMOBILIEN AG intend to meet all of the recommendations of the Code in the future, excluding the following exceptions described below.

Recommendation 4.2.1 of the Code: the Management Board shall have a chairperson or spokesperson

Recommendation 4.2.1 of the Code recommends that the Management Board consist of several people and have a chairperson or spokesperson.

Due to the size and composition of the Management Board, the chosen structure ensures good, close cooperation among its members.

Recommendation 5.4.1 of the Code: concrete objectives regarding the composition of the Supervisory Board

Pursuant to recommendation 5.4.1 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of recommendation 5.4.1 of the Code, an age limit to be specified for the members of the Supervisory Board and diversity. In listed companies that are subject to the German Co-Determination Act (MitbG), the German Coal and Steel Industry Co-Determination Act (MontanMitbestG) or the German Co-Determination Amendment Act (MitbErgG), the Supervisory Board must consist of at least 30% women and 30% men. In other companies that are subject to the German General Equal Treatment Act (AGG), the Supervisory Board determines the minimum proportion of women. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account and the concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.

The Supervisory Board has addressed these objectives in detail. Specifically, in the **meeting held on 25 September 2015**, it presented its objectives in terms of the composition of, and the minimum proportion of women on, the Supervisory Board. In 2015, recommendation 5.4.1 of the Code was amended to the effect that, in the future, the term of membership on the Supervisory Board must be limited. Such an objective has not yet been set.

Furthermore, the Company voluntarily fulfils the recommendations of the version of the Code dated 5 May 2015, with the following exception:

Under recommendation 2.3.3 of the Code, the Company should make it possible for shareholders to follow the general meeting using modern communication media (e.g. Internet). In order to preserve the nature of the general meeting as a face-to-face meeting between our shareholders, the company has opted not to follow this recommendation.

MANAGEMENT PRACTICES

The management practices of TLG IMMOBILIEN AG are as follows:

Working methods of the Management and Supervisory Boards

As an Aktiengesellschaft incorporated under German law, TLG IMMOBILIEN AG has a dual management system consisting of the Management Board and Supervisory Board. The Management and Supervisory Boards work closely together to further the interests of the Company. In this context, the Management Board is responsible for management, and the role of the Supervisory Board involves control, monitoring and consultation. The shareholders of TLG IMMOBILIEN AG exercise their rights in the general meeting.

Management Board

The Management Board is responsible for the management of TLG IMMOBILIEN AG in line with the statutory provisions, the Articles of Association and the rules of procedure for the Management Board. Obliged to generate long-term value, it serves 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 within the Company 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 general 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 business distribution plan. Under this plan, Mr Peter Finkbeiner is responsible for finance, controlling, accounting, investor relations, legal, IT/organisation and human resources, and Mr Niclas Karoff is responsible for investments, disposals, portfolio/asset management, marketing/public relations and branches (acquisition and sale, property management, 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 assign responsibilities from a functional perspective. The rules of procedure for the Management Board were most recently amended by the Supervisory Board in November 2015. The rules of procedure stipulate that the strategic orientation of the Company and the strategic allocation of resources in particular are determined by the entire Management Board. Additionally, the rules of procedure stipulate that measures and transactions which are of extraordinary significance to the Company and/or TLG IMMOBILIEN Group companies, or which involve an extraordinarily high economic risk, require the prior approval of the entire Management Board. Furthermore, the rules of procedure require certain transactions of fundamental significance to be approved by the Supervisory Board or one of its committees in advance. The Articles of Association also stipulate that transactions of fundamental significance require the approval of the Supervisory Board.

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, controls and advises the Management Board. It works closely with the Management Board to further the interests of the Company and is involved in decisions of fundamental importance to the Company.

Its rights and duties are determined by the statutory provisions, the Articles of Association and the rules of procedure for the Supervisory Board dated 8 September 2014. 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 (see 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 as often and as soon as the interests of the Company demand. Four Supervisory Board meetings are currently scheduled for the 2016 calendar year.

The members of the Supervisory Board are selected in particular by virtue of their expertise, abilities and professional experience, which they will need in order to carry out their work. Only persons who will still be under the age of 75 as of the date of appointment may stand for election to the Supervisory Board of the Company. In its rules of procedure, the Supervisory Board has set itself the requirement that at least one independent member of the Supervisory Board must be an expert in either accounting or auditing (§ 100 (5) AktG). Furthermore, the rules of procedure stipulate that a member of the Supervisory Board who also belongs to the management board of a listed company may not be a member of more than two other supervisory boards of listed companies or companies with similar requirements which do not belong to the TLG IMMOBILIEN Group in which the Management Board activities are being performed. Additionally, members of the Supervisory Board may not perform any executive functions or serve as consultants for major competitors of the TLG IMMOBILIEN Group. Diversity must also be taken into account. 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 the limit on the term of membership on the Supervisory Board set out in recommendation 5.4.1 of the Code since 2015 has not been defined.

Proportion of women

Following the entry into force of the German act on equal participation of women and men in executive positions in the private and the 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 § 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.

The Supervisory Board currently consists of five men and one woman. This is equivalent to a rounded 16.67% representation of women. Both members of the Management Board are male.

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.

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 2017.

In line with § 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 maximum duration of the deadlines, the first deadline to be set may not extend beyond 30 June 2017.

The first management level below the Management Board currently consists of eight men and one woman. This is equivalent to an 11.11% representation of women.

The second management level below the Management Board currently consists of four men and five women. This is equivalent to a 55.56% representation of women.

In its meeting on 30 September 2015, the Management Board decided the following:

In line with § 76 (4) AktG, the minimum proportion of women on the first management level below the Management Board is 11.11% and the minimum proportion of women on the second management level below the Management Board is 30%; the proportion of women on these management levels may not fall below this target before 30 June 2017.

Composition of the Management and Supervisory Boards

Pursuant to the Articles of Association, the Management Board consists of at least two people. The Supervisory Board, which appoints the members, specifies the number of members. In the 2015 financial year, the Management Board consisted of two members. The Management Board has no chairperson.

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.

Pursuant to § 285 No. 10 HGB, more information on the members of the Management and Supervisory Boards can be found in the notes to the annual financial statements of TLG IMMOBILIEN AG (page 60–62).

Collaboration between the Management and Supervisory Boards

The Management and Supervisory Boards work closely together to further the interests of the Company. The intensive and ongoing dialogue between the Boards is the basis for efficient and effective corporate governance. The Management Board develops the strategy of TLG IMMOBILIEN AG, coordinates it with the Supervisory Board and ensures that it is implemented. The Management and Supervisory Boards regularly meet to discuss the implementation of the strategy. The Chairperson of the Supervisory Board is in regular contact with the Management Board and discusses matters of strategy, planning, business development, risk, risk management and compliance with it. The Management Board immediately informs the Chairperson of the Supervisory Board of any major events of significance to the analysis of the Company's situation and development and to the management of the Company and its Group companies. The Chairperson of the Supervisory Board then immediately informs the Supervisory Board and, if necessary, convenes an extraordinary Supervisory Board meeting.

The Articles of Association and the rules of procedure for the Management Board stipulate that transactions of fundamental significance require the approval of the Supervisory Board.

The members of the Management Board must immediately reveal any conflicts of interests to the Supervisory Board and their fellow Management Board members. Likewise, significant transactions between members of the Management Board or related parties and the Company require the approval of the Supervisory Board, as does the commencement of secondary employment outside of the Company.

A D&O group insurance policy was taken out for the members of the Management and Supervisory Boards; this policy contains an excess that meets the requirements of § 93 (2) line 3 AktG and recommendation 3.8 (3) in connection with 3.8 (2) Code.

Committees of the Supervisory Board

In the 2015 financial year, the Supervisory Board had two committees: the presidential and nomination committee and the audit committee. Other committees can be formed if necessary.

The presidential and nomination committee provides advice on its areas of expertise and prepares resolutions for the Supervisory Board. In particular, it prepares the resolutions of the Supervisory Board on 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 Management Board;
e) Principles of financing and investments, including the capital structure of TLG IMMOBILIEN Group companies and dividend payments;
f) Principles of acquisition and disposal strategies, including the acquisition and disposal of individual shareholdings of strategic significance.

The presidential and nomination committee regularly advises the Management Board on long-term succession planning.

Presidential and nomination committee

As at March 2016, the presidential and nomination committee consisted of Mr Michael Zahn, Mr Alexander Heße and Dr Michael Bütter. 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 system and audit system, 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, also the consolidated financial statements), i.e. it is primarily responsible for the preliminary audit of the documents of the financial statements and consolidated financial statements, the preparation of their approval/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 under the Articles of Association or the rules of procedure for the Management Board. 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 2016 calendar year.

As at 30 March 2016, the audit committee consisted of Mr Helmut Ullrich (Chairman), Ms Elisabeth Stheeman and Dr Claus Nolting. The Chairman 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 § 100 (5) 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 Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC), OJEU L 52 of 25 February 2005, page 51, as well as the recommendation of the Code.

The Management Board has not formed any committees. However, as a collegial body, it performs its management duties whereby individual organisational units have been assigned to each member of the Management Board.

General meeting and shareholders

As set out by the Articles of Association, the shareholders of TLG IMMOBILIEN AG can exercise their rights in the general meeting, including their voting rights. Every share grants one vote.

The annual 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 website of TLG IMMOBILIEN AG.

Fundamental resolutions are passed in general meetings, including resolutions on the appropriation of profits, the dismissal of Management and Supervisory Board members, the election of members to the Supervisory Board, the appointment of the auditor, amendments to the Articles of Association and measures affecting the capital of the Company. The general meeting is a good opportunity for the Management and Supervisory Boards 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 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 components. For all members of the Management Board, the variable remuneration is adapted to the requirements of § 87 (1) line 3 AktG. It is contingent on the achievement of economic targets for the Company 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 and it optimises the risks and rewards of the variable remuneration.

The full remuneration report of TLG IMMOBILIEN AG for the 2015 financial year is available on the website of the Company at http://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 external factors such as the performance of the FTSE EPRA/NAREIT Europe Index and the development of its factors, 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 published at http://ir.tlg.eu/remuneration-report.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was set out in § 13 of the Articles of Association by the general meeting. The members of the Supervisory Board receive fixed annual remuneration of EUR 30,000. The Chairperson of the Supervisory Board receives double this amount and the Vice Chairperson receives one and a half times this amount. Additionally, every member of the Supervisory Board receives fixed remuneration of EUR 5,000 per financial year for their membership in the audit committee of the Supervisory Board. The Chairperson of the Supervisory Board receives double this amount. Every member of the Supervisory Board receives fixed remuneration of EUR 5,000 per financial year for their membership in the presidential and nomination committee. The Chairperson of the Supervisory Board receives double this amount. Additionally, every member of the Supervisory Board receives an attendance fee of EUR 1,500 every time they attend a physical meeting of the Supervisory Board and its committees in person. Expenses are reimbursed. Additionally, the Company provides the members of the Supervisory Board with insurance cover at its own expense as part of a D&O group insurance policy for corporate bodies and managers. In this context, an excess in line with the requirements of recommendation 3.8 (3) in connection with 3.8 (2) of the Code was agreed for the members of the Supervisory Board.

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

REPORTABLE SECURITY TRANSACTIONS AND SHAREHOLDINGS OF THE MANAGEMENT AND SUPERVISORY BOARDS

Under § 15a of the German Securities Trading Act (WpHG), the members of the Management and Supervisory Boards 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 within five working days. The Company immediately publishes these transactions after they are reported to it. These transactions are published on the Company's website at http://ir.tlg.de/websites/tlg/English/3400/directors_-dealings.html.

COMPLIANCE AS A SIGNIFICANT MANAGERIAL RESPONSIBILITY

In order to ensure adherence to the code of conduct and standards 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 general legal circumstances. 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. This system is continuously enhanced and adapted based on the changing general conditions.

More-detailed information is available in the report on the position of the company and of the Group: the risk management of TLG IMMOBILIEN AG is presented from page 84 of the report on the position of the company and of the Group, strategic opportunities are described on page 94 and information on Group accounting can be found on page 117 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 available on the Company's website at http://ir.tlg.de/websites/tlg/English/6000/financial-calendar.html.

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 immediately published on our website.

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 immediately published by TLG IMMOBILIEN AG in line with the statutory provisions. These are also published on the Company's website at http://ir.tlg.de/websites/tlg/English/3400/directors_-dealings.html.

FINANCIAL REPORTING

Once again, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was appointed auditor and Group auditor for 2015 by the general meeting. Before the general meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft 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 its independence into question.

As set out in the declaration of compliance with recommendation 7.1.2 of the Code, TLG IMMOBILIEN AG intends to adhere to the Code's publication deadlines of 90 days after the financial statements for the consolidated financial statements and 45 days after the end of the reporting period for interim reports.

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 THE GROUP 2015

1. COMPANY FUNDAMENTALS

1.1 BUSINESS MODEL, OBJECTIVES, STRATEGY

The TLG IMMOBILIEN Group (short: TLG IMMOBILIEN) has positioned itself as a leading commercial real estate specialist in Berlin and the regional economic centres of Dresden, Leipzig and Rostock in eastern Germany. TLG IMMOBILIEN sees itself as an active portfolio manager and manages office and retail properties as well as five hotels. Its portfolio strategy focuses on well-maintained properties in outstanding locations which generate sustainable rental income.

The high-quality property portfolio has a value (IFRS) of EUR 1.766 bn and generates a stable cash flow from rents. The core portfolio's average remaining term of rental of 6.6 years and the low vacancy rate of the core portfolio of 2.9% as at the end of 2015 reflect the solid structure of the portfolio.

A defensive financing strategy favours access to borrowed capital at economically attractive rates. Due to the successfully placed capital increase in November 2015, TLG IMMOBILIEN AG accrued a total of EUR 100.7 m, which strengthened the equity capital base for continued growth.

Thanks to its established business model and the favourable general conditions in the financial market, TLG IMMOBILIEN can benefit from outstanding conditions for consistently carrying out its corporate strategy, which targets further portfolio growth through acquisitions.

The company platform recently enabled the expedient integration of newly acquired properties in core regions with only marginal additional administrative costs.

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

- Strategic 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 and property management
  TLG IMMOBILIEN covers significant links in the real estate value chain internally. Its various branches bear a decentralised responsibility for technical and commercial management of properties, including tenant relations.

- Acquisitions and sales
  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 that do not belong to the core portfolio for the best possible prices.

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 core portfolio through profitable acquisitions of office, retail and hotel properties in the core regions. 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. Along with the execution of its external growth strategy, TLG IMMOBILIEN will also dispose of properties that are not a part of the strategic property portfolio.

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 interest 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, remaining terms of rental agreements, vacancy rates and investments, are monitored and reported on every month in the controlling reports. Monthly progress analyses serve to evaluate the current performance of the company and facilitate the punctual implementation of controlling measures.

The calculation of the key performance indicators of the company are 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. On 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

In 2015, the German economy developed solidly and constantly. According to calculations of the German Federal Statistical Office, the average development of the price-adjusted gross domestic product for 2015 at +1.7% was slightly higher than the previous year at +1.6%.

Even the eastern German economy demonstrated an above-average upswing compared to the previous ten years. According to the business cycle barometer of the Halle Institute for Economic Research (IWH), the gross domestic product for 2015 grew by 1.3%.

In 2015, the most important growth driver in the German economy was once again consumption, as the German Federal Statistical Office reported. Private consumption increased by 1.9% compared to the previous year. Over the same time period, government consumption increased by 2.8%.

According to the German Federal Statistical Office, another growth driver was the constantly increasing number of employed people, which reached a total of 43 million in 2015. This meant that more people were working in 2015 than had ever been working before. Compared to the same month in the previous year, the jobless rate in Germany decreased by 0.3 percentage points to 6.1% in December 2015. Although unemployment in eastern Germany was still significantly higher than in western Germany (8.8% compared to 5.5%), the gap between the eastern and western German rates is constantly decreasing. According to the German Federal Employment Agency, the unemployment rate fell by 0.5 percentage points in eastern Germany and by just 0.2 percentage points in western Germany compared to the previous year.

The German real estate investment market is also profiting from the improving economic situation. The historically low interest rates caused investments to become increasingly attractive to institutional investors in 2015. At EUR 55.1 bn, the commercial transaction volume was once again 40% higher than in the previous year, hitting an all-time high for the sixth time in a row according to Jones Lang LaSalle (JLL). At more than EUR 8 bn, a spectacular volume of transactions was reached in Berlin in particular in 2015. Until now, no German city has been able to reach such a high result within one year, yet the volume of investments in the German capital increased by 84% compared to 2014. This result means that Berlin was responsible for one quarter of all investments in the top seven cities.

2.1.2 Development of the office property market

The German investment market for commercial real estate continued to be dominated by office properties in 2015. According to JLL, around 41% (approx. EUR 23 bn) of the transaction volume can be attributed to the office property asset class. The positive overall economic developments and, in particular, the increasing employment led directly to increased demand for office space. As at the 2015 year-end, turnover volume in Germany was at approx. 3.6 million sqm. This meant that the previous year's result and the previous record result from 2011 had been exceeded by 21% and 7%, respectively. In addition to the coveted "top" locations, secondary locations contributed significantly to turnover growth due to the lower rent prices.

Amongst the largest cities in Germany, the highest office space turnover was generated in Berlin, according to JLL. With a total turnover of 880,000 sqm and a 43% increase in turnover compared to the previous year, the state capital Munich was in second place.

Vacancy rates in Germany fell in 2015 due to the generally increasing demand for office space. According to JLL, a cumulative total of 5.69 million sqm of space was vacant at the end of the year, which is 16% lower than in the previous year and the first time since 2002 that the number has been under 6 million sqm.

At the end of the year, the completion volume in the top seven cities totalled 870,000 sqm and was therefore approx. 12% lower than in the previous year. In spite of the generally negative trend in Germany, Berlin registered a considerable increase in building completion for office space from 123,900 sqm in 2014 to 186,300 sqm in 2015.

With the exceptions of Düsseldorf and Cologne, the high demand for office space in 2015 caused the top and average rents in all top seven cities to increase further. Whereas the top rent price index increased by 3% in 2015 according to JLL, the average rents increased by 4% overall. Berlin was once again exceptional: At the end of 2015, the top rents were 24 EUR/sqm, which represents an increase of 9% compared to the previous year.

2.1.3 Development of the retail property market

The final months of 2015 were characterised by a slight downwards trend in consumer confidence. According to GfK, the overall indicator hit 9.3 points in December 2015, which nevertheless represents an increase of 0.6 points compared to the same month in the previous year. However, GfK also expects consumer confidence to increase again from January 2016 onwards. The growth in consumer confidence is primarily being driven by the healthy economy, a stable job market and the prospect of further increases in income in the coming months. Additionally, many consumers feel that the economy is once more in a better state than in previous months. Therefore, the GfK income expectations indicator increased significantly from 44.4 points in November 2015 to 50.8 in December, and has surpassed the 50-point mark again since December.

According to the German Federal Statistical Office, in the financial year ended, retail generated a total of 2.7% more turnover than in 2014, due primarily to good consumer confidence – this is the highest increase in turnover for 20 years. In December 2015, turnover of food, drink and tobacco products in supermarkets, hypermarkets and convenience stores was 2.2% higher than in the same month in the previous year (adjusted for price).

The positive stimuli from the economy are having a direct effect on the retail property market. The investment volume in the retail property market was very dynamic in 2015. According to JLL, at EUR 17 bn the volume of transactions was almost twice as high as in 2014. JLL reported that, making up 31% of the transaction volume, retail properties represented the second-largest asset class in the field of commercial properties after office properties (41%).

According to JLL, at 524,700 sqm in 2015 the total letting turnover in Germany was almost 10% lower than in the previous year. However, in the financial year ended, the number of new rental agreements increased from 994 in 2014 to 1,077, which is the highest it has been for the past five years.

Referring once again to JLL, the top retail rents increased by 1.2% throughout Germany compared to 2014. With an increase of 6.7%, Berlin's performance was the best out of the top seven cities in Germany.

2.1.4 Development of the hotel property market

Ultimately, the positive economic developments are also having an effect on the economic outlook of the German hotel industry. According to the economic survey carried out by DEHOGA, in autumn 2015 the companies in the sector considered their positions better than in the previous season, due primarily to the general state of the economy and the related amount of business travel, as well as favourable weather conditions and the resulting increase in overnight stays in hotels.

According to the German Federal Statistical Office, between January and November 2015 the number of overnight stays in Germany increased by 3% compared to the same period in the previous year, reaching almost 410 m, which makes it highly likely that a new record will be set for 2015 as a whole. These positive developments were driven primarily by the dynamically increasing number of international tourists.

The positive numbers of overnight stays are also reflected in the turnover of the hotel and restaurant industry. Hotels alone experienced real turnover growth of 2.3% between January and September 2015 compared to the same period in the previous year. According to the German Federal Statistical Office, with a 2.7% increase in turnover Berlin even experienced better growth than Germany as a whole in this period.

The performance of the tourism industry in 2015 also had a positive effect on the German hotel investment market. According to BNP Paribas, the volume of transactions on the hotel property market in Germany in 2015 increased by 43% compared to the previous year, and at almost EUR 4.4 bn was the highest ever recorded. Due to the exceptional development of turnover, Berlin in particular experienced a particularly strong increase in investment turnover with growth of 85%. According to BNP Paribas Real Estate, in 2015 a total of EUR 647 m was invested in the Berlin hotel property market.

2.2 COURSE OF BUSINESS

General statement

The performance of TLG IMMOBILIEN in the 2015 financial year remained highly positive. Considerable progress was made both with regard to the management of properties and the optimisation of the portfolio. Attractive acquisitions were added to the property portfolio. The consistently positive market environment supported the achievement of our strategic goals through the disposal of non-strategic properties. Overall, the financial performance indicators described in the 2014 forecast report were surpassed.

Key figures

	Total	Core portfolio	Office	Retail	Hotel	Non-core portfolio
Property value[1] (EUR k)	**1,765,834**	**1,687,923**	606,969	873,390	207,565	**77,911**
Annualised in-place rent[2] (EUR k)	**131,379**	**123,418**	42,239	68,436	12,742	**7,961**
In-place rental yield (%)	**7.4**	**7.3**	7.0	7.8	5.9	**10.2**
EPRA Vacancy Rate (%)	**3.7**	**2.9**	5.6	1.4	1.0	**17.3**
WALT (years)	**6.5**	**6.6**	5.1	5.9	15.2	**5.6**
Properties (number)	**418**	**332**	49	278	5	**86**
Lettable area (sqm)	**1,295,443**	**1,078,738**	399,995	602,891	75,852	**216,705**

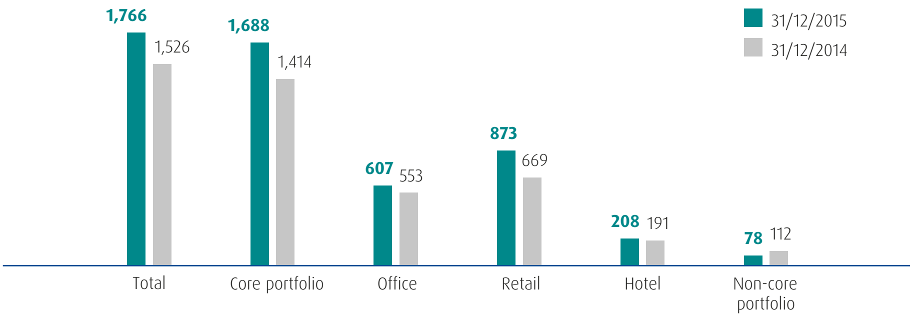
[1] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5
[2] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date – not factoring in rent-free periods.

As at 31 December 2015, the property portfolio of TLG IMMOBILIEN included 418 properties (31/12/2014: 460) with a fair value (IFRS) of approx. EUR 1.766 bn (2014: around EUR 1.526 bn). In the 2015 financial year the fair value increased by 15.7%. Representing 95.6% of the total value (31/12/2014: 92.6%), the core portfolio grew by 19.4% to around EUR 1.688 bn, due primarily to strategic new acquisitions, value-boosting measures within the portfolio and market-based appreciation.

Besides two office properties in Dresden (Ferdinandplatz 1–2) and Rostock (Doberaner Strasse 114–116/Lohmühlenweg 1,2), the focus of acquisitions in 2015 was on retail properties. In particular, the acquisition of three neighbourhood shopping centres in Berlin (Adlergestell 296, 299–305) and the surrounding area (Bahnhofs-Passage in Bernau and Handelscentrum in Strausberg) as well as two special retail centres in Rostock (Südstadt Center including Kosmos) and Wismar (Burgwallcenter) sustainably strengthened the retail asset class in the core portfolio with a value of EUR k 873,390 or 51.7% (previous year EUR k 668,827, 47.3%). The fair values of the individual asset classes developed as follows:

Real estate portfolio of TLG IMMOBILIEN AG

in EUR m



At EUR k 606,969 or 36.0% (previous year EUR k 553,485, 39.2%), office properties too experienced highly positive developments. At 12.3%, the value represented by hotel properties decreased slightly; due to the positive market developments in 2015, the hotel properties nevertheless increased in value by 8.4% to EUR k 207,565 (previous year EUR k 191,415).

The EPRA Vacancy Rate for the core portfolio of TLG IMMOBILIEN decreased from 3.2% to 2.9% (3.0% on a like-for-like basis). The reduction of the EPRA Vacancy Rate for the core portfolio was predominantly due to new rental agreements concluded in the office asset class.

The weighted average lease term (WALT) of the temporary rental agreements in the core portfolio fell from 7.6 years to 6.6 years (6.9 years on a like-for-like basis). In the office asset class, the decrease of the WALT by 0.6 years to 5.1 years, mainly due to new rental agreements, was absorbed. In the retail asset class, the decline of the WALT on a like-for-like basis to 6.2 years (previous year 6.9 years) due to high occupancy rates, especially through extensions of rental agreements, was also absorbed; due to the shorter WALT of 4.4 years of the acquisitions made in 2015, however, the WALT for the overall retail asset class decreased by one year to 5.9 years.

The 10.5% increase in the annualised in-place rent was primarily the result of acquisitions, increases in rent and the decrease of vacancy rates.

2.3 SITUATION, FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

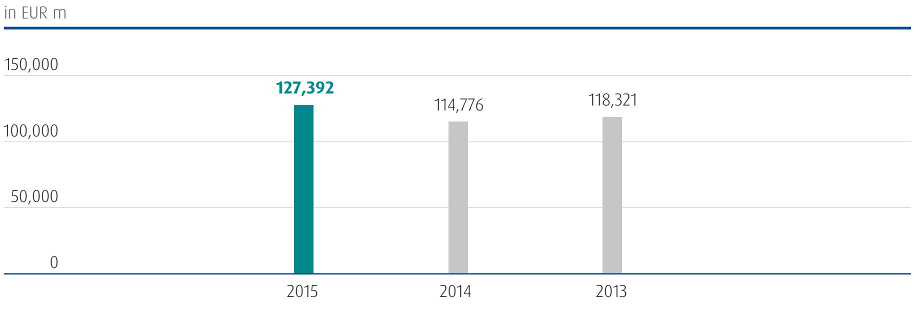
2.3.1 Results of operations

In the 2015 financial year, TLG IMMOBILIEN generated positive net income according to IFRS of EUR k 130,862. The result was EUR k 42,212 higher than in the previous year, due primarily to the measurement of investment properties and the increase in rental income. The table below presents the results of operations:

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014	Change	Change in %
Net operating income from letting activities	**112,380**	**100,263**	**12,117**	**12.1**
Result from the remeasurement of investment property	87,856	52,694	35,162	66.7
Result from the disposal of investment property	7,972	3,291	4,681	142.2
Result from the disposal of real estate inventory	771	7,320	-6,549	-89.5
Other operating income	5,835	16,839	-11,004	-65.3
Personnel expenses	-12,807	-17,358	4,551	-26.2
Depreciation	-760	-1,236	476	-38.5
Other operating expenses	-7,820	-15,717	7,897	-50.2
Earnings before interest and taxes (EBIT)	**193,427**	**146,096**	**47,331**	**32.4**
Financial income	443	620	-177	-28.5
Financial expenses	-23,849	-24,308	459	-1.9
Result from the remeasurement of financial instruments	-848	-2,129	1,281	-60.2
Earnings before taxes	**169,173**	**120,279**	**48,894**	**40.7**
Income taxes	-38,311	-31,629	-6,682	21.1
Net income	**130,862**	**88,650**	**42,212**	**47.6**
Other comprehensive income (OCI)	1,738	-11,832	13,570	n/a
Total comprehensive income	**132,600**	**76,818**	**55,782**	**72.6**

In the 2015 financial year, the net operating income from letting activities was EUR k 112,380, which represents an increase of EUR k 12,117 compared to the previous year. The increase was due mainly to the new properties managed by TLG IMMOBILIEN AG. Rental income developed as follows:

Rental income



In the 2015 reporting year, the result from the remeasurement of investment property was EUR k 35,162 higher than in the same period in 2014, reaching a volume of EUR k 87,856. The increase is essentially due to the favourable market conditions and the changes in the portfolio, especially through the potential of acquired properties to increase its value.

Compared to the same period in the previous year, the result from the disposal of properties decreased by a total of EUR k 1,868 to EUR k 8,743. Profitable sales transactions were also successfully concluded in 2015.

In 2015, the other operating income totalled EUR k 5,835, due primarily to the insurance compensation of EUR k 1,609, the reversal of bad debt allowances of EUR k 1,306 and income from settlements with previous administrators totalling EUR k 1,064. Furthermore, the other operating income includes the result from the disposal of the subsidiary TLG Gewerbepark Grimma GmbH, in the amount of EUR k 618. In contrast, in the 2014 financial year the other operating income contained income of EUR k 9,800 from the proportional reimbursement of expenses accrued by the then sole shareholder in connection with the IPO.

In the 2015 financial year, personnel expenses decreased by EUR k 4,551 to EUR k 12,807. This is due mainly to the restructuring of the company in 2013 and 2014 and the related reduction of the number of staff by 77 in 2014. In 2015, the personnel expenses included EUR k 1,796 in share-based remuneration components under IFRS 2; in 2014, this was EUR k 3,596, of which the majority was attributable to the long-term incentive plan (which was terminated in 2015) adopted by the Management Board and the shareholders of TLG IMMOBILIEN before the IPO.

At EUR k 7,820, the other operating expenses were EUR k 7,897 lower than in 2014, essentially due to the absence of the expenses accrued in connection with the IPO of the company in 2014. Additionally, lower expenses in connection with bad debt allowances caused the total expenses to decrease.

Although liabilities to financial institutions increased overall, interest expenses decreased in 2015. Compared to the previous period, interest expenses decreased by EUR k 459 to EUR k 23,849.

In the 2015 financial year, expenses from the fair value adjustment of derivatives totalled EUR k 848 (previous year EUR k 2,129). The expenses from fair value adjustments are essentially due to partial ineffectiveness in hedges for derivatives in 2015. The value from the previous year is primarily the result of interest derivatives that were reversed in that period.

The income taxes comprise ongoing income taxes of EUR k 8,135, items for actual income taxes of EUR k -4,407 from other periods and deferred taxes of EUR k 34,583.

EBITDA calculation

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014	Change	Change in %
Net income	**130,862**	**88,650**	**42,212**	**47.6**
Income taxes	38,311	31,629	6,682	21.1
EBT	**169,173**	**120,279**	**48,894**	**40.7**
Net interest	23,406	23,688	-282	-1.2
Result from the remeasurement of financial instruments	848	2,129	-1,281	-60.2
EBIT	**193,427**	**146,096**	**47,331**	**32.4**
Depreciation	760	1,236	-476	-38.5
Result from the remeasurement of investment property	-87,856	-52,694	-35,162	66.7
EBITDA	**106,331**	**94,638**	**11,693**	**12.4**

In the 2015 financial year, TLG IMMOBILIEN generated EBITDA of EUR k 106,331. The increase compared to the previous year was EUR k 11,693, due essentially to the higher net operating income from letting activities.

2.3.2 Financial position

The following cash flows caused the cash and cash equivalents to increase overall by the end of the year:

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014	Change	Change in %
1. Cash flow from operating activities	83,914	20,533	63,381	308.7
2. Cash flow from investing activities	-150,288	-20,538	-129,750	n/a
3. Cash flow from financing activities	97,511	13,674	83,837	n/a
Net change in cash funds	**31,137**	**13,669**	**17,468**	**127.8**
Cash and cash equivalents at beginning of period	152,599	138,930	13,669	9.8
Cash and cash equivalents at end of period	**183,736**	**152,599**	**31,137**	**20.4**

The cash flow from operating activities increased by EUR k 63,381 compared to 31 December 2014, totalling EUR k 83,914 as at 31 December 2015. One of the causes is the impact of disbursements for special and non-recurring items totalling more than EUR 50 m in 2014. This includes the redemption of interest derivatives, the costs in connection with the IPO, the repayment of investment grants, the settlement of claims resulting from legal disputes and social plan payments. Additionally, in 2015 higher cash inflows from special items totalling around EUR 20 m had an effect, such as the proportional reimbursement of IPO costs by the former shareholder, the reimbursement of income tax by the tax offices and the provision of investment grants; additionally, the net cash flow resulting from the higher income from letting activities had an effect.

For one, the EUR k 129,750 increase in the negative cash flow from investing activities reflects the cash inflows from the disposal of investment property that were EUR k 42,975 lower, as expected. Additionally, in 2015 higher payments of EUR k 100,177 were made for investments in properties.

The EUR k 83,837 higher cash flow from investing activities compared to the previous year is due to lower net cash inflows from debt financing, which were nevertheless more than balanced out by the significantly lower disbursements to the investors.

In this context, disbursements of EUR k 233,000 to the shareholders had an effect in 2014; in contrast, dividend payments to the shareholders in 2015 totalled EUR k 15,326.

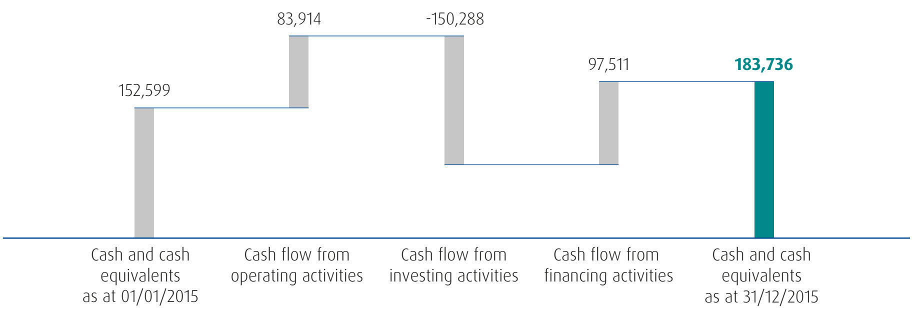
In 2015, new loans were taken out in the amount of EUR k 46,567. Therefore, EUR k 209,647 less in loans was taken out compared to the previous year due to the adequate levels of cash and cash equivalents resulting from the capital increase. Some of the loans negotiated or planned for the acquisitions will come into effect at a later date.

Furthermore, disbursements for the repayment of loans in 2015 were EUR k 75,087 lower, due primarily to the full repayment of the loan taken out by the former shareholders in the previous year.

Overall, due to the aforementioned cash flows the cash and cash equivalents increased by EUR k 31,137.

Development of cash and cash equivalents

in EUR k



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

2.3.3 Net asset position

The following overview summarises the asset and capital structure. Liabilities and receivables due in more than one year have all been categorised as long term.

in EUR k	31/12/2015	31/12/2014	Change	Change in %
Investment property/prepayments	1,753,746	1,495,509	258,237	17.3
Deferred tax assets	0	3,006	-3,006	-100.0
Other non-current assets	20,556	24,256	-3,700	-15.3
Non-current financial assets	2,535	2,475	60	2.4
Cash and cash equivalents	183,736	152,599	31,137	20.4
Other current assets	38,888	60,155	-21,267	-35.4
Total assets	**1,999,461**	**1,738,000**	**261,461**	**15.0**
Equity	967,874	747,964	219,910	29.4
Non-current liabilities	771,914	758,669	13,245	1.7
Deferred tax liabilities	185,867	150,463	35,404	23.5
Current liabilities	73,809	80,904	-7,095	-8.8
Total equity and liabilities	**1,999,461**	**1,738,000**	**261,461**	**15.0**

The asset side is dominated by investment property and prepayments received. Compared to the previous year, the proportion of investment property in the total assets increased from 86% to 88%, due primarily to the increase in real estate assets through acquisitions and fair value adjustments.

In the 2015 financial year, the investment property including prepayments increased by EUR k 258,237 to EUR k 1,753,746, driven essentially by property acquisitions such as the neighbourhood shopping centre on the Adlergestell in Berlin, the office building on Doberaner Strasse in Rostock, the office and commercial building on Ferdinandplatz in Dresden, the neighbourhood shopping centres in Bernau and Strausberg, the Südstadt Center (incl. Kosmos) in Rostock and the Burgwall retail centre in Wismar.

The development of investment property is the result of fair value adjustments (EUR k 87,856), acquisitions (EUR k 193,634), the capitalisation of construction activities (EUR k 6,743) and reclassifications as assets held for sale (EUR k 38,603). It was also influenced by reclassifications from property, plant and equipment (EUR k 3,506) and the receipt of investment subsidies (EUR k 3,259).

In the reporting period, cash and cash equivalents increased by EUR k 31,137 to EUR k 183,736. The net cash inflow from the capital increase (EUR k 100,724), cash inflows from new loans (EUR k 46,567) and cash flows from disposals (EUR k 42,776) and operating activities (EUR k 104,875) increased the amount of cash and cash equivalents. Disbursements for investments in assets, including acquisitions (EUR k 205,839), the distribution of the dividend (EUR k 15,326) and the repayment of loans (EUR k 34,453), had a negative effect on the cash and cash equivalents.

The equity of the Group is EUR k 967,874, which represents an increase of EUR k 219,910 compared to the previous year, whereas the liabilities of the Group increased by a total of EUR k 41,554. The increase in equity was due to the successful capital increase of EUR k 101,041 on 17 November 2015 (including tax adjustment for transaction costs) and the net income for the year of EUR k 130,862. The equity comprises EUR k 2,809 in non-controlling capital interests which are attributable to minority shareholders.

in EUR k	31/12/2015	31/12/2014	Change	Change in %
Equity	967,874	747,964	219,910	29.4
Total equity and liabilities	1,999,461	1,738,000	261,461	15.0
Equity ratio in %	**48.4**	**43.0**	**5.4 pp**	

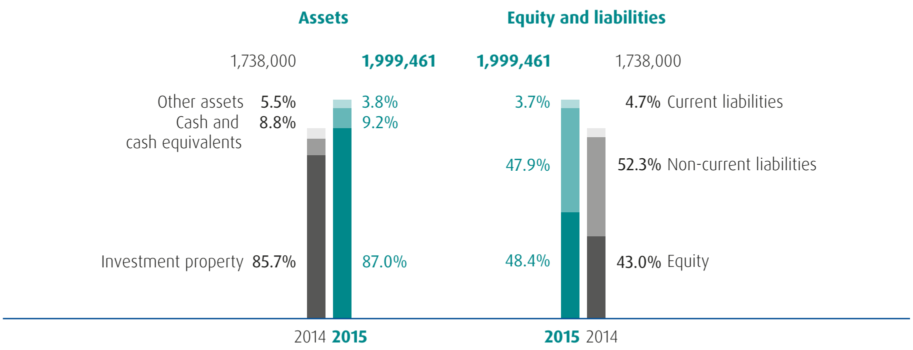
Compared to the previous year, the equity ratio increased by 5.4 percentage points to 48.4%, due primarily to the increase in equity.

At the end of 2015, the liabilities had a different maturity structure compared to 31 December 2014. Non-current liabilities increased by EUR k 13,245, whereas current liabilities decreased by EUR k 7,095. This is due essentially to new long-term loans that were taken out in order to finance acquisitions.

In summary, the structure of the statement of financial position changed as follows:

Structure of the consolidated statement of financial position

in EUR k



2.3.4 Financial performance indicators

FFO development

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014	Change	Change in %
Net income	**130,862**	**88,650**	**42,212**	**47.6**
Income taxes	38,311	31,629	6,682	21.1
EBT	**169,173**	**120,279**	**48,894**	**40.7**
Result from the disposal of investment property[1]	-8,088	-3,291	-4,797	145.8
Result from the disposal of real estate inventory	-771	-7,320	6,549	-89.5
Result from the remeasurement of investment property	-87,856	-52,694	-35,162	66.7
Result from the remeasurement of financial instruments	848	2,129	-1,281	-60.2
Other effects[2]	-1,184	2,792	-3,976	n/a
FFO before taxes	**72,122**	**61,895**	**10,227**	**16.5**
Income taxes	-38,311	-31,629	-6,682	21.1
Deferred taxes	34,583	65,459	-30,876	-47.2
Correction of tax effects from the disposal of property, the rescheduling of interest rate hedge transactions and from aperiodic effects	-4,407	-43,355	38,948	-89.8
FFO after taxes	**63,987**	**52,370**	**11,617**	**22.2**
Average number of shares on issue (in thousands)[3]	62,041	53,794		
FFO per share in EUR	**1.03**	**0.97**	**0.06**	**6.2**

[1] Including the result from the disposal of Grimma business park in the amount of EUR k 116, held as an investment; disclosed in the income statement in other operating income and other operating expenses (transaction costs)
[2] The other items comprise
(a) the depreciation of IAS 16 property (owner-occupied property) (EUR k 185, previous year EUR k 274),
(b) income from the service contract with TAG Wohnen which expired in 2014 (EUR k 30, previous year EUR k 640),
(c) personnel restructuring expenses (EUR k 670, previous year EUR k 496),
(d) share-based payments to the Management Board (EUR k 957, previous year EUR k 3,596),
(e) the reversal of provisions for reclaimed subsidies (EUR k 1,317, previous year EUR k 2,285),
(f) income from insurance compensation and the payment of damages to the notary (EUR k 950, previous year EUR k 0),
(g) the reversal of the provision for construction costs,
(h) IPO and transaction costs (EUR k 0, previous year EUR k 1,352).
[3] 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 and with all calculations, the number of shares is the number that would have existed if the company had always been an Aktiengesellschaft with the same number of shares. Total number of shares on 31 December 2014: 61.3 million, on 31 December 2015: 67.4 million. Due to the capital increases in October 2014 and November 2015, the average weighted number of shares per year amount to 53.8 million for 2014 and 62.0 million for 2015.

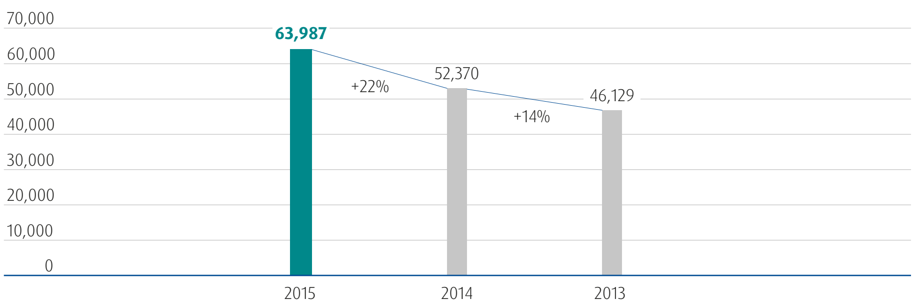
The funds from operations (FFO) are a key performance indicator for the TLG IMMOBILIEN Group.

The 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, the result of property measurement and the result of the measurement of derivatives, deferred taxes and extraordinary items.

In 2015, the FFO was EUR k 63,987, which represents an increase of 22.2% or EUR k 11,617 compared to 2014. The FFO per share was EUR 1.03. In its 2014 annual report, TLG IMMOBILIEN AG forecast that the FFO for 2015 would be at least 10% higher than in 2014, which equals at least EUR k 57,607. The half-year financial report for 2015 revised this forecast to around EUR 63 m. The FFO forecast for 2015 was therefore slightly exceeded. The FFO has developed as follows compared to the last three years:

FFO development

in EUR k



The considerable increase in FFO compared to the same period in the previous year is due primarily to the higher rental income following successful acquisitions, cost reductions and lower interest expenses.

The higher net income in the 2015 financial year stands in contrast to higher adjustments due to measurement results and a larger tax burden.

Funds from operations are an important indicator for the performance of the company going forward.

Net Loan to Value (Net LTV)

in EUR k	31/12/2015	31/12/2014	Change	Change in %
Investment property (IAS 40)	1,739,474	1,489,597	249,877	16.8
Advance payments on investment property (IAS 40)	14,272	5,912	8,360	141.4
Owner-occupied property (IAS 16)	9,344	12,921	-3,577	-27.7
Non-current assets classified as held for sale (IFRS 5)	15,912	21,991	-6,079	-27.6
Real estate inventory (IAS 2)	1,104	1,477	-373	-25.3
Real estate	**1,780,106**	**1,531,898**	**248,208**	**16.2**
Liabilities to financial institutions	782,688	770,447	12,241	1.6
Cash and cash equivalents	183,736	152,599	31,137	20.4
Net debt	598,952	617,848	-18,896	-3.1
Net Loan to Value (Net LTV) in %	**33.6**	**40.3**	**-6.7 pp**	

As a ratio between net debt and real estate assets, the Net LTV is a key performance indicator for the company. It was 33.6% in the Group as at the reporting date. As expected, in the financial year the Net LTV was not kept in the stated target corridor of between 45% and 50%. The decrease by 6.7 percentage points was the result of the major increase in real estate assets and the simultaneous decrease in net debt. Some of the loans negotiated or planned for the acquisitions will come into effect at a later date. Furthermore, the increases in value in the portfolio initially caused the Net LTV to decrease, which can only be readjusted when a new loan is taken out.

EPRA Net Asset Value (EPRA NAV)

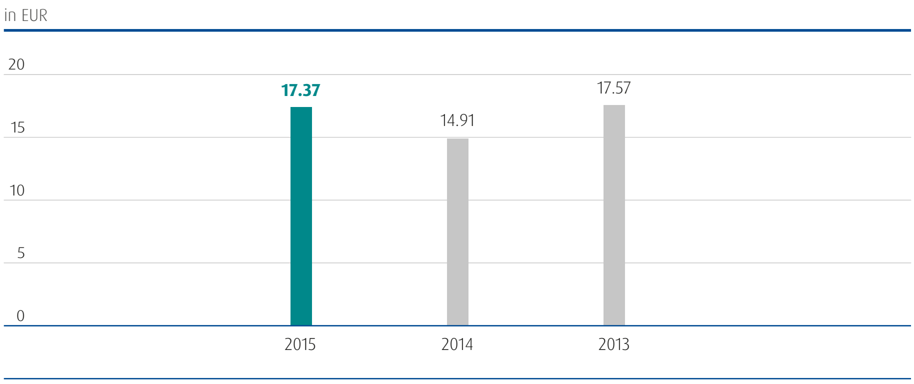
in EUR k	31/12/2015	31/12/2014	Change	Change in %
Equity [1]	965,065	745,395	219,670	29.5
Fair value adjustment of fixed assets (IAS 16)	5,572	3,918	1,654	42.2
Fair value adjustment of real estate inventory (IAS 2)	333	588	-255	-43.4
Fair value of financial instruments	15,921	17,814	-1,893	-10.6
Deferred tax assets	0	-3,006	3,006	-100.0
Deferred tax liabilities	185,867	150,463	35,404	23.5
Goodwill	-1,164	-1,164	0	0.0
EPRA Net Asset Value (EPRA NAV)	**1,171,594**	**914,008**	**257,586**	**28.2**
Number of shares (in thousands)	67,432	61,302		
EPRA NAV per share (in EUR)	17.37	14.91		

[1] Adjusted for non-controlling interests

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.

The EPRA NAV was EUR k 1,171,594 at the end of 2015, which corresponds to an EPRA NAV per share of EUR 17.37. The EPRA NAV increased by EUR k 257,586 compared to 31 December 2014. The EPRA NAV per share has developed as follows compared to the last three years:

EPRA NAV per share



The increase was essentially due to the increase in equity, which in turn was primarily the result of the net income attributable to shareholders of TLG IMMOBILIEN AG of EUR k 130,620. The net income was characterised by successful business developments and, at EUR k 87,856, the positive development of the value of the property portfolio. Moreover, the successful capital increase of EUR k 101,041 on 17 November 2015 had an effect. Therefore, the expected slightly positive development of the EPRA NAV was surpassed.

In addition to the change in equity capital, which is primarily supported by the net income and the capital increase, the deferred tax liabilities contribute to the development of the EPRA NAV. The increase in deferred tax liabilities from EUR k 35,404 to EUR k 185,867 essentially results from the valuation of the investment properties.

2.3.5 Non-financial performance indicators

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

As at 31 December 2015, TLG IMMOBILIEN employed 122 personnel (previous year 145), not including apprentices or inactive contracts. The reduction in the number of personnel is due primarily to the restructuring of the company and the related reduction of the number of staff. The average length of service at TLG IMMOBILIEN is 14 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. Nine personnel were recruited in 2015.

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, essentially with a focus on the real estate sector.

In addition to an efficient corporate culture, the company provides optimal working conditions at modern locations with flexible working hours and attractive benefits, such as the job ticket, food allowance and accident insurance. As a result, quick decision-making paths are being supported by communication methods that were extensively modernised in 2015 and a contemporary model which serves as a guideline.

Additionally, for the first time in the history of TLG IMMOBILIEN AG, an informative employee survey was carried out in 2015. The outstanding level of participation signals the interest of the staff in helping shape the future development of TLG IMMOBILIEN AG. Generally, the staff are highly to extremely satisfied with the working conditions and their responsibilities.

TLG IMMOBILIEN traditionally maintains good long-term relationships with its tenants. This is reflected in long-term rental agreements with stable rental income. With its two high-performance branches – the North branch based in Berlin, covering Berlin, Brandenburg and Mecklenburg-Western Pomerania, and the South branch in Dresden, covering Saxony, Saxony-Anhalt and Thuringia – TLG IMMOBILIEN has exceptional regional networks in the growth regions of eastern Germany. 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 ZIA in eastern Germany.

3. STATEMENT OF EVENTS AFTER THE REPORTING DATE

No transactions of particular significance took place after the end of the financial year.

4. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

4.1 RISK AND OPPORTUNITY REPORT

4.1.1 Risk management system

Within the framework of its business activities, TLG IMMOBILIEN AG is subject to various risks which can make achieving objectives or carrying out long-term strategies more difficult. 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. The risk management system is adapted and expanded whenever the general conditions change. The auditor also audits the early risk detection system together with the annual financial statements in accordance with § 317 (4) of the German Commercial Code (HGB).

Following the adjustment process in the 2014 financial year, there were no significant changes in the organisation and processes of the risk management system in 2015.

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

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

Risk identification

Risks are identified at the locations of TLG IMMOBILIEN using the “bottom up” method. The risk situation at the locations, in 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.

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

In terms of organisation and human resources, the risk management is based at the main offices of TLG IMMOBILIEN. However, the various locations, departments and subsidiaries 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 were 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

The reference values for the estimation of each loss were derived from the business plan for 2016.

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.

The changes in the aggregate total risk of TLG IMMOBILIEN (the value at risk) are measured in line with IFRS in the equity of the TLG IMMOBILIEN Group, on a quarterly basis, 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 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 significant risks. "Significant risks" include risks with medium or 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 the risk management. On an annual basis, the central 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 2015 reporting year.

4.1.2 Risk report and individual risks

The business activities of TLG IMMOBILIEN are exposed to general economic risks as well as specific inherent risks. Risks from fluctuations in the business cycle and from the capital and real estate markets are dependent upon various factors over which TLG IMMOBILIEN has no influence, such as interest rate fluctuations, inflation, rent prices and changes in demand in the transaction market. This can result in far-reaching effects on, amongst 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 assets, financial position and earnings of the Group. The risks have been separated into property-specific and company-specific risks.

Property-specific risks

Marketing risk

The marketing risk is dependent on the prices on the property market and on the levels of supply and demand. Difficult financing conditions, hesitant lenders and unforeseeable events can stifle the market and impede the progress of TLG IMMOBILIEN towards its objectives. At the same time, sales goals can be postponed for strategic reasons. Non-realised sales cause capital to remain tied up, thus preventing it from being used for any further acquisitions. This affects the liquidity of the company as well as its assets, financial position and earnings. To avoid or reduce this risk, the Group carries out real estate transactions using standard general process steps.

These include, amongst others, removing obstacles to disposal and determining approval requirements as well as environmental and hazardous waste burdens. The transaction teams have at their disposal standard contracts to use as a basis for purchase contract negotiations. Due to looming possible delays in realisation, in particular for a plot of land, this risk has been categorised as having a high potential loss and a high probability of occurrence.

Bad debt from sales and leasing

TLG IMMOBILIEN endeavours to minimise the risk of bad debt from sales and leasing 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 also used to counter potential bad debt.

The bad debt risk of receivables from sales was rated as having a medium potential loss and a negligible probability of occurrence at the end of the reporting year, due to the lack of contractual rescissions or insolvency on the part of purchasers so far.

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 and earnings position, can arise from a loss of payments from anchor tenants. The risk of bad debt from operational management was rated as having a medium potential loss and a low probability of occurrence due to the positive track record of receivables in the past few months. The development of receivables is evaluated on a monthly basis, its context is analysed and bad debt recovery measures are implemented, such as our employees contacting tenants directly.

Vacancy risk

The vacancy risk is when a property cannot be leased or sub-leased at a reasonable price or at all. Additionally, the risk can result from tenants reducing the scope of rent or being able to effect reductions in the rent for economic reasons. Such a development can have a negative effect on the letting situation and therefore on the planned development of the income from letting activities as well as the funds from operations. TLG IMMOBILIEN counters this risk by closely monitoring the market with lease analyses, continuously monitoring expiring rental agreements, regularly consulting lease brokers and maintaining a presence on various media (printed media and the Internet). As the properties in the portfolio of TLG IMMOBILIEN are almost all managed by the company itself, TLG IMMOBILIEN has close relations with its tenants which allow it to react to potential changes in tenants through prompt, proactive discussion. Selective disposals of properties and successful long-term rental agreements are also intended to reduce risk. For this reason, both the damage amount and the probability of occurrence have been categorised as low as at 31 December 2015.

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 § 4 (6) of the German Federal Soil Protection Act (BBodSchG). Under the German 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 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 are not considered significant. If an environmental or pollution risk should arise, this could potentially have significant influence on the assets, financial position and earnings of the company. The potential loss of the environmental risk and the risk of contaminated sites is considered extremely high, yet the probability of occurrence is considered negligible.

Operational management

Operational management involves the risks of non-recoverable operating costs, neglected maintenance and failure to fulfil the legal duty to maintain safety in the property.

By continuously analysing changes in vacancy rates and contractual conditions with suppliers and service providers, TLG IMMOBILIEN is striving to counter the potential risk of operating costs. The operating cost statements were issued punctually to the tenants in 2015. The potential loss from corrections effected by objections is considered negligible, as is the probability of occurrence. However, inaccuracies and errors in the annual utility invoices could occur which could influence the satisfaction of the tenants and the earnings of the company.

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 results of operations 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 reasonable dialogue with each tenant. As at the balance sheet date, the potential loss of this risk was negligible and its probability of occurrence was medium. The downgrade from a medium potential loss in the previous year is essentially due to the identification and handling of previously outstanding maintenance risks, due to the successful disposal of risky properties and the strengthening of the technical staff of the company.

The regular inspections also allow TLG IMMOBILIEN to fulfil its duty to maintain safety on the premises. Given the constant inspections, prompt service and repairs and the safety inspections, the potential loss is considered negligible. The probability of occurrence is rated as medium.

Investments

TLG IMMOBILIEN pursues an investment strategy which continuously optimises and increases the value of the property portfolio through attractive acquisitions and, to a certain extent, new builds and modernisation measures. Such investment activities can involve risks of overspending, delayed completion, structural defects and the loss of construction crew contractors. TLG IMMOBILIEN will counter these risks by continuously checking the creditworthiness and reliability of construction companies and business partners and by making use of guarantees. Preceding invitations to tender and negotiations on contractual conditions and prices are an important basis. TLG IMMOBILIEN also exercises comprehensive project control – regular on-site inspections are carried out during construction work and technical due diligence processes take place during acquisitions – as well as claim management and strict deadline controls. Acquisitions are subject to predefined guidelines in the form of the strategic investment criteria of TLG IMMOBILIEN. If insufficient investments are made, this can have a negative impact on the assets, financial and earnings position of the company. The probability of occurrence and the potential loss are considered medium.

Subsidies

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 assets, financial position and earnings of the company. As at 31 December 2015, this risk was considered to have a medium potential loss and a negligible probability of occurrence.

Property measurement

The fair value of the property portfolio is subject to fluctuations caused by external and property-specific factors which can lead to unforeseen value adjustments on the balance sheet. 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 assets of the company.

The properties of the Group are regularly and systematically evaluated by independent external experts in order that problematic developments can be identified as quickly as possible. In order to minimise the measurement risk, TLG IMMOBILIEN 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 2015 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 remains medium.

Company-specific risks

Financing

For TLG IMMOBILIEN, the conditions and the availability of financing depend significantly on fluctuating interest rates and the general market environment of the banking industry. Thus, for new loans and refinancing, higher financing costs may arise for the company through rising interest rates, which can then lead to interest expenses above what is expected. Likewise, if the markets in which the banks operate begin to slow down, this could make banks more cautious about providing finance or cause them to increase their rates. These changes in the general conditions could negatively affect the financial position and profit or loss of the company.

Essentially, TLG IMMOBILIEN hedges against the interest rate risk for existing bank loans by means of interest hedges or taking out loans with fixed interest rates.

The probability of occurrence and the potential loss of the interest rate risk have been categorised as medium.

Some financing contracts include so-called financial covenants whereby the bank has an extraordinary right of termination if they are not adhered to. The company covers the risk of a broken covenant by regularly inspecting the covenants and, if necessary, taking steps to adhere to the covenants. A broken covenant can also be remedied by means of unscheduled repayments, for example. No covenants were broken in 2015.

Given its positive experience with the new and refinancing measures implemented with a range of banks in the 2015 financial year, and given the moderate rate of financing in relation to the market value of the property, TLG IMMOBILIEN continues to see itself as fully eligible for financing even in spite of more reluctant lending. A "credit crunch", i.e. another surge of economic and financial crises, could make banks much more cautious about providing finance.

Liquidity

The management of the Group pays special attention to liquidity in order that TLG IMMOBILIEN can meet its daily payment obligations on time. So as to avoid any future liquidity bottlenecks, a liquidity forecast for at least six months is created using the expected cash flow from operating activities and updated on a weekly basis. In the reporting year, the liquidity of TLG IMMOBILIEN was secure at all times. However, 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 earnings of the company. In general, an unsecured bridging loan can be taken out if necessary. Therefore, the probability of occurrence of this risk is considered medium and its potential loss is considered low.

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, income, real estate and trade 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. In the 2015 financial year, the Group opted to exercise a tax option for the first time. In order for the positive fiscal effects of this option to remain in effect in the future, TLG IMMOBILIEN must meet certain statutory requirements in future periods as well. If these statutory requirements are not met, the potential loss of the tax risk will be deemed high as at the end of the financial year. However, the probability of occurrence has been deemed negligible.

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 earnings of the company. These changes could negatively affect the image, the business activities and the financial position and earnings of the Group. Because there is no recognisable specific, quantifiable risk from impending and/or expected legislative changes or regulations, this risk was not changed from the previous year and was classified as negligible and with a medium damage amount.

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 due to, for example, fluctuations 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 managers and employees cannot be found, trained and retained, this can have a negative effect on the development of the company. The personnel risk remains unchanged from the previous year and is seen as negligible.

Costs of litigation, 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. Sufficient provisions have been formed against risks from ongoing litigation. There are no foreseeable disputes in the future with a significant value in dispute. Furthermore, databases are documented in a litigation database and in a separate calendar. These deadlines are regularly monitored.

The damage amount and probability of occurrence of both risks remains unchanged, classified as negligible.

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. Therefore, the potential loss is based on market capitalisation. The public image of TLG IMMOBILIEN is to be strengthened and improved predominantly by means of media communication, the transparency of property transactions on the capital market 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 is considered negligible.

Data and IT risks, fire/burglary/natural disasters

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. 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 organisational, 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 the purposes of accounting is inspected by the auditor on an annual basis as part of the audit of the consolidated financial statements and annual financial statements. As in the previous year, the data quality risk has been rated as having a medium potential loss and a negligible probability of occurrence.

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 natural disasters (e.g. floods), 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 back-ups 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). Due to the four-eye principle, which is applied to all transactions and the company's internal approval and control system, this risk is considered negligible. Employees are regularly trained in issues of compliance.

4.1.3 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, a comprehensive accounting-related internal control 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 a comprehensive and accurate representation of the company. TLG IMMOBILIEN 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 four-eye principle for high-risk business processes and the documentation of all business transactions. Moreover, regular downstream checks in the form of, amongst others, monthly internal reporting, analysis of significant items in the statement of profit or loss, the balance sheet and budget checks are carried out.

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 four-eye 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 Group's holistic accounting, account assignment and valuation guidelines are inspected and updated regularly.

The Group auditing department is an independent organisational unit and 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.

4.1.4 Risk management in relation to the use of financial instruments

Dealing with risks as regards the use of financial instruments is regulated by a guideline. In accordance with this guideline, 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. If possible, a unit of account is recognised on the balance sheet.

For the purpose of risk monitoring and limitation, the market values of all interest 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.

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

4.1.5 General risk situation

The Management Board of TLG IMMOBILIEN considers the aggregate value at risk over the course of the 2015 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 or high potential loss and probability of occurrence were identified. None of the risks described above threaten the portfolios of either the individual companies or the overall Group, neither individually nor in their entirety.

4.1.6 Opportunity report

TLG IMMOBILIEN has a strong, highly diversified portfolio on the eastern German property market, due primarily to the regional expertise of its employees, their years of experience, their sound know-how and their constant focus on the customer. As an active portfolio manager, the company is well connected on the property market and can quickly learn and take advantage of potential third-party plans.

At the same time, due to the persistently low interest rates the company continues to enjoy good opportunities in terms of new financing and refinancing agreements at low rates. When we acquire properties, new financial instruments will allow us to react with flexibility in line with our growth strategy.

Besides these activities, the consistent testing and improvement of internal processes and structures will both improve potentials and save costs.

In terms of rent and leasing, the company's years of regional market expertise might continue to generate opportunities in the future. The long-term rental agreements in the portfolio of TLG IMMOBILIEN have an average remaining term of approx. 6.6 years. Increasing consumer prices could have a positive effect on rental income as index adjustments are normally contractual components of the rental agreements.

Furthermore, some land in the portfolio can potentially be developed with building expansions or new buildings to add more space, which would increase the net operating income from letting activities of TLG IMMOBILIEN. Likewise, specific modernisation measures and renovations for tenants in the portfolio are improving customer satisfaction and tying tenants to properties for longer.

4.2 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.

4.2.1 General economic conditions and property markets

Overall economy

The Annual Economic Report published by the German government expects German GDP to increase by 1.7% in 2016. The increase will be driven by private consumption and construction – which will also stimulate imports – as well as immigration by refugees. The economic dynamism is being supported by the ongoing decrease in unemployment rates in 2016 and the resulting increases in income, as well as significantly increasing company profits – not least due to the low price of oil.

The economic forecast of IWH for eastern Germany expects GDP to grow slightly faster – by 1.4% – in 2016 and is therefore even more optimistic than in the previous year (+1.3%).

Given the excellent general economic conditions, we can expect the volume of transactions throughout Germany to increase again in 2016. Due to its dynamism, the investment market in Berlin will be a particularly attractive market amongst the top seven cities. Therefore, Colliers International assumes that the volume of transactions in the German capital will hit another record high and expects returns in 2016 to decrease slightly again.

Office property market

In 2016, we expect top office rents to grow slightly by 1% and average office rents in the top seven cities to grow by 2%. JLL also forecasts a slight increase in demand for office space in 2016 and expects vacancy rates in the top seven cities to decrease slightly. Additionally, JLL expects the volume of new office space to increase considerably from around 870,000 sqm in 2015 to almost 1.3 million sqm in 2016.

Retail property market

Due to the good general conditions in retail, JLL expects top retail rents in Berlin to increase again by more than 9% to EUR 350 per sqm and month in 2016. The majority of the other major retail property markets will retain their top rents in the first six months of 2016.

Hotel property market

The positive economic developments in Germany and the consistently positive consumer confidence will continue to have a positive effect on the number of overnight stays in hotels and the development of the hotel and restaurant industry. BNP Paribas RE also generally expects 2016 to be an excellent year for investments in hotels. However, the future development of the investment market is mainly dependent on what is available. At the same time, we can expect the level of competition to grow in terms of demand.

4.2.2 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 events occur, the company expects the property-related expenses that are to be borne by the owner to develop in a similar way to rental income in 2015.

As an active portfolio manager, in 2016 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. To finance the acquisitions, the company will use the capital from the capital increase in November 2015 as well as debt that it has yet to obtain.

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 2016. In 2016, there is little need to refinance; as a result, most debt obtained will be for the purposes of growth. TLG IMMOBILIEN plans to continue its defensive approach to finance and to keep its Net LTV within the stated target corridor of between 45% and 50% (2015: 33.6%).

With consideration for the acquisitions that have been made so far, TLG IMMOBILIEN expects funds from operations of between EUR 71 m and EUR 73 m (2015: EUR 64.0 m) in the 2016 financial year. This will allow for the distribution of an attractive dividend to the shareholders. Other potential acquisitions in 2016 might also increase the FFO for 2016.

TLG IMMOBILIEN expects the EPRA Net Asset Value, which is mostly influenced by the value of the property portfolio, to increase slightly by the end of the 2016 financial year. This is contingent on the company not incurring any major unforeseen expenses.

5. CORPORATE GOVERNANCE

5.1 DECLARATION ON CORPORATE GOVERNANCE

The declaration on corporate compliance to be issued pursuant to § 289a and § 315 (5) HGB and the Corporate Governance Report are available online at http://ir.tlg.eu/corporategovernance. Pursuant to § 317 (2) line 3 and 4 HGB, the disclosures under § 289a and 315 (5) HGB are not included in the audit carried out by the auditor.

5.2 PROPORTION OF WOMEN

Following the entry into force of the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the 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 § 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.

The Supervisory Board currently consists of five men and one woman. This is equivalent to a roughly 16.67% representation of women. Both members of the Management Board are male.

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.

Initially, the minimum proportion of women on the Management Board of TLG IMMOBILIEN AG shall remain at zero for the implementation deadline ending on 30 June 2017.

In line with § 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 maximum duration of the deadlines, the first deadline to be set may not extend beyond 30 June 2017.

The first management level below the Management Board currently consists of eight men and one woman. This is equivalent to a 11.11% representation of women.

The second management level below the Management Board currently consists of four men and five women. This is equivalent to a 55.56% representation of women.

In its meeting on 30 September 2015, the Management Board decided the following:

In line with § 76 (4) AktG, the minimum proportion of women on the first management level below the Management Board is 11.11% and the minimum proportion of women on the second management level below the Management Board is 30%; the proportion of women on these management levels may not fall below this target before 30 June 2017.

5.3 REMUNERATION REPORT

The Compensation 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.

5.3.1 Foreword

In the 2014 financial year, the current members of the Management Board had management contracts until 23 October 2014. By resolution of the Supervisory Board on 8 September 2014, Mr Finkbeiner and Mr Karoff were appointed to the Management Board of TLG IMMOBILIEN, which was formed on 5 September 2014 upon the notarisation of the change of legal status to an Aktiengesellschaft (which came into effect once entered into the commercial register on 10 September 2014).

When the shares of the company became available to trade on the Frankfurt Stock Exchange (24 October 2014), the members of the Management Board received new contracts which the Chairman of the Supervisory Board, Mr Michael Zahn, was authorised to conclude by resolution of the Supervisory Board on 8 September 2014.

The new contracts remained in force for 2015.

5.3.2 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), although no LTI was paid or provided in 2014.

In its meeting on 29 April 2015, the Supervisory Board set out the initial values for the LTI for 2015.

in EUR k	Peter Finkbeiner	Niclas Karoff
Basic 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 predefined additional benefits[1].

[1] Due essentially to the perks of the private use of the company car and payments towards two households as a result of company requirements

Furthermore, the company has taken out industrial accident insurance which pays 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 Corporate Governance Code, the D&O insurance policy features a statutory excess 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.

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 Chairman, 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 towards the targets.

The key parameters for the long-term incentive are the performance of the EPRA NAV (per share and in EUR) – 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 of the Management Board in 2015 and 2014

The current members of the Management Board each received a proportional bonus from the shareholders in the form of a special payment totalling EUR 1.05 m and a transfer of shares to the value of EUR 0.3 m for the successful IPO of the company. The payment was made by LSREF II East AcquiCo S.à r.l. and Delpheast Beteiligungs GmbH & Co. KG. Due to the disposal of all the shares of the former shareholder in 2015, each member of the Management Board received additional shares worth EUR 1.16 m.

In the 2015 and 2014 financial years, the members of the Management Board did not receive any advances or credit.

Benefits received

in EUR k	Peter Finkbeiner		Niclas Karoff	
	2015	**2014**	**2015**	**2014**
Fixed remuneration	300	300	300	300
Fringe benefits	82	80	25	16
Subtotal of fixed remuneration	**382**	**380**	**325**	**316**
Bonus [1]	1,163	1,350	1,163	1,350
Short-term variable remuneration (STI) [2]	200	0	200	170
Long-term remuneration (LTI)	0	0	0	0
Subtotal of variable remuneration	**1,363**	**1,350**	**1,363**	**1,520**
Total remuneration	**1,745**	**1,730**	**1,688**	**1,836**

[1] The bonus for the IPO was paid by the shareholders of TLG IMMOBILIEN AG.
[2] Under his management contract, only Mr Karoff was paid variable remuneration by TLG IMMOBILIEN GmbH in 2014. Mr Finkbeiner had a claim against Hudson Advisors Germany GmbH.

Bonuses paid [1]

in EUR k	Peter Finkbeiner				Niclas Karoff			
	2015	2015 min.	2015 max.	2014	2015	2015 min.	2015 max.	2014
Fixed remuneration	300	300	300	300	300	300	300	300
Fringe benefits	82	82	82	80	25	25	25	18
Subtotal of fixed remuneration	382	382	382	380	325	325	325	318
Bonus [2]	0	0	0	2,200	0	0	0	2,200
Short-term variable remuneration (STI) [3]	200	0	260	150	200	0	260	150
Long-term variable remuneration (LTI)	387	0	625	0	387	0	625	0
Subtotal of variable remuneration	587	0	885	2,350	587	0	885	2,350
Total remuneration	**969**	**382**	**1,267**	**2,730**	**912**	**325**	**1,210**	**2,668**

[1] In 2014, the bonuses were paid under the management contracts with TLG IMMOBILIEN GmbH.
[2] Without consideration for any changes in value resulting from fluctuations in the TLG IMMOBILIEN share price
[3] Only a minimum was contractually agreed in 2014.

Total earnings from the company according to HGB

in EUR k	Peter Finkbeiner		Niclas Karoff	
	2015	2014	2015	2014
Fixed remuneration	300	300	300	300
Fringe benefits	82	80	25	18
Subtotal of fixed remuneration	382	380	325	318
Short-term variable remuneration (STI)	200	150	200	150
Long-term variable remuneration (LTI)	0	1,232	0	1,232
Subtotal of variable remuneration	200	1,382	200	1,382
Total remuneration	**582**	**1,762**	**525**	**1,700**

Ongoing pensions were paid to two former managing directors in 2014 and 2015. The expenses totalled EUR 0.149 m in 2014 and EUR 0.151 m in 2015.

Payments in the event of premature termination of employment

Severance packages

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 value of two years' worth of remuneration (the severance payment cap) or the value of the remuneration for the remaining term of the contract. The severance payment 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 severance payment 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.

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 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 30. The Chairman of the Supervisory Board (Mr Michael Zahn) receives 200% of this amount (EUR k 60) and the Vice-Chairman (Mr Alexander Heße) receives 150% of this amount (EUR k 45). Members of the presidential and nomination committee (Mr Michael Zahn [Chairman], Mr Alexander Heße, Dr Michael Bütter) or the audit committee (Mr Axel Salzmann [until June 2015, also Chairman], Mr Helmut Ullrich [from August 2015, also Chairman], Mr Michael Zahn [until August 2015], Ms Elisabeth Stheemann and Dr Claus Nolting [from September 2015]) receive fixed annual base remuneration of EUR k 5. The Chairman of each committee (Mr Zahn for the presidential and nomination committee and Mr Salzmann for the audit committee until June 2015 and Mr Helmut Ullrich from August 2015) receives 200% of this amount (EUR k 10).

Supervisory Board remuneration in detail

Remuneration paid or to be paid pro rata to the members of the Supervisory Board for the 2015 financial year:

in EUR k	Supervisory Board	Presidential and nomination committee	Audit committee	VAT	Total
Michael Zahn	60,000.00	10,000.00	3,333.33	13,933.33	87,266.66
Axel Salzmann	15,000.00	0.00	5,000.00	3,800.00	23,800.00
Helmut Ullrich	12,500.00	0.00	4,166.67	3,166.67	19,833.34
Elisabeth Stheemann	30,000.00	0.00	5,000.00	0.00	35,000.00
Dr Michael Bütter	30,000.00	5,000.00	0.00	6,650.00	41,650.00
Dr Claus Nolting	30,000.00	0.00	1,666.67	6,016.67	37,683.34

In the 2015 financial year, Mr Heße waived his claim to remuneration for work on the Supervisory Board.

Additionally, the members of the Supervisory Board and its committees receive a fee of EUR 1,500 per meeting day for personally participating in meetings.

A D&O group insurance policy was also taken out for the members of the Management and Supervisory Boards; this policy contains an excess that meets the requirements of § 93 (2) line 3 AktG and recommendation 3.8 (3) in connection with 3.8 (2) of the Code.

6. DISCLOSURES RELEVANT TO ACQUISITIONS

6.1 COMPOSITION OF SUBSCRIBED CAPITAL

As at 31 December 2015, the share capital was EUR 67,432,326.00 comprised of 67,432,326 no-par 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 at the annual general meeting. This does not include any treasury shares held by the company; these do not grant the company any rights.

6.2 MAJOR SHAREHOLDINGS

As at 31 December 2015, the Government of Singapore Investment Corporation, Singapore, held a total of 13.33% (reported before the 10% capital increase) of the voting rights in the company.

6.3 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 § 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.

6.4 AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE NEW SHARES

By resolution of the general assembly on 22 October 2014 and with the consent of the Supervisory Board, the Management Board was authorised to increase the share capital of the company by up to EUR 30,651,163.00 (authorised capital 2014/II) by issuing up to 30,651,163 new shares by 21 October 2019.

Based on the resolutions of the Management Board on 17 November 2015 and 18 November 2015, and of the presidential and nomination committee of the Supervisory Board on 17 November 2015 and 18 November 2015, which was authorised to do so by resolution of the Supervisory Board on 12 November 2015, the authorised capital 2014/II was partially utilised in November 2015; the subscription rights of the shareholders were excluded. Through this capital increase, the share capital of the company was increased by EUR 6,130,000.00 from EUR 61,302,326.00 to EUR 67,432,326.00.

Besides the partial utilisation of the authorised capital in 2014/II, the Management Board is authorised to increase the share capital of the company by up to EUR 24,521,163.00 by issuing up to 24,521,163 new shares by 21 October 2019 with the consent of the Supervisory Board. The shareholders must always be granted subscription rights, although under certain circumstances the subscription rights of the shareholders can be excluded.

Furthermore, the share capital has been conditionally increased by up to EUR 26,000,000 by the issuance of up to 26,000,000 new shares (contingent capital 2014). In particular, the contingent capital increase will enable the company to issue shares to the creditors of any convertible bonds that might be issued by 24 September 2019.

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

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

On 25 September 2014, the annual 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 any other way than on 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 § 186 (3) line 4 AktG.

6.6 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 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 settlement cap provided for by the Code.

7. RESPONSIBILITY STATEMENT REQUIRED BY § 264 (2) LINE 3 HGB, § 289 (1) LINE 5 HGB AND § 315 (1) LINE 6 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 assets, financial position and earnings 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, 11 March 2016

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

8. ADDITIONAL INFORMATION IN ACCORDANCE WITH HGB

Below you can find supplementary information on the development of TLG IMMOBILIEN AG to the reports on the TLG IMMOBILIEN Group. TLG IMMOBILIEN AG is the parent company of the TLG IMMOBILIEN Group and is based in Berlin.

TLG IMMOBILIEN AG also has branches in Berlin and Dresden.

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

- Strategic portfolio management
- Asset and property management
- Acquisitions and disposals

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 core portfolio through profitable acquisitions of office, retail and hotel properties in the core regions. 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.

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, reserves, financial instruments, revenue and deferred taxes.

The key group figures according to IFRS – FFO, Net LTV and EPRA NAV – are the key performance indicators of TLG IMMOBILIEN AG.

8.1 SEPARATE FINANCIAL STATEMENTS – RESULTS OF OPERATIONS

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

	2015		2014			
	in EUR m	in %	in EUR m	in %	Change in EUR m	Change in %
Revenue	180.0	99	243.4	100	-63.4	-26
Change in portfolio	1.0	1	-0.5	0	1.5	-314
Total	**181.0**	**100**	**242.9**	**100**	**-61.9**	**-26**
Operating expenses	109.2	60	147.4	61	-38.2	-26
Operating profit	**71.8**	**40**	**95.5**	**39**	**-23.7**	**-25**
Income from investments	4.7		0.2		4.5	2,838
Interest result	-23.7		-45.6		21.9	-48
Other operative effects	2.7		3.7		-1.0	-27
Operative result	**55.5**		**53.8**		**1.7**	**3**
Non-operative result	22.9		7.4		15.5	207
Earnings before taxes	**78.4**		**61.2**		**17.2**	**28**
Income taxes	10.1		10.3		-0.2	-2
Annual profit	**68.3**		**50.9**		**17.4**	**34**

A positive annual profit of EUR 68.3 m was generated in the 2015 financial year, which was considerably better than forecast in the previous year. The change in net income compared to the previous year was due primarily to the significantly higher revenue from letting activities and appreciation in property values compared to 2014.

In the 2015 financial year, revenue totalled EUR 180.0 m, which represents a decrease of EUR 63.4 m compared to the previous year. This decrease is mainly the result of the EUR 71.5 m lower revenue from property disposals in 2015. More non-strategic properties were disposed of in 2015; as expected, their volume was lower than in 2014. Revenue from letting activities totalled EUR 136.8 m and was therefore EUR 10.7 m higher than in 2014. The newly acquired properties in the reporting year caused revenue to increase. These balanced out the decrease in rental income from the disposals.

Compared to the previous year, operating expenses decreased by EUR 38.2 m. This is due essentially to the lower volume of disposals and the resulting EUR 37.8 m lower write-downs. Expenses from letting activities increased by EUR 3.4 m and were in correlation with revenue. Following the restructuring in 2014, personnel expenses decreased by EUR 1.8 m.

Compared to 2014, operating profit decreased by EUR 23.7 m, essentially due to the lower revenue from the disposal of properties.

In the 2015 financial year, the interest result was EUR 21.9 m better due to the refinancing of loans, the restructuring of interest hedges in 2014 and the extraordinary effect of the swap settlement with expenses of EUR 20.6 m.

Interest rate derivatives safeguard the interest rate of loans that have been taken out. They were measured using the mark-to-market method and are recognised as a unit of account. As at the reporting date, the current cash flows from the underlying and hedge transactions almost completely balanced one another out. Due to ineffectiveness in the reporting year, a reserve of EUR 0.9 m was formed for impending losses. The dollar offset method is used to determine the effectiveness of the hedge.

The non-operative result is characterised by the appreciation of the property values through reversals of write-downs of property, plant and equipment, which total EUR 16.9 m once offset against write-downs of property. Additionally, the disposal of the shares in TLG Gewerbepark Grimma GmbH includes income of EUR 2.7 m.

The income taxes (EUR 10.1 m) comprise ongoing income taxes (EUR 6.9 m), income from the reversal of tax provisions (EUR 6.4 m), subsequent tax payments/tax reimbursements from previous years (EUR 2.3 m) and deferred tax liabilities in 2015 (EUR 7.2 m).

8.2 SEPARATE FINANCIAL STATEMENTS – FINANCIAL POSITION

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

in EUR m	31/12/2015	31/12/2014	Change in %
Cash flow from operating activities	84.0	-3.6	87.6
Cash flow from investing activities	-152.5	-1.8	-150.7
Cash flow from financing activities	97.5	13.7	83.8
Change in cash funds	29.0	8.3	20.7
Cash and cash equivalents at beginning of period	151.4	143.1	8.3
Cash and cash equivalents at end of period	**180.4**	**151.4**	**29.0**

The cash flow from operating activities was EUR 84.0 m in 2015, and therefore EUR 87.6 m higher than in the previous year. This was due to the strong influence of disbursements of over EUR 50 m for special and non-recurring items in the 2014 financial year. These include the reversal of interest rate derivatives, the costs of the IPO, the repayment of investment subsidies, the settlement of receivables arising from legal disputes and social plan payments. Additionally, in 2015 higher cash inflows from special items totalling around EUR 20 m had an effect, such as the reimbursement of IPO costs by the former shareholder, the reimbursement of income tax by the tax offices and the provision of investment grants; additionally, the net cash flow resulting from the higher income from letting activities had an effect.

For one, the EUR 150.7 m increase in the negative cash flow from investing activities to EUR 152.5 m reflects the cash inflows from the disposal of properties that were EUR 70.4 m lower, as expected. Additionally, in 2015 higher payments of EUR 143.5 m were made for investments in properties, especially in the acquisition of properties.

The cash flow from financing activities essentially reflects the cash inflows of EUR 100.7 m from the capital increase.

In this context, disbursements of EUR 233.0 m to the shareholders had an effect in 2014; in contrast, dividend payments to the shareholders in 2015 totalled EUR 15.3 m.

In 2015, EUR 46.6 m in new loans was taken out. Therefore, EUR 209,6 m less in loans was taken out compared to the previous year due to the high levels of cash and cash equivalents resulting from factors including the capital increase. Some of the loans negotiated for the acquisitions will come into effect at a later date.

Furthermore, disbursements for the repayment of loans in 2015 were EUR 75.0 m lower, due primarily to the full repayment of the loan taken out by the former shareholders in the previous year.

Overall, due to the aforementioned cash flows the cash and cash equivalents increased by EUR 29.0 m. The cash and cash equivalents consist entirely of liquid funds.

8.3 SEPARATE FINANCIAL STATEMENTS – NET ASSETS

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

	31/12/2015		31/12/2014			
	in EUR m	in %	in EUR m	in %	Change in EUR m	Change in %
Assets	1,356.6	85.9	1,196.0	85.2	160.6	13.4
Non-current receivables	0.2	0.0	0.2	0.0	0.0	0.0
Real estate inventory	18.7	1.2	17.7	1.3	1.0	5.5
Current receivables	15.6	1.0	30.6	2.2	-15.0	-49.1
Cash and cash equivalents	180.4	11.4	151.4	10.8	29.0	19.1
Other assets	7.1	0.4	7.4	0.5	-0.3	-3.9
Total assets	**1,578.5**	**100.0**	**1,403.3**	**100.0**	**175.2**	**12.5**
Equity [1]	670.2	42.5	512.8	36.5	157.4	30.7
Non-current liabilities	810.8	51.4	789.0	56.2	21.8	2.8
Current liabilities	97.4	6.2	101.5	7.2	-4.1	-4.0
Total equity and liabilities	**1,578.5**	**100.0**	**1,403.3**	**100.0**	**175.2**	**12.5**

[1] Including the special item for investment subsidies and grants in the amount of EUR 12.7 m (previous year EUR 9.9 m)

The asset side is dominated by fixed assets. The book value of the fixed assets increased by EUR 160.6 m to EUR 1,356.6 m.

In the financial year, additions were made to the fixed assets through the acquisition of properties totalling EUR 208.4 m, which stood in contrast to write-downs of EUR 14.2 m due to the disposal of properties. Scheduled depreciation (EUR 39.0 m) also took place. In the reporting year, appreciation due to reversals of write-downs totalled EUR 16.9 m, offset against unscheduled depreciation, and were based on the current value of the real estate market.

Current receivables decreased by EUR 15.0 m, due primarily to the reimbursement of IPO-related expenses by the former shareholder.

Compared to the previous year, cash and cash equivalents increased by EUR 29.0 m. The change is the result of the disclosures on financial position according to GAAP.

Including the special item for investment subsidies and grants, the finance of TLG IMMOBILIEN AG comprises 42.5% equity (previous year 36.5%) and 51.4% long-term debt (previous year 56.2%), with the remainder in short-term debt.

Compared to 2014, non-current liabilities increased by EUR 21.8 m, essentially due to the increase in liabilities to financial institutions, whereas current liabilities decreased by EUR 4.1 m as a result of the reduction of reserves.

The liabilities to financial institutions have a medium to long-term maturity structure. Therefore, of the non-current liabilities to financial institutions, EUR 480.6 m is due within one to five years, whereas EUR 269.3 m is due from 2021. The other non-current liabilities concern the pension provisions of EUR 6.3 m and non-current other liabilities of EUR 1.2 m.

Furthermore, the non-current liabilities contain deferred tax liabilities of EUR 53.1 m.

8.4 SEPARATE FINANCIAL STATEMENTS – RISKS AND OPPORTUNITIES

TLG IMMOBILIEN AG has a dominant weight within the Group. It therefore faces the same risks and opportunities 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 4.1.2).

8.5 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 non-recurring items in 2015 (appreciation and disposals), the company expects net income in 2016 to be considerably lower than in 2015.

8.6 FINAL DECLARATION OF THE MANAGEMENT BOARD

We declare that, in every transaction described in the report on relations with associated companies from 1 January 2015 to 19 March 2015, the company received reasonable consideration under the known circumstances in which the transactions took place. No measures in the sense of § 312 AktG were implemented or omitted.

Berlin, 11 March 2016

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

CONSOLIDATED FINANCIAL STATEMENTS DETAILED INDEX

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2015

in EUR k	Reference	01/01/2015–31/12/2015	01/01/2014–31/12/2014
Net operating income from letting activities	F.1	**112,380**	**100,263**
Income from letting activities		150,625	136,733
a) Rental income		127,392	114,776
b) Income from recharged utilities and other operating costs		22,870	20,552
c) Income from other goods and services		363	1,405
Expenses related to letting activities		-38,245	-36,469
d) Expenses from operating costs		-29,528	-27,051
e) Maintenance expenses		-6,209	-5,235
f) Other services		-2,508	-4,183
Result from the remeasurement of investment property	F.2	**87,856**	**52,694**
Result from the disposal of investment property	F.2	**7,972**	**3,291**
Result from the disposal of real estate inventory		**771**	**7,320**
a) Proceeds from the disposal of real estate inventory		848	26,119
b) Book value of real estate inventory disposed		-77	-18,799
Other operating income	F.3	**5,835**	**16,839**
Personnel expenses	F.4	**-12,807**	**-17,358**
Depreciation	F.5	**-760**	**-1,236**
Other operating expenses	F.6	**-7,820**	**-15,717**
Earnings before interest and taxes (EBIT)		**193,427**	**146,096**
Financial income	F.7	**443**	**620**
Financial expenses	F.7	**-23,849**	**-24,308**
Gain/loss from the remeasurement of financial instruments	F.8	**-848**	**-2,129**
Earnings before taxes		**169,173**	**120,279**
Income taxes	F.9	**-38,311**	**-31,629**
Net income		**130,862**	**88,650**
Other comprehensive income:	E.9		
thereof non-recycling			
Actuarial gains/losses		35	-906
thereof recycling			
Changes in value of hedging derivatives, after taxes		1,703	-10,926
Total comprehensive income for the year		**132,600**	**76,818**
Of the consolidated net income for the period, the following is attributable to:			
Non-controlling interests		242	62
The shareholders of the parent company		130,620	88,588
Earnings per share			
undiluted in EUR	F.10	2.11	1.65
diluted in EUR	F.10	2.10	1.65
Of the total comprehensive income for the year, the following is attributable to:			
Non-controlling interests		242	62
The shareholders of the parent company		132,358	76,756

CONSOLIDATED BALANCE SHEET

as at 31 December 2015

Assets

in EUR k	Reference	31/12/2015	31/12/2014
A) Non-current assets		**1,776,837**	**1,525,246**
Investment property	E.1	1,739,474	1,489,597
Advance payments on investment property		14,272	5,912
Property, plant and equipment	E.2	9,827	14,140
Intangible assets	E.2	1,566	1,684
Other non-current financial assets	E.3	2,535	2,475
Other assets	E.5	9,163	8,432
Deferred tax assets	E.13	0	3,006
B) Current assets		**222,624**	**212,754**
Real estate inventory	E.6	1,104	1,477
Trade receivables	E.4	11,911	12,552
Receivables from income taxes	E.13	2,195	9,808
Other current financial assets	E.3	883	981
Other receivables and assets	E.5	6,883	13,346
Cash and cash equivalents	E.7	183,736	152,599
Non-current assets classified as held for sale	E.8	15,912	21,991
Total assets		**1,999,461**	**1,738,000**

Equity and liabilities

in EUR k	Reference	31/12/2015	31/12/2014
A) Equity	E.9	**967,874**	**747,964**
Subscribed capital		67,432	61,302
Capital reserves		439,510	343,003
Retained earnings		469,369	354,074
Other reserves		-11,246	-12,984
Equity attributable to the shareholders of the parent company		965,065	745,395
Non-controlling interests		2,809	2,569
B) Debt		**1,031,590**	**990,036**
I.) Non-current liabilities		957,781	909,132
Non-current liabilities to financial institutions	E.10	746,677	731,102
Pension obligations	E.11	8,080	8,241
Non-current financial instruments	H.1	15,921	17,814
Other non-current liabilities	E.14	1,236	1,512
Deferred tax liabilities	E.13	185,867	150,463
II.) Current liabilities		73,809	80,904
Current liabilities to financial institutions	E.10	36,011	39,345
Trade payables	E.14	14,926	13,876
Other current provisions	E.12	2,416	5,691
Tax liabilities		6,415	9,607
Other current liabilities	E.14	14,041	12,384
Total equity and liabilities		**1,999,461**	**1,738,000**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2015

in EUR k	Reference	01/01/2015–31/12/2015	01/01/2014–31/12/2014
1. Cash flow from operating activities			
Net income before taxes		169,173	120,279
Depreciation of property, plant and equipment and amortisation of intangible assets	E.2	760	1,236
Result from fair value adjustments of investment property	F.2	-87,856	-52,694
Result from the remeasurement of financial instruments	F.8	848	2,128
Increase/decrease (-) in provisions	E.12	-3,436	-8,908
Other non-cash income/expenses		1,794	-544
Gain (-)/loss from disposal of property, plant and equipment and intangible assets		-8,268	-3,537
Increase (-)/decrease in real estate inventory	E.6	373	10,303
Financial income	F.7	-443	-620
Financial expenses	F.7	23,849	24,308
Increase (-)/decrease in trade receivables and other assets	E.4/5	10,074	-8,130
Increase/decrease (-) in trade payables and other liabilities		-1,992	-7,644
Cash flow from operating activities		104,875	76,177
Interest received		443	561
Interest paid		-22,987	-47,196
Income tax paid		1,583	-9,009
Net cash flow from operating activities		83,914	20,533
2. Cash flow from investing activities			
Proceeds from disposals of investment property		42,776	85,751
Proceeds from disposals of property, plant and equipment		419	0
Disbursements for acquisitions of investment property		-205,839	-58,607
Disbursements for acquisitions of property, plant and equipment		-253	-482
Disbursements for investments in intangible assets		-195	-245
Proceeds from disposals of consolidated companies and other business units		12,804	0
Disbursements/proceeds in connection with the acquisition of shares in consolidated companies (net cash flow)		0	-47,055
Proceeds from disposals of joint ventures		0	100
Net cash flow from investing activities		-150,288	-20,538
3. Cash flow from financing activities			
Cash received from equity contributions	E.9	100,724	100,000
Cash distributions to shareholders	E.9	-15,326	-233,000
Cash received from bank loans	E.10	46,567	256,214
Repayments of bank loans	E.10	-34,453	-109,540
Net cash flow from financing activities		97,511	13,674
4. Cash and cash equivalents at end of period			
Change in cash and cash equivalents (subtotal of 1 to 3)		31,137	13,669
Cash and cash equivalents at beginning of period		152,599	138,930
Cash and cash equivalents at end of period		183,736	152,599
5. Composition of cash and cash equivalents			
Cash		183,736	152,599
Cash and cash equivalents at end of period		183,736	152,599

CHANGES IN GROUP EQUITY

for the period from 1 January to 31 December 2015

in EUR k	Reference	Subscribed capital	Capital reserves	Retained earnings	Other reserves		Non-controlling interests	Equity
					Reserve hedge accounting	Actuarial gains and losses		
01/01/2014		**52,000**	**410,248**	**339,939**	**-124**	**-1,028**	**0**	**801,036**
Net income		0	0	88,588	0	0	62	88,650
Other comprehensive income		0	0	0	-10,926	-906	0	-11,832
Total comprehensive income for the year		**0**	**0**	**88,588**	**-10,926**	**-906**	**62**	**76,818**
Changes to the basis of consolidation		0	0	0	0	0	2,507	2,507
Withdrawals from capital reserves		0	0	0	0	0	0	0
Distributions to shareholders		0	-158,546	-74,453	0	0	0	-232,999
Share capital increase		9,302	90,698	0	0	0	0	100,000
Transaction costs relating to the share capital increase, after taxes		0	-2,993	0	0	0	0	-2,993
Capital contribution in connection with share-based remuneration		0	3,596	0	0	0	0	3,596
Change during the period		9,302	-67,245	14,135	-10,926	-906	2,569	-53,071
31/12/2014		**61,302**	**343,003**	**354,074**	**-11,050**	**-1,934**	**2,569**	**747,964**
01/01/2015		**61,302**	**343,003**	**354,074**	**-11,050**	**-1,934**	**2,569**	**747,964**
Net income		0	0	130,620	0	0	242	130,862
Other comprehensive income	E.9	0	0	0	1,703	35	0	1,739
Total comprehensive income for the year		**0**	**0**	**130,620**	**1,703**	**35**	**242**	**132,601**
Adjustment for non-controlling interests		0	0	0	0	0	-3	-3
Change in scope of consolidation		0	-200	0	0	0	0	-200
Dividend payment		0	0	-15,326	0	0	0	-15,326
Share capital increase	E.9	6,130	95,628	0	0	0	0	101,758
Transaction costs associated with the share capital increase, after taxes	E.9	0	-717	0	0	0	0	-717
Deposits associated with share-based remuneration	E.9 + H.10	0	1,796	0	0	0	0	1,796
Change during the period		6,130	96,507	115,294	1,703	35	240	219,910
31/12/2015		**67,432**	**439,510**	**469,369**	**-9,347**	**-1,899**	**2,809**	**967,874**

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 in 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 Berlin and eastern Germany.

The main activities consist of the operation of real estate businesses and businesses of all types in connection with this – in particular the management, letting, building and renovation, acquisition and sale of commercial real estate in a broader sense, in particular office space, retail properties and hotels – the development of real estate projects, as well as the rendering of services in connection with the above-mentioned business activities, either itself or via companies of which the company is a shareholder.

The annual financial statements of TLG IMMOBILIEN AG and its fully consolidated subsidiaries form the basis of the consolidated financial statements prepared for the 2015 financial year. The consolidated financial statements were prepared by the Management Board by 11 March 2016. The Supervisory Board is expected to approve the consolidated financial statements in a meeting on 29 March 2016.

Due to the given proportions of the Group companies, the prepared consolidated financial statements are significantly influenced by TLG IMMOBILIEN AG.

A.2 PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with § 315a of the German Commercial Code (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 are comprised of the consolidated statement of comprehensive income, the consolidated balance sheet, the cash flow statement, the changes in Group equity and the notes to the consolidated financial statements. The individual items will be explained in the appendices.

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 year of TLG IMMOBILIEN AG and the included subsidiaries corresponds to the calendar year. The financial statements of the subsidiary are prepared using uniform accounting and valuation methods as at the same balance sheet date as the financial statements of the parent company.

The compilation of the consolidated financial statements is generally carried out on the basis of assets and debts entered in the balance sheet 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 balance sheet 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 AMENDMENTS TO ACCOUNTING AND VALUATION METHODS – AMENDED STANDARDS AND INTERPRETATIONS

In the current financial year, the company applied the following new and/or amended standards and interpretations for the first time.

IFRIC 21 – Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government due to legislative regulations (e.g. property tax). In this process, the obligating event for the recognition of a liability is identified as the activity which causes the payment according to the relevant legislation. The levies are not to be recognised in the balance sheet until the occurrence of the obligating event. The obligating event can also occur successively over a period of time, requiring that the debt be recognised pro rata temporis.

IFRIC 21 has been applied retroactively. The application of this interpretation had no significant effects on the consolidated financial statements.

B.2 PUBLISHED IFRS WHOSE APPLICATION IS NOT YET OBLIGATORY

IFRS 9 – Financial Instruments

TLG IMMOBILIEN intends to apply the new standard as at the prescribed date of validity. In the 2015 financial year, TLG IMMOBILIEN carried out a valuation of the effects of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and is subject to change due to further, more detailed analyses or additional appropriate and reliable information that is made available to the Group in the future. Overall, TLG IMMOBILIEN does not foresee significant effects on its balance sheet and equity. In future, TLG IMMOBILIEN will carry out a detailed valuation in order to determine the exact extent of these effects.

IFRS 15 – Revenue from Contracts with Customers

In the 2015 financial year, TLG IMMOBILIEN carried out a preliminary assessment of IFRS 15 which could possibly change in the course of further, more detailed analysis. Moreover, TLG IMMOBILIEN will observe the clarifications published in an exposure draft in July 2015 by the IASB, and will monitor the further developments.

(a) Disposal of properties

Contracts with customers with whom the sale of properties is the only agreed service will presumably not affect the consolidated financial statements. In future, realisation from the sales will occur in accordance with IFRS 15. Until now, realisation has occurred with the transfer of ownership, use and tax burdens. The company expects nothing to change in this regard with respect to IFRS 15.

(b) Rendering of letting services

The Group renders letting services. The Group has come to the preliminary assessment that letting services will be rendered over a period of time, because the benefit from the service is accrued to the customer and the customer uses this benefit simultaneously. For this reason, TLG IMMOBILIEN does not expect significant effects from these service contracts.

The annual improvements to the IFRS (cycle 2011–2013) resulted in amendments to the IFRS; however, these will have no effect on the consolidated financial statements.

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 when TLG IMMOBILIEN AG gains control of them. Control is gained from the time when 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 subsidiary are prepared using uniform accounting and valuation methods as at the same balance sheet date 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 balance sheet. Disclosure in the consolidated balance sheet occurs under equity, separately from equity subscribed 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.

Associated companies and joint ventures

Joint ventures and associated companies are consolidated pursuant to IAS 28 according to the equity method. In this process, the shares are initially recognised at their acquisition costs. During the subsequent consolidation, the book valuation is carried forward via the change in amount of the shareholding in the associated company or joint venture.

On the balance sheet date, no associated companies or joint ventures were included in the consolidated financial statements of TLG IMMOBILIEN.

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

C.2 CHANGES IN THE GROUP

Number of fully consolidated subsidiaries

	2015	2014
As at 01/01	**5**	**4**
Additions	0	1
Disposals	-2	0
As at 31/12	**3**	5

The change during the reporting period can be attributed to the liquidation of Verwaltungs-gesellschaft an der Frauenkirche mbH i.L., Dresden, in July 2015 and the disposal of TLG Gewerbe-park Grimma GmbH in Grimma in December 2015.

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

C.3 FINAL PURCHASE PRICE ALLOCATION OF TLG FAB S.À R.L.

There were no significantly changed purchase price allocations compared with the disclosure in the consolidated balance sheet for the previous year.

The effects on the assets, financial position and earnings of TLG IMMOBILIEN were not noteworthy.

D. EXPLANATION OF ACCOUNTING AND VALUATION 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 balance sheet 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 balance sheet with their acquisition or production costs. The properties are subsequently entered in the balance sheet 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) 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 performed by Savills Advisory Services Germany GmbH Co. KG at the end of 2015/beginning of 2016, as well as the end of 2014/beginning of 2015, as at 31 December 2015 and 31 December 2014, respectively.

As investment property, project developments are measured at their fair values so far as the fair value can be reliably measured. The fair value of properties is measured regularly by obtaining building permits.

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 reduced 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, possibly, 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. Where 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 valuation 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 economic 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 acquisition costs.

The scheduled amortisation is carried uniformly across the Group pursuant to the following useful lives:

Useful life of property, plant and equipment

in years	2015	2014
Owner-occupied properties	50–60	50–60
Technical plants and machines	8–13	8–13
Other office furniture and equipment	3–13	3–13

Impairment tests are carried out on the book values of the property, plant and equipment as soon as there are indicators that the book values 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 FIXED ASSETS

Intangible fixed assets are capitalised at their acquisition cost. The intangible fixed assets are software licences which have a certain useful life. After they are made available, the software licences depreciate over an expected useful life of three to five years.

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 scheduled depreciation; 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 fixed 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 book value, a valuation allowance is immediately carried out on the asset through net profit or loss.

In the 2015 financial year, it was not necessary to carry out an impairment test on property, plant and equipment or intangible fixed assets with a certain useful life as no indicators of impairment existed.

For goodwill acquired through the acquisition of companies and businesses, TLG IMMOBILIEN carries out the impairment test on an annual basis at the end of the financial year and also whenever there are indicators of possible impairment.

The goodwill results exclusively from the overlap in the measured deferred tax liabilities (for temporary deferred differences respective to the property asset) existing at the time of initial consolidation of TLG FAB in relation to the lower fair value of the corresponding tax liabilities. A reduction in value did not come into consideration because an overlap in temporary deferred differences compared to goodwill continues to be present.

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 balance sheet date or, if the fair value cannot be reliably determined, at cost.

D.6 RECOGNITION OF LEASES AS THE TENANT

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 rates or the fair value of the leased property and undergo scheduled, straight-line depreciation. The depreciation period is the shorter of the term of the lease or 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 net loss when the leased objects are used.

D.7 RECOGNITION OF LEASES AS 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 REAL ESTATE INVENTORY

Real estate inventory includes land and buildings intended to be sold as part of the normal course of business. This can exceed a period of twelve months. Upon its acquisition, inventory is measured at historical cost. On the balance sheet date, inventory is 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 valuation 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 to banks.

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 balance sheet 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 book value 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 TO FINANCIAL INSTITUTIONS

When first included in the statement of financial position, liabilities to banks 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 balance sheet 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 book value 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 book value of the liability are 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 OBLIGATIONS

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

Obligations arising from defined benefit plans are measured using the projected unit credit method. This method factors in the known pensions and earned credits toward 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 Employers' Retirement Benefits Act (BetrAVG) forms the regulatory framework in Germany; pension increases are therefore based on the inflation rate. 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 profit and loss are entered in the balance sheet completely within the period of their origination and listed separately under other reserves. The actuarial profits and losses are no longer entered in the balance sheet 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 REMUNERATION

As compensation for work performed, the Management Board and selected managers of the Group receive share-based remuneration in the form of equity instruments (so-called transactions with compensation by equity instruments) which are entered in the balance sheet in accordance with IFRS 2.

Using an appropriate valuation model, the costs of transactions with compensation by equity instruments are valued 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 earning period.

D.15 OTHER RESERVES

Other reserves are created 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. Reserves are discounted if this results in a significant effect. Effects from discounting reserves 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 derivatives are recognised through net profit or loss, as long as there is no hedging relationship in the sense of IAS 39.

Derivatives recognised as hedging instruments cover future cash flows which are characterised by uncertainty. The TLG IMMOBILIEN Group is exposed to a risk in connection with the amount of future cash flows, especially with regard to liabilities to financial institutions with variable interest rates. Therefore, changes to the fair value are broken down into an effective and an ineffective part. Effectiveness is determined using the dollar offset method. The effective part is the part of the measurement gain or loss which represents an effective hedge against the cash flow risk in the statement of financial position. The effective part is 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 is included in the statement of comprehensive income and recognised under net interest.

The amounts recognised in equity are always transferred to the statement of comprehensive income if results in connection with the underlying transaction start affecting net profit or loss (recognised in net interest).

If the hedging relationship is terminated prematurely, the amounts recognised in equity are recognised through net profit or loss if results in connection with the existing underlying transaction start affecting net profit or loss. If the underlying transaction ceases to exist, the amounts that are still in other comprehensive income are immediately recognised through net profit or loss.

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 valuation methods. For cash and cash equivalents and other current primary financial instruments, the fair values correspond approximately to the book values on 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 valuation 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 date of the statement of financial position – and obtained from recognised external sources – are used as input parameters for the valuation 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 2015 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 to financial institutions	x	
Derivatives with negative fair value	x	

D.19 RECOGNITION OF INCOME AND EXPENSES

Net operating 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.

Net 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 service is rendered or on the 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 them with the related costs, for which they are intended to compensate, on a systematic basis.

Investment subsidiaries 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 scheduled depreciation.

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

The redemption loans and low-interest loans are property loans and are recognised as liabilities to financial institutions. Both come with advantages over standard loans, such as low interest rates or interest or principal repayment holidays. They are generally recognised at their present value based on the market interest rate when they were taken out. The difference is recognised in a deferral account that is amortised to expenses from the loan repayment on a straight-line basis over the remaining term of the loan.

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 book values 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 would 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 (OCI) 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 incite 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 so-called “qualifying assets” exist, borrowing costs are capitalised if they are significant.

D.23 MAJOR DISCRETIONARY DECISIONS AND ESTIMATES

The application of accounting and valuation methods requires the management to make assumptions and estimates which will influence the book values 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 book values 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 balance sheet 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.

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.

- For properties, depending on their intended use the company must determine whether they are to be classed as inventory or investment property.

- Buildings that are being used by the owner or a third party must be recognised as separate assets according to IAS 16 and IAS 40, provided that the area used by the owner or third party is not inconsiderable.

- The recognition and measurement of pension provisions: The provisions for pensions and similar obligations are determined using actuarial calculations. This calculation is carried out on the basis of assumptions regarding interest rates, mortality tables and future pension increases.

- The 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.

- **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 taxes were capitalised.

- **Impairment test of goodwill:** An impairment test determines whether or not goodwill is impaired. The recoverable amount required for this is determined by calculating the value in use and/or the fair value. The calculation is based on a number of assumptions, for example regarding growth rates or the discount rate.

- **Share-based remuneration:** According to IFRS 2, costs resulting from the provision of equity instruments to employees 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.

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 balance sheet 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 assets, financial position and earnings 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.

Revenue is generated by a large number of tenants. More than 10% of the total revenue was generated by one client. In the 2015 financial year, EUR k 18,483 (previous year EUR k 17,777) of the total revenue was attributable to this client.

E. NOTES ON THE CONSOLIDATED BALANCE SHEET

E.1 INVESTMENT PROPERTY

In the 2014 and 2015 financial years, the book value of the investment property developed as follows:

in EUR k	2015	2014
Book value as at 01/01	**1,489,597**	**1,414,691**
Acquisitions	193,634	43,082
Additions from mergers	0	50,000
Capitalisation of construction activities	6,743	12,320
Receipt of grants and subsidies	-3,259	0
Reclassification as assets held for sale	-38,603	-86,635
Reclassification as property, plant and equipment	0	-25
Reclassification from property, plant and equipment	3,506	3,470
Fair value adjustment	87,856	52,694
Book value as at 31/12	**1,739,474**	1,489,597

The portfolio strategy of TLG IMMOBILIEN stipulates the concentration on the asset classes of retail and office, as well as hotels with long-term leases in certain top inner-city locations, in particular Berlin and Dresden. Although the office property portfolio is to be largely limited to Berlin, Dresden, Leipzig and Rostock, the retail property portfolio – which is characterised by convenience stores – is more widely distributed. Decisions on acquisitions, sales and pending investments are subject to the named principles of the portfolio strategy.

In line with its growth strategy, in 2015 TLG IMMOBILIEN more than doubled its volume of acquisitions from EUR k 93,082 in the previous year to EUR k 193,634. Following the disposal exclusively of office properties in 2014, 86% of the acquisitions in 2015 were retail properties. In addition to two office properties in Dresden (Ferdinandplatz 1–2) and Rostock (Doberaner Strasse 114–116/Lohmühlenweg 1, 2), three neighbourhood shopping centres in Berlin (Adlergestell 296, 299–305) and the surrounding area ("Bahnhofs-Passage" in Bernau and "Handelscentrum" in Strausberg) and two special retail centres in Rostock ("Südstadt Center" incl. "Kosmos") and Wismar ("Burgwallcenter") were added to the portfolio of TLG IMMOBILIEN.

The capitalisation of construction activities totalling EUR k 6,743 (previous year EUR k 12,320) concerns 89% of the core portfolio of TLG IMMOBILIEN. The decrease compared to the previous year is due to the decline in project development work.

The EUR k 38,603 (previous year EUR k 86,635) in reclassifications as assets held for sale is due to strategic disposals from the portfolio. Reclassifications from property, plant and equipment totalling EUR k 3,506 (previous year EUR k 3,470) reflect the decrease in lettable area used by TLG IMMOBILIEN so that it can now be rented out.

Encouraged by the consistently positive market developments in 2015, the fair value was significantly adjusted to EUR k 87,856 (previous year EUR k 52,694), relating to around 90% of the core portfolio of TLG IMMOBILIEN, of which 21% is attributable to acquisitions made in 2014 and 2015. The reclassifications as assets held for sale also include all disposals made during the year which are reclassified before being disposed of as assets held for sale.

As at 31 December 2015, the fair values of the investment property differed depending on the measurement method as well as by asset class as follows. Prepayments made on these properties are not included here; they are recognised separately on the balance sheet.

Portfolio overview by asset class

in EUR k	Investment properties	Discount rate			Capitalisation rate		
	in EUR k	Min. in %	Max. in %	Average (weighted by gross present value) in %	Min. in %	Max. in %	Average (weighted by net selling price) in %
Investment properties as at 31/12/2015							
Valuation method: discounted cash flow (DCF)							
Retail properties	867,600	3.50	15.00	5.66	5.25	33.00	7.56
Office properties	597,395	4.00	7.60	4.96	4.00	15.00	6.43
Hotel properties	207,565	4.50	5.00	4.65	6.00	6.25	6.05
Other properties	54,620	4.25	11.00	6.69	4.25	17.50	8.77
Total (DCF method)	**1,727,179**	**3.50**	**15.00**	**5.33**	**4.00**	**33.00**	**6.99**
Valuation method: liquidation method (LM)							
Retail properties	4,540	4.50	5.00	4.52			
Office properties	230	7.50	7.50	7.50			
Other properties	7,525	4.75	9.50	4.89			
Total (liquidation method)	**12,295**	**4.50**	**9.50**	**4.80**			
Total	**1,739,474**						
Effective rent multiplier	13.52						

Portfolio overview by asset class

in EUR k	Investment properties	Discount rate			Capitalisation rate		
	in EUR k	Min. in %	Max. in %	Average (weighted by gross present value) in %	Min. in %	Max. in %	Average (weighted by net selling price) in %
Investment properties as at 31 December 2014							
Valuation method: discounted cash flow (DCF)							
Retail properties	663,347	3.75	15.00	6.09	5.50	33.00	8.12
Office properties	547,145	4.00	12.00	5.26	4.00	15.00	6.86
Hotel properties	191,415	4.75	6.00	5.09	6.25	6.50	6.46
Other properties	69,887	3.75	12.00	7.00	4.00	25.00	10.92
Total (DCF method)	**1,471,794**	**3.75**	**15.00**	**5.68**	**4.00**	**33.00**	**7.54**
Valuation method: liquidation method (LM)							
Retail properties	5,740	4.75	4.75	4.75			
Office properties	230	7.50	7.50	7.50			
Other properties	11,833	5.00	9.50	5.58			
Total (liquidation method)	**17,803**	**4.75**	**9.50**	**5.34**			
Total	**1,489,597**						
Effective rent multiplier	12.58						

As at 31 December 2015, the fair value of investment properties amounted to a total of EUR k 1,739,474 (previous year EUR k 1,489,597). At EUR k 1,533,381, the properties which were in the portfolio on 1 January as well as 31 December 2015 (resting portfolio with no acquisitions or reclassifications from 2015) represented 88.2% of its value as at 31 December 2015.

The 5.0% change in the value of properties which were in the portfolio on 1 January as well as 31 December 2015 (resting portfolio) compared to 31 December 2014 is based on positive market developments in Berlin in particular, as well as on a reduction in the EPRA Vacancy Rate and the continuous increase in effective rent. Regarding the strategic 95.9% of the resting portfolio (previous year 94.0%), the change in value was 5.1% (previous year 2.0%). Regarding the non-strategic portfolio, the change in value was 3.1% (previous year 8.1%). The positive development of the value of the non-strategic portfolio is due in particular to the development of the value of development land in Dresden and the extension of a rental agreement in a commercial property with a single tenant.

No significant changes were made to the measurement methods and models during the reporting period.

The fair value calculation by the independent expert was based on the following rental data on each balance sheet date:

Portfolio overview by asset class

	Investment properties in EUR k	EPRA Vacancy Rate in %	Average effective rent[1] in EUR/sqm	Proportion of temporary rental agreements in %	WALT Temporary rental agreements in years
Investment properties as at 31 December 2015					
Valuation method: discounted cash flow (DCF)					
Retail properties	867,600	1.4	9.86	97.5	5.9
Office properties	597,395	5.7	9.56	92.9	5.1
Hotel properties	207,565	1.0	14.16	99.0	15.2
Other properties	54,620	6.1	4.51	89.9	8.4
Total (DCF method)	**1,727,179**	**3.0**	**9.60**	**95.9**	**6.7**
Valuation method: liquidation method (LM)					
Retail properties	4,540	0.0	2.69	100.0	0.9
Office properties	230	0.0		0.0	0.0
Other properties	7,525	0.0	1.54	55.5	0.7
Total (liquidation method)	**12,295**	**0.0**	**2.48**	**89.9**	**0.9**
Total	**1,739,474**	**3.0**	**9.52**	**95.8**	**6.7**
Investment properties as at 31 December 2014					
Valuation method: discounted cash flow (DCF)					
Retail properties	663,347	1.1	9.72	97.6	6.9
Office properties	547,145	7.0	9.39	91.9	5.6
Hotel properties	191,415	1.1	13.85	99.3	16.1
Other properties	69,887	10.1	3.49	78.8	5.9
Total (DCF method)	**1,471,794**	**3.9**	**8.50**	**94.1**	**7.4**
Valuation method: liquidation method (LM)					
Retail properties	5,740	0.0	2.56	100.0	1.5
Office properties	230	0.0	0.00	0.0	–
Other properties	11,833	0.0	2.65	80.2	2.1
Total (liquidation method)	**17,803**	**0.0**	**2.66**	**87.9**	**1.8**
Total	**1,489,597**	**3.9**	**8.41**	**94.1**	**7.4**

[1] Effective rent per sqm of rented space, including owner occupancy by TLG IMMOBILIEN AG as at the balance sheet date, with no rental agreements starting in the future

As at 31 December 2015, the investment property had an average EPRA Vacancy Rate of 3.0% (previous year 3.9%). The future development of the EPRA Vacancy Rate is based on the location and characteristics of each property. With regard to retail and hotel properties, we generally expect the vacancy rates to remain as low as at 31 December 2015. We expect the EPRA Vacancy Rate to decrease for office properties and not to change significantly for miscellaneous properties.

At 9.52 EUR/sqm (previous year 8.41 EUR/sqm), the average effective rent (including owner occupancy by TLG IMMOBILIEN AG) increased by 13.2%, including due to the disposal of commercial properties with particularly low average rents. The breakdown by dates does not factor in concluded rental agreements which come into effect after the balance sheet date. The further development of rents was forecast on the basis of individual assumptions in the planning period. Rent from existing rental agreements was distinguished from rent from new rental agreements due to expected fluctuations. In the detailed planning period, the market rent increases at an individually determined rate on an annual basis. Overall, we expect rents in the planning period to increase moderately. At 6.7 years, the WALT (weighted average lease term) is lower than its 7.4 years in the previous year.

As at the reporting date, TLG IMMOBILIEN continues to assume that future fluctuations in fair value will largely not be the result of factors lying within the discretionary power of TLG IMMOBILIEN. Essentially, these include the discount and capitalisation rates used as part of 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 increased or decreased by 0.5 percentage points, the following values would result on 31 December 2015:

Investment properties – sensitivity analysis

in EUR k	Capitalisation rate	Discount rate		
		-0.5%	0.0%	+0.5%
31/12/2015				
Valuation method: discounted cash flow (DCF)				
	-0.5%	1,879,739	1,810,449	1,744,359
	0.0%	1,792,109	**1,727,179**	1,664,739
	+0.5%	1,718,309	1,656,559	1,597,299
Valuation method: liquidation method (LM) [1]				
	0.0%	12,498	**12,295**	12,103
Total [1]				
	-0.5%	1,892,237	1,822,744	1,756,462
	0.0%	1,804,607	**1,739,474**	1,676,842
	+0.5%	1,730,807	1,668,854	1,609,402
31/12/2014				
Valuation method: discounted cash flow (DCF)				
	-0.5%	1,592,354	1,534,764	1,479,934
	0.0%	1,525,984	**1,471,794**	1,419,944
	+0.5%	1,469,524	1,417,454	1,368,024
Valuation method: liquidation method (LM) [1]				
	0.0%	18,020	**17,803**	17,680
Total [1]				
	-0.5%	1,610,374	1,552,567	1,497,614
	0.0%	1,544,004	**1,489,597**	1,437,624
	+0.5%	1,487,544	1,435,257	1,385,704

[1] The liquidation process does not include the sensitivity analysis of the capitalisation rate.

With regard to a change in the other key input parameters and their effect on fair value, the qualitative sensitivities are as follows: An increase in rental income will cause the value of investment property to increase. Likewise, an increase in residual value will cause the value of the properties to increase. An increase in the EPRA Vacancy Rate will cause the property value to decrease.

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 2015:

in EUR k	31/12/2015	31/12/2014
Remaining term up to 1 year	121,764	110,144
> 1 to 5 years	371,992	345,522
> 5 years	332,248	366,733
Total	**826,004**	**822,399**

In the 2015 financial year, contingent rents in the amount of EUR k 139 (previous year EUR k 162) 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 residential properties 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

Property, plant and equipment and intangible assets developed as follows:

in EUR k	Owner-occupied properties	Technical equipment and machinery	Operating and office equipment	Intangible fixed assets	Goodwill	Total
2015						
Acquisition and production costs						
as at 01/01/2015	**13,834**	**4,767**	**5,611**	**7,307**	**1,164**	**32,683**
Additions	115	42	96	195	0	448
Reclassifications (IAS 40)	-3,506	0	0	0	0	-3,506
Disposals	0	3,942	2,088	0	0	6,030
as at 31/12/2015	10,443	867	3,619	7,502	1,164	23,595
Cumulative depreciation						
as at 01/01/2015	**913**	**4,045**	**5,114**	**6,787**	**0**	**16,859**
Additions	185	126	135	313	0	759
Disposals	0	3,580	1,837	0	0	5,417
as at 31/12/2015	1,098	591	3,412	7,100	0	12,201
Net book value as at 31/12/2015	**9,344**	**276**	**207**	**402**	**1,164**	**11,394**
2014						
Historical costs						
as at 01/01/2014	17,103	2,728	5,769	7,098	0	32,698
Additions	201	167	114	245	1,164	1,891
Reclassifications (IAS 40)	-3,470	1,944	1	0	0	-1,525
Disposals	0	72	273	36	0	381
as at 31/12/2014	13,834	4,767	5,611	7,307	1,164	32,683
Cumulative depreciation						
as at 01/01/2014	639	2,023	5,175	6,226	0	14,063
Additions	274	155	210	597	0	1,236
Reclassifications (IAS 40)	0	1,903	0	0	0	1,903
Disposals	0	36	271	36	0	343
as at 31/12/2014	913	4,045	5,114	6,787	0	16,859
Net book value as at 31/12/2014	**12,921**	**723**	**497**	**520**	**1,164**	**15,824**

Due to a decrease in owner-occupied area in 2015, the owner-occupied properties measured according to IAS 16 were reclassified as investment property.

E.3 OTHER FINANCIAL ASSETS

Other financial assets are subdivided as follows:

in EUR k	31/12/2015	31/12/2014
Other loans	2,535	2,475
Account balances with restricted access	545	652
Other financial assets	338	328
Total	**3,418**	**3,456**

The account balances with restricted access are primarily cash for which guarantees have been issued.

The other financial assets are non-current up to the value of the other loans; the rest is current.

E.4 TRADE RECEIVABLES

The following table gives an overview of the Group trade receivables:

in EUR k	31/12/2015	31/12/2014
Trade receivables, gross	15,585	18,201
Applicable value adjustments	-3,673	-5,650
Total of trade receivables	**11,911**	**12,552**
of which from letting activities	3,969	4,167
of which from disposal of properties	7,761	7,019
of which other trade receivables	181	1,365

All trade receivables are current.

For the development of valuation 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	31/12/2015	31/12/2014
Accruals and deferrals	2,609	2,936
Receivables from other taxes	202	95
Prepayments	15	16
Accruals and deferrals from rental incentives granted	9,539	8,432
Receivables from recharged IPO costs	0	9,800
Other assets	3,681	499
Total	**16,047**	**21,778**

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.

The other assets essentially comprise receivables from the provision of investment subsidies.

Of the other receivables and assets, EUR k 6,883 (previous year EUR k 13,346) is current; the rest is non-current.

E.6 REAL ESTATE INVENTORY

Real estate inventory is subdivided as follows:

in EUR k	31/12/2015	31/12/2014
Land with completed buildings	412	412
Undeveloped land	692	1,065
Total	**1,104**	**1,477**

More information on the real estate inventory can be found in the table below:

in EUR k	2015	2014
Real estate inventory recognised as expenses in the reporting period	77	18,799
Real estate inventory with a term of more than 1 year	1,046	1,477

E.7 CASH AND CASH EQUIVALENTS

As at the measurement dates, cash and cash equivalents are represented as follows:

in EUR k	31/12/2015	31/12/2014
Bank account balances	183,731	152,590
Cash on hand	5	10
Total of cash and cash equivalents	**183,736**	**152,599**

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 HELD FOR SALE

According to IFRS 5, only assets which the company has decided to dispose of by each balance sheet date, the disposal of which is to be considered highly likely within twelve months of the decision being made and for which active attempts at marketing have been initiated, can be recognised under assets held for sale as at 31 December 2015 as well as in the previous year.

The book value of the assets held for sale and of the related liabilities developed as follows:

in EUR k	2015	2014
Book value as at 01/01	**21,991**	**17,817**
Reclassification from investment property	38,603	86,635
Disposal through the sale of land and buildings	-44,682	-82,460
Book value as at 31/12	**15,912**	**21,991**

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 balance sheet date, the subscribed capital of the company was EUR k 67,432 (previous year EUR k 61,302). The share capital is fully paid in. There are no different classes of share.

Following the capital increase in exchange for cash contributions on 17 November 2015, the company’s share capital of EUR k 61,302, divided into 61,302,326 registered ordinary shares with a theoretical par value of EUR 1.00, was increased by EUR k 6,130 to EUR k 67,432 by the issue of 6,130,000.00 no-par bearer shares. The shares issued in November 2015 have a theoretical par value of EUR 1.00 and entitlement to dividends from 1 January 2015.

The capital reserve amounts to EUR k 439,510 (previous year EUR k 343,003). The changes (EUR k 96,507) are essentially due to a contribution of EUR k 95,628 to the capital reserve as part of the capital increase and a contribution of EUR k 1,796 to the capital reserve from share-based remuneration.

The revenue reserves of the Group increased by EUR k 115,295 to EUR k 469,369 (previous year EUR k 354,074). This was due to the net income of EUR k 130,620 attributable to the shareholders of the parent company, as well as the payment of a dividend totalling EUR k 15,326 to the shareholders during the financial year, which corresponds to EUR 0.25 per no-par value share entitled to the dividend.

The accumulated other reserves comprise actuarial gains and losses of EUR k 1,899 (previous year EUR k 1,934) and accumulated fair value adjustments of derivatives in cash flow hedges of EUR k 9,437 (previous year EUR k 11,050).

The deferred taxes are distributed under accumulated other reserves as follows:

in EUR k	Before deferred taxes	Deferred taxes	After deferred taxes
01/01/2015–31/12/2015			
Fair value adjustments for interest rate derivatives in cash flow hedges	2,508	-805	1,703
Actuarial gains and losses	50	-15	35
01/01/2014–31/12/2014			
Fair value adjustments for interest rate derivatives in cash flow hedges	-15,800	4,874	-10,926
Actuarial gains and losses	-1,310	404	-906

E.10 LIABILITIES TO FINANCIAL INSTITUTIONS

Liabilities to financial institutions have changed due to scheduled and unscheduled amortisation and due to refinancing.

Loans were valued at EUR k 46,567 in the 2015 financial year (previous year EUR k 256,214). Due to the cash flow from the IPO in the 2014 financial year, a considerably lower amount of capital was borrowed.

Essentially, two loans loan totalling EUR k 14,919 (previous year EUR k 17,681) – which mature in 2016 – and the repayments to be made in 2016 were recognised as payable within one year as at 31 December 2015.

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. Generally, the overwhelming majority of the properties in the portfolio serve as collateral.

Liabilities to financial institutions have the following remaining terms:

in EUR k	31/12/2015	31/12/2014
Due within 1 year	36,011	39,345
Due after more than 1 year	746,677	731,102

E.11 PENSION OBLIGATIONS

There are pension obligations towards former executives and managing directors who began working for the company between 1991 and 2001.

As at 31 December 2015, EUR k 3,465 of the present value of the performance obligation was attributable to the group of former scheme members and EUR k 4,615 was attributable to the group of pensioners and survivors. The average term of the commitments to the managing directors is 14.43 years. The company expects payments of EUR k 270 under pension schemes in 2016 (previous year EUR k 256).

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:

in %	2015	2014
Discount rate	2.00	1.80
Rate of pension progression [1]	2.00	2.00

[1] 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.

For the defined benefit plans, the expenses in the financial years are broken down as follows:

in EUR k	2015	2014
Service cost	0	34
Interest expense	146	211
Total	**146**	**245**

The present value of the pension obligations developed as follows in the corresponding periods:

in EUR k	2015	2014
Present value of the obligations as at 01/01	**8,241**	**6,931**
Ongoing service costs	0	34
Interest expense	146	211
Pension payments rendered by the employer directly	-257	-245
Actuarial gains/losses	-50	1,310
Present value of the obligations as at 31/12	**8,080**	**8,241**

The actuarial loss resulting from the adjustment of the discount rate was recognised in other comprehensive income (OCI). Of this amount, a gain/loss of EUR k 183 (previous year EUR k -81) is attributable to adjustments made in the current year based on past experience and a gain/loss of EUR k -233 (previous year EUR k 1,391) is attributable to changes to financial assumptions. Overall, the accumulated other reserves comprise actuarial losses of EUR k 2,747 (previous year EUR k 2,797).

Expenses of EUR k 642 (previous year EUR k 880) for defined contribution plans arose in the current year. These essentially consist of contributions to the statutory pension scheme.

Based on the obligations accounted for on the balance sheet 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

	Change to the assumption in %	Increase in the assumption in EUR k	Decrease in the assumption in EUR k
2015			
Discount rate	1.00	7,050	9,355
Rate of pension progression [1]	0.50	8,484	7,710
2014			
Discount rate	1.00	7,137	9,618
Rate of pension progression [1]	0.50	8,656	7,861

[1] 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, pension trends or mortality do not cause the same absolute amount of difference in the calculation of the pension obligations. 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 the changes to the assumptions. Furthermore, the sensitivities only reflect a change to the pension obligations 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	01/01/2015	Contribution	Utilisation	Release	Other change	31/12/2015
Provisions for litigation risks	5,084	68	-1,634	-1,515	-49	1,953
Other miscellaneous provisions	607	24	-167	-2	0	462
Total	5,691	92	-1,801	-1,517	-49	**2,416**

In the 2015 financial year, the settlement of legal disputes in connection with the reclaiming of subsidies by a public bank caused a significant reduction in the provisions for litigation risks. The other provisions for litigation risks concern the risks of losing ongoing court proceedings and were formed to match the expected claims.

E.13 DEFERRED TAXES

The deferred tax assets and liabilities result from the following temporary differences and taxable loss carryforwards:

in EUR k	31/12/2015		31/12/2014	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investment property and owner-occupied property	0	193,710	2,873	162,197
Property, plant and equipment	478	0	590	0
Intangible assets	41	0	49	0
Other assets	1,948	3,021	2,696	2,805
Pension provisions	1,157	0	1,224	0
Other provisions	0	0	56	12
Financial liabilities	4,888	1,037	5,481	1,196
Other liabilities	1,316	1,327	1,126	774
Total of temporary differences	**9,827**	**199,095**	**14,095**	**166,983**
Loss carryforwards	3,581	0	5,431	0
OBD	0	180	0	0
Total of deferred taxes before offsetting	**13,408**	**199,275**	**19,526**	**166,983**
Offsetting	13,408	13,408	16,520	16,520
Disclosure after offsetting	**0**	**185,867**	**3,006**	**150,463**

The deferred tax claims and liabilities before offsetting are expected to be realised as follows:

in EUR k	31/12/2015	31/12/2014
Deferred tax claims		
realised after more than 12 months	10,915	16,169
realised within 12 months	2,493	3,357
Total of deferred tax claims	**13,408**	**19,526**
Deferred tax liabilities		
realised after more than 12 months	197,704	165,987
realised within 12 months	1,571	996
Total of deferred tax liabilities	**199,275**	**166,983**

The sum of temporary differences associated with investments in subsidiaries and interests in joint ventures which will not be reversed in the foreseeable future in the sense of IAS 12.39 and for which no deferred taxes were recognised amounts to EUR k 0 (previous year EUR k 468).

In the financial year, deferred tax liabilities of EUR k 180 were formed for outside basis differences for the first time.

E.14 LIABILITIES

The liabilities are classified as follows:

in EUR k	31/12/2015	31/12/2014
Trade payables	**14,926**	**13,876**
Total of other liabilities	**15,277**	**13,896**
Liabilities to employees	1,791	3,806
Prepayments received	7,270	3,183
Other taxes	1,492	1,364
Investment grants	1,512	1,788
Liabilities to tenants	910	858
Other liabilities	2,302	2,896
Total liabilities	**30,203**	**27,772**

The liabilities have the following remaining terms:

in EUR k	31/12/2015	31/12/2014
Up to 1 year	28,967	26,260
1–5 years	738	984
More than 5 years	497	528
	30,203	**27,772**

The significant decrease in liabilities to employees is essentially due to the payment of severance packages.

The prepayments received concern the disposal of properties.

The investment grants comprise received subsidies which are realised pro rata in net profit or loss over the term of the rental agreement. Of the EUR k 1,512 in investment subsidies, EUR k 1,236 is long-term.

The liabilities to tenants include credit from the annual utility invoices and overpayments by tenants.

F. NOTES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

F.1 NET OPERATING INCOME FROM LETTING ACTIVITIES

As expected, in the 2015 financial year income from letting activities increased significantly (by EUR k +13,892), essentially due to the acquisition of new properties.

The development of expenses related to letting activities stands in direct correlation with the revenue and increased slightly.

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 2015 financial year. The change in value was driven primarily by the positive market trends, the falling EPRA Vacancy Rate and the continuous growth in effective rents.

Measurement gains of EUR k 7,159 and disposal proceeds of EUR k 7,972 are attributable to the properties for which a notarised purchase contract was concluded in the financial year. The disposal proceeds are essentially attributable to three properties.

See section E.1 for more details.

F.3 OTHER OPERATING INCOME

Other operating income developed as follows in the reporting periods in 2015 and 2014:

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014
Reversal of valuation allowances	1,306	1,867
Insurance compensation	1,609	1,737
Income from the disposal of fully consolidated companies	618	117
TAG/TLG WOHNEN agency contract	30	640
Landlord maintenance services	258	503
Subsidies for environmental and contaminated land remediation	69	136
Income from previous years	1,064	431
Income from recharged IPO costs	31	9,800
Other income	850	1,608
Total	**5,835**	**16,839**

Other operating income declined as a whole in the 2015 financial year. In the previous year, the recharging of major IPO-related expenses to the shareholder was one of the key drivers of other operating income.

The subsidies for environmental and contaminated land remediation were covered by national institutions as reimbursements of expenses incurred.

F.4 PERSONNEL EXPENSES

Personnel expenses were as follows in the 2015 and 2014 financial years:

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014
Salaries	7,698	10,199
Social security contributions and pension expenses	1,220	1,879
Bonuses	1,422	1,188
Severance packages	670	496
Share-based payment components under IFRS 2	1,796	3,596
Total	**12,807**	**17,358**

The decrease in expenses for salaries and social security contributions was attributable primarily to the decline in the employee headcount in connection with the restructuring measures.

Expenses for share-based remuneration components for employees under IFRS 2 were recognised for the first time in the 2015 financial year. See also section H.10.

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	01/01/2015–31/12/2015	01/01/2014–31/12/2014
Amortisation of intangible fixed assets	313	597
Depreciation of land, land rights and buildings	185	274
Depreciation of technical equipment and machinery	126	155
Depreciation of other equipment and furniture and office equipment	135	210
Total	**760**	**1,236**

F.6 OTHER OPERATING EXPENSES

Other operating expenses were recognised as follows in the 2015 and 2014 financial years:

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014
Impairment on receivables	665	1,828
Consultancy and audit fees	2,412	10,924
General IT and administrative expenses	1,930	1,729
Ancillary office costs	836	767
Corporate advertising	881	526
Vehicle and travel expenses	443	462
Other taxes	0	279
Other	1,828	1,521
Reversal of provisions/liabilities	-1,174	-2,318
Total	**7,820**	**15,717**

The decrease in the impairment on receivables is essentially the result of a lower need to create valuation allowances for rent receivable and receivables from the disposal of properties.

The decrease in consultancy and audit fees is related primarily to the costs of the IPO in the previous year.

The item “Other” essentially comprises losses from write-downs of property, plant and equipment, the costs of further training and utilisation costs.

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 predominantly concern a legal dispute regarding the repayment of subsidies by a public financial institution.

F.7 NET INTEREST INCOME

Net interest income is broken down as follows:

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014
Net interest from bank balances	-128	-353
Net interest from default interest and deferrals	-190	-227
Other net interest	-125	-40
Total interest and similar income	**-443**	**-620**
Interest expenses for interest rate derivatives	4,221	4,025
Interest on loans	17,974	18,035
Interest expense from pension provisions	146	211
Other interest expenses	1,508	2,037
Total interest and similar expenses	**23,849**	**24,308**
Interest result	**23,406**	23,688

F.8 RESULT FROM THE REMEASUREMENT OF FINANCIAL INSTRUMENTS

In the 2015 financial year, there were expenses of EUR k 848 from the market value adjustment of derivatives (previous year EUR k 2,129).

The expenses from fair value adjustments in 2015 are due essentially to partial ineffectiveness in hedges for derivatives.

The value from the previous year (2014) is primarily the result of interest derivatives that were reversed in that period.

F.9 INCOME TAXES

The tax expense/income can be broken down as follows:

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014
Current income tax	8,135	1,548
Prior-period income taxes	-4,407	-35,378
Deferred taxes	34,583	65,459
Tax expense/income	**38,311**	**31,629**

The EUR k -4,407 in aperiodic income taxes in 2015 resulted essentially from the release of a reserve that was formed in previous years for a now complete audit, as well as from other aperiodic effects.

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	01/01/2015–31/12/2015	01/01/2014–31/12/2014
IFRS earnings before tax	**169,173**	**120,279**
Group tax rate in %	30.70	30.77
Expected income taxes	**51,936**	**37,010**
Special trade tax regulations	409	209
Changes in tax rate in the financial year	-327	0
Deviating tax rates for subsidiaries	-780	-347
Actual taxes in previous years	-4,407	2,516
Deferred taxes for previous years	-8,081	-5,599
Tax-free income	-1,215	-3,003
Non-deductible operating expenses	196	1,091
Other tax effects	579	-248
Effective income taxes in the statement of comprehensive income	**38,311**	**31,629**
Effective tax rate in %	22.65	26.30

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 TLG IMMOBILIEN has business premises is 425% for the financial year (previous year 427%). 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 14.875% (previous year 14.945%).

The domestic tax rate on which the calculated deferred taxes and expected (notional) tax expenses of the Group are based was therefore 30.70% in the reporting year (previous year 30.77%).

The deferred tax assets and liabilities before offsetting developed as follows as at the balance sheet date:

in EUR k	01/01/2015–31/12/2015	01/01/2014–31/12/2014
Deferred tax assets at the start of the reporting year	19,526	11,927
Change (in net profit or loss)	-2,292	1,881
Change recognised in equity	-820	5,278
Change due to basis of consolidation	-3,006	441
Deferred tax assets at the end of the reporting year	**13,408**	**19,526**
Deferred tax liabilities at the start of the reporting year	166,983	96,519
Change (in net profit or loss)	32,292	67,339
Change due to basis of consolidation	0	3,125
Deferred tax liabilities at the end of the reporting year	**199,275**	**163,858**

Deferred tax claims which are recognised directly to equity result from actuarial losses for pension obligations, hedge accounting reserves and the costs of the capital increase transaction.

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/loss for the period attributable to the shareholders by the weighted average number of ordinary shares in circulation within the reporting period.

	01/01/2015–31/12/2015	01/01/2014–31/12/2014
Net income attributable to the shareholders in EUR k	130,620	88,588
Average weighted number of shares issued in thousand [1]	62,041	53,794
Undiluted earnings per share in EUR	**2.11**	**1.65**
Potential diluting effect of share-based payment in thousand	58	13
Number of shares with a potential diluting effect in thousand	62,099	53,806
Diluted earnings per share in EUR	**2.10**	**1.65**

[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 and with all calculations, the number of shares is the number that would have existed if the company had always been an Aktiengesellschaft with the same number of shares. Total number of shares on 31 December 2014: 61.3 million, on 31 December 2015: 67.4 million. Due to the capital increases in October 2014 and November 2015, the average weighted number of shares per year amount to 53.8 million for 2014 and 62.0 million for 2015.

The share-based remuneration of the Management Board and individual employees has a diluting effect based on the amount of work already carried out. The number of shares on the balance sheet date would increase by 58 thousand shares to a total of 62,099 thousand shares. For more information on share-based payment see section H.10 and the compensation report.

G. DISCLOSURES ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement reports the changes in the cash funds 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), cash flows from operating activities are derived from earnings before tax (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.

The cash funds contain the recognised cash and cash equivalents, 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 tax (EBT) increased significantly compared to the previous year. Overall, the net cash flow from operating activities increased by EUR k 63,381. This is due essentially to special and non-recurring items worth EUR 50 m in the previous year. In particular, these include the reversal of interest rate derivatives, the costs of the IPO, the repayment of investment subsidies, the settlement of receivables arising from legal disputes and social plan payments. Additionally, in 2015 higher cash inflows from special items totalling around EUR 20 m had an effect, such as the proportional reimbursement of IPO costs by the former shareholder, the reimbursement of income tax by the tax offices and the provision of investment grants; additionally, the net cash flow resulting from the higher income from letting activities had an effect.

The cash flow from investing activities mainly comprises cash investments and disposals of properties. The decrease of EUR k 129,750 is due essentially to further planned reductions in cash inflows from disposals of non-strategic properties in comparison to the previous year, as well as a considerable increase in portfolio properties (2015: EUR k 205,839; previous year EUR k 58,607). TLG IMMOBILIEN generated EUR k 12,804 from the disposal of TLG Gewerbepark Grimma GmbH (EUR k 13,550 less EUR k 746 in disposed cash).

The cash flow from financing activities contains disbursements to repay existing loans (2015: EUR k 34,453; previous year EUR k 109,540). The inflows from new loans decreased significantly in the financial year (2015: EUR k 46,567; previous year EUR k 256,214). Therefore, EUR k 209,647 less in loans was taken out compared to the previous year, due to the adequate levels of cash and cash equivalents resulting from the capital increase in November 2015 and the IPO in 2014. Furthermore, disbursements for the repayment of loans in 2015 were EUR k 75,087 lower, due primarily to the full repayment of the loan taken out by the former shareholders in the previous year.

Due to the capital increase which took place in November 2015, TLG IMMOBILIEN AG generated cash of EUR k 100,724 (previous year EUR k 100,000).

In 2015, disbursements to shareholders resulted in liquidity pressure of EUR k 15,326 (previous year EUR k 233,000). Overall, in 2015 the cash flow from financing activities increased by EUR k 83,837 to EUR k 97,511 compared to the previous year.

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:

in EUR k			Measurement category in accordance with IAS 39						
	Measurement category in accordance with IAS 39	Book value as at 31/12/2015	Nominal value	Amortised cost	Fair value through net profit/loss	No measurement category under IAS 39	No financial instruments under IAS 32	Fair value as at 31/12/2015	Fair value hierarchy level
31/12/2015									
Other non-current financial assets	LaR	2,535		2,535				2,535	2
Trade receivables	LaR	11,911		11,911				11,911	2
Other current financial assets	LaR	883		883				883	2
Cash and cash equivalents	LaR	183,736	183,736					183,736	1
Total financial assets		**199,065**	**183,736**	**15,329**	**0**	**0**	**0**	**199,065**	
Liabilities to financial institutions	FLaC	782,688		782,688				821,465	2
Trade payables	FLaC	14,926		14,926				14,926	2
Derivatives	N/A	15,668				15,668		15,668	2
Derivatives	FLHfT	253			253			253	2
Other liabilities	FLaC	15,277			2,779		12,498	15,277	2
Total financial liabilities		**828,812**	**0**	**797,614**	**3,032**	**15,668**	**12,498**	**867,589**	
of which aggregated by IAS 39 measurement categories									
Loans and receivables	LaR	199,065	183,736	15,329	0	0	0	199,065	
Financial liabilities measured at amortised cost	FLaC	812,891	0	797,614	2,779	0	12,498	851,668	
Financial liabilities held for trading	FLHfT	253	0	0	253	0	0	253	

in EUR k			Measurement category in accordance with IAS 39						
	Measurement category in accordance with IAS 39	Book value as at 31/12/2015	Nominal value	Amortised cost	Fair value through net profit/loss	No measurement category under IAS 39	No financial instruments under IAS 32	Fair value as at 31/12/2015	Fair value hierarchy level
31/12/2014									
Other non-current financial assets	LaR	2,475		2,475				2,475	2
Trade receivables	LaR	12,552		12,552				12,552	2
Other current financial assets	LaR	981		981				981	2
Cash and cash equivalents	LaR	152,599	152,599					152,599	1
Total financial assets		**168,607**	**152,599**	**16,008**	**0**	**0**	**0**	**168,607**	
Liabilities to financial institutions	FLaC	770,447		770,447				819,243	2
Trade payables	FLaC	13,876		13,876				13,876	2
Derivatives	N/A	17,814				17,814		17,814	2
Other liabilities	FLaC	13,896			4,185		9,711	13,896	2
Total financial liabilities		**816,033**	**0**	**784,323**	**4,185**	**17,814**	**9,711**	**864,829**	
of which aggregated by IAS 39 measurement categories									
Loans and receivables	LaR	168,607	152,599	16,008	0	0	0	168,607	
Financial liabilities measured at amortised cost	FLaC	798,219	0	784,323	4,185	0	9,711	847,015	

“Other financial assets” contains a loan which is assigned to the category LaR. These instruments were recognised at amortised cost as no active market price was available and the fair value could not reliably be determined.

The book value of cash and cash equivalents, trade receivables, other financial assets, trade payables and other liabilities, for the most part, have short remaining terms and corresponded to the 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 derivatives 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		01/01/2015–31/12/2015	01/01/2014–31/12/2014
Loans and receivables	LaR	-1,084	-659
Available-for-sale financial assets	AfS	-618	-117
Financial liabilities held for trading (at fair value through profit or loss)	FLHfT	-607	2,960
Financial liabilities measured at amortised cost	FLaC	19,482	20,072
Total		**17,173**	**22,255**

The net result of the “Loans and receivables” measurement category comprises net interest from liquid capital, valuation allowances and reversals of write-downs resulting from the reversal of valuation allowances for rent receivable and the amortisation of rent receivable. The net interest amounts to EUR k 443 (previous year EUR k 620).

The net result of the “Financial assets held for trading” measurement category comprises the net interest and expenses for derivatives (except those designated hedging instruments) and the results from the measurement of these derivatives at market value.

The net result of the “Financial liabilities measured at amortised cost” measurement category comprises interest expenses for ongoing debt service and the results from the repayment of loans, 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 gauged by the net debt-to-equity ratio. The net debt-to-equity ratio 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 to financial institutions.

In the current financial year, as in previous years, the Group aims to continue securing access to debt at reasonable financing costs whilst not exceeding a reasonable proportion of debt.

As at 31 December 2015, the debt-to-equity ratio was as follows compared to the previous year:

in EUR k	31/12/2015	31/12/2014	Change	Change in %
Investment property (IAS 40)	1,739,474	1,489,597	249,877	16.8
Advance payments on investment property (IAS 40)	14,272	5,912	8,360	141.4
Owner-occupied property (IAS 16)	9,344	12,921	-3,577	-27.7
Non-current assets classified as held for sale (IFRS 5)	15,912	21,991	-6,079	-27.6
Real estate inventory (IAS 2)	1,104	1,477	-373	-25.3
Real estate	**1,780,106**	**1,531,898**	**248,208**	**16.2**
Liabilities to financial institutions	782,688	770,447	12,241	1.6
Cash and cash equivalents	183,736	152,599	31,137	20.4
Net debt	598,952	617,848	-18,896	-3.1
Net Loan to Value (Net LTV) in %	**33.6**	**40.3**	**-6.7 pp**	

In the table above, the assets classified as held for sale only concern investment property.

The Net LTV in the Group is 33.6% and decreased by -6.7 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 business 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 credit 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 hedging instruments such as guarantees, fixed charges, suretyships, letters of comfort, deductions and deposits are used. If necessary, valuation 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 book value 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:

in EUR k	Book value before impairment	Impairment	Residual book value
31/12/2015			
Trade receivables	15,585	-3,673	11,912
Other financial assets	3,477	-59	3,418
Total	**19,062**	**-3,732**	**15,330**
31/12/2014			
Trade receivables	18,201	-5,650	12,551
Other financial assets	3,522	-67	3,455
Total	**21,723**	**-5,717**	**16,006**

Collateral exists for the gross trade receivables (essentially rent deposits of approx. EUR 3.0 m (previous year EUR 5.2 m) which can be used to offset outstanding receivables if the legal requirements are met.

The impairments were as follows in the 2015 financial year:

in EUR k	As at 01/01/2015	Contribution	Utilisation	Reversals	Other change	As at 31/12/2015
Trade receivables	5,650	713	-1,374	-1,296	-19	3,673
Other financial assets	67	2	0	-10	0	59
Total	**5,717**	**715**	**-1,374**	**-1,306**	**-19**	**3,732**

The impairments were as follows in the same period in the previous year:

in EUR k	As at 01/01/2014	Contribution	Utilisation	Reversals	Other change	**As at 31/12/2014**
Trade receivables	7,019	1,467	-971	-1,866	0	5,650
Other financial assets	57	12	-0	-1	0	67
Total	**7,076**	**1,479**	**-971**	**-1,867**	**0**	**5,717**

Additionally, the table below presents the age structure of the financial assets that were overdue but not individually impaired as at the balance sheet date.

in EUR k	Book value	Of which neither impaired nor overdue as at the balance sheet date	Of which overdue but not impaired as at the balance sheet date		
			< 90 days	90–180 days	> 180 days
31/12/2015					
Trade receivables	11,911	7,799	13	5	23
Other financial assets	3,418	3,360	9	0	38
Total	**15,329**	**11,159**	**22**	**5**	**61**
31/12/2014					
Trade receivables [1]	12,552	8,803	258	243	904
Other financial assets	3,456	3,394	45	0	0
Total	**16,008**	**12,197**	**303**	**243**	**904**

[1] The figures from the previous year for the receivables that were neither impaired nor overdue as at the balance sheet date were adjusted.

Neither impaired nor overdue receivables are considered to have retained their value.

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	**31/12/2015**	**31/12/2014**
Trade receivables		
Gross amount of financial assets	19,909	16,899
Gross amount of financial liabilities offset in the statement of financial position	-21,631	-17,157
Net amount recognised in the statement of financial position under financial assets	1,076	1,699

Financial liabilities

in EUR k	31/12/2015	31/12/2014
Prepayments received towards operating costs		
Gross amount of financial assets	19,909	16,899
Gross amount of financial liabilities offset in the statement of financial position	-21,631	-17,157
Net amount recognised in the statement of financial position under financial assets	-2,797	-1,956

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 liquid capital 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 and the derivatives of the TLG IMMOBILIEN Group with a negative fair value. The maturities are based on the contractually defined fixed interest rates of the financial debt.

in EUR k	Book value	Maturities		
		< 1 year	1–5 years	> 5 years
31/12/2015				
Liabilities to financial institutions	782,688	48,460	532,517	278,807
Derivative financial instruments	15,921	4,753	11,254	151
Trade payables	14,926	14,926	0	0
Other liabilities	15,277	14,041	738	497
Total	**828,812**	**82,181**	**544,509**	**279,455**
31/12/2014				
Liabilities to financial institutions	770,447	57,103	313,449	496,959
Derivative financial instruments	17,814	4,023	12,156	2,012
Trade payables	13,876	13,876	0	0
Other liabilities	13,896	12,384	984	528
Total	**816,033**	**87,386**	**326,590**	**499,499**

All instruments for which payments were contractually agreed as at the balance sheet 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 balance sheet date. Financial liabilities that can be repaid at any time are always allocated to the earliest repayment date.

Around 99.62% of the financial liabilities have fixed interest rates or are safeguarded by interest rate hedges (previous year around 99.48%). The average interest rate is around 2.91% (previous year around 2.95%). The future prolongation structure on the basis of the current residual debt is as follows:

in EUR k	Book value	Nominal value	2016	2017–2020	> 2020
Prolongation structure 2015	782,688	786,067	36,166	480,583	269,317
Prolongation structure 2014	770,447	774,335	39,345	304,779	430,211

Some financing contracts provide for financial covenants (essentially the Group's equity ratio, LTV, interest coverage ratio and debt service coverage ratio) whereby the bank can exercise its right of termination without notice if the covenants are not adhered to. The company covers the risk of a broken covenant by regularly inspecting the covenants and, if necessary, taking steps to adhere to the covenants. A broken covenant can also be remedied by means of unscheduled repayments, for example. No covenants were broken in 2015. No breaches of covenant are foreseeable in the future.

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 include interest rate derivatives such as interest swaps and caps. The use of such interest rate derivatives is governed by guidelines. Under the guidelines, derivatives 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 2015, the portfolio contained the following derivatives; the maturity periods are as at the balance sheet date.

Derivate

in EUR k	2015	
	Fair value	< 1 year
Derivative assets held for trading	**0**	**0**
of which caps	0	0
Derivative liabilities held for trading	**253**	**0**
of which interest swaps	253	0
of which collars	0	0
Hedge derivatives	**15,668**	**0**
of which interest swaps	15,668	0

As at 31 December 2014 the portfolio contained the following derivatives:

in EUR k	2014	
	Fair value	< 1 year
Derivative assets held for trading	**0**	**0**
of which caps	0	0
Derivative liabilities held for trading	**0**	**0**
of which interest swaps	0	0
of which collars	0	0
Hedge derivatives	**17,814**	**0**
of which interest swaps	17,814	0

The derivatives are used as hedging instruments under IAS 39 if they meet the hedge accounting requirements. The cash flows from the underlying transactions – which are covered by cash flow hedge accounting – will arise from 2016 to 2024 and affect the statement of comprehensive income.

In 2015, ineffectiveness of EUR k 583 was recognised in the statement of comprehensive income as part of accounting for hedging relationships. The ineffectiveness was caused by the remeasurement of derivatives according to IFRS 13.

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	2015	2014
Opening balance as at 01/01	**-15,980**	**-180**
Recognition in accumulated other comprehensive income in the reporting period	-1,685	-18,448
Reversal from equity into the income statement	4,193	2,648
Closing balance as at 31/12	**-13,472**	**-15,980**

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 expenses, trading profit and losses, and on the equity on the balance sheet 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 +/- 100 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 balance sheet date, a hypothetical change – quantified by sensitivity analyses – in the interest rates on which each instrument was based on the balance sheet date would have had the following effects (before taxes).

Derivatives

in EUR k	Effect on OCI		Effects on income	
	+50 BP	-50 BP	+50 BP	-50 BP
31/12/2015				
Financial debt	0	0	-1,784	1,139
Interest rate derivatives	7,453	-7,723	501	-516
	+100 BP	-100 BP	+100 BP	-100 BP
31/12/2014				
Financial debt	0	0	-3,660	285
Interest rate derivatives	19,061	-20,614	48	0

H.8 NUMBER OF EMPLOYEES

On 31 December 2015, 122 staff were employed by the Group (31 December 2014: 145).

	31/12/2015	Average number of employees in 2015	31/12/2014	Average number of employees in 2014
Permanent employees	116	114	136	152
Temporary employees	6	6	9	9
Total	**122**	**120**	**145**	**161**

As in the previous year, the full-time employees will not be 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	2015	2014
Audit services	185	247
Other assurance services	22	924
Other services	3	606
Total fee	**210**	**1,777**

Other assurance services essentially comprise the sending of comfort letters in connection with the offer of shares and the admission of the shares to the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

Other services essentially comprise the recharging of liability insurance as part of the creation of comfort letters and FFO prognosis checks.

H.10 IFRS 2 PROGRAMMES

H.10.1 Long-term incentive plan (LTIP) with current shareholders

On 11 April 2014, the Management Board of TLG IMMOBILIEN AG entered into a bilateral bonus agreement with the direct shareholders of the company. Under the agreement, any future realised appreciation in the value of the company will be passed on to the beneficiaries in the form of a cash bonus payment.

The amount of the bonus to be paid will be determined on the basis of a reference value which is designed to reflect the appreciation of shareholders' invested equity over the term of their investment. The reference value is determined as the total of distributions to the shareholders less contributions made by the shareholders into the investment. The bonus payment is based on a percentage of the reference value, linked to a 0.4% cap.

The bonus payment by the shareholders will be due if several cumulative requirements have been met:

- Occurrence of an exit or partial exit event: neither the direct shareholders nor their associates continue to hold a direct or indirect interest in TLG IMMOBILIEN AG or the amount of their interest falls below the total of their current interest.
- Distributions must exceed investments paid by the shareholders by more than 50%.
- At the (partial) exit date, the members of the Management Board of TLG IMMOBILIEN AG must continue to be regularly employed by the company.

The incentive programme stipulates a direct payment from the shareholders to the Management Board. The TLG IMMOBILIEN Group is not obliged to make these payments. This bonus programme is therefore accounted for analogously to share-based payments granted to the Management Board of TLG IMMOBILIEN AG in accordance with IFRS 2. This is offset by an additional contribution by the shareholders to the capital reserve.

As part of the IPO of TLG IMMOBILIEN AG, in September 2014 the previous long-term incentive contracts of the management dated April 2014 were rescinded and replaced by new contracts for the Management Board.

The new LTI contracts also provide for a scale in the sense of partial exit(s) and a final exit. Therefore, in 2014 the successful partial exit (IPO) resulted in a fixed payment of EUR k 1,050 and the transfer of company shares with a market value of EUR k 300 per member of the Management Board.

Following the complete exit (including several partial exits), company shares with a market value of EUR k 1,163 were transferred to each member of the Management Board. Similar to the original bonus agreement, the exit bonus agreement is to be recognised as an equity-settled share-based payment.

These contracts did not affect the liquidity of TLG IMMOBILIEN. Likewise, the regulations of IFRS 2 have led to a recognition of expenses which differs in terms of both date and amount.

The scheme came to an end with the final transfer in July 2015.

H.10.2 Share-based remuneration of employees

In the 2015 financial year, expenses for a share-based remuneration component for certain employees were recognised for the first time under IFRS. The grant date fair value of the schemes launched in the first and final quarter of 2015 is EUR k 188.

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.10.3 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 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/her LTI if he/she was actively employed during the calendar year in which the evaluation of the objectives commenced. 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 618 were recognised for the LTI as at 31 December 2015 (previous year EUR k 158).

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 compensation report.

H.11 RELATED COMPANIES AND 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 are considered related parties and companies, as are members of management who exercise key executive functions, and the TLG IMMOBILIEN Group's subsidiaries, associates and joint ventures.

Related companies

In the first quarter of 2015, according to the voting rights notification the percentage of voting rights held by LSREF II East AcquiCo S.à r.l., Luxembourg, (East AcquiCo) in TLG IMMOBILIEN decreased to 18.48% (31/12/2014: 42.95%). East AcquiCo sold its entire shareholding in July 2015. Therefore, East AcquiCo and its related companies and parties are no longer related companies or parties of TLG IMMOBILIEN AG in the sense of IAS 24.

The following table shows the receivables and liabilities on the balance sheet date, as well as the income and expenses of the financial year in connection with related companies:

in EUR k	2015	2014
Statement of financial position and statement of comprehensive income		
Credit with other related companies	0	85,000
Liabilities to other related companies	0	9,800
Expenses for other related companies (interest)	0	9,800
Expenses for other related companies (guarantee commissions)	0	230
Net interest from other related companies	0	17

In the previous year, the credit with related companies concerned short-term bank balances at IKB Deutsche Industriebank AG.

Related parties

The composition of the Management Board has not changed since 31 December 2014.

The composition of the Supervisory Board has changed, however. Mr Axel Salzmann resigned from his position on the Supervisory Board of TLG IMMOBILIEN AG on 25 June 2015. Mr Helmut Ullrich was appointed to the Supervisory Board, effective from 23 July 2015.

The remuneration paid by TLG IMMOBILIEN AG to the members of the Management Board was as follows in the 2015 financial year:

in EUR k	2015	2014
Fixed remuneration	600	600
Fringe benefits	107	98
Subtotal of fixed remuneration	**707**	**698**
Short-term variable remuneration (STI)	400	300
Long-term variable remuneration (LTI)	0	2,464
Subtotal of variable remuneration	**400**	**2,764**
Total remuneration	**1,107**	**3,462**

See the compensation 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 2015 (previous year EUR 0.2 m). In 2015, EUR 2.8 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 2015 financial year totalled EUR 0.3 m (previous year EUR 0.1 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	2015	2014
Benefits due in the short term	1,406	900
Other benefits due in the long term	107	98
Share-based remuneration	1,575	3,596
Total	**3,088**	**4,594**

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	31/12/2015	31/12/2014
Land charges	781,522	796,221
	781,522	**796,221**

H.13 OTHER FINANCIAL OBLIGATIONS

As at the balance sheet date, the other financial obligations of the Group consisted of EUR k 1,138 (previous year EUR k 630) in future payments (net) resulting from operating leases and a commitment of EUR k 102,997 (previous year EUR k 54,253) for investment property and property, plant and equipment.

The company has diverse service contracts for IT services, building cleaning, reception staff and security services, as well as vehicle rental contracts for its fleet of vehicles. Additionally, rental agreements on the leasing of space for archiving purposes were concluded in 2015. These operating leases serve the company’s ongoing business operations and are advantageous in that high investment measures and the corresponding outflow of liquid capital are not necessary. The operating leases are not considered risky.

The obligations from future minimum lease instalments resulting from non-cancellable operating leases mature as follows:

in EUR k	31/12/2015	31/12/2014
Due within 1 year	131	131
Due in up to 2 years	77	58
Due in up to 3 years	35	5
Due in up to 4 years	35	0
Total	**278**	**194**

There are also future payment obligations of EUR k 675 (previous year EUR k 297) from service contracts and payment obligations of EUR k 185 (previous year EUR k 139) from rental agreements.

The expenses for minimum lease instalments in the 2015 financial year totalled EUR k 213 (previous year EUR k 216).

H.14 SHAREHOLDING LIST

As at 31 December 2015, TLG IMMOBILIEN AG holds interests in the following fully consolidated companies:

Name and registered offices of the company	Shareholding in %	Equity on 31/12/2015 in EUR k	Results of the 2015 financial year in EUR k
Hotel de Saxe an der Frauenkirche GmbH, Dresden	100	27,799	224
TLG Vermögensverwaltungs GmbH, i.L. Berlin	100	76	-11
TLG FAB S.à r.l., Luxembourg	94.9	32,602	1,827

Compared to the previous year, two companies were removed from the portfolio of fully consolidated companies. For more information see sections C.2 and C.3.

This was due to incomplete financial statements. The equity and net income are based on commercial accounting or accounting under the laws of the country in which each company is based.

The portfolio of fully consolidated companies was as follows on 31 December 2014:

Name and registered offices of the company	Shareholding in %	Equity on 31/12/2014 in EUR k	Results of the 2014 financial year in EUR k
TLG Gewerbepark Grimma GmbH, Grimma	100	12,545	1,297
TLG Vermögensverwaltungs GmbH, i.L., Berlin	100	24	3
Hotel de Saxe an der Frauenkirche GmbH, Dresden	100	27,783	1,355
Verwaltungsgesellschaft an der Frauenkirche mbH, i.L. Dresden	100	87	-4
TLG FAB S.à r.l.	95	30,775	-1,525

H.15 DECLARATION OF COMPLIANCE UNDER § 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Management and Supervisory Boards have fulfilled the recommendations of the German Corporate Governance Code as set out in the report on the position of the company and the Group. The declaration of compliance shall be made available to the shareholders when the annual report for 2015 is published in the Investor Relations section of the company's website www.tlg.eu.

Berlin, 11 March 2016

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

AUDIT CERTIFICATE

The auditor issued the following statement with regard to the consolidated financial statements and the report on the position of the company and the Group:

"We have audited the consolidated financial statements prepared by TLG IMMOBILIEN AG, Berlin, consisting of the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes, as well as the report on the position of the company and the Group for the financial year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the report on the position of the company and the Group pursuant to the IFRS, as applicable in the EU, and the regulations of commercial law as per § 315a (1) of the German Commercial Code (HGB) that supplement these, is the responsibility of the company's legal representatives. Our task is to submit an assessment of the consolidated financial statements and the report on the position of the company and the Group based on the audit conducted by us.

We carried out our Group audit in accordance with § 317 HGB with consideration for the generally accepted accounting principles in Germany that were established by the German Institute of Auditors (IDW). These stipulate that the audit must be planned and conducted in such a way that irregularities and infringements that could materially affect the representation of the assets, financial position and earnings of the Group by the consolidated financial statements in compliance with the generally accepted accounting principles and by the report on the position of the company and the Group can be identified with a sufficient degree of certainty. When the audit activities were determined, account was taken of existing knowledge about the business operations of the Group and the commercial and legal environments in which it operates, as well as expectations of possible errors. The effectiveness of the internal accounting control system and evidence of the amounts and disclosures in the consolidated financial statements and the report on the position of the company and the Group are examined primarily on a random basis as part of the audit. The audit includes an assessment of the financial statements of the companies included in the consolidated financial statements, the delimitation of the consolidated entity, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as an evaluation of the overall presentation of the consolidated financial statements and the report on the position of the company and the Group. We believe that our audit provides a sufficiently sound basis for our assessment.

Our audit did not give rise to any objections.

In our estimation, based on the information gathered during the course of the audit, the consolidated financial statements comply with the IFRS, as applicable in the EU, and the regulations of German commercial law as per § 315a (1) HGB that supplement these, and, in compliance with these regulations, communicate a true and accurate picture of the assets, financial position and earnings of the Group. The report on the position of the company and the Group is consistent with the consolidated financial statements, communicates an accurate overall picture of the Group's situation and accurately describes the opportunities and risks of future development."

Berlin, 11 March 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
(Auditor)

Kreninger	Pilawa
Auditor	Auditor

FINANCIAL CALENDAR

13 May 2016
Publication of quarterly financial report Q1/2016

31 May 2016
Annual general meeting

10 August 2016
Publication of quarterly financial report Q2/2016

11 November 2016
Publication of quarterly financial report Q3/2016

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